



**MARYLAND**

**Department of the Environment**

# MARYLAND CLEAN AIR FUND ANNUAL REPORT

## FISCAL YEAR 2013

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Air and Radiation Management Administration

Prepared for:

The Maryland General Assembly  
Annapolis, MD

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## REQUIREMENT

This report fulfills the requirements of:

- Section 2-107(c)(3) of the Environment Article of the Maryland Code, which states:

At the end of the fiscal year, the Department shall prepare an annual report on the Maryland Clean Air Fund that includes an accounting of all financial receipts and expenditures to and from the Fund and shall:

- (i) Provide a copy of the report to the General Assembly, as provided under Section 2-1312 of the State Government Article; and
  - (ii) Upon request, make the report available to permit holders under this Title.
- Uncodified language in Section 3 of House Bill 1133 of the 1993 Session of the Maryland General Assembly, which requires an annual report on Clean Air Act program and fee implementation. This report is to:
    - (i) Detail the revenues raised by permit fees, and the expenditures of those funds, and
    - (ii) Provide information regarding the federal approval process, the effectiveness of the permitting program, and any other issue of importance to the operation of this permitting program.

## SUMMARY OF REVENUES AND EXPENDITURES

The Maryland Clean Air Fund is a special revenue fund that was created by action of the 1988 General Assembly. The Fund began receiving receipts from fees and penalties on July 1, 1988. The Fund's revenues are to be used for activities under Title 2, Environment Article related to identifying, monitoring, and regulating air pollution in Maryland, including program development of these activities.

In 1993 the Maryland General Assembly adopted new fee requirements for emissions from certain, large air pollution sources in order to comply with the federal Clean Air Act. These new requirements included a revision to the permit fee schedule and a provision allowing for an automatic escalation in the emission fee schedule each year. The new requirements became effective on September 13, 1993. Emission-based fees constitute the largest source of revenues to the Clean Air Fund. Table 2 shows that operating permit fees generated 54% of Clean Air Fund receipts in FY 2013. This is a reduction of 13% from FY 2012 to FY 2013, owing mostly to a reduction in fees associated with emissions from Maryland's coal-fired power plants. Electricity generation at these plants has decreased in recent years due to a number of factors, so too have overall emissions, due to lower generation levels and tighter pollution control requirements.

Since inception, the emission fee revenues increased for about a decade. These revenues, however, have declined in recent years due to a number of large facilities shutting down (RG Steel, Eastalco, FMC, Vista Chemical, R. Paul Smith, etc.), the installation of significant pollution control equipment at the largest emission sources, and a general curtailment of operations across the board as a result of the economic turndown. The decline is projected to continue, as a few other large sources are either slated to shut down or will switch to lower-emitting fuels (natural gas). Also, the final stage in the implementation of the Maryland Healthy Air Act took place in 2013, which further reduced power plant emissions. Moving forward beyond 2013, future state and federal regulations will continue to slowly reduce emissions over time. The decline in emissions experienced so far has reduced the emission fee revenue stream by about one million dollars yearly. This is expected to carry on into subsequent years. In order to maintain a revenue stream that can support program costs, added revenues will eventually be needed.

A legislative modification to the Clean Air Fund in 2008 raised the amount of the Fund that can be carried over at the end of each fiscal year. The Fund cap was raised from \$750,000 to \$2,000,000. Another legislative change to the Fund provided that revenues generated from the sale of carbon dioxide allowances under the Regional Greenhouse Gas Initiative be deposited in a new Strategic Energy Investment Fund managed by the Maryland Energy Administration and that a portion of those revenues be transferred to the Clean Air Fund to support climate change-related programs undertaken by the Department of the Environment. Strategic Energy Investment Fund (SEIF) revenues of \$2,211,129 are included in the Maryland Clean Air Fund for FY 2013.

In FY 2013 the Maryland Clean Air Fund provided 47.5% of the funding for the State's air pollution control program. Over the past several years, the Fund supports less of the overall operation.

Figure 1 shows that overall funding for the air program also came from the State general fund, grants from the U.S. Environmental Protection Agency and, other sources which included reimbursable funds from the Maryland Departments of Transportation and Natural Resources and special funds from the Oil Disaster Containment, Clean-Up and Contingency Fund and, in FY 2013 the Budget Restoration Fund.

Maryland Clean Air Fund direct expenditures in FY 2013 were approximately \$7.5 million (see Table 1). All Non-ARMA expenditures, such as the departmental website revamp project, took place from encumbrances paid from previous Appropriation Years (AY). Approximately 79% of Clean Air Fund direct expenditures in ARMA were for personnel costs. The remaining 21% of the Clean Air Fund direct expenditures in ARMA were for operating expenditures that included services, supplies, equipment, etc. (see Table 2).

