Department of Legislative Services

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2025 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 882 (Senator Rosapepe)
Education, Energy, and the Environment

Coal Transportation Fee and Fossil Fuel Mitigation Fund (Coal Dust Cleanup and Asthma Remediation Act)

This bill establishes a fee of $13 per short ton of coal transported in the State to be paid by a carrier (*i.e.*, a person that transports coal in the State) for the privilege of transporting coal in the State. Fee revenue is deposited into a newly established Fossil Fuel Mitigation Fund, which is administered by the Maryland Department of the Environment (MDE). The stated purpose of the fund is to support activities that reduce greenhouse gas (GHG) emissions from fossil fuels and their impacts in the State. The fund may only be used by MDE or the Maryland Clean Energy Center (MCEC) to support activities and programs that reduce GHG emissions in the State, as specified. **The bill takes effect July 1, 2025.**

Fiscal Summary

State Effect: Special fund revenues increase significantly beginning as early as FY 2026 (but likely not until FY 2027) due to the fee; fee revenues may total at least $300.0 million on an annual basis. Special fund expenditures increase beginning as early as FY 2026 for programmatic and administrative purposes. General fund expenditures may increase in FY 2026 for initial implementation costs, likely repaid once special funds are available. General fund revenues increase, potentially significantly, from interest earnings of the new special fund through FY 2028. The bill may also have a significant impact on the Helen Delich Bentley Port of Baltimore (Port of Baltimore), as discussed below. The potential effect on electricity prices is discussed in the Additional Comments section below.

Local Effect: Local government revenues and expenditures increase beginning as early as FY 2026 to the extent any local jurisdictions receive funding from the new fund for authorized activities and programs. The potential effect on electricity prices is discussed in the Additional Comments section below.

Small Business Effect: Potential meaningful. The potential effect on electricity prices is discussed in the Additional Comments section below.

Analysis

Bill Summary:

Coal Transportation Fee

The coal transportation fee, which is $13 per short ton of coal transported in the State, is imposed on the first carrier to transport coal in the State. The fee does not apply to the transportation of coal that is solely for use on a farm and the carrier does not otherwise use, manufacture, package for sale, or sell the coal in the State. A carrier must pay the fee to MDE and provide any information required by MDE.

MDE must (1) distribute the revenue attributable to the coal transportation fee to the Fossil Fuel Mitigation Fund and (2) adopt regulations to provide for the administration and collection of the fee. MDE is authorized to establish audit procedures for coal carriers.

Fossil Fuel Mitigation Fund

The Fossil Fuel Mitigation Fund consists of (1) revenue distributed to the fund from the coal transportation fee established under the bill; (2) money appropriated in the State budget to the fund; (3) interest earnings; and (4) any other money from any other source accepted for the benefit of the fund.

The fund may only be used for MDE or MCEC to support activities and programs that reduce GHG emissions in the State. MDE may use up to 9% of the amount distributed to the fund each fiscal year for administrative costs related to the authorized activities and programs. After such administrative costs, MDE may use any remaining funds for authorized activities and programs as follows:

- up to 23% for activities and programs related to increasing home energy efficiency and electrification;
- up to 23% for activities and programs related to reducing GHG emissions in commercial, multifamily, and institutional buildings;
- up to 22% for activities and programs related to reducing GHG emissions through the use of electric vehicles, electric school buses, and electric charging equipment;
- up to 20% for activities and programs related to increasing mass transit;
- up to 9% for the administration of activities and programs;
- up to 2% for activities and programs related to asthma treatment for communities impacted by coal dust; and
- up to 1% for activities and programs related to public awareness campaigns for reducing GHG emissions.

In each fiscal year, at least 40% of the funding used for the activities and programs described above (from the funds remaining after MDE's administrative costs) must be used for activities and programs that address the negative impacts of climate change in overburdened and underserved communities.

Any unused funds may be used by MCEC to issue low-interest bonds, as specified, for authorized activities and programs related to (1) increasing home energy efficiency and electrification; (2) reducing GHG emissions in commercial, multifamily, and institutional buildings; (3) reducing GHG emissions through the use of electric vehicles, electric school buses, and electric charging equipment; and (4) increasing mass transit.

Money expended from the fund for specified activities is not intended to take the place of funding that would otherwise be appropriated for those activities.

