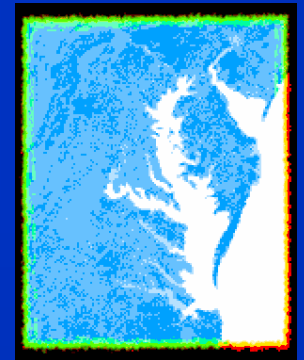




Saving a National Treasure
Chesapeake Bay Watershed
Blue Ribbon Finance Panel

The Challenge

- Identify funding and financing mechanisms to pay for removing the Bay from the “impaired waters” list
- Primary focus:
 - Nutrients (= algal growth)
 - Sediments (= turbidity)



A Remarkable Ecosystem Under Threat

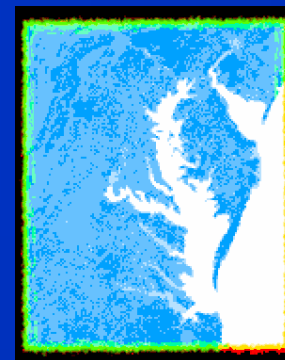


The Approach:

Blue Ribbon Finance Panel

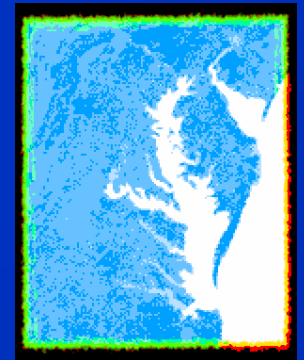
Charged with finding the resources
to restore the Bay

- Appointed by governors of the six Bay states, mayor of D.C., US EPA, Chesapeake Bay Commission and a CBP partners advisory committee
- Not an economic analysis
- Not a review of the science



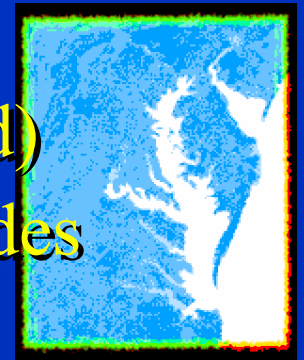
The Approach

- Blue Ribbon Finance Panel to explore both proven strategies and novel approaches for:
 - Point Sources (wastewater)
 - Agriculture
 - Development (stormwater)
 - Air deposition & forest cover



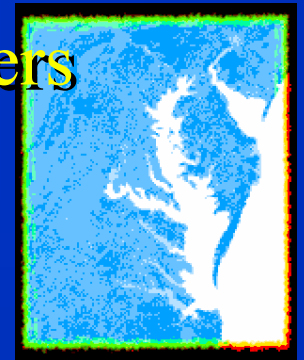
Some Fundamental Conclusions

- No. 1: Point sources have potential revenue streams
- The BRP endorsed the Restoration Fund adopted by Maryland
 - Called for similar approaches
 - Recognized state differences
 - Endorsed creative concept of spreading the burden (only \$2.50/mo per household) and targeting the funds (dedicated; includes cover crops), and leveraging (bonds)



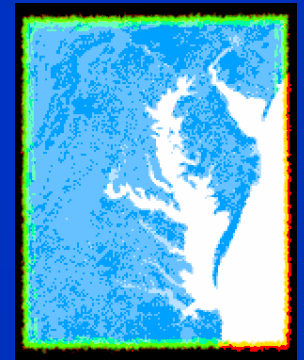
Fundamental Conclusions

- No. 2: There are additional ways to match costs to users:
 - Stormwater utilities (e.g., Virginia Beach)
 - Upfront stormwater construction costs borne by the builder
 - Adequate enforcement requires polluters to pay



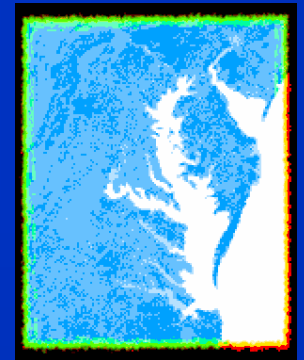
Fundamental Conclusions

- No. 3: Agriculture will require assistance in order to change
 - Federal cost-share programs (e.g., CSP, CREP) help farmers employ conservation practices
 - More Federal attention due to the Bay
 - Farmers will also need to adapt to markets and environmental requirements



