

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1307 (Delegates Jacobs and Arentz)
Environment and Transportation

Environment - Municipal Water Supply Contamination - Remediation Costs

This bill authorizes the Maryland Department of the Environment (MDE) to use funds from the Maryland Oil Disaster Containment, Clean-Up and Contingency Fund to pay costs incurred by a municipality that are associated with the contamination of the municipal water supply by an entity that receives State funding. Such costs may include the establishment of an alternative water supply. MDE *must* use funds from that special fund for specified clean-up costs incurred relating to the Town of Chestertown's water supply under certain conditions.

Fiscal Summary

State Effect: Potential increase in special fund expenditures for MDE to the extent that a municipality incurs costs that are required or authorized to be paid from the fund. The magnitude and timing of any such impact depends on when any qualifying contamination occurs and the required cleanup measures. Revenues are not affected.

Local Effect: Potential increase in local revenues to the extent that any municipality incurs costs that are reimbursable under the bill's provisions and receives money from the Maryland Oil Disaster Containment, Clean-Up and Contingency Fund. The magnitude and timing of any such impact depends on when any qualifying contamination occurs and the required clean-up measures.

Small Business Effect: None.

Analysis

Bill Summary: If certain contaminants are detected in any monitoring well, sentinel well, or production well in the Town of Chestertown, at levels specified under regulation, MDE must use money in the Maryland Oil Disaster Containment, Clean-Up and Contingency Fund to pay the costs of any cleanup, corrective action, and treatment of public water supply contamination resulting from actions taken by the University of Maryland Medical Center at Chestertown in order to provide the town with safe and affordable drinking water without disruption.

Current Law/Background:

Liability for Damages Caused by Oil Spills and Underground Storage Tanks

Under current law, known responsible parties (whether State agencies, private, or otherwise) are directly liable for damages to a person or real property from releases of oil, including from underground oil storage tanks. The responsible party must pay clean-up costs or reimburse the State for its costs to conduct these cleanups.

Maryland Oil Disaster Containment, Clean-Up and Contingency Fund

According to MDE, the 7.75 cent fee assessed each barrel of oil transferred into the State, which is paid to the fund, generates approximately \$7.75 million annually. Funds are used to operate the Emergency Response Division (ERD), the Oil Control Program, and compliance functions within the Air and Radiation Management Administration and the Water Management Administration of MDE.

Background on Chestertown Heating Oil Release

MDE advises that in 1988, it began overseeing the assessment and cleanup of heating oil released from underground storage tanks at the hospital that is now owned by the University of Maryland Shore Regional Health, located in the Town of Chestertown. In 1991, a pump and treat recovery system was installed. The system was updated through the years and continues to run today.

MDE further advises that in 1994, the closest down-gradient town supply well was removed from service at MDE's recommendation because the well's pumping action had the capability to draw contamination toward it and could potentially aggravate the spread of heating oil from the release area. The remaining active water supply wells are approximately 1,200 feet down-gradient from the hospital property. The recovery system has extracted more than 83,000 gallons of heating oil from the subsurface and has treated millions of gallons of water. Groundwater conditions at the site are monitored through a

series of 46 wells. The responsible party has implemented an MDE-approved remediation technology to recover additional amounts of residual heating oil. The costs for the recovery system, monitoring, and remediation technology are paid by the responsible party.

MDE notes that throughout the nearly 30-year clean-up process, no link between the contamination from the heating oil release at the hospital and any contamination present in the Town of Chestertown water supply wells has been discovered.

Additional Programs Funded by the Fund

According to MDE, ERD is the primary State unit that receives and tracks spill reports involving oil. ERD provides (1) 24-hour emergency response to spill incidents; (2) technical support to other programs within MDE; (3) site safety and technical support to the Environmental Crimes Unit during criminal search warrants; and (4) specific training to local fire, police, environmental health departments, and other interested parties upon request.

The Oil Control Program within MDE is the main regulatory program that uses money from the fund. The goal of the program is to ensure the safe handling, transportation, and storage of petroleum products within Maryland and to ensure the remediation of releases when they occur.

Additional Information

Prior Introductions: None.

Cross File: Although designated as a cross file, SB 1010 (Senator Hershey - Education, Health, and Environmental Affairs) is not identical.

Information Source(s): Maryland Department of the Environment, Office of the Attorney General, Judiciary (Administrative Office of the Courts), University of Maryland Medical System, Department of Legislative Services

Fiscal Note History: First Reader - March 1, 2016
mel/lgc

Analysis by: Kathleen P. Kennedy

Direct Inquiries to:
(410) 946-5510
(301) 970-5510