

Department of Legislative Services
 Maryland General Assembly
 2019 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 1031 (Senator Peters)

Education, Health, and Environmental Affairs

Environment and Transportation

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

This bill extends the current fee (8.0 cents per barrel) assessed on oil transferred into the State until July 1, 2021; beginning July 1, 2021, the fee is 5.0 cents per barrel. Until July 1, 2021, 7.75 cents of the per barrel fee are credited to the Maryland Oil Disaster Containment, Clean-up and Contingency Fund (Oil Fund) and 0.25 cents are credited to the Oil Contaminated Site Environmental Cleanup Fund (Reimbursement Fund). Owners of heating oil tanks are authorized to continue to apply for assistance from the Reimbursement Fund through June 30, 2021. In fiscal 2020 and 2021 only, funds from the Oil Fund may be used to pay costs associated with the purposes of the Reimbursement Fund. **The bill takes effect July 1, 2019.**

Fiscal Summary

State Effect: Special fund revenues increase by \$2.2 million in FY 2020; out-years reflect the impact through FY 2022 and a delay in receipt of fees from the prior year. The Governor’s proposed FY 2020 budget reflects continuation of FY 2019 fee levels. Special fund expenditures from the Reimbursement Fund increase by \$182,800 in FY 2020; out-years reflect continued reimbursements through FY 2022 and the delay in receipt of fees.

(in dollars)	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
SF Revenue	\$2,193,800	\$2,925,000	\$731,300	\$0	\$0
SF Expenditure	\$182,800	\$243,800	\$60,900	\$0	\$0
Net Effect	\$2,010,900	\$2,681,300	\$670,300	\$0	\$0

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

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 the Maryland Department of the Environment's (MDE) 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. Chapter 177 of 2005 increased the nonexpiring portion of the fee from 2.0 cents to 4.0 cents per barrel from July 1, 2005, through June 30, 2010, and Chapter 377 of 2010 increased the fee to 5.75 cents per barrel until July 1, 2013, after which time the fee was reduced to 3.0 cents per barrel.

Chapter 325 of 2014 increased the fee from 3.0 cents per barrel to 8.0 cents per barrel, and Chapter 390 of 2017 extended the increased fee until July 1, 2019; beginning July 1, 2019, the fee is 5.0 cents per barrel. Until July 1, 2019, 7.75 cents of the per barrel fee are credited to the Oil Fund. Chapter 390 also authorized, in fiscal 2018 and 2019 only, funds from the Oil Fund to be used to pay for costs associated with the purposes of the Reimbursement Fund.

Costs incurred by the State from the Oil Fund are required to be reimbursed by responsible parties; reimbursements are also deposited into the fund. When the fund balance exceeds \$5 million, monthly oil transfer fees are suspended until the balance is \$4 million, or until there is evidence that the balance could be significantly reduced by recent discharges.

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. 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. Chapter 325 of 2014 directed a portion of the 8.0 cent oil transfer fee (0.25 cents) to the Reimbursement Fund and extended the authorization to collect the fee through July 1, 2017. Chapter 390 of 2017 extended the 8.0 cent oil transfer fee until July 1, 2019, and extended the requirement that 0.25 cents of the per barrel fee be credited to the Reimbursement Fund until July 1, 2019. Chapter 390 also authorized owners of heating oil tanks to continue to apply for assistance from the Reimbursement Fund through June 30, 2019.

State Fiscal Effect: Based on the import of an estimated 97.5 million barrels of oil imported into the State annually, an oil transfer fee of 5.0 cents generates \$4.9 million annually. Under the bill, special fund revenues increase by an estimated \$2.2 million in fiscal 2020 due to the increase in the fee from 5.0 cents per barrel to 8.0 cents per barrel; this estimate reflects a three-month delay in the distribution of oil transfer fees to MDE from the prior fiscal year. Of the \$2.2 million increase in special fund fee revenues, \$182,813 is distributed to the Reimbursement Fund, and the remainder (\$2.0 million) is distributed to the Oil Fund.

The Governor's proposed fiscal 2020 budget assumes that the 8.0 cent fee is maintained, as established by the bill. The Governor's proposed fiscal 2020 budget also assumes that a portion of the fees continues to be distributed to the Reimbursement Fund.

Special fund revenues increase by a total of \$2.9 million in fiscal 2021 (\$2.7 million to the Oil Fund and \$243,750 to the Reimbursement Fund). In fiscal 2022, the fee decreases from 8.0 cents per barrel to 5.0 cents per barrel (which is the same as the fee under current law). However, because of the one-quarter delay in the receipt of fees from the prior fiscal year, the bill increases special fund revenues in fiscal 2022 by an estimated \$731,250 (\$670,313 to the Oil Fund and \$60,938 to the Reimbursement Fund). After the first quarter of fiscal 2022, the bill has no effect, as the fee under the bill is the same as the fee under current law (5.0 cents per barrel).

To the extent that the actual amount of oil imported into the State differs from the estimate of 97.5 million barrels annually, oil transfer fee revenues vary.

Special fund expenditures from the Reimbursement Fund increase correspondingly to the increase in special fund revenues to that fund in fiscal 2020 through 2022 due to the bill's authorization for owners of heating oil tanks to continue to apply for reimbursements through June 30, 2021.

According to MDE, in the absence of the bill, oil pollution program needs are projected to exceed revenues to the Oil Fund and Reimbursement Fund by at least \$4 million annually and may result in a significant reduction in staffing and resources for MDE's oil pollution programs. There are currently 39 permanent and 5 contractual employees within the Oil Control Program (the main regulatory program that uses these funds) and 16 permanent employees within the Emergency Response Division (the primary division that receives and tracks spill reports involving oil).

Small Business Effect: Historically, the majority of reimbursements from the Reimbursement Fund have supported commercial cleanups, and presumably, some commercial applicants are small businesses. Additionally, owners of heating oil tanks benefit from the continued authorization to seek reimbursement through June 30, 2021.

The oil fee is typically paid by major petroleum companies licensed to transfer oil in the State. However, to the extent that any oil transfer license holders in the State are small businesses, they incur an increase in costs due to the fee increase.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Comptroller's Office; Maryland Department of the Environment; Department of Legislative Services

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