

Department of Legislative Services
Maryland General Assembly
2005 Session

FISCAL AND POLICY NOTE

Senate Bill 814

(Senator Conway, *et al.*)

Education, Health, and Environmental Affairs

Environmental Matters

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

This bill provides for the continuation and increase of fees assessed on oil transferred into the State, modifies the uses of the Oil Contaminated Site Environmental Cleanup Fund, and requires the Secretary of the Environment to convene a workgroup to review and assess long-term funding needs of the State's oil pollution programs. The Maryland Department of the Environment (MDE) must report the workgroup's findings and recommendations by December 31, 2009.

The bill takes effect July 1, 2005.

Fiscal Summary

State Effect: Special fund revenues of \$1 million annually would continue through FY 2010; special fund revenues would increase by \$2.75 million annually due to the increase in oil transfer fees. Special fund expenditures would increase by \$220,500 annually due to the bill's changes regarding reimbursements to owners of heating oil tanks.

(in dollars)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
SF Revenue	\$3,750,000	\$3,750,000	\$3,750,000	\$3,750,000	\$3,750,000
SF Expenditure	220,500	220,500	220,500	220,500	220,500
Net Effect	\$3,529,500	\$3,529,500	\$3,529,500	\$3,529,500	\$3,529,500

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

Local Effect: The bill would not materially affect local operations or finances.

Small Business Effect: Meaningful.

Analysis

Bill Summary/Current Law: 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 1.0 cent per barrel, with an additional 0.5 cent fee that was set to expire on July 1, 2000. Chapter 532 of 1996 also required MDE to convene a workgroup to review and assess funding mechanisms for the cleanup of oil-contaminated sites from underground storage tanks (USTs) as well as the funding levels of oil-related activities.

Chapter 604 of 2000, which was a result of the workgroup's recommendations, increased the nonexpiring portion of the fee from 1.0 cent to 2.0 cents per barrel. Chapter 604 also extended the expiring portion of the fee until July 1, 2005, increased it from 0.5 cents to 1.0 cent per barrel, and credited it to the Oil Contaminated Site Environmental Cleanup Fund (Cleanup Reimbursement Fund).

The Cleanup Reimbursement Fund was established in 1993 to reimburse UST owners for costs incurred during site cleanups. Chapter 604 also modified the uses of that fund; among other things, Chapter 604 provided that:

- eligible owners and operators may apply to the fund for reimbursement for costs incurred in performing site rehabilitation after specified dates;
- residential owners of heating oil tanks are subject to a deductible of \$1,000; and
- the maximum amount to be reimbursed for heating oil tanks is \$10,000 per occurrence.

This bill increases the nonexpiring portion of the fee from 2.0 cents to 4.0 cents per barrel from July 1, 2005 through June 30, 2010; beginning July 1, 2010, the fee would be 3.0 cents per barrel. The bill also extends the expiring portion of the fee until July 1, 2010 and increases it from 1.0 cent to 1.75 cents per barrel. The bill also modifies the uses of the Cleanup Reimbursement Fund by:

- repealing the eligibility for certain UST owners to apply for reimbursements for performing site rehabilitation;
- providing that other eligible UST owners may apply for reimbursement for costs incurred in performing site rehabilitation until December 31, 2007;
- providing that heating oil tank owners may apply for reimbursement for costs incurred in performing site rehabilitation until June 30, 2010;

- requiring heating oil tank owners to apply for reimbursement for site rehabilitation costs no later than six months after rehabilitation completion;
- reducing the deductible for residential owners of heating oil tanks from \$1,000 to \$500; and
- increasing the maximum amount to be reimbursed from the fund for heating oil tanks from \$10,000 per occurrence to \$20,000 per occurrence.

