



Maryland
Department of
the Environment

MARYLAND CLEAN AIR FUND

ANNUAL REPORT

FY21

Prepared for:

Bill Ferguson, Senate President
Maryland General Assembly

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Maryland General Assembly

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Larry Hogan, Governor | Boyd K. Rutherford, Lt. Governor | Ben Grumbles, Secretary | Horacio Tablada, Deputy 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:

- (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 (CAA) 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

In 1971, Maryland established an air quality operating permit program that developed requirements for monitoring, recordkeeping, and reporting unique to a given facility to ensure that it operates in a compliant manner. Facilities with 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, the Maryland Department of the Environment (MDE) has collected emission--based fees from sources with operating permits, and these fees have been deposited into the Maryland Clean Air Fund ("the Fund" or "CAF") since that time.

Title V of the federal CAA, as amended in 1990, required states to establish federally enforceable operating permit programs approved by the U.S. Environmental Protection Agency (EPA). 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 facilities over the past several years. These sources are required to hold a Title V operating permit, and 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 FY21, annual emission-based fees were collected from 456 air quality operating permit sources, generating 34.8% of CAF receipts for FY21.

REVENUE AND EXPENDITURE TRENDS

The 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 CAA. 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. Up until FY18, emissions-based fees constituted the largest source of revenues to the Fund. FY18 CAF revenues were dominated by \$7 million in penalty revenues from a civil case against Volkswagen and FY19 was dominated by \$2.6 million in penalties from a civil case against Fiat/Chrysler. For FY20, the largest revenue stream was from the Strategic Energy Investment Fund (SEIF), which is managed by the Maryland Energy Administration.

Table 1 shows that operating permit fees (Title V and non-Title V) generated \$1,960,648 of CAF receipts in FY21, a difference of less than \$3,000 compared to FY20, but remains approximately \$4 million less from as recent as FY15. This significant decline over recent years is primarily 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 market conditions and forces, 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 fueled by cleaner 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 overall emissions will continue to decrease 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. The Wagner Unit #2 shut down in June 2020, followed by all three coal units at Dickerson a month later and all coal-fired units at Chalk Point in June 2021, further affecting Title V revenues. There is also an announced shutdown of the Morgantown coal-fired power plant set for June 2022. Beyond power plants, there was also one major facility – the Luke Paper Mill – that shut down in May 2019 that significantly affected fee revenues. That facility was the largest emitter and the largest emissions-based fee payer for many years, with fees totaling in excess of \$1 million per year at times.

In 2019, the Maryland General Assembly-allowed revenues from the sale of carbon dioxide allowances under the Regional Greenhouse Gas Initiative (RGGI) to be deposited in a new SEIF. A portion of those revenues is transferred to the Fund to support climate change-related programs undertaken by MDE. SEIF revenues provided to MDE for FY21 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 MDE conduct the tests. MDE administered those tests for several years to nearly 3,000 asbestos workers following the enactment of the law and charged a fee for each test administered. Overall, fee revenues from this exercise generated a high of \$196,000 (in FY19). Testing is gradually being transferred to Anne Arundel County Community College (AACC), as MDE does not have the capacity to continue testing, especially during the pandemic (AACC offers virtual testing). Testing revenues started to drop in FY20 to \$142,000 due to the transition away from MDE testing and further dropped to \$69,560 in FY21. Testing revenues will eventually drop to \$0 in the next year or two when the transition takes place.

MDE's overall clean air programs are funded through a mixture of funding sources: the CAF, federal grants, reimbursable funds from the Maryland Department of Transportation and the Maryland Department of Natural Resources, and a small amount of special funds and general funds. Through FY21, there has not been a significant reduction in revenue to MDE from the non-Clean Air Fund sources.

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

TABLE 1**CLEAN AIR FUND REVENUES / EXPENDITURES FY21**

	FY21
<i>Clean Air Fund Balance as of July 1, 2020</i>	\$258,246
Asbestos Testing Fees	69,560
Title V Operating Permits	1,593,361
Construction Permits	335,850
State Operating Permits	367,287
Asbestos Licenses	63,340
Total Fees	\$2,429,398
Penalties	\$492,828
<u>TOTAL FEES AND PENALTIES</u>	\$2,922,226
Title V	1,593,360
Non-Title V	1,328,865
<u>STRATEGIC ENERGY INVESTMENT FUND</u>	\$2,715,338
TOTAL CLEAN AIR FUND <i>(incl. carryover)</i>	\$5,895,810
(MINUS) INDIRECT COSTS	\$412,186
(MINUS) DIRECT EXPENDITURES	5,400,544
<i>CLEAN AIR FUND BALANCE AS OF JUNE 30, 2021</i>	\$83,080
<u>Direct Expenditures</u>	
Salaries and Fringe	\$4,269,541
Operating Costs	\$1,131,003
<u>Total Direct Expenditures ARA</u>	\$5,400,544
Total Indirect Costs	\$412,186
Total Expenditures	5,812,730