

**Department of Legislative Services**  
 Maryland General Assembly  
 2004 Session

**FISCAL AND POLICY NOTE**

House Bill 503 (Chairman, Economic Matters Committee)  
 (By Request – Departmental – Natural Resources)

Economic Matters Education, Health, and Environmental Affairs

**Environmental Trust Fund - Extension of Environmental Surcharge**

This departmental bill extends the sunset date for the environmental surcharge imposed on electricity generated in the State from June 30, 2005 to June 30, 2010.

**Fiscal Summary**

**State Effect:** Special fund revenues to and expenditures from the Environmental Trust Fund (ETF) within the Department of Natural Resources (DNR) would continue beyond FY 2005 at approximately \$9 million annually. The Governor’s proposed FY 2005 budget assumes \$9.1 million in receipts from the surcharge and includes \$9.6 million in expenditures from ETF. State agencies, as users of electricity, will continue to pay the surcharge beyond FY 2005, totaling about \$200,000 annually.

(in dollars)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
SF Revenue	\$0	\$9,000,000	\$9,000,000	\$9,000,000	\$9,000,000
SF Expenditure	0	9,000,000	9,000,000	9,000,000	9,000,000
GF/SF/FF Exp.	0	200,000	200,000	200,000	200,000
Net Effect	\$0	(\$200,000)	(\$200,000)	(\$200,000)	(\$200,000)

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

**Local Effect:** Local governments, as users of electricity, will continue to pay the surcharge beyond FY 2005.

**Small Business Effect:** DNR has determined that this bill will have minimal or no impact on small business (attached). Legislative Services concurs with this assessment.

## Analysis

**Current Law:** An environmental surcharge per kilowatt hour of electric energy distributed in the State is required to be paid by all electric companies. The Public Service Commission (PSC) must impose the surcharge on retail electric customers within the State and must authorize electric companies to add the full amount of the surcharge to retail electric customers' bills. The amount of the surcharge for each account for each retail electric customer may not exceed the lesser of 0.15 mill per kilowatt hour or \$1,000 per month, and the surcharge may not continue beyond fiscal 2005. Accordingly, the surcharge is scheduled to terminate on June 30, 2005.

Revenue generated from the environmental surcharge is deposited in ETF within DNR and used primarily to support DNR's Power Plant Research Program (PPRP). ETF supports activities associated with the assessment and management of the cultural, economic, and environmental impacts of electric power generation and transmission facilities. PPRP, in cooperation with several specified State agencies, evaluates sites for their suitability for use as electric power plants, including related environmental and land use considerations; this information is then used by PSC in considering requests for certificates of public convenience and necessity (CPCN) for new power plants and associated transmission lines. Each year, PSC sets the amount of the surcharge based on the legislative appropriation for PPRP.

The Maryland Energy Administration must receive administrative and fiscal support from ETF for studies relating to the conservation or production of electric energy, up to \$250,000 in any fiscal year.

**Background:** Activities under PPRP have evolved over the years to reflect the many changes in the utility industry. Recent federal legislation and policy decisions are having a profound effect on the way in which electricity is produced and sold in the country. Although these federal actions are primarily aimed at the electricity sales at the wholesale level, actions in a number of states, including Maryland, have established the deregulation of retail sales. Like other electric consumers, Marylanders now face a change in the way they will be purchasing electricity; however, the impacts of the generation and transmission of electricity will continue to affect the health, safety, and welfare of the public. In order to balance the potentially conflicting issues associated with the licensing and permitting process for proposed power plants, DNR advises that the State needs a detailed and impartial evaluation of proposed sites. PPRP, which is funded entirely from revenues generated from the environmental surcharge, currently provides this oversight.

**State Fiscal Effect:** Special fund revenues to and expenditures from ETF would continue beyond fiscal 2005. While revenues to and expenditures from the fund vary

from year to year, based on the average revenue to the fund from fiscal 1999 through 2003, revenues to and expenditures from ETF will total approximately \$9 million annually. The Governor's proposed fiscal 2005 budget assumes \$9.1 million in receipts from the surcharge and includes \$9.6 million in special fund expenditures from ETF.

As a user of electricity, State agencies will continue to pay the environmental surcharge beyond fiscal 2005. Based on information provided by the Department of General Services, State expenditures for the surcharge total approximately \$200,000 annually.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Natural Resources, Department of General Services, Public Service Commission, Department of Legislative Services

**Fiscal Note History:** First Reader - February 25, 2004  
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