Background: Chapter 604 of 2000 required MDE to convene a workgroup to review and assess long-term funding needs of the State's oil pollution programs. In its November 2004 report to the General Assembly, the workgroup recommended that 5.75 cents per barrel be collected on oil transferred into the State (4.0 cents to be deposited in the Oil Fund and 1.75 cents to the Cleanup Reimbursement Fund). The workgroup stated that its recommendation with respect to the Oil Fund addresses the need for increased funding within MDE's Oil Control Program to facilitate compliance activities associated with petroleum storage, to address a backlog of groundwater remediation cases, and to improve the State's response capabilities to orphaned cleanup sites; the workgroup highlighted the need to hire additional staff, including two inspectors, three geologists, and two support staff to support these activities. With respect to the Cleanup Reimbursement Fund, the workgroup recommended that the residential site reimbursement be increased from \$10,000 to \$20,000 per site and that the deductible be reduced from \$1,000 to \$500. This bill is a result of the workgroup's recommendations.

State Revenues: Based on the import of about 100 million barrels of oil into the State per year, MDE advises that the current fee (3.0 cents per barrel) generates about \$3 million annually (\$2 million for the Oil Fund and \$1 million for the Cleanup Reimbursement Fund). Under the bill, the collection of approximately \$1 million in special fund revenues to the Cleanup Reimbursement Fund would continue through fiscal 2010, due to the extension of the sunset date on the expiring portion of the fee, and special fund revenues would increase by an estimated \$2.75 million annually through fiscal 2010 (\$2 million to the Oil Fund and \$750,000 to the Cleanup Reimbursement Fund), due to the increase in the total fee from 3.0 cents per barrel to 5.75 cents per barrel. This estimate assumes that the amount of oil subject to the fee totals 100 million barrels annually; to the extent the amount of oil transferred into the State varies, revenues would vary correspondingly.

Beginning in fiscal 2011, the fee would be reduced to the current fee level (3.0 cents per barrel), and all fee revenue would be deposited into the Oil Fund.

State Expenditures: MDE advises that it provides reimbursements to an average of 21 heating oil tank sites each year. Special fund expenditures for reimbursements to owners of heating oil tanks could increase by an estimated \$220,500 annually as a result of the

bill (\$210,000 due to the increase in the maximum reimbursement per occurrence and \$10,500 due to the reduction in the deductible).

The bill's provisions modifying the eligibility for reimbursements would not materially affect State finances; MDE advises that there is a backlog of reimbursement applications and thus any changes to eligibility would not affect total reimbursements provided.

Although not required by the bill, MDE advises that it would use the remaining revenue generated by the bill to implement the workgroup's other recommendations. Specifically, the additional revenue would be used to: (1) facilitate compliance activities associated with petroleum storage; (2) address a backlog of groundwater remediation cases; and (3) improve the State's response capabilities to orphaned cleanup sites. In support of these efforts, MDE would hire seven additional staff for its Oil Control Program.

Legislative Services notes that, based on information provided by MDE, the costs to fully implement the workgroup's recommendations are estimated to total approximately \$3.5 million in fiscal 2006.

Small Business Effect: MDE advises that the Cleanup Reimbursement Fund assists an average of 80 residential and 11 commercial cleanups each year. According to MDE, there are currently about 55 commercial applicants and 53 residential applicants awaiting a total of approximately \$7 million in reimbursements from the fund. Several of the commercial applicants are small businesses. Under the bill, certain UST owners would no longer be eligible for reimbursement, and others would be eligible to apply for reimbursement until December 31, 2007. Owners of heating oil tanks would benefit from the increase in the maximum reimbursement per occurrence and the reduction in the associated deductible, but could only apply for reimbursement until June 30, 2010. Because, in the absence of the bill, the primary funding source for reimbursements would have terminated as of July 1, 2005, this bill benefits small businesses that otherwise would not have been able to receive reimbursements. MDE advises that the bill would eliminate the commercial site backlog that currently exists.

At the end of fiscal 2004, 236 companies held oil transfer licenses in the State. Small businesses licensees would incur increased expenditures related to the increase in the oil transfer fee of 2.75 cents per barrel through fiscal 2010.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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