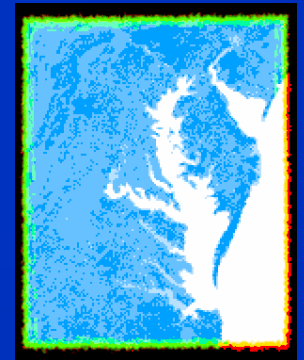
Fundamental Conclusions

- No. 4: Financing the cleanup of the Bay will require fees, loans and grants
 - Revolving loan funds (SRFs) provide a valuable model and tool
 - The Federal government should expand the SRF program
 - In the Bay watershed, funds should be available on a watershed-wide basis



Overriding Recommendation

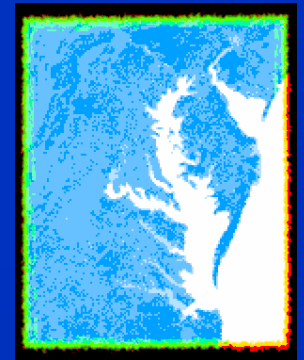
- Establish a **Chesapeake Bay Financing Authority** with the capacity to:
 - Disperse both loans and grants (70/30)
 - Target funds to the most pressing problems, regardless of where they are
 - Receive funds from the Federal government and the member states (initial capitalization of 80/20; \$12B/3B)



Why the Fund is Different

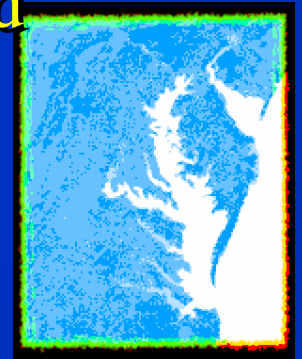
- Not just a request for one-time grant funds
- Like SRFs, once capitalized this fund will continue to operate well into the future
- Most funds will be given as loans, with a smaller proportion (e.g., no more than 30%) as grants*

*Grants very important, e.g., for agriculture & at risk developed areas



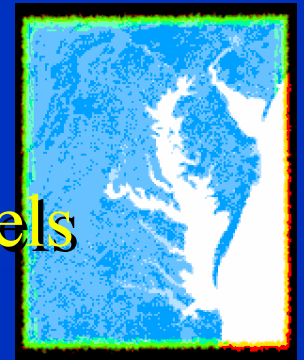
Major Barriers (& Solutions?)

- Federal fiscal climate extremely tight
 - Yet Florida targeted to receive \$12B in a single year for hurricane relief (CB over 6 yrs)
- Notion of moving funds to another state counter to fundamental politics
 - But some seem willing to match Federal funds that could then move through watershed



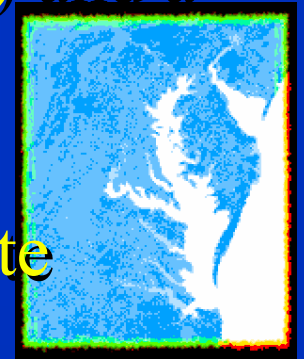
Barriers/Solutions

- Revolving loans would need to be repaid, which would require revenue streams
 - Examples of stormwater utilities and “flush fees” demonstrate concrete potential for this
- Considerable political and legal complexities exist in creating a multi-state compact
 - But voluntary cooperation could begin soon, while pursuing more formal models



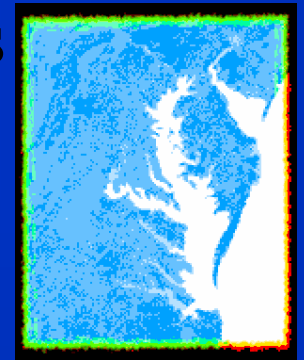
Additional Recommendations

- Blue Ribbon Panel Report included nearly two dozen recommendations:
 - Increase Farm Bill funding & Ag Conservation programs (CSP)
 - Require nutrient management plans for subsidies
 - More flexibility in the SRF (30% grants) and a Hardship & Innovation Fund
 - Nutrient Trading
 - Tax-exempt financing for industrial waste



