

**Department of Legislative Services**  
 Maryland General Assembly  
 2000 Session

**FISCAL NOTE**  
**Revised**

House Bill 457 (Chairman, Environmental Matters Committee)  
 (Departmental - Environment)

Environmental Matters

**Environment - Maryland Oil Disaster Containment, Clean-Up and Contingency  
 Fund and Oil Contaminated Site Environmental Cleanup Fund**

This departmental bill provides for the continuation and increase of fees assessed on oil transferred into the State and provides for the expansion of an existing reimbursement program within the Maryland Department of the Environment (MDE) to apply to the cleanup of leaking heating oil tanks.

The bill takes effect July 1, 2000.

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**Fiscal Summary**

**State Effect:** Special fund revenues of \$500,000 annually would continue; special fund revenues would increase by \$1.5 million annually beginning in FY 2001 due to the increase in oil transfer fees. Special fund expenditures would increase by approximately \$250,000 annually beginning in FY 2001 to provide reimbursements.

(in dollars)	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
SF Revenues	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
SF Expenditures	250,000	250,000	250,000	250,000	250,000
Net Effect	\$1,750,000	\$1,750,000	\$1,750,000	\$1,750,000	\$1,750,000

*Note: ( ) = decrease; GF = general funds; FF = federal funds; SF = special funds; - =indeterminate effect*

**Local Effect:** Minimal.

**Small Business Effect:** MDE has determined that this bill will have minimal or no impact

on small business (attached). Legislative Services disagrees with this assessment as discussed below. (The attached assessment does not reflect amendments to the bill.)

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## Analysis

**Bill Summary:** Under current law, a license fee of 1 cent per barrel is assessed on every barrel of oil transferred into the State. An additional 0.5 cents per barrel is currently assessed, but that fee sunsets July 1, 2000. All fees are currently paid into the Maryland Oil Disaster Containment, Clean-up and Contingency Fund (Oil Fund). This bill increases the non-expiring fee from 1 cent to 2 cents per barrel. It also extends the expiring portion of the fee until July 1, 2005, increases it from 0.5 cents to 1 cent per barrel, and credits it to the Oil Contaminated Site Environmental Cleanup Fund (Cleanup Reimbursement Fund). The bill contains the following other provisions:

- the Secretary of the Environment may use \$300,000 per fiscal year from fiscal 2001 through fiscal 2005 from funds reserved for oil spills to the general operational uses of the Oil Fund;
- 25% of the revenues credited to the Cleanup Reimbursement Fund must be used for the reimbursement of heating oil tank site rehabilitation costs incurred on or after October 1, 2000;
- eligible owners and operators may apply to the Cleanup Reimbursement Fund for reimbursement for costs incurred in performing site rehabilitation after specified dates;
- residential owners of heating oil tanks will be subject to a deductible of \$1,000;
- the maximum amount to be reimbursed for heating oil tanks is \$10,000 per occurrence;
- funds in the Cleanup Reimbursement Fund not required to meet MDE's obligations may be invested;
- if MDE has assumed control of an oil spill situation involving a heating oil tank, MDE may obtain reimbursements, guarantee of payments, or matching federal funds from the Cleanup Reimbursement Fund;
- any site rehabilitation costs relating to heating oil tanks incurred by MDE or the fund shall be recoverable from the responsible party;
- the Secretary of the Environment must convene a work group to review and assess long-term funding needs of the oil pollution programs in the State. MDE must report the findings and recommendations to the General Assembly no later than November 1, 2004; and
- the increase in revenues collected pursuant to the bill may not be spent until

MDE has satisfied specified recommendations of the Legislative Audit Report for the period beginning July 1, 1996 and ending February 28, 1999 as they pertain to federal grants for the Oil Control Program.

**Current Law:** Each barrel of oil transferred in the State is assessed a fee of 1.5 cents. Current law provides for a reduction in that fee to 1 cent per barrel effective July 1, 2000. The fees are paid into the Maryland Oil Disaster Containment, Clean-up and Contingency Fund. Eligible owners of underground storage tanks may apply to MDE for the reimbursement of site rehabilitation costs resulting from specified contamination. Reimbursements are paid out of the Oil Contaminated Site Environmental Cleanup Fund.

