

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 2697H.02C
Bill No.: HCS for HB 1436
Subject: Motor Fuel; Environmental Protection; Natural Resources, Department of
Type: Original
Date: April 23, 2021

Bill Summary: This proposal modifies provisions relating to petroleum storage tanks.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2027)
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2027)
Petroleum Storage Tank Insurance Fund*	\$125,000	(\$2,236,000)	(\$2,231,000)	(\$2,231,000)
Underground Storage Tank Regulation Fund*	\$0	\$2,366,000	\$2,366,000	\$2,366,000
Total Estimated Net Effect on <u>Other State</u> Funds	\$125,000	\$130,000	\$135,000	\$135,000

*Oversight notes the petroleum storage tank insurance fund is currently set to expire on December 31, 2025. This proposal extends that date to December 31, 2030. Oversight reflects this extension as a continuation/renewal of existing income and related expenses.

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2027)
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2027)
Total Estimated Net Effect on FTE	0	0	0	\$0

- ☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.
- ☐ Estimated Net Effect (savings or increased revenues) expected to exceed \$250,000 in any of the three fiscal years after implementation of the act or at full implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2027)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Natural Resources (DNR)** assume the following regarding this proposal:

Section 319.129

Extends the sunset date for the Petroleum Storage Tank Insurance Fund (PSTIF) from 2025 to 2030.

Section 319.131

Clarifies the coverage responsibility for the PSTIF for third party claims.

Section 319.132

Language in this section allocates a portion of the petroleum transport load fee, established in this section, to the Missouri Department of Natural Resources, to provide the Department with sufficient funding, subject to appropriation, to administer the state's regulatory petroleum underground storage tank program in lieu of the United States Environmental Protection Agency (EPA).

Currently, the Department receives funding from the transport load fee from the Petroleum Storage Tank Insurance Fund appropriated by the General Assembly, but the funding amount is first subject to review and approval by the Petroleum Storage Tank Insurance Fund Board of Trustees. The bill would remove this additional step, ensuring that the Department will receive the full amount appropriated by the General Assembly in any fiscal year.

In FY 2020 and FY 2021, actuarial projections for revenues to the Petroleum Storage Tank Insurance Fund (PSTIF) (Fund 0585) from the transport load fee were estimated to be \$14.4 million and \$14.35 million, based on the current amount of the transport load fee, which is assessed at \$28 per transport load of petroleum in Missouri. Of this \$28, the bill would direct an allocation not to exceed \$4.60 per transport load to the Department beginning in FY 2023, for deposit into the Underground Storage Tank Regulation Fund (0586). The annual deposit of funds would cease once the amount deposited reaches the budgetary amount set by the general assembly, adjusted for actual fringe, for the department's petroleum-related activities.

This bill will reduce revenues to the Petroleum Storage Tank Insurance fund, with a corresponding increase to revenues in the Underground Storage Tank Regulation Fund (essentially a net zero overall impact).

Transport load fees would be deposited into the Underground Storage Tank Regulation Fund up to the appropriated budgetary amount set by the General Assembly.

The Department would transfer any portion of the allocation not spent from the Underground Storage Tank Regulation Fund in the fiscal year to the Petroleum Storage Tank Insurance Fund by August 31 of the following fiscal year. This will require a transfer appropriation.

By October 1 each year, the Department will provide a written accounting of monies spent from the allocation to the Petroleum Storage Tank Insurance Fund Board of Trustees.

The Department's budgeted appropriations for Agency Wide Petroleum Related Activities will need to be reallocated from the Petroleum Storage Tank Insurance fund to the Underground Storage Tank Regulation Fund.