Clean Air Fund revenues are derived primarily from fees for permits and licenses issued by ARMA, from penalties for violations of air quality and asbestos laws and regulations, and the Strategic Energy Investment Fund. Table 2 shows revenues for FY 2013 from these sources. Total Clean Air Fund revenues in FY 2013 were about \$7.9 million.

Table 3 summarizes trends in Clean Air Fund revenues and expenditures over the most recent five-year period.

**CLEAN AIR FUND REVENUES:**

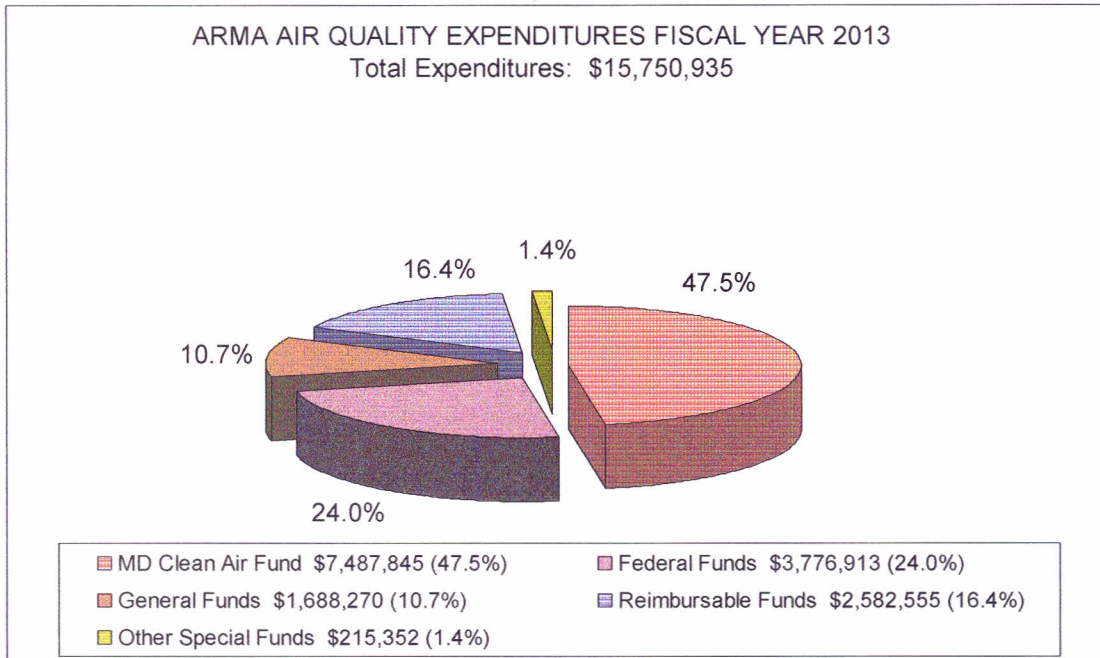
	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Fees	5,176,921	6,804,486	6,715,154	6,357,544	7,261,708
Penalties	533,050	768,250	569,159	479,125	378,332
SEIF	1,000,000	2,192,245	1,234,840	1,333,327	2,211,129
Indirect Costs and Revenue Transfers	(670,991)	(1,020,594)	(980,637)	(971,056)	(999,741)
Total Revenues	6,038,980	8,744,387	7,538,516	7,198,940	8,851,428

## **MARYLAND'S AIR QUALITY OPERATING PERMIT PROGRAM**

Maryland has had an air quality operating permit program since 1971. Operating permits establish monitoring, record keeping and reporting requirements unique to a given facility to ensure that it is operated in a compliant manner. Significant sources of air pollution or those that have the potential to cause harm based on the nature of their emissions, such as cement plants, power plants, asphalt plants and paper and steel mills, are required to obtain a state operating permit. Since November 1989, emission-based fees have been collected from sources with operating permits, and these fees have been deposited into the Maryland Clean Air Fund. During FY 2013, annual emission-based fees were collected for 478 air quality permits to operate. Effective January 1, 2000, four major power plants, previously excluded from being classified as Title V sources under the Clean Air Act, were considered to be Title V sources, and fee payments received from these sources after this date are, therefore, viewed as Title V revenues. Table 2 shows that operating permit fees generated 53.9% of Clean Air Fund receipts in FY 2013.

Title V of the Clean Air Act, as amended in 1990, required states to establish federally-enforceable operating permit programs approved by the U.S. Environmental Protection Agency (EPA). The Department developed such a program to conform to the federal requirement and received final approval from the federal Environmental Protection Agency in January 2003.