**Background:** Chapter 532 of 1996 required MDE to convene a workgroup and undertake a comprehensive review and assessment of the funding mechanisms for the cleanup of oil-contaminated sites from underground storage tanks, as well as the funding levels of oil-related activities. The workgroup, in a report submitted to the Legislative Policy Committee in November 1999, made several recommendations regarding the oil transfer fee, funding for oil pollution prevention activities, and the establishment of a new initiative to determine the extent of groundwater pollution with respect to methyl tertiary-butyl ether (MTBE). MTBE, the most commonly used gasoline oxygenate in the United States and Maryland, is being detected with increasing frequency in surface and groundwater throughout the United States due to leaking underground petroleum storage tanks, spills, and other accidental discharges. This legislation is a direct result of the workgroup's recommendations.

The Maryland Oil Disaster Containment, Clean-up and Contingency Fund (Oil Fund) was established in 1986 to provide funding to MDE's oil pollution prevention programs, such as permitting, enforcement, and oil spill response. A fee of 0.75 cents was imposed on each barrel of oil transferred into the State. During the 1996 session, the General Assembly increased the fee to 1 cent per barrel, with an additional 0.5 cent fee that is set to expire on July 1, 2000. Typically, about 100 million barrels of oil are imported into the State annually. The current fee generates approximately \$1.5 million in revenues annually.

The Oil Contaminated Site Environmental Cleanup Fund (Cleanup Reimbursement Fund) was established in 1993 to reimburse underground storage tank (UST) owners for costs incurred during site cleanups. From fiscal 1994 through fiscal 1999, approximately \$13.9 million was transferred to this fund from the UST Upgrade and Replacement Fund. Presently, all funds in the Cleanup Reimbursement Fund are committed for existing projects. **State Revenues:** The collection of approximately \$500,000 in special fund revenues would continue as a result of the bill, and special fund revenues would increase by \$1.5 million. Typically, about 100 million barrels of oil are imported into the State annually. The current

fee (1.5 cents per barrel) generates approximately \$1.5 million in revenues annually and is paid into the Oil Fund. Under current law, the fee will be reduced on July 1, 2000, to 1 cent per barrel. When the fee is reduced, approximately \$1 million in Oil Fund revenues will be generated annually. This bill increases the total fees to 3 cents per barrel as follows:

- the non-expiring portion of the current fee (1 cent) would be increased to 2 cents, generating an additional \$1 million annually for the Oil Fund; and
- the expiring portion of the fee (0.5 cents, currently paid into the Oil Fund) would be extended until July 1, 2005, increased to 1 cent per barrel, and paid into the Cleanup Reimbursement Fund. This provides for the continued collection of \$500,000 (but paid into the Cleanup Reimbursement Fund rather than the Oil Fund) and an additional collection of \$500,000 in fee revenue for the Cleanup Reimbursement Fund.

**State Expenditures:** Special fund expenditures could increase by an estimated \$250,000 annually beginning in fiscal 2001 for reimbursements to eligible owners and operators of heating oil tanks. This estimate assumes that approximately \$1 million in annual revenues will be credited to the Cleanup Reimbursement Fund pursuant to this bill and that 25% of those revenues will be used for such reimbursements, as required by the bill. The estimate also assumes that MDE satisfies the specified recommendations of the Legislative Audit Report, as required by the bill, by the end of fiscal 2000. It is assumed that any administrative costs to expand the existing reimbursement program could be absorbed within existing budgeted resources.

**Small Business Effect:** There are approximately 2,000 small businesses that have heating oil tanks in the State. Those businesses that own or operate heating oil tanks would become eligible for reimbursements of cleanup costs up to \$10,000 per occurrence if their tanks leak. Small businesses involved in the transfer of oil into the State would incur increased expenditures related to the increase in the fee of 1.5 cents per barrel.

**Additional Comments:** As a result of the increase in revenues from the oil transfer fee, MDE advises that it intends to fund a new initiative to study groundwater contamination by MTBE, an oxygenate found in gasoline. The Governor's proposed fiscal 2001 budget does not include any funds for this program. Special fund expenditures for the new initiative are estimated at \$278,000 in fiscal 2001, \$217,000 in fiscal 2002, and \$220,000 in fiscal 2003. The fiscal 2001 estimate reflects the cost of hiring three contractual environmental compliance inspectors to conduct site visits throughout the State. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. Future year estimates are annualized, adjusted for inflation, and reflect the decreasing technical difficulty of sites to be

analyzed. Because the inspection of upgraded underground storage tanks and a review of previously closed cases is estimated to take three years, no expenditures for the MTBE initiative are anticipated after fiscal 2003.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Maryland Department of the Environment, Department of Legislative Services

**Fiscal Note History:** First Reader - February 18, 2000

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Analysis by: Lesley Frymier

Direct Inquiries to:

John Rixey, Coordinating Analyst

(410) 946-5510

(301) 970-5510