



April 1, 2021

The Honorable Kumar P. Barve, Chair
House Environment and Transportation Committee
House Office Building, Room 251
Annapolis, MD 21401

Re: Senate Bill 661 – Environment - Maryland Oil Disaster Containment, Clean-Up and Contingency Fund and Oil Contaminated Site Environmental Cleanup Fund - Funding, Reallocation, Reimbursements, and Study

Dear Chairman Barve and Members of the Committee:

The Maryland Department of the Environment (MDE) has reviewed Senate Bill 661 entitled *Environment - Maryland Oil Disaster Containment, Clean-Up and Contingency Fund and Oil Contaminated Site Environmental Cleanup Fund - Funding, Reallocation, Reimbursements, and Study* and would like to provide some additional information about this legislation.

Senate Bill 661 would maintain current funding levels for the continued operation of critical oil pollution programs administered by MDE through FY 2024. Currently, an oil transfer license fee of \$0.08 is collected on each barrel of oil that is first transferred in the state. Of this, \$0.0775 per barrel is credited to the Maryland Oil Disaster Containment, Clean-Up and Contingency Fund (Oil Fund) and \$0.025 per barrel is credited to the Oil Contaminated Site Environmental Cleanup Fund (Reimbursement Fund). The number of barrels of oil transferred in the state averages around 95 million barrels per year (1 barrel is equal to 42 gallons), which generates an estimated \$7.6 million in revenue annually.

Beginning July 1, 2021, the portion of the fee credited to the Oil Fund is scheduled to decrease to \$0.05 per barrel, and the fee credited to the Reimbursement Fund will be discontinued. Senate Bill 661 would extend the collection of the \$0.08 per barrel fee until June 30, 2024, with \$0.0775 per barrel credited to the Oil Fund and \$0.025 per barrel credited to the Reimbursement Fund. Also beginning July 1, 2021, under existing law, residential owners of residential heating oil tanks that have incurred heating oil release cleanup costs would no longer be able to apply for reimbursement from the Reimbursement Fund. Under Senate Bill 661, the deadline by which a residential owner of a heating oil tank may apply for reimbursement would be extended until June 30, 2024. Additionally, the bill would allow MDE to use monies from the Oil Fund to pay costs associated with the Reimbursement Fund until June 30, 2029. Lastly, MDE would be required to study and report on specific topics related to the Reimbursement Fund and efforts the state has made to replace aging residential heating oil tanks during FYs 2021 and 2022. This report would be due to the General Assembly after December 1, 2022, but before January 1, 2023.

The Department administers the state's oil programs to ensure the safe handling, transportation, and storage of petroleum products within Maryland, and to ensure the remediation of oil releases, including surface and groundwater contamination, when they occur. The bill would maintain for the next three fiscal years the level of funding that has been in place since 2014, thereby sustaining the current levels of

regulatory and remediation activities. The maintenance of current revenue is necessary for the continued operations of critical oil pollution control programs within the state.

The Oil Fund is utilized by MDE to oversee petroleum groundwater cleanup cases, remediate state funded cleanup cases, maintain oil storage system permitting and compliance activities, provide emergency response services (24 hours a day/365 days a year) for oil emergencies, and to perform water pollution control activities related to oil. Presently, there are 814 open groundwater petroleum contamination cases and 63 active state-lead remediation sites. MDE responds to an average of 425 oil spills annually, which range from home heating oil spills and transportation incidents that include overturned gasoline and heating oil tank trucks, train derailments, incidents involving bulk storage facilities, as well as maritime oil spills.

MDE's oil regulatory and cleanup programs have been self-supported since the 1990s through an excise fee on the first transfer of oil in the state. The petroleum industry has been supportive of well-funded regulatory programs and supported the establishment of the current \$0.08 per barrel fee in 2014, and the extension of the fee in 2017 and 2019. Without the proposed legislation, oil transfer license fee revenue to the Oil Fund over FYs 2022 through 2024 would be reduced by approximately \$2.3 million annually or more. At this reduced level of funding, the Department would need to greatly reduce the services provided by our oil programs that protect Marylanders and the state's environmental resources from oil pollution. Additionally, MDE would require significant general funds starting in FY 2022.

The Reimbursement Fund is used to reimburse residential owners for the cleanup costs associated with home heating oil spills. Under current law, the reimbursement program will end on July 1, 2021, and property owners will no longer be able to submit new applications for reimbursements. Under Senate Bill 661, residential heating oil tank owners would be able to apply for reimbursement for an additional three fiscal years. Due to the fact that MDE currently receives more applications than can be reimbursed with the revenue credited to the Reimbursement Fund each year, there are currently existing applications awaiting reimbursement. The bill would allow MDE to use the Oil Fund to continue reimbursing these approved applications through June 30, 2029.

Thank you for your consideration. We will continue to monitor Senate Bill 661 during the Committee's deliberations, and I am available to answer any questions you may have. Please feel free to contact me at 410-260-6301 or tyler.abbott@maryland.gov.

Sincerely,



Tyler Abbott

cc: The Honorable Obie Patterson, State Senator
Ms. Kaley Laleker, Director, Land and Materials Administration