Additional Recommendations

- Stormwater utilities at local level
- Enact stormwater assistance through SAFETEA transportation bill
- Financial incentives to reduce costs of (urban) stormwater infrastructure
- Residential and lawn fertilizer state surcharge
- Extend tax credits for efficient vehicles
- Enforce Clean Air Act
- Increase CREP funds for tree planting



The Continuing Challenge

- Persistent problems, such as agriculture, are not yet resolved.
- The Bay is facing continuing population growth.
- Problems connected with development and transportation are growing.



Final Points

- There is a major Federal responsibility
 - The Bay is the nation's largest estuary and a National Treasure
 - There are mechanisms (e.g., the Farm Bill) that could provide key assistance
 - There is precedent (e.g., Everglades, hurricane relief) for large-scale assistance



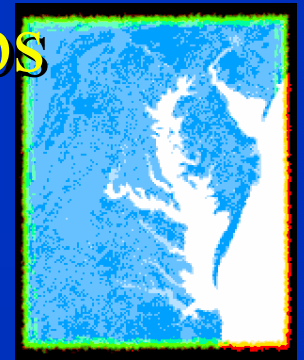
Final Points

- There is a major State responsibility
 - Our regional birthright
 - Many benefits accrue to our states
- There is major Local responsibility
 - Land use (zoning, stormwater)
extremely important



Final Points

- Without State leadership Federal dollars and local efforts are less likely
- State jurisdictional issues (such as allowing stormwater utilities) will be key
- A Baywide Authority or Compact could require interstate cooperation perhaps never before seen in this country

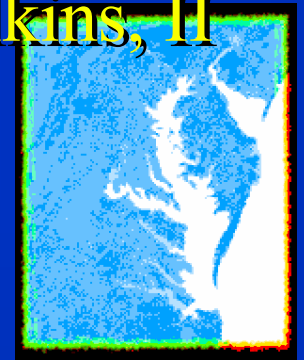


The Panel's Rationale:
An investment in the Bay
will pay back its value many
times in restored fisheries
and higher recreational and
scenic values, and in
preserving the cultural heart
of the region.