**Figure 1**



**Figure 2**

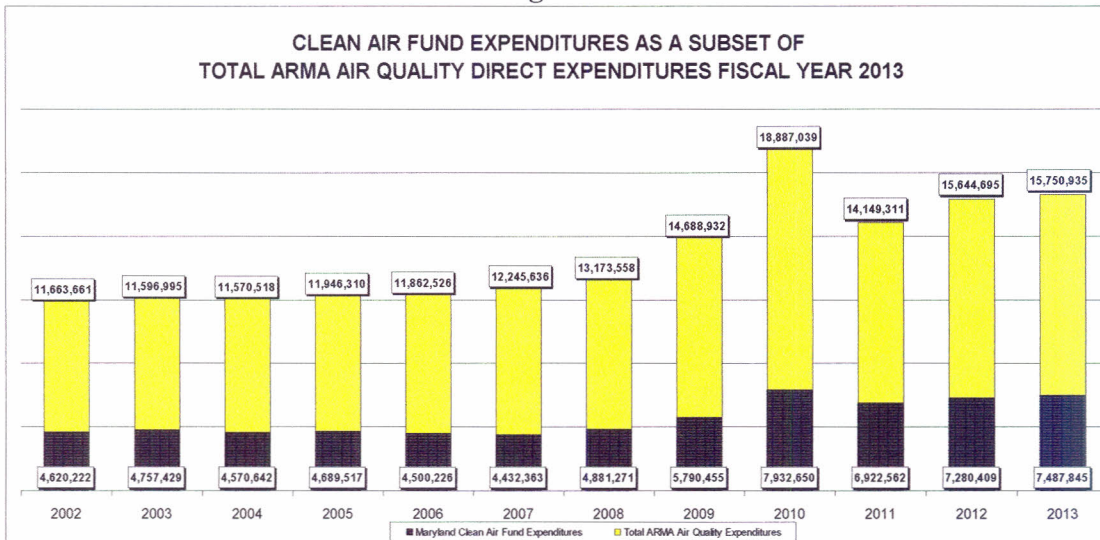
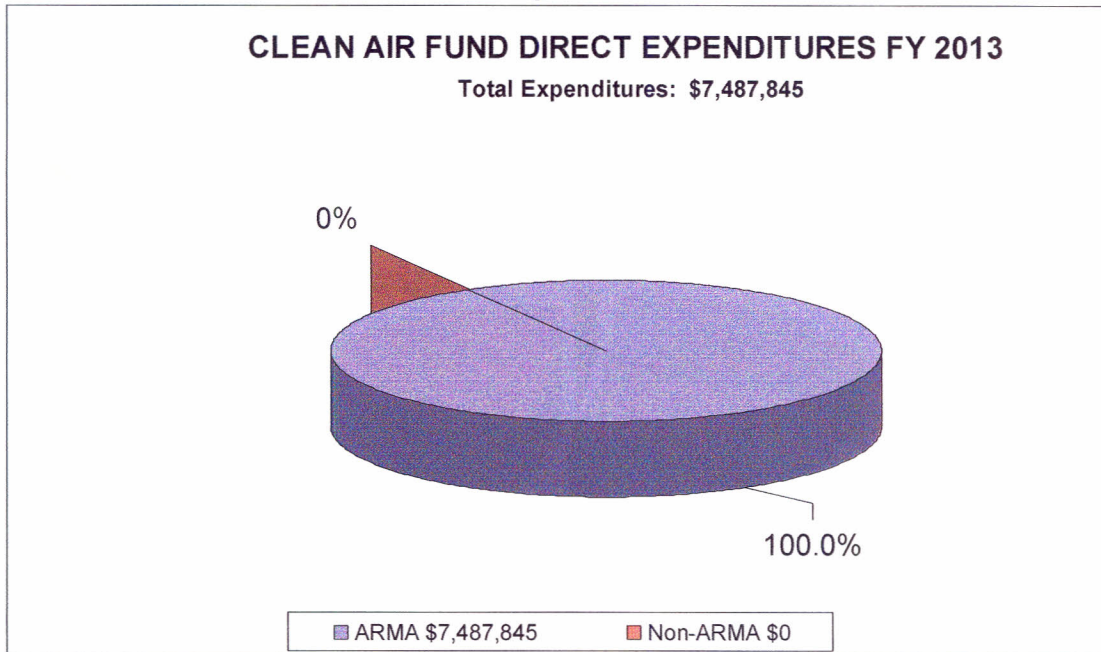


