



REPORT ON THE STATUS OF THE OIL CONTAMINATED SITE ENVIRONMENTAL CLEANUP FUND

20th ANNUAL REPORT

FISCAL YEAR 2013 AND HALF FISCAL YEAR 2014

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I. INTRODUCTION

Section 4-708(b) of the Environment Article, Annotated Code of Maryland, requires the Maryland Department of the Environment (MDE) to provide to the Maryland General Assembly an annual report on the status of the Oil Contaminated Site Environmental Cleanup Fund (Reimbursement Fund).

MDE's Land Management Administration is the agency responsible for regulating oil pollution control activities within Maryland. The Operational Services and Oil Control Programs, within the Land Management Administration, coordinate those activities on a daily basis, including the implementation of this fund.

II. HISTORY

Oil Contaminated Site Environmental Cleanup Fund

The Maryland General Assembly, recognizing the need for the cleanup of sites contaminated by oil from leaking underground storage tanks, enacted the Oil Contaminated Site Environmental Cleanup Fund ("Reimbursement Fund"), effective July 1, 1993 (Chapter 465, Acts 1993). The Reimbursement Fund was used until July 2000 to reimburse only owners or operators of underground storage tanks (USTs) storing commercial motor fuels, used oil, or fuel for operating emergency generators for site remediation and cleanup costs incurred on or after October 1, 1993.

During the 1996 legislature, the Reimbursement Fund was amended and enacted as Chapter 532, Acts of 1996. The statute provided a limit of \$125,000 per occurrence subject to deductibles that ranged from \$7,500 to \$20,000.

At the end of Fiscal Year 1999, a funding shortfall of approximately \$3,000,000 existed for applicants to the Reimbursement Fund. House Bill 457 (Chapter 604, Acts of 2000) addressed the shortfall by providing additional resources for the Reimbursement Fund until July 1, 2005. Effective July 1, 2000, a fee of 1 cent per barrel was applied to oil at the first point of transfer in the State. MDE was authorized to use up to 8 percent of the revenue in the Reimbursement Fund during the fiscal year for the administration of the Reimbursement Fund.

Chapter 604, Acts of 2000, also expanded the eligibility of the Reimbursement Fund to include owners of commercial underground storage tanks storing heating oil and to owners of residential heating oil tanks. Owners of residential heating oil tanks were eligible for reimbursement of up to \$10,000, less a \$1,000 deductible, for certain site rehabilitation costs incurred after October 1, 2000. A minimum of 25 percent of the 1 cent per barrel fee collected per fiscal year was used for reimbursement of residential heating oil tank site rehabilitation costs.

Long-Term Funding Work Groups

Chapter 604, Acts of 2000, required the Secretary of the Environment to convene a work group consisting of representatives from the various sectors of the petroleum marketing industry as well as representatives from appropriate public and private entities "to review and assess long-

term funding needs of the oil pollution programs in the State.” The Department was required to report findings and recommendations of the work group to the Legislative Policy Committee, the House Environmental Matters Committee, and the Senate Economic and Environmental Affairs Committee no later than November 1, 2004 (Chapter 604, Acts of 2000).

As a result of the work group’s findings and recommendations report, Senate Bill 814 “Environment - Maryland Oil Disaster Containment, Clean-Up and Contingency Fund and Oil Contaminated Site Environmental Cleanup Fund” was proposed in the 2005 Maryland General Assembly. The bill was adopted (Chapter 177, Acts of 2005) into law and became effective July 1, 2005. This legislation altered the amount of the per barrel fee for oil transferred into the State and credited to the Maryland Oil Disaster Containment, Clean-Up and Contingency Fund (“Oil Fund”) and the Reimbursement Fund. The per barrel fee credited to the Oil Fund was 4 cents per barrel and the per barrel fee credited to the Reimbursement Fund changed from 1 cent to 1.75 cents beginning July 1, 2005 until July 1, 2010.

The legislation also extended the termination date to December 31, 2007 for requests for reimbursement by owners or operators of commercial heating oil and other non-federally regulated underground storage tanks. It further stated that applications must be received by MDE no later than six months after site rehabilitation completion. The legislation extended reimbursement for owners of residential heating oil tanks until June 30, 2010, reduced the deductible to \$500, and raised the maximum amount to be reimbursed to \$20,000 per occurrence.

Prior to the extension ending on June 30, 2010, the Secretary of the Environment convened a work group to review and assess long-term funding needs of the oil pollution programs in the State. As a result of the work group’s recommendations on the state of funding, Senate Bill 1117 “Environment - Maryland Oil Disaster Containment, Clean-Up and Contingency Fund and Oil Contaminated Site Environmental Cleanup Fund” was proposed in the 2010 Maryland General Assembly.