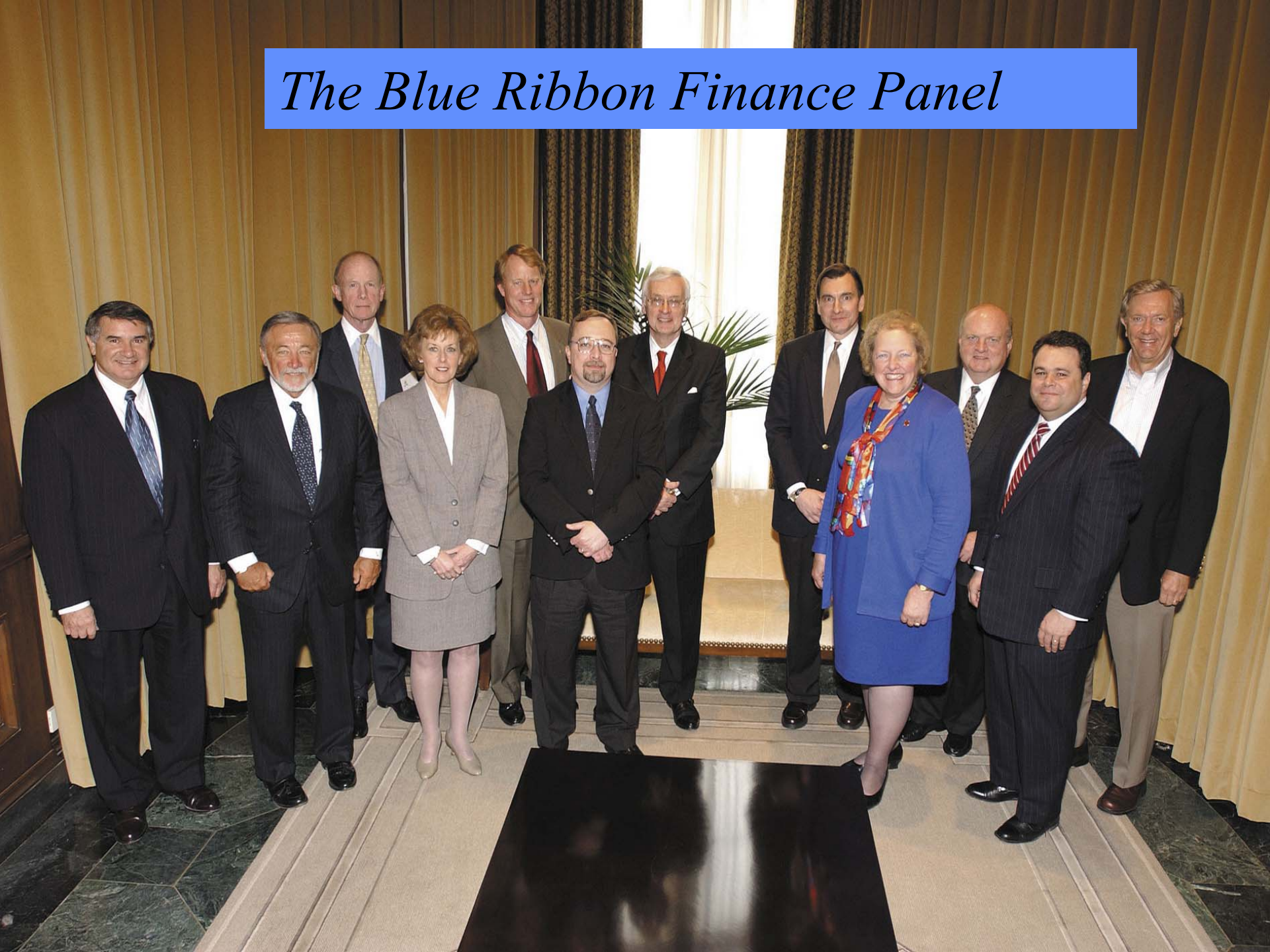


Panel Members

- Gerald L. Baliles,
Chair
- Bruce Babbitt
- William C. Baker
- Phyllis M. Cole
- Joseph Corrado
- Nicholas
DeBenedictis
- Penelope A. Gross
- F. Henry Habicht, II
- James W. Hubbard
- Thomas J. Kelly
- James Patrick
Muldoon
- Jim Perdue
- Terry L. Randall
- John McNeil Wilkie
- James D. Wilkins, II



The Blue Ribbon Finance Panel



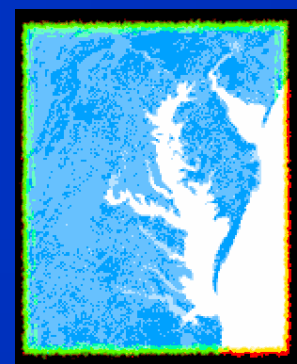
The printed report, *Saving a National Treasure: Financing the Cleanup of the Chesapeake Bay*, and a CD full of background information are available from the Chesapeake Bay Program

And on the Worldwide Web:

www.chesapeakebay.net

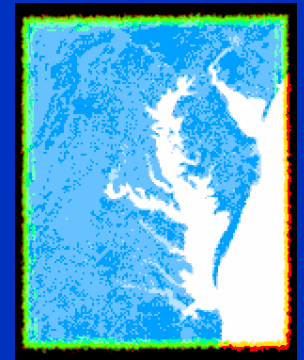
www.efc.umd.edu





Addition Information

- Deadline: 2010
- Nitrogen & Phosphorus
- Development Trends



Partners Commitment to Restored Bay Water Quality



“By 2010, correct the nutrient- and sediment-related problems in the Chesapeake Bay and its tidal tributaries...”