Figure 3





**TABLE 1**

**MARYLAND DEPARTMENT OF THE ENVIRONMENT**  
**MARYLAND CLEAN AIR FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**REVENUES**

<b>Fund Balances June 30, 2012</b>		<b>\$1,929,205</b>
FY 2013 Revenues		
Strategic Energy Investment Fund	\$2,211,129	
Fees	\$5,332,503	
Penalties	\$378,332	
Subtotal	\$7,921,964	\$7,921,964
Indirect costs	(\$999,741)	(\$999,741)
Total FY 2013 Revenues	\$6,922,223	
Total FY 2013 Revenues and Beginning Balance		<b>\$8,851,428</b>

**EXPENDITURES - Actuals and Accruals**

**AY 2013**

Direct Expenditures ARMA	\$6,816,862	
Encumbrances	\$670,983	
Total AY 2013 Expenditures	\$7,487,845	\$7,487,845
<b>PRIOR YEAR ACTIVITY (AY)</b>		
Prior Year Expenditures	\$616,224	
Prior Year Encumbrances – ARMA	\$67,327	
Non-ARMA Prior Year Expenditures	\$16,547	
Total Prior Year Activity	\$700,098	\$700,098
<b>TOTAL FY 2013 EXPENDITURES</b>		<b>\$8,187,943</b>
Total ARMA	\$8,171,396	
Total Non-ARMA	\$16,547	
	\$8,187,943	
<b>Fund Balance June 30, 2013 (excess of revenues over expenditures)</b>		<b>\$663,485</b>

**TABLE 2**  
**MARYLAND DEPARTMENT OF THE ENVIRONMENT**  
**MARYLAND CLEAN AIR FUND REPORT**  
**DETAIL STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

			<b>Percent of Revenues/Direct Expenditures</b>
<b>REVENUES</b>			
<b>Fund Balance as of June 30, 2012</b>		<b>\$ 1,929,205</b>	
FY 2013 Revenues			
Title V Operating Permit Fees	4,268,813		53.89%
Strategic Energy Investment Fund	2,211,129		27.91%
Construction Permit Fees	380,700		4.81%
State Operating Permit Fees	577,515		7.29%
Asbestos License Fees	84,650		1.07%
Asbestos Training Applications Fees	20,825		0.26%
Air Penalties	355,332		4.49%
Asbestos Penalties	23,000		0.29%
Subtotal	\$7,921,964	\$ 7,921,964	100%
Indirect Costs and Revenue Transfers		(\$999,741)	
<b>Total FY 2013 Revenues</b>		<b>\$ 8,851,428</b>	
<b>EXPENDITURES - Actuals and Accruals</b>			
Direct Expenditures ARMA			
Salaries and Fringe	5,380,870		79%
Operating Costs	1,435,992		21%
Total Direct Expenditures ARMA	\$6,816,862	\$6,816,862	
FY 2013 Encumbrances – ARMA		\$670,983	
Direct Expenditures MDE Prior Years		\$700,098	
<b>Total CAF Expenditures</b>		<b>\$8,187,943</b>	
<b>Fund Balance as of 6/30/13</b>		<b>\$ 663,485</b>	

TABLE 3

MARYLAND DEPARTMENT OF THE ENVIRONMENT  
AIR AND RADIATION MANAGEMENT ADMINISTRATION  
MARYLAND CLEAN AIR FUND  
SUMMARY OF REVENUE AND EXPENDITURE TRENDS  
MOST RECENT FIVE YEAR PERIOD

<u>REVENUES</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>
Fees	5,176,921	6,804,486	6,715,154	6,357,544	5,332,503
Penalties	533,050	768,250	569,159	479,125	378,332
SEIF	1,000,000	2,192,245	1,234,840	1,333,327	2,211,129
Sub-Total	6,709,971	9,764,981	8,519,153	8,169,996	7,921,964
Indirect Costs & Rev Transfers	(670,991)	(1,020,594)	(980,637)	(971,056)	(999,741)
Total Revenues	<b>6,038,980</b>	<b>8,744,387</b>	<b>7,538,516</b>	<b>7,198,940</b>	<b>6,922,223</b>
<b><u>EXPENDITURES</u></b> <b><u>-Actuals, Accruals</u></b> <b><u>and</u></b> <b><u>Encumbrances</u></b>					
Direct ARMA	5,790,455	7,932,650	6,922,562	7,280,409	7,487,845
Direct MDE Non- ARMA	20,061	87,120	87,201	134,286	0
Total Expenditures	<b>5,810,516</b>	<b>8,019,770</b>	<b>7,009,763</b>	<b>7,414,695</b>	<b>7,487,845</b>