Maryland
Department of
the Environment

MARYLAND CLEAN AIR FUND
ANNUAL REPORT
FISCAL YEAR 2020

Prepared by:
Air and Radiation Administration

MARYLAND DEPARTMENT OF THE ENVIRONMENT
1800 Washington Boulevard | Baltimore, MD 21230 | mde.maryland.gov
410-537-3314 | 800-633-6101 x3314 | TTY Users: 7-1-1
Larry Hogan, Governor | Boyd K. Rutherford, Lt. Governor | Ben Grumbles, Secretary

REQUIREMENT

This report fulfills the requirements of:

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

  > 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:
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  > (i) Provide a copy of the report to the General Assembly, as provided under Section 2-1246 of the State Government Article; and
  >
  > (ii) Upon request, make the report available to permit holders under this Title.

- Uncodified language in Section 3, Ch. 358, Acts 1993, requires an annual report on the Clean Air Act program and fee implementation. This report is to detail the revenues raised by permit fees, the expenditures of those funds, and any relevant 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.

MARYLAND'S AIR QUALITY OPERATING PERMIT PROGRAM

Maryland has had an air quality operating permit program since 1971. Operating permits establish monitoring, recordkeeping, and reporting requirements unique to a given facility to ensure that it operates 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 are required to obtain an 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 (Fund) since that time.

Title V of the federal 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 Maryland Department of the Environment (Department or MDE) developed such a program to conform to the federal requirement and received final approval from the EPA in January 2003. The number of sources in Maryland that are subject to the Title V program has varied since inception, but have averaged around 120 the past several years. These sources are required to hold a Title V operating permit, and these sources are a subset of the 480 sources in Maryland that hold either a federal Title V federal operating permit or a non-Title V Maryland operating permit.

During FY20, annual emission-based fees were collected from 480 air quality operating permit sources. Operating permit fees generated 34% of Clean Air Fund receipts in FY20.

REVENUE AND EXPENDITURE TRENDS

The Maryland Clean Air Fund (Fund) is a special revenue fund that was created in 1988. The Fund began receiving receipts from penalties on July 1, 1988, and later from emission-based operating permit fees. The Fund's revenues are for activities under Title 2 of the Environment Article related to identifying, monitoring, and regulating air pollution in Maryland, including program development of these activities.

In 1993, Maryland adopted fee requirements for emissions from specific, large air pollution sources to comply with the federal Clean Air Act. These new requirements included a revision to the then-existing permit fee schedule and a provision allowing for an automatic adjustment in the emission fee schedule each year. The new requirements became effective on September 13, 1993. Except for FY18, which included $7 million in penalty revenues from a civil case against Volkswagen, emission-based fees constituted the largest source of revenues to the Clean Air Fund.

Table 1 shows that operating permit fees (Title V and non-Title V) generated $1,963,601 of Clean Air Fund receipts in FY20, which is close to $1million less than just a year ago and over $4 million less from as recent as FY15. This significant decline over recent years is the direct result of the reduction in fee revenues associated with lower emissions from Maryland's coal-fired power plants and shutdowns of several large emission sources.

Emissions from coal-fired and oil-fired power plants have decreased in recent years due to several factors, such as stronger pollution control requirements, including more stringent nitrogen oxides emission limits imposed on plants, and plants not being called into service as often by the operators of the PJM electric grid. Coal-fired plants are no longer the Maryland standard-bearer for providing electricity. In today's energy market, recently built peak demand plants with natural gas, which can be brought online quickly and affordably, are being called into service more often and ahead of coal-fired plants. Since these new gas-powered plants have significantly lower emissions than a coal-fired plant of comparable size, it is expected that these lower emissions will continue well into the future. The increased use of these lower-emitting plants due to market forces has resulted in several coal-fired power plant units shuttering their operations recently. The Wagner Unit #2 shut down in June 2020, followed by all three coal units at Dickerson a month later. And it has been announced that the coal-fired units at Chalk Point will be shutting down by June 2021, further affecting Title V revenues.

Regarding legislative changes governing the Clean Air Fund, in 2019 the Maryland General Assembly allowed revenues from the sale of carbon dioxide allowances under the Regional Greenhouse Gas Initiative to be deposited in a new Strategic Energy Investment Fund (SEIF) managed by the Maryland Energy Administration. A portion of those revenues is transferred to the Clean Air Fund to support climate change-related programs undertaken by MDE. SEIF revenues provided to MDE for FY20 are in **Table 1**.

An additional state law became effective on October 1, 2013, prohibiting asbestos training providers from administering asbestos accreditation tests to asbestos remediation workers, requiring instead that a third party or the Department conduct the tests. The Department has been delivering the tests to date, with cash receipts collected deposited into the Clean Air Fund. There are efforts underway to contract out the testing. Phase one of this effort involved Anne Arundel Community College and was completed in December 2019, with the second phase being implemented at the end of 2020 or early 2021. The final phase, involving the largest number of test-takers and many who are not English proficient, is expected to take place in late 2021.

MDE's overall clean air programs are funded through a mixture of funding sources: the Clean Air Fund, federal grants, reimbursable funds from the Department of Transportation and the Department of Natural Resources, and a small amount of special funds and general funds. Through FY20, there has not been a significant reduction in revenue to MDE from the non-Clean Air Fund sources.

The substantial majority of Clean Air Fund's direct expenditures support personnel. The balance of the Clean Air Fund's direct expenses supports operating expenditures that include services, supplies, and equipment.

TABLE 1

CLEAN AIR FUND REVENUES / EXPENDITURES FY20

	FY20
Clean Air Fund Balance as of July 1	**$2,420,710**
Asbestos Testing Fees	142,000
Title V Operating Permits	1,579,615
Construction Permits	339,095
State Operating Permits	383,986
Asbestos Licenses	54,500
Total Fees	$2,499,196
Penalties	$122,334
TOTAL FEES AND PENALTIES	**$2,621,530**
Title V	1,579,615
Non-Title V	1,041,915
STRATEGIC ENERGY INVESTMENT FUND	**$3,203,585**
TOTAL CLEAN AIR FUND *(incl. carryover)*	**$8,245,825**
(MINUS) INDIRECT COSTS	$632,462
(MINUS) DIRECT EXPENDITURES	7,355,117
CLEAN AIR FUND BALANCE AS OF JUNE 30	**$258,246**

Direct Expenditures	
Salaries and Fringe	$6,450,477
Operating Costs	$904,640
Total Direct Expenditures ARA	$7,355,117
Total Indirect Costs	$632,462
Total Expenditures	$7,987,579