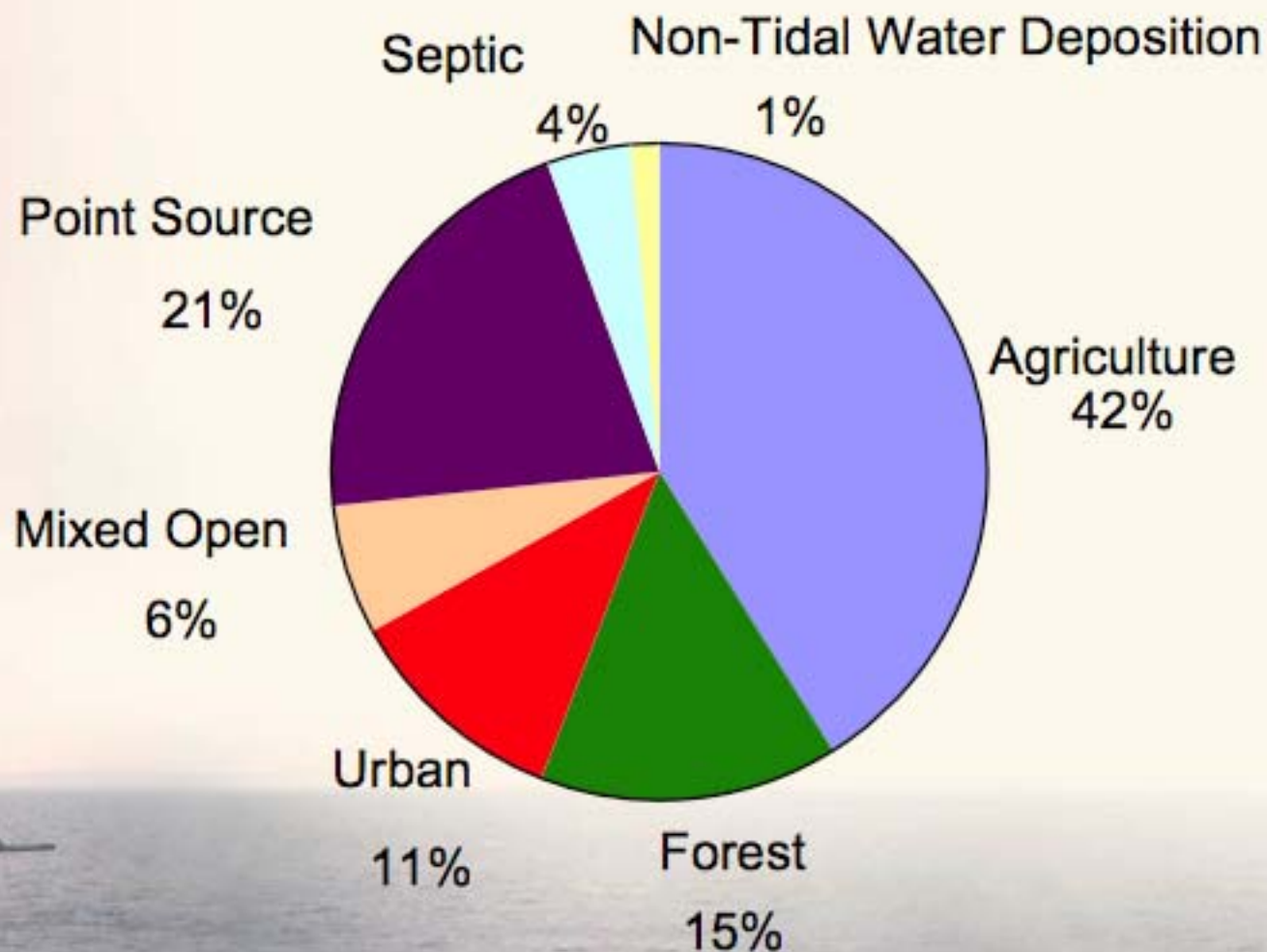
Step 1: What is the water quality of a restored Bay?

Step 2: How much pollution do we need to reduce?

