SB 1117

Department of Legislative Services

Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 1117 (Senator Conway)

Education, Health, and Environmental Affairs Environmental Matters

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

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This bill increases the fee assessed on oil transferred into the State until July 1, 2013 (from 3 cents per barrel to 5.75 cents per barrel); authorizes the fiscal 2011 transfer of up to $500,000 from the Oil Contaminated Site Environmental Cleanup Fund ("Reimbursement Fund") to the Maryland Oil Disaster Containment, Clean-Up and Contingency Fund ("Oil Fund"); allows owners of heating oil tanks to continue to apply for assistance from the Reimbursement Fund through June 30, 2013; expands the authorized uses of the Oil Fund to include oil-related activities in water pollution control programs; and requires the Secretary of the Environment to convene a workgroup to review and assess the 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 to specified legislative committees by December 31, 2012.

The bill takes effect July 1, 2010.

Fiscal Summary

State Effect: Special fund revenues increase by $2.9 million in FY 2011 due to the 2.75-cent increase in oil transfer fees compared to current law; out-years reflect forecasted changes in oil consumption. The bill's fee increases are reflected in the FY 2011 budget. Special fund expenditures from the Reimbursement Fund may increase by up to $500,000 in FY 2011 due to the authorized fund transfer; Oil Fund revenues increase correspondingly. Beginning in FY 2011, special fund expenditures from the Oil Fund are redirected to support an estimated $1.4 million annually in oil-related water pollution control programs that otherwise would have been funded with general funds. The FY 2011 budget assumes the general fund expenditures decrease. It is assumed that the bill's reporting requirement can be handled with existing budgeted resources.

(in dollars)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
SF Revenue	$2,879,500	$2,931,300	$2,981,100	$0	$0
GF Expenditure	($1,416,200)	($1,416,200)	($1,416,200)	($1,416,200)	($1,416,200)
Net Effect	$4,295,600	$4,347,400	$4,397,300	$1,416,200	$1,416,200

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

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

Small Business Effect: Meaningful.

Analysis

Current Law/Background:

The Oil Fund

The 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 604 of 2000 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 Reimbursement Fund.

Currently, the Oil Fund is supported by a 4.0-cent per barrel fee on oil transferred into the State; pursuant to Chapter 177 of 2005, beginning July 1, 2010, the fee decreases to 3.0 cents per barrel. Costs incurred by the State from the fund are required to be reimbursed by responsible parties; reimbursements are also deposited into the fund. When the fund balance exceeds $5.0 million, monthly oil transfer fees are suspended until the balance is $4.0 million or until there is evidence that the balance could be significantly reduced by recent discharges. Estimated fiscal 2010 revenue to the fund is $5.5 million.

The Reimbursement Fund

The Reimbursement Fund was established in 1993 to reimburse underground storage tank owners for costs incurred during site cleanups. Chapter 604 of 2000 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.

Chapter 177 of 2005 increased the portion of the oil transfer fee that is deposited into the Reimbursement Fund from 1.0 cent to 1.75 cents per barrel and extended the authorization to collect the fee through fiscal 2010. This bill does not extend that authority; thus, this portion of the fee will expire as provided under current law. Chapter 177 also modified the uses of the fund; among other things, the Act provided that heating oil tank owners are eligible for reimbursement from the fund through fiscal 2010. Estimated fiscal 2010 revenue to the fund is $2.1 million.

MDE advises that it provides reimbursements for an average of 39 cleanup sites each year. MDE further advises that there are currently 230 applications that are open for reimbursement and an average of 70 new applications each year, which may be provided assistance from the Reimbursement Fund.

Chapter 177 of 2005 required MDE to convene a workgroup to review and assess the long-term funding needs of the State's oil pollution programs and to report the workgroup's findings and recommendations by December 31, 2009. Although that report has not been finalized yet, MDE indicates that this bill implements the workgroup's recommendations.

State Fiscal Effect: Based on MDE's projection of about 104 million barrels of oil imported into the State in fiscal 2011, an oil transfer fee of 3.0 cents would generate about $3.14 million. Under the bill, special fund revenues increase by an estimated $2.88 million in fiscal 2011, due to the increase in the total fee from 3.0 cents per barrel under current law to 5.75 cents per barrel. In fiscal 2012 and 2013, the bill's fee increase from 3.0 cents per barrel under current law to 5.75 cents per barrel may generate an additional $2.93 million and $2.98 million, respectively, based on projected imports of 106.6 million and 108.4 million barrels of oil. To the extent that the actual amount of oil transferred into the State differs from these estimates, oil transfer fee revenues will also vary. There is no effect on revenues after fiscal 2013, as the fee reverts back to 3.0 cents per barrel.

The bill also authorizes the transfer of up to $500,000 from the Reimbursement Fund to the Oil Fund in fiscal 2011. The fiscal 2011 budget assumes an opening balance of about $3.6 million for the Reimbursement Fund and about $3.84 million for the Oil Fund, which accounts for fiscal 2010 actions in the Budget Reconciliation and Financing Act

(BRFA) of 2010 (SB 141). Thus, if the authorized $500,000 transfer occurs on the effective date of the bill, the fiscal 2011 opening balances of the Reimbursement Fund and the Oil Fund will be $3.1 million and $4.3 million, respectively.

It is important to note that, because this bill increases the fiscal 2011 fee that is deposited into the Oil Fund by 1.75 cents over the current 4.0-cent fee (that is set to decrease to 3.0 cents per barrel as of July 1, 2010, under current law), but allows the current 1.75 fee per barrel currently credited to the Reimbursement Fund to expire on July 1, 2010 (as provided under current law), overall funding for MDE's oil programs for fiscal 2011 actually remains unchanged from fiscal 2010 levels by the bill.

Beginning in fiscal 2011, special fund expenditures from the Oil Fund are redirected to support an estimated $1.4 million annually in oil-related water pollution control programs that otherwise would have been funded with general funds; thus, general fund expenditures decrease $1.4 million annually. The fiscal 2011 budget assumes the general fund expenditure decrease.

Small Business Effect: According to MDE data, since 2005 the Reimbursement Fund has provided assistance averaging about $428,700 annually for residential cleanups and about $927,800 for commercial cleanups. Over this span, an average of about five commercial applicants annually seek assistance from the fund. Some commercial applicants are small businesses. Owners of heating oil tanks will benefit from the continued authorization to seek reimbursement through June 30, 2013.

In addition, MDE advises that, at the end of fiscal 2009, 285 companies held oil transfer licenses in the State. To the extent any of these licensees are small businesses, they will incur an increase in costs due to the bill's fee increases.

Additional Comments: The BRFA of 2010 (SB 141) also contains the bill's provision that expands the use of the Oil Fund.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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