HB 1422

Department of Legislative Services
Maryland General Assembly
2001 Session

FISCAL NOTE
Revised

House Bill 1422 (Delegate Bohanan, *et al.*)
Environmental Matters Economic and Environmental Affairs

Public Service Commission - Hazardous Liquid Pipelines

The bill authorizes the Public Service Commission (PSC) to act on behalf of the U.S. Department of Transportation (USDOT) to implement the federal Hazardous Liquid Pipeline Act (HLPA) with respect to intrastate pipelines in Maryland that carry hazardous liquids or carbon dioxide. To carry out this duty, the PSC shall make periodic certifications and reports to the USDOT and take any other actions deemed necessary.

Fiscal Summary

State Effect: General fund expenditures would increase by $44,800 in FY 2002. Out-year expenditures reflect annualization and ongoing operations. General fund revenues would increase by approximately $20,200 in FY 2002 from federal reimbursements. This estimate does not include general fund revenues that would be generated from the fine and fee provisions of the bill. Out-year revenues are expected to generally reflect the change in expenditures.

(in dollars)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
GF Revenue	$20,200	$24,800	$25,100	$26,400	$27,800
GF Expenditure	44,800	55,000	55,700	58,700	61,800
Net Effect	($24,600)	($30,200)	($30,600)	($32,300)	($34,000)

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

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary: The bill defines "interstate pipeline," "intrastate pipeline," and "hazardous liquid" to be consistent with the federal Hazardous Liquid Pipeline Act (U.S.C. 49 Chapter 601) (HLPA).

The minimum standards for safety, design, construction, operation, and maintenance of intrastate pipeline facilities must be the standards in the HLPA.

A pipeline operator must keep a written plan for the operation and maintenance of the pipeline and the PSC shall inspect each intrastate pipeline at least once a year. The PSC may also inspect the records and/or property of a pipeline operator to determine that the pipeline is being safely operated in accordance with the regulations. The PSC may also set, assess, and collect an inspection fee. The fee must be based on the cost of an inspection and may not include any expenses that are reimbursable from the federal government.

The PSC may assess civil penalties for violators. These penalties may not exceed those set forth in the HLPA, which is $25,000 per violation with a $500,000 limit on what an operator may be assessed for a related series of violations. For the purposes of the bill, each day an operator is in violation is considered a separate violation.

Current Law: There are no State laws regarding hazardous liquid pipelines. All pipeline operators are subject to federal law and regulations that are ultimately enforced by the USDOT.

Background: The USDOT has, through an expense reimbursement program, presented incentives to the states to assume regulatory enforcement of the federal regulations concerning hazardous liquid pipelines. Approximately 15 states, not including Maryland, participate in this program; Maryland has participated in a similar program for natural gas pipelines for over 30 years.

Maryland has two hazardous liquid pipelines. One runs from Piney Point to Riceville at which point it splits with one branch ending (eventually) in Morgantown, Maryland and the other ending at Chalk Point. This pipeline's total length is about 52 miles. The other pipeline is in eastern Baltimore City and covers about two miles.

State Fiscal Effect: General fund expenditures could increase by an estimated $44,800 in fiscal 2002, which accounts for the bill's October 1, 2001 effective date. This estimate reflects the cost of hiring a public service engineer to inspect pipelines, operators' records, and meet the USDOT's reporting requirements. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Salary and Fringe Benefits	$36,400
Operating Expenses	8,400
Total FY 2002 State Expenditures	**$44,800**

Future year expenditures reflect: (1) full salaries with a 6.5% increase in fiscal 2003 and a 4.5% increase each year thereafter, with 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

There are three possible sources of revenue: federal government reimbursements, inspection fees, and civil penalty fines. Under its incentive system, the USDOT will reimburse the State for up to 50% of the costs of the program. The PSC has averaged a 45% reimbursement rate in the natural gas pipeline program and estimates the same reimbursement rate for this program. Accordingly, general fund revenues from federal reimbursements could total $20,160 beginning in fiscal 2002.

The other two revenue components are difficult to assess. The bill requires that the inspections fees accurately reflect the cost of conducting the inspections, but fine revenues can fluctuate based on the number and severity of the fines. It is expected that revenues will approximately equal the expenditures for this program beginning in fiscal 2002.

Additional Information

Prior Introductions: None.

Cross File: SB 117 (Senator Dyson, *et al.*) – Economic and Environmental Affairs.

Information Source(s): Public Service Commission, United States Department of Transportation, Maryland Department of Transportation, Department of Legislative Services

Fiscal Note History: First Reader – March 9, 2001
jm/jr Revised – House Third Reader – March 30, 2001

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