The Fiscal Year 2021 and 2022 budgets related to these activities include:

Appropriation Title and Fund	Appropriation	FY 2021 TAFP Budget	FY 2022 Budget Request
PETROLEUM RELATED ACT PS-0585	0925	\$1,056,406	\$1,056,406
PETROLEUM REALTED ACT E&E-0585	0926	\$84,673	\$84,673
DNR IT CONSOLIDATION E&E-0585	3867	\$5,358	\$5,358
DNR LEASING-0585	4313	\$26,852	\$33,852
COST ALLOCATION HB 13 TRF-0585	T070	\$3,826	\$4,734
COST ALLOCATION ITSD TRF-0585	T097	\$135,399	\$174,553
COST ALLOCATION TRF-0585	T327	\$182,845	\$227,376
Subtotal Appropriations (not including COLA and Fringe Benefits)		\$1,495,359	\$1,586,952
Fringe Estimates	various	\$617,892	\$623,280
Total Estimated Needs		\$2,113,251	\$2,210,232

The initial FY 2022 Department request did not include a cost of living adjustment.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the DNR. Oversight will reflect an extension of revenue and related expenses of the estimate provided by DNR of \$14.4 million in FY 2032 to the Petroleum Storage Tank Insurance Fund from the extension from 2025 to 2030. Oversight will also reflect the transfer of funds from the PSTIF to the Underground Storage Tank Regulation Fund (0586) of \$2,366,000 annually based on DNR's response (\$14.4 million / \$28 x \$4.60).

In response to a previous version, officials from the **Petroleum Storage Tank Insurance Fund (PSTIF)** assumed the following regarding this proposal:

Section 319.123

No fiscal impact

Section 319.129

No fiscal impact

Section 319.131

Positive fiscal impact on PSTIF of \$125,000 - \$135,000 per year by making the purchase of excess insurance to cover defense costs unnecessary.

Section 319.132

If the appropriation for DNR petroleum related activities is not increased, there will be no fiscal impact from this section on PSTIF.

However, this section changes the way the transport load fee is distributed. Currently, all revenue from the transport load fee is deposited into the Petroleum Storage Tank Insurance Fund. Each year PSTIF Trustees approve some of that money to be used by the DNR for certain petroleum-related activities (FY 2022 approval is approximately \$2,382,000, including fringe and COLA, subject to appropriation).

This bill divides the revenue from the transport load fee into two funds: 1. up to \$5/load to DNR's Underground Storage Tank Regulation Program Fund, and 2. the balance to the Petroleum Storage Tank Insurance Fund. If the maximum amount allowed by the change is appropriated to DNR, it could have a negative impact of up to approximately \$468,000 annually to PSTIF.

Methodology:

- The fee is paid on approximately 571,500 transport loads per year (based on FY 2020 - the most recent complete year)
- The amount approved by the PSTIF Trustees for DNR's petroleum related activities in FY 2022 equates to approximately \$4.18 / transport load, including fringe & COLA.
- The proposed change establishes up to \$5/transport load be deposited directly into the DNR's Underground Storage Tank Regulatory Program Fund, an increase of \$0.82/transport load.
- $571,500 \text{ transport loads} \times \$0.82 = \$468,220$ LESS available to deposit in the Petroleum Storage Tank Insurance Fund.

Oversight does not have information to the contrary and therefore, Oversight will reflect the estimates as provided by the PSTIF. Oversight will use DNR's budget appropriation estimate of revenue into the Underground Storage Tank Regulation Fund.

Officials from the **Missouri Department of Transportation** and **Department of Revenue** each assume the proposal will have no fiscal impact on their respective organizations. **Oversight** does

not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

In response to a previous version, officials from the **Department of Commerce and Insurance**, and **Office of the State Treasurer** each assumed the proposal would have no fiscal impact on their respective organizations. **Oversight** does not have any information to the contrary. Therefore, Oversight will reflect a zero impact in the fiscal note for these agencies.