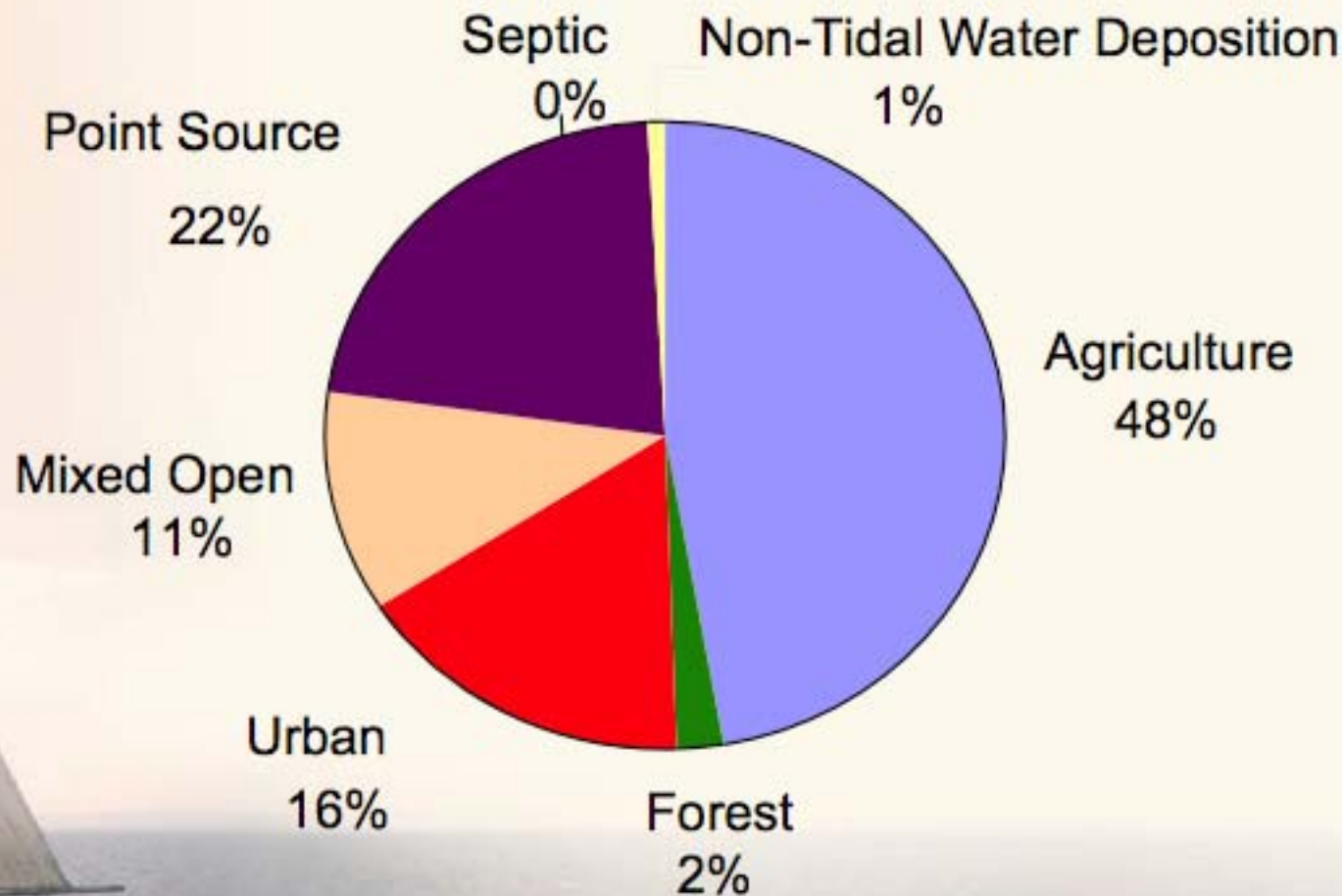
Step 3: What actions do we need to take to reduce pollution?



