



Maryland

Department of the Environment

Larry Hogan, Governor
Boyd K. Rutherford, Lt. Governor

Ben Grumbles, Secretary
Horacio Tablada, Deputy Secretary

February 24th, 2021

The Honorable Paul G. Pinsky, Chair
Education, Health, and Environmental Affairs Committee
2 West, Miller Senate Office Building
Annapolis, Maryland 21401

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

Dear Chairman Pinsky and Members of the Committee:

The Maryland Department of the Environment (MDE) has reviewed **SB0661 - *Environment - Maryland Oil Disaster Containment, Clean-Up and Contingency Fund and Oil Contaminated Site Environmental Cleanup Fund - Funding, Reallocation, and Reimbursements*** 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 the Maryland Department of the Environment (MDE or the Department) through FY 2024. Currently, an oil transfer license fee of 8 cents is collected on each barrel of oil that is first transferred in the state. Of this, 7.75 cents per barrel is credited to the Maryland Oil Disaster Containment, Clean-Up and Contingency Fund (Oil Fund) and 0.25 cent 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, for an estimated \$7.6M in revenue annually.

Beginning July 1, 2021, the portion of the fee credited to the Oil Fund is scheduled to decrease to 5 cents per barrel, and the fee credited to the Reimbursement Fund will be discontinued. The bill would extend the collection of the 8.0 cents per barrel fee until June 30, 2024, with the entire 8.0 cents credited to the Oil Fund. On or after July 1, 2024, and absent of any further legislation, the current 8.0 cents per barrel fee would decrease to 5.0 cents per barrel, credited to the Oil Fund. Also beginning July 1, 2021, under existing law, 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. Senate Bill 661 would allow MDE to continue reimbursing approved applications received on or before June 30, 2021 through FY 2026 using the Oil Fund.

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 for oil emergencies 24 hours a day/365 days a year, and to perform water pollution control activities

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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 8 cents per barrel oil transfer license fee in 2014, and the extension of the fee in 2017 and 2019 (there are 42 gallons per barrel). Without the proposed legislation, oil transfer license fee revenue would be reduced by approximately \$2.3M 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 property 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. Because 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. Senate Bill 661 would allow MDE to use the Oil Fund to continue to reimburse these existing applications through June 30, 2026.

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 by e-mail at tyler.abbott@maryland.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Tyler Abbott", with a long horizontal line extending to the left.

Tyler Abbott