



Paying for Environmental Outcomes—the Maryland Way

Thanks to the [2021 Clean Water Commerce Act](#), Maryland is now the first state to use state funding to pay for environmental results after—not before—they are delivered. The program is the result of 2017 legislation first developed by the administration of Governor Larry Hogan and subsequently amended and reauthorized by the legislature with bipartisan support during the 2021 legislative session.

Core elements of Maryland's new \$20 million annual program:

- ▶ **A clear, quantifiable environmental outcome:** The program pays for modelled reductions in nitrogen pollution flowing into the Chesapeake Bay that last for at least 10 years.
- ▶ **Agreement on how to measure the outcome:** For years, all Chesapeake Bay states have had an agreed upon [model](#) that allows them to convert hundreds of actions into their anticipated nitrogen pollution reduction benefit. The program uses this model.
- ▶ **Technical assistance flexibility:** Although technical assistance can be crucial, this program is built on the expectation that there are many well-established practices and projects that farmers can install with the assistance of restoration companies or local conservation agencies to avoid the bottleneck of requiring NRCS approval.
- ▶ **A transparent priority system:** The law requires the state to share its scoring system so anyone can figure out what gets funded, especially once the program has been run for a few years. Specifically, Maryland is looking for cost-effective nitrogen pollution outcomes, environmental justice or climate resilience co-benefits, and achievement of water quality standards.
- ▶ **Verification:** The verification role is clear—the state agency has to put in place a plan to verify environmental outcomes from projects. At its simplest, the state needs to do a site visit to confirm that the planned actions have indeed taken place and run the Bay model for the property and project to confirm the quantification of nitrogen pollution reduction outcomes.
- ▶ **First payment:** The program is set up so it can only pay for environmental outcomes that haven't already been paid for by a government agency. If a portion of costs have been covered by another program, the funding request (and amount of outcomes) just needs to be adjusted accordingly.

A set aside for farmers and forest landowners

When the request for proposals is released, it will not just be open to farmers and forest landowners but will mandate that 35% of funds be used to pay for agricultural practices. This should result in at least \$7 million a year for the next eight years that will go directly to Maryland farmers stewarding the environment. All best management practices approved by the Chesapeake Bay Program Office, including on agricultural, horticultural, silvicultural, and aquacultural operations, will be eligible, but priority will go to fixed natural filter practices (eg buffer strips) and ditch management practices. If additional projects on farmland or forests are cost-competitive with other applications, up to another \$7 million could be available for farm- and forest-based projects each year.

The program is also set up to fund projects on non-agricultural lands and in urban areas, especially where they will benefit communities that have faced a legacy of environmental pollution.

When to apply

The state often puts out applications for grants and other programs early in a new year, so expect to hear more about this program early in 2022.

Additional support from USDA

The Environmental Policy Innovation Center (EPIC) and Sand County Foundation have also received a \$2.7 million grant from USDA's Regional Conservation Partnership Program to enable more farm-based projects to be funded. This money will be used to increase the number of farm projects that can be funded. Same program design. Same scoring system. Just a different funding source.

Why is it important?

Farmers know their land and operations better than anyone. And experts have spent decades finding and developing the best ways to improve water quality in the Chesapeake Bay. This program represents a nationally-unique approach by a state to pay producers for environmental results.

This isn't nutrient trading.

Nothing about the program allows or facilitates the trading of water quality credits from one entity like a farmer to another. Maryland is simply paying for water quality improvements that farmers and others produce. Agriculture still gets to count all of the benefits of this work toward its contribution to Chesapeake Bay water quality.



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