

Department of Legislative Services
Maryland General Assembly
2009 Session

FISCAL AND POLICY NOTE

House Bill 1407

(Chair, Economic Matters Committee)(By Request -
Departmental - Natural Resources)

Economic Matters

Finance

Environmental Trust Fund - Environmental Surcharge - Sunset Extension

This departmental bill extends the termination date for the environmental surcharge imposed on electricity generated in the State from June 30, 2010, to June 30, 2015.

Fiscal Summary

State Effect: Special fund revenues to and expenditures from the Environmental Trust Fund (ETF) within the Department of Natural Resources (DNR) continue beyond FY 2010 at approximately \$9.6 million annually. The Governor's proposed FY 2010 budget assumes \$9.6 million in receipts from the surcharge and includes \$10.1 million in expenditures from ETF. State agencies, as users of electricity, continue to pay the surcharge beyond FY 2010, totaling approximately \$219,000 annually.

| (in dollars) | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 |
|----------------|---------|-------------|-------------|-------------|-------------|
| SF Revenue | \$0 | \$9,600,000 | \$9,600,000 | \$9,600,000 | \$9,600,000 |
| SF Expenditure | \$0 | \$9,600,000 | \$9,600,000 | \$9,600,000 | \$9,600,000 |
| GF/SF/FF Exp. | \$0 | \$219,000 | \$219,000 | \$219,000 | \$219,000 |
| Net Effect | \$0 | (\$219,000) | (\$219,000) | (\$219,000) | (\$219,000) |

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

Local Effect: Local governments, as users of electricity, continue to pay the surcharge beyond FY 2010.

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

Analysis

Current Law: An environmental surcharge per kilowatt hour of electricity distributed in the State by an electric company is collected by the Comptroller and placed in the ETF. The surcharge amount may not exceed 0.15 mills per kilowatt hour (kWh) or \$1,000 per month for any residential, commercial, or industrial customer. The ETF has a sunset date of June 30, 2010. The surcharge is currently set at 0.15 mills per kilowatt hour. The Public Service Commission (PSC) is required to authorize electric companies to add the full amount of the surcharge to retail customers' bills.

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 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 (MEA) may 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: PPRP was created in 1971 to conduct research on the impacts of existing and proposed power plants in each county. PPRP is required to undertake a continuing research program for electric power plant site evaluation and related environmental and land use considerations. DNR and MEA institute procedures for coordinating environmental research assignments to prevent dissipation of money, time, and effort. Program components include:

- environmental evaluation of all electric power plant sites proposed for future development and expansion and their relationship to the waters and air of the State;
- monitoring operations of current electric power facilities located in the State to determine environmental, human health, and welfare effects;
- evaluation of new electric power generation technologies designed to minimize environmental effects;
- research and development of prediction and modeling tools; and

- analyses of the socioeconomic impact of current and proposed electric power plant generation facilities in Maryland.

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.

In addition to assessing the impact of proposed power plants, PPRP leads ongoing environmental assessment projects including: (1) assessing the environmental aspects of major new transmission lines as well as the expansion of the Calvert Cliffs Nuclear Plant; (2) projects to demonstrate the prevention of acid mine drainage from abandoned coal mines in Western Maryland; (3) analyzing the sources and effects of nutrients on the bay watershed; and (4) studying the impacts of toxic substances related to power generation on ground water quality and generally upon aquatic life in the Chesapeake Bay.

DNR advises that the surcharge has been set at the maximum cap (0.15 mills per kWh) since the program inception. The estimated cost to an average residential customer is \$1 to \$2 per year.

State Fiscal Effect: Special fund revenues to and expenditures from ETF will continue beyond fiscal 2010. While revenues to and expenditures from the fund vary from year to year, based on the average revenue to the fund, ETF revenues and expenditures are estimated to total \$9.6 million annually. The Governor's proposed fiscal 2010 budget assumes \$9.6 million in receipts from the surcharge and includes \$10.1 million in special fund expenditures from ETF.

MEA did not receive an appropriation from ETF in the Governor's proposed fiscal 2010 budget; therefore, the agency is not affected by bill.

As a user of electricity, State agencies will continue to pay the environmental surcharge beyond fiscal 2010. Based on information provided by the Department of General Services, State expenditures for the surcharge total approximately \$219,000 annually.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Natural Resources, Maryland Energy Administration, Public Service Commission, Department of Legislative Services

Fiscal Note History: First Reader - March 11, 2009

ncs/rhh

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Environmental Trust Fund – Environmental Surcharge – Sunset Extension

BILL NUMBER: HB 1407

PREPARED BY: Department of Natural Resources

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND
SMALL BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS

The proposed legislation will have no impact on small business in Maryland.