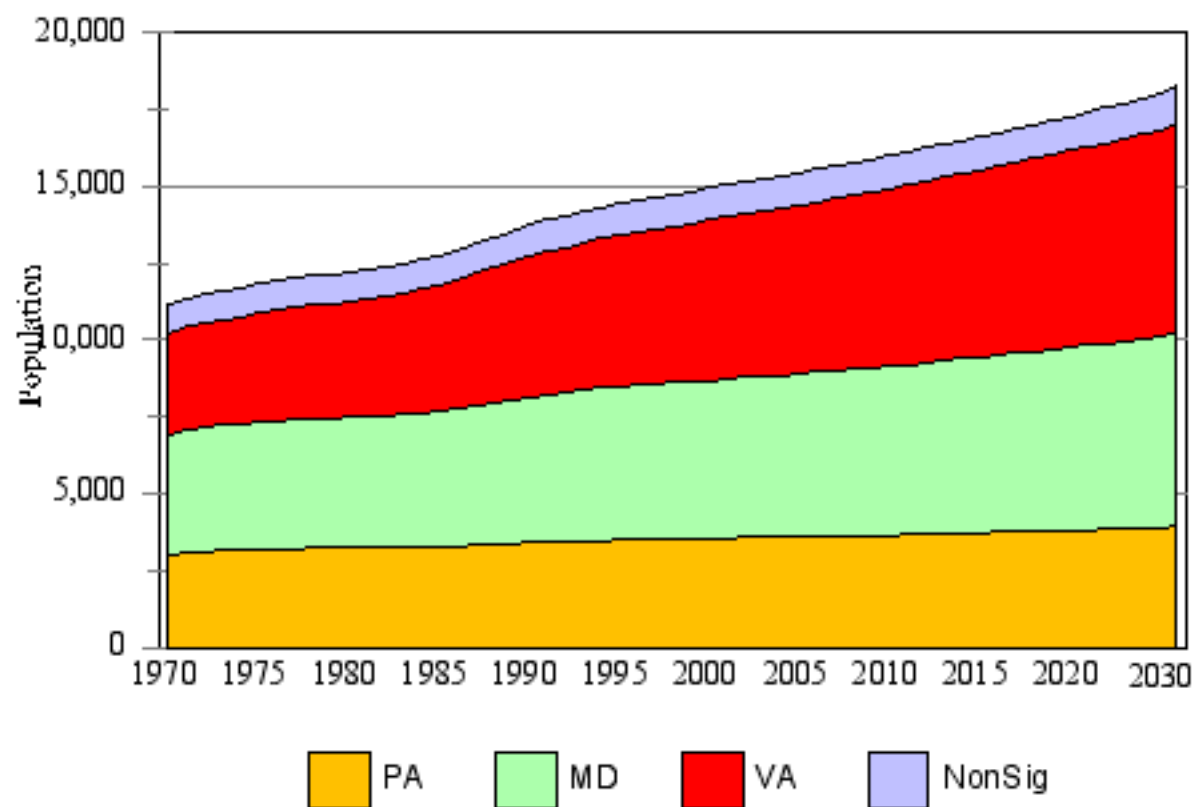
2002 Nitrogen Loads to the Tidal Chesapeake Bay by Source



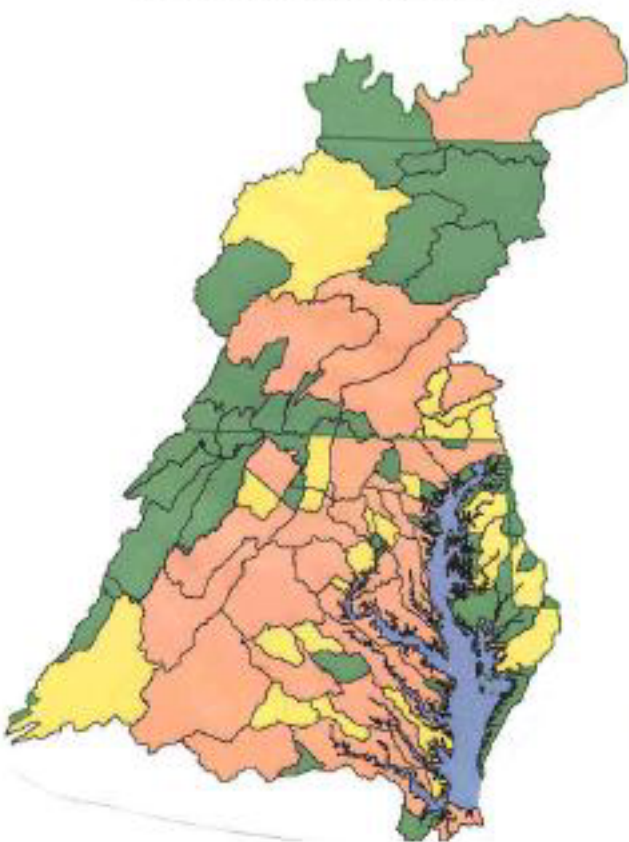
2002 Phosphorus Loads to the Tidal Chesapeake Bay by Source