The bill was adopted (Chapter 377, Acts of 2010) into law and became effective July 1, 2010. The total per barrel fee of 5.75 cents remained the same and the amount credited to the Oil Fund beginning July 1, 2010 until June 30, 2013 was increased from 4 cents per barrel to 5.75 cents, while the per barrel fee credited to the Reimbursement Fund changed from 1.75 cents to zero. The legislation also reduced the per barrel fee deposited into the Oil Fund to 3 cents per barrel beginning July 1, 2013. In addition to the Oil Fund being used for discharges of oil, petroleum products and their by-products, Chapter 377 allowed the Oil Fund to also be used by MDE for oil-related activities in water pollution control programs.

Reimbursements were to continue using the balance of the Reimbursement Fund. An owner of a residential heating oil tank eligible under the Reimbursement Fund could apply no later than 6 months after rehabilitation completion until June 30, 2013 for costs incurred on or after October 1, 2000 up to a maximum amount of \$20,000, less a \$500 deductible.

Chapter 377, Acts of 2010 also required the Secretary of Environment to convene a work group to review and assess long-term funding needs of the oil pollution programs in the State and

report the findings and recommendations no later than December 31, 2012. The 2012 Work Group recommended that the fee be increased to 8 cents per barrel, which proposed the entire 8 cents to the Oil Fund and zero cents to the Reimbursement Fund. Legislation was introduced but failed resulting in \$3.5 Million being transferred from the Reimbursement Fund to the Oil Fund and the total oil transfer fee being reduced to 3 cents per barrel beginning July 1, 2013. Without this legislation, the Reimbursement Fund program stopped accepting applications as of July 1, 2013.

III. PROGRAM ACTIVITIES

In State Fiscal Year 2013 (FY 2013), MDE received 191 additional applications to the Reimbursement Fund and approved 168 applications. Since the inception of the program in 1993 through June 2013, MDE has approved 1,125 applications.

| Applications Received, FY 2013 | |
|---|-------|
| Commercial | 0 |
| Residential | 191 |
| Total | 191 |
| | |
| Total Applications Received, inception through FY 2013 | |
| Commercial | 269 |
| Residential | 1,008 |
| Total | 1,277 |
| | |
| Applications Approved, FY 2013 | |
| | 168 |
| | |
| Applications Approved, inception through FY 2013 | |
| | 1,125 |

After a site has been approved, the applicant must keep track of the applicable deductible and submit to MDE all invoices and proof of payment once the deductible has been met. MDE subsequently reviews the invoices and authorizes any amount that should be reimbursed for the quarterly period.

IV. FINANCIAL STATEMENT

In FY 2013, MDE reimbursed approved applications in the amount of \$1,257,597.60 as follows: \$20,168.14 commercial and \$1,237,429.46 residential. **Table 1** provides the financial statement for the Reimbursement Fund for FY 2013. The fund balance will be used for the current 17 open applications, administrative costs, and new applications.

In FY 2014 (July 1, 2013 through December 31, 2013), MDE reimbursed the remaining approved applications in the amount of \$755,634.56 as follows: \$31,829.07 commercial and \$723,805.49 residential.

Table 2 provides the financial statement for the Reimbursement Fund for half FY 2014 (July 2013 – December 2013). The fund balance will be used in FY 2015, if legislation (2014 Senate Bill 678) is enacted to restart the Reimbursement Fund program on July 1, 2014.

In summary, MDE has reimbursed \$16,885,683.28 for commercial sites and \$6,396,900.30 for residential sites for a total of \$23,282,583.58 since the inception of the program in 1993 through December 31, 2013.

V. CONTACT INFORMATION

This report was compiled by the Operational Services Program of the Maryland Department of the Environment. Questions regarding this report may be directed to the Program by calling 410-537-3400.

TABLE 1
Fund Financial Statement
FY 2013, July 1, 2012– June 30, 2013

| | | |
|--|-----------------------|-----------------|
| Beginning Balance | | \$6,304,863.04 |
| FY 2013 Revenues | | |
| Fee Revenue | \$0.00 | |
| Legislative Transfer | \$3,500,000.00 | |
| Total | | -\$3,500,000.00 |
| FY 2013 Expenditures | | |
| MDE Administrative Costs | \$94,621.64 | |
| Reimbursements | \$1,257,597.60 | |
| Other | \$5,986.17 | |
| Total | | -\$1,358,205.41 |
| Open Applications Pending Reimbursement | \$273,605.49 | |
| Total Open Allocations | | - \$273,605.49 |
| Available Balance | | \$1,173,052.14 |

TABLE 2
Fund Financial Statement
Half FY 2014, July 1, 2013– December 31, 2013

| | | |
|---|---------------------|----------------|
| Beginning Balance | | \$1,173,052.14 |
| FY 2014 Revenues | | |
| Fee Revenue | \$0.00 | |
| Legislative Transfer | \$0.00 | |
| Total | | \$0.00 |
| FY 2014 Expenditures | | |
| MDE Administrative Costs | \$60,450.76 | |
| Reimbursements | \$755,634.56 | |
| Other | \$0.00 | |
| Total | | -\$816,085.32 |
| Reverted Previous Open Allocations | \$273,605.49 | |
| Total Reverted Allocations | | +\$273,605.49 |
| Available Balance | | \$630,572.31 |

