

DRAFT ACCOUNTING FOR GROWTH, PHASE III WIP

INTRO & OBJECTIVES

I. INTRODUCTION

As part of the Chesapeake Bay TMDL's Watershed Implementation Plan (WIP) process, EPA is requiring watershed states to develop policies that account for new and increased nutrient and sediment loads (Accounting for Growth, or AfG). Maryland's Phase I and II WIPs and the *2013 Final Report of the Workgroup on Accounting for Growth (AfG) in Maryland* established three important starting points for Phase III:

- *Alignment with Existing Policies and Programs.* Maryland has long recognized the impacts of growth and development on natural resources, including water. The State and local governments have instituted policies and implemented many programs to minimize those impacts. Collectively, these programs have substantially reduced nitrogen, phosphorus and sediment loads from development. AfG Policy will build on these already in-place policies and programs and take advantage of their effects on pollution loads.
- *Load Allocation.* The 2013 AfG work group achieved consensus on all but two key policy issues: (1) allocation of loads for new development and determination of associated offset requirements (i.e., the loading "baseline") and, (2) establishing the geographical boundaries for pollution trading. Current nutrient trading regulations are under development to address trading geographies. Determining load allocations for new development and any associated offset requirements is still unresolved and a necessary focus of the Phase III effort.
- *AfG Objectives.* Numerous principles were established in the Phase I and II WIPs to guide AfG Policy development. Others were added by the 2013 Accounting for Growth Work Group. These principles have been consolidated and summarized as AfG Objectives to serve a similar purpose for Phase III.

II. AFG OBJECTIVES

1. *Allocate future loads consistently and equitably across source sectors.* AfG Policy will require offsets for post-development loads from new development for which there is no TMDL Allocation. No allocations for nonpoint source loads from new development – including septic systems – were made in the Phase I and II WIPs. If TMDL load allocations for new development are to be made in the Phase III WIP, they should be made in a manner consistent with allocations for other source sectors, that does not inequitably burden any sector with disproportionate reduction targets. This would require that Maryland reallocate loads among sectors and other potential competing uses to achieve the TMDL.

2. *Require offsets for new or increased loads, for the duration of the pollution source.* Offsets under AfG Policy will be required for the lifespan of the relevant pollution source. The specific practices producing the offsets may change and the responsibility for maintaining the offsets may be shifted to another entity with consent.

3. *Incorporate a margin of safety in AfG Policy.* For new development, offsets required under AfG Policy will exceed the reduction credit needed (i.e., AKA retirement credits) by a standard *margin of safety*. This will make a small contribution toward a reserve against uncertainty.

4. *Align AfG Policy with existing policies and programs to minimize increased loads from development and accommodate growth.* AfG Policy will seek to minimize loads from new development by building on the effects of existing programs that already minimize loads. To that end, AfG Policy will encourage growth that results in the lowest pollution loads, and discourage growth resulting in higher pollution loads.

5. *Ensure compatibility between AfG Policy and other public objectives.* As much as possible, AfG Policy should support, complement, and avoid undermining other important public policies and objectives that may be affected by it. For example, do not create incentives to develop working agricultural landscapes the State and local governments are spending hundreds of millions of dollars to preserve.

6. *Empower local government to make land use and AfG policies mutually supportive.* Give local governments a role in Policy implementation that provides the ability to:

- Support their comprehensive plans and its land use objectives;
- Maximize physical and economic development opportunities under the TMDL; and,
- Ensure that management of land use and the regulation of pollution are mutually supportive

7. *Make AfG Policy as simple, practical, transparent and enforceable as possible.* AfG process should be simple and streamlined to follow; create clear obligations and practicable means to meet them for affected parties; maximize flexibility for participants in the offset market; minimize complexity and procedural costs to affected parties; and maximize accountability and transparency for all parties involved. Create means to verify and enforce each step in the implementation process consistent with these principles.

8. *Integrate AfG Policy with Maryland's Nutrient Trading Program.* AfG policy will be integrated to the greatest extent practicable with Maryland's point and nonpoint source Trading Program, to support the trading market, take advantage of Program procedures, minimize transaction costs, and efficiently manage administrative burdens for public and private sector participants.