

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 6159-01
Bill No.: SB 961
Subject: Environmental Protection; Fees; Insurance - General; Department of Natural Resources
Type: Original
Date: February 13, 2018

Bill Summary: This proposal extends the expiration date of the Petroleum Storage Tank Insurance Fund from December 31, 2020 to December 31, 2030.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2022)
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2022)
Petroleum Storage Tank Insurance Fund	\$0	\$0	\$5,750,000	\$11,500,000
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$5,750,000	\$11,500,000

Numbers within parentheses: () indicate costs or losses. This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2022)
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 2019	FY 2020	FY 2021	Fully Implemented (FY 2022)
Total Estimated Net Effect on FTE	0	0	0	0

Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

ESTIMATED NET EFFECT ON LOCAL FUNDS				
FUND AFFECTED	FY 2019	FY 2020	FY 2021	Fully Implemented (FY 2022)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Natural Resources (DNR), Department of Agriculture, Office of the Governor, Department of Insurance, Financial Institutions and Professional Registration, Department of Revenue, Department of Health and Senior Services and Office of the State Treasurer** each assume the proposal will have no fiscal impact on their respective organizations.

In response to a similar proposal from 2018 which also extends the sunset date of the Petroleum Storage Tank Insurance Fund (PSTIF) (HB 2257), officials from the **Petroleum Storage Tank Insurance Fund Board of Trustees** assume the proposal would require the Department of Revenue (DOR) to continue collecting the transport load fee for another ten years. The PSTIF Board of Trustees funds 1 FTE at DOR to collect this fee at an annual cost of approximately \$44,000. No impact to general revenue.

The majority of funding for the PSTIF's liabilities comes from the transport load fee, currently assessed at \$20 per 8,000 gallons on all fuel used in Missouri. Actuarial estimates indicate the current cash balance in the trust fund, plus anticipated revenues through the "sunset date" of 12/31/20, will be insufficient to meet long-term liabilities for all claims already filed plus those expected to be filed prior to the "sunset date." The estimated shortfall is approximately \$35 million. The PSTIF Board is currently considering an increase in the transport load fee, but is prohibited from increasing the fee more than \$15 per year. Even if a \$15 increase is implemented in 2018 and again in 2019, and a \$10 increase in 2020, (to the maximum allowed by law), it is likely the Trust Fund would have unfunded liabilities and would run out of cash in future years while "claims run out" is being paid. The bill would mitigate this long-term solvency issue by authorizing continued revenue into the PSTIF for an additional ten years.

If the PSTIF "sunset" on 12/31/20, it is anticipated most or all insured tank owners who have never had a leak or filed a claim will have their property tested for "old pollution;" all of these claims would be filed in the next 36 months. If this bill is enacted, most or all of these claims would still likely be filed, but would be presented over a longer period of time; this would stretch payout of liabilities over more future years, which would affect the PSTIF's solvency in a positive way.

In addition, because the PSTIF Board would continue to insure tank owners for ten more years, additional future liabilities would be incurred for leaks at insured sites occurring after 12/31/2020, and additional administrative costs will be incurred for insuring tank sites and processing new claims.

ASSUMPTION (continued)

Officials from the **Office of Administration** defer to DNR for the fiscal impact of this proposal.

Oversight notes the Petroleum Storage Tank Insurance Fund (0585) balance as of June 30, 2017 was \$49,752,551. Over the past three calendar years (2015 - 2017), an average of \$11.5 million was collected for transport load fees. Oversight will reflect this average as a revenue extension for FY 2021 (6 months) through FY 2022.

<u>FISCAL IMPACT -</u> <u>State Government</u>	FY 2019 (10 Mo.)	FY 2020	FY 2021 (6 Mo.)	Fully Implemented (FY 2022)
PETROLEUM STORAGE TANK INSURANCE FUND				
<u>Revenue</u> - PSTIF Board of Trustees - Extension of transport load fee from 12/31/2020 to 12/31/2030	\$0	\$0	\$5,750,000	\$11,500,000
ESTIMATED NET EFFECT ON THE PETROLEUM STORAGE TANK INSURANCE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$5,750,000</u>	<u>\$11,500,000</u>
 <u>FISCAL IMPACT -</u> <u>Local Government</u>	 FY 2019 (10 Mo.)	 FY 2020	 FY 2021 (6 Mo.)	 Fully Implemented (FY 2022)
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

This proposal could have impact on small businesses.

FISCAL DESCRIPTION

Currently, the Petroleum Storage Tank Insurance Fund is set to expire on December 31, 2020, after which claims made prior to such date may continue to be paid. This act extends such expiration to December 31, 2030.

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

SOURCES OF INFORMATION

Department of Natural Resources
Petroleum Storage Tank Insurance Fund Board of Trustees
Department of Agriculture
Department of Health and Senior Services
Department of Revenue
Office of Administration
Office of the Governor
Department of Insurance, Financial Institutions and Professional Registration
Office of the State Treasurer

Ross Strobe



Acting Director
February 13, 2018