



Maryland
Department of
the Environment

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

FY20 Data

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Land and Materials Administration

Prepared for:
Senate Education, Health, and Environmental Affairs Committee
House Environment and Transportation Committee

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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 and Materials Administration (LMA) is responsible for regulating oil pollution control activities within Maryland, which is carried out by the Oil Control Program. The Technical Services and Operations Program, also within LMA, is the primary program that implements the Residential Heating Oil Tank Site Cleanup Reimbursement Program, which is funded by the Reimbursement Fund.

II. HISTORY

The Maryland General Assembly, recognizing the need for the cleanup of sites contaminated by oil from leaking underground storage tanks (USTs), enacted the 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 USTs storing commercial motor fuels, used oil, or fuel for operating emergency generators for site remediation and cleanup costs incurred on or after Oct. 1, 1993.

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

At the end of FY99, a funding shortfall of approximately \$3 million existed for applicants to the Reimbursement Fund. House Bill 457 (Chapter 604, Acts 2000) addressed the shortfall by providing additional resources for the Reimbursement Fund until July 1, 2005. Effective July 1, 2000, a fee of \$0.01 per barrel was applied to oil at the first point of transfer in the state. MDE was authorized to use up to 8% 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 USTs 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 Oct. 1, 2000. A minimum of 25% of the \$0.01 per barrel fee collected per fiscal year was used for reimbursement of residential heating oil tank site rehabilitation costs.

Chapter 177, Acts of 2005 altered the amount of the per barrel fee at the first point of transfer in the state, and credited to the Maryland Oil Disaster, Containment, Cleanup and Contingency Fund (Oil Fund) and the Reimbursement Fund. The per barrel fee credited to the Oil Fund was \$0.04 per barrel, and the per barrel fee credited to the Reimbursement Fund was \$0.0175 beginning July 1, 2005 until July 1, 2010. The legislation also extended the termination date to Dec. 31, 2007 for requests for reimbursement by owners or operators of commercial heating oil and other non-federally regulated USTs. The law 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.

Chapter 377, Acts of 2010 extended the total per barrel fee of \$0.0575 until June 30, 2013 but reduced the per barrel fee credited to the Reimbursement Fund from \$0.0175 to zero. The legislation also reduced the per barrel fee deposited into the Oil Fund to \$0.03 per barrel beginning July 1, 2013. In addition to the Oil Fund being used for discharges of oil, petroleum products, and their byproducts, Chapter 377 allowed the Oil Fund to 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 program could apply no later than 6 months after rehabilitation completion until June 30, 2013 for eligible costs incurred.

Chapter 325, Acts of 2014 increased the total per barrel fee to \$0.08 per barrel, with \$0.0775 per barrel credited to the Oil Fund and \$0.0025 per barrel credited to the Reimbursement Fund. Since the legislation restarted funding to the Reimbursement Fund, the Residential Heating Oil Tank Site Cleanup Reimbursement Program began accepting applications July 1, 2014.

Chapter 390, Acts of 2017 maintained the same funding levels until July 1, 2019. With the adoption of the law, the Residential Heating Oil Tank Site Cleanup Reimbursement Program was authorized to continue to accept applications until June 30, 2019.

Chapter 772, Acts of 2019 maintained the same funding levels until July 1, 2021 and authorized the continued acceptance of applications for the Residential Heating Oil Tank Site Cleanup Reimbursement Program until June 30, 2021.

III. FUND ACTIVITIES

In FY20, MDE received 198 additional applications to the Residential Heating Oil Tank Site Cleanup Reimbursement Program and reimbursed 28 applications submitted, five from FY17, and 23 from FY18. Since the inception of the Reimbursement Fund in 1993 through June 2020, MDE has approved a combined 1,806 residential and commercial applications. The commercial reimbursement program closed at the end of FY13.

As required by state law, MDE numerically ranks applications to the Residential Heating Oil Tank Site Cleanup Reimbursement Program based on the date the completed application was received by MDE, so the earliest application receives the highest rank. Application packages must be complete prior to approval; and are approved prior to reimbursement. MDE's reimbursement of an application is subject to the availability of revenues within the Reimbursement Fund, and MDE reimburses allocations for approved applications in order of their numerical ranking. As soon as funds become available to reimburse an application, MDE begins processing the application.

The program currently receives approximately \$57,000 in revenue per quarter from the Reimbursement Fund. Revenue to the Reimbursement Fund is generated by a fee on each barrel of oil that is assessed at the first point of transfer in the state, so the exact quantity of revenue received in any quarter is affected by change in the quantity of oil transferred. After a site has been approved, the applicant must keep track of the applicable deductible and submit all invoices and proof of payment to MDE once the \$500 deductible has been met.

TABLE 1
Summary of Activities
Residential Heating Oil Tank Site Cleanup Reimbursement Program

Applications Received	
FY20	198
Prior to FY20	2,057
Total	2,255
Applications Approved and Reimbursed	
FY20	29
Applications Denied¹	
FY20	1
Prior to FY20	3
Total	4
Applications Awaiting Approval and Funding for Reimbursement	
Total	532

Notes

1 – Applications denied for ineligible activities

IV. FINANCIAL STATEMENT

In FY20, MDE reimbursed 28 of the 29 (23 from FY18, and 5 from FY17) approved residential applications in the amount of \$207,257.74. The one applicant did not need to be reimbursed by MDE because the applicant’s insurance company reimbursed funds expended by the applicant. There are 532 residential applications in the amount of \$5,690,668.37 awaiting reimbursement as funds become available.

In summary, MDE has reimbursed \$16,885,683.28 for commercial sites and \$11,901,998.63 for residential sites for a total of \$28,787,681.91 since the inception of the Reimbursement Fund in 1993 through June 30, 2020.

TABLE 2
Fund Financial Statement
FY20, July 1, 2019 – June 30, 2020

Beginning Balance		\$44,335.79
Prior Year Encumbrances		\$111,187.92
FY19 Revenues		
Fee Revenue	\$238,667.39	
Total		\$238,667.39
FY19 Expenditures		
Administrative Costs	\$16,581.12	
Reimbursements	\$207,257.74	
Other	\$0	
Total		-\$223,838.86
Open Applications Pending Reimbursement	-\$149,666.22	
Total Open Allocations		-\$149,666.22
Available Balance		\$20,686.02