Current Law: There are no fees for transporting coal in the State.

The Maryland Department of the Environment's Climate Change Program

MDE's Climate Change Program leads the State's efforts to reduce GHG emissions, as required by the Greenhouse Gas Emissions Reduction Act and participation and oversight in other initiatives, including the Regional Greenhouse Gas Initiative (RGGI) and the U.S. Climate Alliance. The program also ensures State compliance with climate-related State and federal laws, such as the Climate Solutions Now Act (Chapter 38 of 2022), discussed below.

The U.S. Climate Alliance is a bipartisan coalition of governors, including the Governor of Maryland, committed to reducing GHG emissions consistent with the goals of the Paris Agreement. Maryland participates in the multi-state RGGI in order to reduce carbon dioxide (CO_2) emissions from the power sector. Each participating state limits CO_2 emissions from electric power plants, issues CO_2 allowances, and establishes participation in CO_2 allowance auctions. A single CO_2 allowance represents a limited authorization to emit one ton of CO_2.

Chapters 127 and 128 of 2008 created the Maryland Strategic Energy Investment Program and the implementing Strategic Energy Investment Fund (SEIF) within the Maryland Energy Administration (MEA) to decrease energy demand and increase energy supply to promote affordable, reliable, and clean energy. SEIF is primarily funded through the proceeds from the auction of carbon allowances under RGGI.

Greenhouse Gas Emissions Reduction Targets and the Climate Solutions Now Act of 2022

The Climate Solutions Now Act made broad changes to the State's approach to reducing statewide GHG emissions and addressing climate change. Among other things, the Act accelerated previous statewide GHG emissions reductions targets originally established under the Greenhouse Gas Emissions Reduction Act, requiring the State to develop plans, adopt regulations, and implement programs to (1) reduce GHG emissions by 60% from 2006 levels by 2031 and (2) achieve net-zero statewide GHG emissions by 2045.

In December 2023, MDE published *Maryland's Climate Pollution Reduction Plan*, which was developed to implement Chapter 38. The establishment of a hazardous substance fee for hazardous substances transported in the State is included in Maryland's Climate Pollution Reduction Plan as one potential approach to generate revenue to support Maryland's transition to a net-zero-emission economy.

Maryland Clean Energy Center

MCEC was established by Chapter 137 of 2008 as a body politic and corporate and an instrumentality of the State. The purpose of MCEC is to (1) promote economic development and jobs in the clean energy industry sector; (2) promote the deployment of clean energy technology; (3) serve as an incubator for the development of the clean energy industry; (4) in collaboration with MEA, collect, analyze, and disseminate industry data; (5) provide outreach and technical support to further the clean energy industry; and (6) work as a green bank and in conjunction with local and private green banks.

The Maryland Oil Disaster Containment, Clean-up, and Contingency Fund and the Oil Transfer Fee

The Maryland Oil Disaster Containment, Clean-up, and Contingency 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 was imposed on each barrel of oil transferred into the State. The fee has been increased and extended multiple times since its establishment. Under current law, the fee is 5.0 cents per barrel.

Maryland Port Administration and the Dredged Material Management Program

The Maryland Port Administration (MPA), through its efforts to increase waterborne commerce, promotes the economic well-being of the State and manages the State-owned facilities at the Port of Baltimore. Through its Dredged Material Management Program, MPA maintains the shipping channel in the Chesapeake Bay, Baltimore Harbor, and the Chesapeake and Delaware Canal.

State Fiscal Effect:

Coal Transportation Fee and Fossil Fuel Mitigation Fund

Special fund revenues from the coal transportation fee – which are deposited into the new special fund in MDE – cannot be reliably estimated at this time but are anticipated to be significant. While data regarding the amount of coal exported from the Port of Baltimore is available, the Department of Legislative Services (DLS) does not have complete information regarding the amount of coal transported in the State that is subject to the fee. Even so, based on information provided by MDE and the Maryland Department of Transportation (MDOT), fee revenues may increase by at least $300.0 million on an annual basis once the fee is implemented and collected. Due to the length of time generally required to adopt regulations, while some fee revenue may be collected as early as fiscal 2026, it is likely that full implementation does not occur until at least fiscal 2027.

