

DRAFT-2



**Bay Restoration Fund
Advisory Committee**

Robert Warfield, Chairman

**Administrative Costs Incurred by
Local Governments**

Status Report

December 2006

**Report to Governor Robert L. Ehrlich, Jr.,
The Senate Education, Health, and Environmental
Affairs Committee, &
The House Environmental Matters Committee**

Purpose: Section 4, Chapter 428, Acts 2004 under Annotated Code of Maryland, Chapter 9, Section 1605.2 of Environment Article requires that on or before December 31, 2006, the Bay Restoration Fund (BRF) Advisory Committee, in conjunction with the Maryland Association of Counties and Maryland Municipal League shall provide a report to the Governor and the General Assembly regarding the extent of administrative costs incurred by local governments in collection of the Bay restoration fee and the reasonableness of the reimbursement authorized by the statute.

The Bay Restoration Fund legislation allows local billing authorities reimbursement for reasonable administrative costs in an amount not to exceed 5% of the total fee collected. The local billing authorities are allowed to carry forward any unreimbursed expenses and claim them against future fee deposits on a cumulative basis.

The table below shows a summary of the administrative expenses claimed by the local billing authorities since the inception January 1, 2005 through billing period ending September 30, 2006. The details by County are provided in Appendix A.

Billing Period	\$ Million		Total BRF Fee Deposit	Local Administrative Costs Claimed	Administrative cost as % of BRF fee
	Bay Restoration Fee Deposits WWTP Fund	Septic Fund			
01/2005 – 06/2005	\$ 7.33	\$ 0.26	\$ 7.58	\$ 0.41	5.40%
07/2005 – 12/2005	\$ 44.96	\$ 6.86	\$ 51.82	\$ 0.58	1.12%
01/2006 – 06/2006	\$ 24.77	\$ 2.37	\$ 27.14	\$ 0.17	0.63%
07/2006 – 09/2006	\$ 18.51	\$ 5.73	\$ 24.24	\$ 0.11	0.44%
Inception – 09/2006	\$ 95.57	\$ 15.22	\$ 110.79	\$ 1.27	1.14%

Data Source: State Comptroller's Office

As expected, the above data shows that except for the initial startup costs, the incremental administrative costs incurred by local billing authorities was expected to drop over time. The administrative costs as a % of total fee collected have continued to drop with every subsequent billing cycle from 5.4% initially (first six months 1/2005 - 6/2005) to 0.44% for the most recent quarter (07/2006 - 09/2006). In the future, the administrative costs claims by local billing authorities are expected to be less than 0.50% of fees collected.

Conclusion: Based on the above, the administrative cost allowance of up to 5% of fees collected, as provided by the Bay Restoration Fund statute, is more than reasonable.

Appendix A

Bay Restoration Fund - By County*
Program Inception Through September 2006 Fee Deposits

	Sewer Fee	Septic Fee	Total Fees	Local Expenses Claimed	Local Expenses Paid
Allegany	1,359,943	243,380	1,603,323	48,224	41,325
Anne Arundel	7,707,719	1,903,195	9,610,914	116,574	116,251
Baltimore County	16,343,798	1,013,562	17,357,359	195,824	147,316
Baltimore City	13,828,450	62,065	13,890,515	40	40
Calvert	304,616	723,285	1,027,901	53,117	32,856
Caroline	258,847	268,922	527,769	3,715	3,630
Carroll	1,278,674	1,731,567	3,010,241	50,435	46,694
Cecil	863,102	907,329	1,770,431	35,944	29,014
Charles	1,745,698	174,034	1,919,732	10,826	9,221
Dorchester	538,709	314,324	853,033	33,507	25,767
Frederick	2,710,612	708,272	3,418,884	23,292	22,443
Garrett	537,942	294,521	832,463	7,137	7,137
Harford	2,985,769	1,518,715	4,504,484	65,073	60,215
Howard	4,265,507	740,319	5,005,826	20,749	20,732
Kent	334,863	210,905	545,768	12,297	12,114
Montgomery	878,074	429	878,503	28,055	14,539
Prince George's	31,518,565	778,123	32,296,687	284,272	284,272
Queen Anne's	536,025	434,308	970,333	25,096	21,779
St. Mary's	810,536	1,135,980	1,946,516	36,778	36,719
Somerset	231,749	170,100	401,850	32,131	14,484
Talbot	628,534	413,809	1,042,342	13,461	12,933
Washington	1,989,774	704,670	2,694,444	51,556	51,556
Wicomico	1,760,293	435,465	2,195,757	75,069	50,708
Worcester	2,212,441	312,814	2,525,255	43,641	39,888
Undesignated	22,760	13,771	36,531	615	273
Total	95,652,997	15,213,865	110,866,862	1,267,428	1,101,906
* County Location based on address of local billing authority					