

Maryland Clean Air Fund FY25 Annual Report



PREPARED BY

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

Serena McIlwain
Secretary

Suzanne Dorsey
Deputy Secretary

Adam Ortiz
Deputy Secretary

STATUTORY AUTHORITY AND SCOPE

This report fulfills the requirements of:

- Section 2-107 (c) (3) of the Environment Article of the Annotated Code of Maryland, which mandates that at the end of each fiscal year (FY), the Maryland Department of the Environment (the Department or MDE) shall prepare an annual report on the Maryland Clean Air Fund (“The Fund” or the “CAF”). This report must include 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.
 2. Upon request, make the report available to permit holders under this Title.
- Uncodified language in Section 3, Ch. 358, Acts 1993, which 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 pertinent to the operation of this permitting program.

MARYLAND’S AIR QUALITY OPERATING PERMIT PROGRAM

In 1971, Maryland established an air quality operating permit program. This program developed requirements for monitoring, recordkeeping, and reporting, unique to each facility, to ensure continuous compliance with applicable requirements. Facilities identified as significant sources of air pollution, or those with the potential to cause harm based on their emissions, are required to obtain an operating permit. Since November 1989, MDE has collected emissions-based fees from operating permit sources, and these fees have been deposited into the Fund since that time.

Title V of the federal CAA, as amended in 1990, mandated that states establish federally enforceable operating permit programs, subject to approval by the U.S. Environmental Protection Agency (EPA). MDE developed such a program to conform to this federal requirement, receiving final EPA approval in January 2003. The number of Maryland sources subject to the Title V program has varied since its inception, averaging approximately 110 facilities over the past several years. These sources are required to hold a Title V operating permit and are a subset of the 472 sources in Maryland that hold either a federal Title V or a non-Title V (State-only) operating permit. During FY 2025 (July 1, 2024 - June 30, 2025), annual emissions-based fees were collected from these 472 Maryland facilities.

REVENUE AND EXPENDITURE TRENDS

The Fund, established in 1988, is a special revenue fund and began receiving receipts from penalties on July 1, 1988, with subsequent revenues derived from emission-based operating permit fees. The Fund’s revenues are allocated to activities under Title 2 of the Environment Article specifically those related to identifying, mitigating¹, monitoring, reducing, and regulating air pollution in Maryland, including the development of associated programs.

¹ Per Senate Bill 250 of 2025, the authorized uses of the Clean Air Fund were expanded to explicitly include activities related to mitigating and reducing air pollution, in addition to program development for 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, which became effective on September 13, 1993, included a revision to the then-existing permit fee schedule and a provision for an annual automatic adjustment in the emission fee schedule. In 2019, the Maryland General Assembly authorized the deposit of revenues from the sale of carbon dioxide allowances under the Regional Greenhouse Gas Initiative (RGGI) into a new Strategic Energy Investment Fund (SEIF). A portion of these revenues is transferred to the Clean Air Fund to support climate change-related programs managed by MDE. SEIF revenues provided to MDE for FY 2025 are in Table 1.

Prior to FY 2018, revenues from facilities paying emissions-based fees represented the primary source of income for the Fund. In FY 2018, CAF revenues were predominantly influenced by \$7 million in penalty revenues from a civil case against Volkswagen, while FY 2019 was significantly impacted by \$2.6 million in penalties from a civil case against Fiat/Chrysler. FY2025 was affected by a \$4 million penalty from a civil case against Perdue Agribusiness, which will also provide an additional \$4 million in FY2026. Notwithstanding those penalties, since FY 2020 the largest revenue stream has been from the SEIF, which is managed by the Maryland Energy Administration.

Table 1 shows that operating permit fees (Title V and State Operating Permits) generated \$1,928,718 in CAF receipts in FY 2025. This amount represents a slight increase of over \$125,000 from the previous year, yet remains significantly below the ten-year average of approximately \$3.0 million. This significant decline is primarily attributable to reduced fee revenues stemming from lower emissions from Maryland's coal-fired power plants, a result of gradually decreased operating time and eventual shutdown of all but one coal-fired plant (Brandon Shores). The closure of the Luke paper mill, which was the largest fee-paying facility, also substantially contributed to this revenue decline.

Coal-fired plants no longer serve as Maryland's primary electric providers. In the current energy market, natural gas fueled "peaker" plants, capable of being brought online rapidly and cost-effectively to meet rising electrical demands, are increasingly utilized over coal-fired facilities. Given that gas-powered plants have significantly lower emissions compared to similarly sized coal-fired plants, this trend of reduced overall emissions is anticipated to continue into the future.

MDE's overall clean air programs are funded through a mixture of funding sources, including the CAF, federal grants, reimbursable funds from the Maryland Department of Transportation and the Maryland Department of Natural Resources, and general funds. As of FY 2025, MDE has not experienced a significant reduction in revenue from these non-Clean Air Fund revenue streams.

The majority of the Fund's direct expenditures are allocated to personnel. The remaining expenditures support operating expenses, including services, supplies, and equipment. Personnel supported by the Clean Air Fund concentrate on diverse programmatic functions aimed at helping Maryland attain and maintain federal ambient air quality standards. MDE's allotment of funding from SEIF is utilized to develop and implement programs to achieve Maryland's goal of reducing climate change emissions by 60% from 2006 levels by 2031.

During the 2025 legislative session, the Budget Reconciliation and Finance Act of 2025 (BRFA) authorized the use of SEIF funds to fully replace general funds previously authorized in the FY 2025 and the FY 2026 budget. This adjustment was made to help address the state-wide revenue shortfall in the overall state general fund. Furthermore, the BRFA expanded permissible uses of SEIF funds beyond climate change related activities to include all functions of MDE's Air and Radiation Administration. In FY 2025, SEIF revenues totaling \$10,650,039 were made available to the Air and Radiation Administration. The increase over prior years was primarily due to the replacement of general funds.

Senate Bill 250 of 2025 authorized an increase in the annual emissions fee rate for operating permit sources from \$75.92 to \$200 per ton. Resulting fee revenues will affect the Clean Air Fund in FY 2026. Additionally, the bill removed the \$2,000,000 cap on revenues allowed to remain in the Clean Air Fund at the close of any fiscal year.

TABLE 1

CLEAN AIR REVENUES / EXPENDITURES FY 2025

	FY 2025
<i>Clean Air Fund Balance as of July 1</i>	\$1,892,9759
Asbestos Training Provider Fees	\$28,000
Title V Operating Permits	\$1,485,473
Construction Permits	\$367,300
State Operating Permits	\$443,245
Asbestos Licenses	\$60,375
Total Fees	\$2,384,393
Penalties	\$4,250,500
<u>TOTAL FEES AND PENALTIES</u>	\$6,634,893
Title V	\$1,485,473
Non-Title V	\$898,920
<u>STRATEGIC ENERGY INVESTMENT FUND</u>	\$10,650,039
TOTAL CLEAN AIR FUND <i>(incl. carryover)</i>	\$19,177,907
(MINUS) INDIRECT COSTS	\$2,303,623
(MINUS) DIRECT EXPENDITURES	\$15,118,775
(+)SEIF ENCUMBERED TO FY25	\$366,674
<u>CLEAN AIR FUND BALANCE AS OF JUNE 30</u>	\$2,122,183.30
<u>Direct Expenditures</u>	
Salaries and Fringe	\$12,786,026
Operating Costs	\$2,332,749
<u>Total Direct Expenditures ARA</u>	\$15,118,775
Total Indirect Costs	\$ 2,303,623
Total Expenditures	\$17,422,398