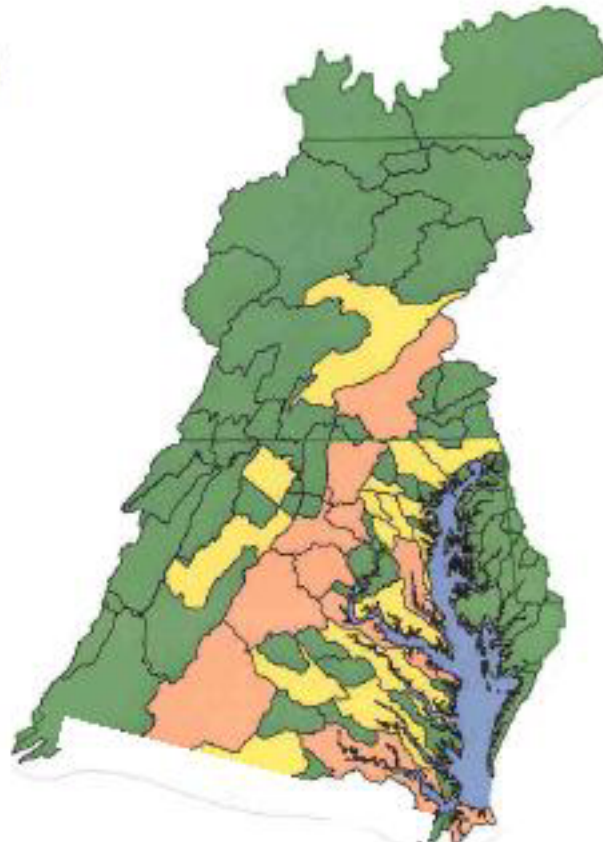
4-4. Projected Growth in Population, Chesapeake Bay Watershed, 1970-2030



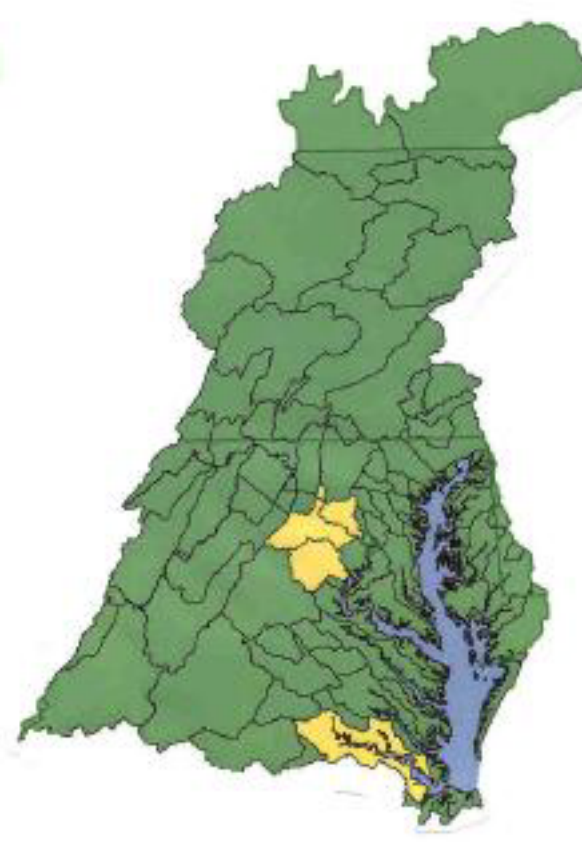
Potential Loss of Resource Land 1996-2030 Under Chesapeake Futures Scenarios



Recent Trends



Current Objectives



Feasible Alternatives

Loss of Resource Land in Acres

