

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 158 (Senator Conway)
Education, Health, and Environmental Affairs

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

This bill extends the current fee (8.0 cents per barrel) assessed on oil transferred into the State 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 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). The bill allows owners of heating oil tanks to continue to apply for assistance from the Reimbursement Fund through June 30, 2019. The bill also authorizes, in fiscal 2018 and 2019 only, funds from the Oil Fund to be used to pay costs associated with the purposes of the Reimbursement Fund.

The bill takes effect July 1, 2017.

Fiscal Summary

State Effect: Special fund revenues increase by \$2.1 million in FY 2018 from the extension of current fee levels compared to current law. Out-years reflect the impact of the extension through FY 2019; revenues in FY 2018 and 2020 also reflect a one-quarter delay in receipt of fees from the prior year. The Governor's proposed FY 2018 budget reflects continuation of FY 2017 fee levels. Special fund expenditures for the Reimbursement Fund increase by \$178,100 in FY 2018 for reimbursements; out-years reflect continued reimbursements through FY 2019; and FY 2018 and 2020 reflect the one-quarter delay.

(in dollars)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
SF Revenue	\$2,137,500	\$2,850,000	\$712,500	\$0	\$0
SF Expenditure	\$178,100	\$237,500	\$59,400	\$0	\$0
Net Effect	\$1,959,400	\$2,612,500	\$653,100	\$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 until July 1, 2017; beginning July 1, 2017, the fee is 5.0 cents per barrel. Until July 1, 2017, 7.75 cents of the per-barrel fee are credited to the Oil Fund. Chapter 325 also required MDE to convene an Oil Funding Workgroup to review and assess the long-term funding needs of the State's oil pollution programs. According to MDE, this bill implements the recommendations of the workgroup.

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.

The 2015 Budget Reconciliation and Financing Act

The Budget and Reconciliation Financing Act of 2015 authorized, in fiscal 2015 and fiscal 2016 only, funds from the Oil Fund to be used to pay costs associated with the purposes of the Reimbursement Fund.

State Fiscal Effect: Based on the import of an estimated 95 million barrels of oil imported into the State annually, an oil transfer fee of 5.0 cents generates \$4.75 million a year. Under the bill, special fund revenues increase by an estimated \$2.14 million in fiscal 2018 due to the increase in the fee from 5.0 cents per barrel, under current law, 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 \$2.14 million increase in special fund fee revenues, \$178,125 is distributed to the Reimbursement Fund, and the remainder (nearly \$2.0 million) is distributed to the Oil Fund.

The Governor's proposed fiscal 2018 budget assumes that the 8.0-cent fee is maintained, as established by the bill. The Governor's proposed fiscal 2018 budget also assumes that a portion of the fees continues to be distributed to the Reimbursement Fund.

Under the bill, in fiscal 2020, the fee decreases from 8.0 cents per barrel to 5.0 cents per barrel. The reduced fee generates an estimated \$5.5 million in fiscal 2020 and \$4.75 million in fiscal 2021 and annually thereafter; the fiscal 2020 estimate reflects the fact that the 8.0-cent fee continues to be received during the first three months of fiscal 2020 due to the one-quarter delay in the receipt of fees from the prior fiscal year.

To the extent that the actual amount of oil imported into the State differs from the estimate of 95 million barrels annually, oil transfer fee revenues vary.

While most of the revenue is credited to the Oil Fund, the 0.25-cent fee distributed to the Reimbursement Fund provides estimated revenues of \$178,125 in fiscal 2018, \$237,500 in fiscal 2019, and \$59,375 in fiscal 2020, which represents the final distribution of fee revenues prior to the bill's phase out of the distribution to that fund on June 30, 2019. The fiscal 2018 and 2020 estimates reflect the three-month delay in the receipt of oil transfer fees from the prior fiscal year. Special fund expenditures from the Reimbursement Fund increase correspondingly from fiscal 2018 through 2020 due to the bill's authorization for owners of heating oil tanks to continue to apply for reimbursements through June 30, 2019.

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 approximately \$4 million annually and may result in a significant reduction in staffing and resources for MDE's oil pollution programs. There are currently 36 permanent and 7 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, 2019.

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 bill's fee increase.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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fn/lgc

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