



MARYLAND CLEAN AIR FUND

FY 2024 Annual Report

Maryland Department of the Environment
Air and Radiation Administration

Prepared for:

Bill Ferguson, Senate President
Maryland General Assembly

Adrienne A. Jones, House Speaker
Maryland General Assembly



Wes Moore
Governor

Aruna Miller
Lieutenant Governor

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Secretary

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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:

- (1) 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 emissions-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 491 sources in Maryland that hold either a federal Title V federal operating permit or a non-Title V Maryland operating permit.

During FY 2024, annual emissions-based fees were collected from the 491 facilities in Maryland that hold either a Title V operating permit or a State-only operating permit.

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 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. In 2019, the Maryland General Assembly allowed revenues from the sale of carbon dioxide allowances under the Regional Greenhouse Gas Initiative to be deposited into a new Strategic Energy Investment Fund (SEIF). 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 FY 2024 are in **Table 1**.

Up until FY 2018, revenues from facilities that pay emissions-based fees constituted the largest source of revenues to the Fund. FY 2018 CAF revenues were dominated by \$7 million in penalty revenues from a civil case against Volkswagen and FY 2019 was dominated by \$2.6 million in penalties from a civil case against Fiat/Chrysler. Since FY 2020, the largest revenue stream has been from the Strategic Energy Investment Fund (SEIF), which is managed by the Maryland Energy Administration (MEA).

Table 1 shows that operating permit fees (Title V and State Operating Permits) generated \$1,799,953 of CAF receipts in FY 2024, about a half-million less than the prior year and well below the ten-year average of \$3.0M. This significant decline is primarily the direct result of the reduction in fee revenues associated with lower emissions from Maryland's coal-fired power plants owing to a gradual decrease in operating time and, eventually, a full shutdown of all but one coal-fired plant (Brandon Shores). The shutdown of the Luke paper mill, the largest fee-paying facility, was also a major contributing factor to the decline in revenues.

Coal-fired plants are no longer the Maryland standard-bearer for providing electricity. In today's energy market, peaker plants fueled by cleaner natural gas, which can be brought online quickly and affordably as electrical demands rise, are being called into service more often and ahead of coal-fired plants. Since gas-powered plants have significantly lower emissions than coal-fired plants of comparable size, it is expected that these lower overall emissions will continue well into the future.

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 FY 2019). Testing has recently been fully transferred to Anne Arundel County Community College (AACC), as MDE does not have the capacity to continue testing. Testing revenues started to drop in FY 2020 to \$142,000 due to the transition away from MDE testing and further dropped to \$52,035 in FY 2024. Testing revenues will eventually drop to zero.

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 general funds. Through FY 2024, there has not been a significant reduction in revenue to MDE from the non-Clean Air Fund revenue streams.

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. Personnel supported by the Clean Air Fund focus on a wide variety of programmatic functions that help Maryland achieve and maintain federal ambient air quality standards. MDE's allotment of funding from the Strategic Energy Investment Fund, which are transferred into the Clean Air Fund, serve to develop and implement programs to achieve Maryland's goal of reducing climate change emissions by 60% from 2006 levels by 2031.

TABLE 1

CLEAN AIR REVENUES / EXPENDITURES FY 2024

	FY 2024
<i>Clean Air Fund Balance as of July 1</i>	\$1,413,739
Asbestos Testing Fees	\$24,800
Title V Operating Permits	\$1,407,749
Construction Permits	\$365,475
State Operating Permits	\$392,204
Asbestos Licenses	\$61,875
Total Fees	\$2,252,103
Penalties	\$359,197
<u>TOTAL FEES AND PENALTIES</u>	\$2,611,300
Title V	\$1,407,749
Non-Title V	\$844,354
<u>STRATEGIC ENERGY INVESTMENT FUND</u>	\$3,950,000
TOTAL CLEAN AIR FUND <i>(incl. carryover)</i>	\$7,975,039
(MINUS) INDIRECT COSTS	\$587,306
(MINUS) DIRECT EXPENDITURES	\$6,650,138
(+) VW TRUST ADMIN FEES TO FY25	\$ 240,636
(+) SEIF ENCUMBERED TO FY25	\$914,743
<u>CLEAN AIR FUND BALANCE AS OF JUNE 30</u>	\$1,892,975
<u>Direct Expenditures</u>	
Salaries and Fringe	\$4,855,097
Operating Costs	\$1,795,041
<u>Total Direct Expenditures ARA</u>	\$6,650,138
Total Indirect Costs	\$ 587,306
Total Expenditures	\$7,237,444