

Maryland's Use of Conservation Finance to Improve Rivers

Communities around the country are grappling with the loss of environmental and social benefits caused by degraded rivers and streams. While progress has been made in reversing the trend, the scale of the problem requires state governments to accelerate restoration and attract private investment. Subtle changes to traditional state codes can drastically increase the amount of restoration a state is able to accomplish without increasing the budget.

While Maryland's government has plowed billions of dollars into river and Bay restoration, the state has now set a goal of attracting \$100 million of private environmental financing every year. In April of 2022, legislators passed the bipartisan Conservation Finance Act (Senate Bill 0348 and House Bill 0653) that makes dozens of tweaks to state code to speed up environmental conservation and restoration, especially of the state's waterways, by making state processes more efficient and encouraging private investment.

Here is a summary of the ways the Conservation Finance Act can be used to improve Maryland's rivers and streams:

PURCHASING ENVIRONMENTAL OUTCOMES

Creates a definition of "environmental outcome" as a commodity that is modeled or directly measured as a single, quantifiable, and certified unit of improvement to the environment, such as nutrient pollution reductions, feet of riparian buffers, or temperature. This allows for simpler and faster forms of contracting.

PUTTING PAY FOR PERFORMANCE CONTRACTS IN MARYLAND PROCUREMENT CODE

One of the most important sections of the bill for private investment is language that adds Pay for Performance contracts as an 11th acceptable form of state contract under state procurement law. Pay for Performance allow for restoration to be treated more like a commodity rather than a service, minimizing paperwork and more easily scaling to meet the scope of the need for cleaning rivers. The legislation also directs the Maryland Environmental Service to carry out a review every three years of previously completed Pay for Performance contracts to document what is or is not working through this approach.

DEFINING GREEN INFRASTRUCTURE AND BLUE INFRASTRUCTURE

Makes Maryland the first state to define blue infrastructure, and creates definitions of both green and blue infrastructure that include water quality improvements, flood risk reduction, and carbon sequestration.

ALLOWING REVOLVING LOAN FUNDS TO BE USED UPSTREAM

Allows Maryland Department of the Environment to issue green or blue infrastructure loans for projects carried out in the Susquehanna River watershed that improve Maryland's water quality and are proposed by a regional or inter-state entity; requires consultation with host state and allocation of total daily maximum load credits.



REQUIRING YEARLY REPORTING ON GREEN AND BLUE INFRASTRUCTURE

Requires MDE to provide an annual report to the legislature on the specific kinds of green and blue infrastructure projects that revolving loan funds are supporting.

DIRECTING FINANCING TO HAZARDOUS DAM REMOVAL AND RENEWABLE POWER GENERATION

Like all states, Maryland has old, often-abandoned dams that experts believe could fail and therefore create significant risk to lives and property, but there is little or no funding to address the problem. This language encourages private financing for hazardous dam removal, including by making clear that the restored habitat created by dam removal can be used to mitigate impacts caused by other projects to water resources, just like federal policy. The language gives first priority to dam removals for fish passage or other ecological benefits before identifying hazardous structures that could be retrofitted to generate small scale hydropower. It also directs the Department to notify the Maryland Industrial Development Financing Authority of its priorities so that they may be consider helping to finance projects.

COMMISSION ON GREEN AND BLUE INFRASTRUCTURE AND RESTORATION POLICY

Establishes a Green and Blue Infrastructure Policy Advisory Commission for 3 years, whose membership includes state agencies, local government, restoration businesses, conservation nonprofits, and others. The purpose of the Commission is to make recommendations on how to promote ecological restoration through green and blue infrastructure practices, including by looking at overlapping local, state, and federal requirements that may hinder climate resilience or ecological restoration projects.

SUSQUEHANNA WATERSHED CONSERVATION FINANCE

Allows Maryland to purchase environmental outcomes from long-term or permanent green or blue infrastructure projects in the Susquehanna River watershed that provide water quality benefits to Maryland; requires Maryland to consult with the host state for their support and agreement as to which watershed implementation plan would be credited for the purchased outcomes.



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See more information about the Conservation Finance Act, including all of its provisions and how it can be translated to other states, at policyinnovation.org/cfa.