Special fund expenditures for MDE, and potentially MCEC, increase beginning as early as fiscal 2026 as fee revenues are used for programmatic and administrative purposes.

MDE may use up to 9% of the amount distributed to the fund each fiscal year for administrative costs. Although it is unclear, it is also assumed that MCEC is able to use up to 9% of any special funds it receives under the bill for its administrative costs. Without actual experience under the bill, total administrative costs (for MDE and MCEC) cannot be reliably estimated at this time. MDE anticipates significant administrative costs – at least $1.2 million on an annual basis – for salaries and related expenses for 12 staff. DLS generally concurs that MDE's need for staff and resulting administrative costs are likely significant, based on the magnitude of the potential fee revenues.

MDE may incur administrative costs prior to the collection of fee revenues. Thus, it is assumed that some general funds are needed to cover initial implementation costs in fiscal 2026 prior to the availability of special funds; once special funds are available (likely by fiscal 2027), it is assumed that the general fund are likely repaid.

To the extent that MCEC receives funding pursuant to the bill, MCEC administrative costs likely increase. The magnitude of any such increase depends on the amount of funding distributed to the center, which is unknown. As discussed above, it is assumed that any MCEC administrative costs are covered with the special funds it receives under the bill.

Special fund revenues for other State agencies may also increase to the extent they receive any funding from the Fossil Fuel Mitigation Fund; special fund expenditures increase correspondingly for authorized activities and programs.

Potential Impacts on the Port of Baltimore

MDOT advises that the bill has a significant impact on the Port of Baltimore. According to MDOT, the port is the second largest coal export hub in the United States. Although MDOT advises that the bill does not directly affect MPA finances, MDOT anticipates that the establishment of a coal transportation fee puts the Port of Baltimore at a competitive disadvantage with neighboring ports and may deter coal carriers from operating in the State. To the extent any such deterrence takes place, MDOT advises that it could result in an overall loss of jobs and investment in the port. MDOT further advises that this may, in turn, jeopardize federal funding for dredging the shipping channels that lead to Maryland's public and private port terminals, which could have significant effects on port activity.

Interest Earnings for the General Fund

Although the bill indicates that interest earnings of the new special fund remain in the fund, the bill does not amend Section 8 of Chapter 717 of 2024 (the Budget Reconciliation and Financing Act of 2024) which requires, notwithstanding any other provision of law, that interest earnings from special funds (with certain exceptions) accrue to the general fund from fiscal 2024 through 2028. Thus, general fund revenues increase, potentially significantly, from interest earnings of the new special fund (once fee revenue accrues to the fund) through fiscal 2028. The fund is exempted from a similar requirement under § 6-226(a)(2) of the State Finance and Procurement Article that applies from fiscal 2029 forward.

Local Fiscal Effect: Local government revenues may increase to the extent any local jurisdictions receive funding from the Fossil Fuel Mitigation Fund; local government expenditures increase correspondingly for authorized activities and programs.

Small Business Effect: Small businesses that use coal in their operations incur higher costs to purchase coal, which could affect small businesses beyond the potential increase in electricity prices discussed below. However, the transportation of coal that is solely for use on a farm is not subject to the fee if the carrier does not otherwise use, manufacture, package for sale, or sell the coal in the State; many farms are small businesses.

Small businesses involved in the activities and programs funded under the bill (such as those involved with home energy efficiency and electrification activities or the installation of electric charging equipment) may benefit to the extent they receive funding from the Fossil Fuel Mitigation Fund.

Additional Comments (Effect on Electricity Prices): Although Maryland power generators are phasing out the use of coal in the State, Maryland is a net importer of electricity. Maryland imports approximately 40% of its electricity and the regional electric grid relies in part on coal. Accordingly, electricity prices in the State may increase as a result of the fee established by the bill.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 1088 (Delegate Stein, *et al.*) - Environment and Transportation and Economic Matters.

Information Source(s): Prince George's County; Maryland Association of Counties; City of Annapolis; Maryland Municipal League; Comptroller's Office; Maryland State Treasurer's Office; Maryland Department of the Environment; Department of General Services; Maryland Department of Labor; Department of Natural Resources; Maryland Department of Transportation; Maryland Energy Administration; Office of People's Counsel; Public Service Commission; Maryland Clean Energy Center; Department of Legislative Services

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