<u>FISCAL IMPACT – State Government</u>	FY 2022	FY 2023	FY 2024	Fully Implemented (FY 2027)
PETROLEUM STORAGE TANK INSURANCE FUND (0585)				
<u>Revenue</u> - PSTIF Board of Trustees - Extension of transport load fee from 12/31/2025 to 12/31/30 (\$319.129.16)	\$0	\$0	\$0	\$14,400,000
<u>Expenses</u> - PSTIF Board of Trustees - Extension of program from 2025 to 2030 (\$319.129.16)	\$0	\$0	\$0	(\$14,400,000)
<u>Savings</u> – PSTIF – no longer have to purchase excess coverage from the private market (\$319.131)	\$125,000	\$130,000	\$135,000	\$135,000
<u>Loss</u> – from PSTIF to DNR	\$0	(\$2,366,000)	(\$2,366,000)	(\$2,366,000)
ESTIMATED NET EFFECT ON THE PETROLEUM STORAGE TANK INSURANCE FUND	<u>\$125,000</u>	<u>(\$2,236,000)</u>	<u>(\$2,231,000)</u>	<u>(\$2,231,000)</u>
UNDERGROUND STORAGE TANK REGULATION FUND (0586)				
<u>Revenue</u> – DNR - \$5 of transport load fee	<u>\$0</u>	<u>\$2,366,000</u>	<u>\$2,366,000</u>	<u>\$2,366,000</u>

up to budget appropriation				
ESTIMATED NET EFFECT ON THE UNDERGROUND STORAGE TANK REGULATION FUND	<u>\$0</u>	<u>\$2,366,000</u>	<u>\$2,366,000</u>	<u>\$2,366,000</u>

<u>FISCAL IMPACT – Local Government</u>	FY 2022 (10 Mo.)	FY 2023	FY 2024	Fully Implemented (FY 2027)
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

FISCAL DESCRIPTION

This act modifies provisions relating to underground petroleum storage tanks.

Under current law, certain fees collected relating to underground storage tanks are placed in the Underground Storage Tank Regulation Program Fund. Under this act, any general revenue, federal funds, gifts, bequests, transfers, moneys appropriated by the General Assembly, or any other moneys so designated, shall also be paid into the Fund.

The underground storage tank regulation program shall be administered by the Department of Natural Resources.

Currently, the Petroleum Storage Tank Insurance Fund expires on December 31, 2025. This act extends the expiration date to December 31, 2030.

Under current law, the Petroleum Storage Tank Insurance Fund assumes costs of 3rd-party claims and cleanup of contamination caused by releases from petroleum storage tanks and pays legal defense costs for eligible 3rd-party claims. This act specifies that the legal defense costs are separate from other coverage limits and allows the Fund to set a limit for such coverage.

Subject to appropriations and beginning in fiscal year 2023 and continuing each year until the expiration of the Petroleum Storage Tank Insurance Fund, an allocation of an amount not to exceed \$4.60 per transport load shall be deposited into the Underground Storage Tank Program Fund. Funds deposited into the Underground Storage Tank Program Fund shall be deposited up to the appropriated budgetary amount set by the General Assembly, for the Department of Natural Resource's petroleum related activities, for the fiscal year in which funds are being deposited. Any remaining funds shall be transferred to the Petroleum Storage Tank Insurance Fund no later than August 31st of the subsequent fiscal year. No later than October 1st of each year, the Department shall provide a written accounting of all moneys spent from the allocation authorized for the prior fiscal year to the Petroleum Storage Tank Insurance Fund Board of Trustees.

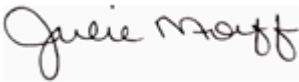
In the event the Petroleum Storage Tank Insurance Fund Board of Trustees has suspended the collection of the fee on petroleum products, the Board shall make payments in equal monthly installments into the Underground Storage Tank Regulation Program Fund, up to the appropriated budgetary amount set by the General Assembly, for the Department's petroleum related activities, for the fiscal year in which the funds are being deposited until such time as the Board has reinstated the fee.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

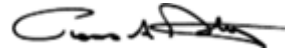
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SOURCES OF INFORMATION

Department of Natural Resources
Petroleum Storage Tank Insurance Fund
Department of Revenue
Missouri Department of Transportation
Department of Commerce and Insurance
Office of the State Treasurer



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April 23, 2021



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