

STATE OF MARYLAND
MARYLAND DEPARTMENT OF THE ENVIRONMENT
Robert M. Summers, Ph. D., Secretary

BILL NO: Senate Bill 678

COMMITTEE: Environmental Matters

POSITION: Support

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

BILL ANALYSIS:

This legislation would raise the oil transfer fee from 3 cents to 8 cents per barrel beginning July 1, 2014, continuing through June 30, 2017. The fee will be credited to the Maryland Oil Disaster Containment, Clean-Up and Contingency Fund (7.75 cents) and to the Oil Contaminated Site Environmental Cleanup Fund (0.25 cent). The bill also sets the fee reversion at 5 cents per barrel beginning July 1, 2017, and moves the due date for the annual report on the status of the Maryland Oil Disaster Containment, Clean-Up and Contingency Fund from October 1 to January 1. The bill re-establishes the application process to the Oil Contaminated Site Environmental Cleanup Fund by moving the deadline for applications to June 30, 2017. Finally, the bill would require MDE to convene a work group in three years to review the long-term funding needs of both funds and require a report to be submitted to the State Legislature by December 31, 2016.

POSITION AND RATIONALE: The Department supports Senate Bill 678.

The proposed legislation implements the recommendations of the 2013 Oil Funding Workgroup, which consisted of industry and Department representatives and was established pursuant to Section 16, Chapter 425, Acts of 2013. The current oil transfer fee imposed on each 42-gallon barrel of oil at the first point of transfer into the State is 3 cents (\$0.00071 per gallon). The bill would increase the total fee to 8 cents per barrel for the next three years. This fee is primarily paid by major oil companies importing oil into Maryland.

The increase in revenue included in this legislation is necessary for the continued operations of critical oil pollution control programs within the State. Without this fee adjustment, MDE's oil pollution control programs would be unable to be sustained and services to the regulated community and our citizens would be negatively impacted. Citizens would still be required by law to cleanup an oil spill but would not be reimbursed by MDE to help offset the costs of cleanups. In addition, emergency response to oil spill incidents on a 24-hour basis would not be able to be maintained by MDE. Without the bill, the oil transfer fee will continue at 3 cents per barrel, requiring the use of General Funds to maintain the proposed expenditures in the FY2015 budget and beyond. In order to maintain the oil pollution programs at their current services without the passage of this legislation, the agency would require at least \$5 million in additional General Funds in FY2015, with increasing needs in future years.

The Maryland Oil Disaster Containment, Clean-Up and Contingency Fund is utilized by MDE to operate the Emergency Response Division, the Oil Control Program, and certain compliance functions within the Air and Radiation Management Administration and the Water Management Administration. The Emergency Response Division is the primary State asset that receives, responds to, and tracks spill reports involving oil. The Oil Control Program ensures the safe handling, transportation, and storage of petroleum products within Maryland and ensures the remediation of releases when they have occurred. Presently, there are nearly 700 open groundwater petroleum contamination cases in the State. The Oil Contaminated Site Environmental Cleanup Fund has been used to reimburse cleanup costs associated with heating oil spills to residential property owners. On average, the per-property reimbursement is \$8,000, representing significant assistance to Maryland citizens. Since the beginning of this program in 1993, MDE has reimbursed over \$6 million to residents for their costs of cleanups of heating oil spills.

Since 1972, the State has managed an oil pollution prevention program, supported by special fund fees. In the mid-1980s, the oil transfer fee was established to replace oil operations permit fees. Since then, the oil transfer fees, along with federal funds from the Resource Conservation and Recovery Act (RCRA) Subtitle I (Federal Underground Storage Tank Program), have provided essential sustaining funds for the oil pollution prevention programs in Maryland. The special fund fee is adjusted every three or five years based on recommendations of an industry and Department stakeholder workgroup.

FOR MORE INFORMATION,
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