

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4236S.01I
 Bill No.: SB 742
 Subject: Environmental Protection; Fees; General Assembly; Insurance - General;
 Department of Natural Resources
 Type: Original
 Date: February 22, 2022

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

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2030)
Total Estimated Net Effect on General Revenue	\$0	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2030)
Petroleum Storage Tank Insurance Fund*	\$0	\$0	\$0	(\$2,237,802)
Total Estimated Net Effect on <u>Other State Funds</u>	\$0	\$0	\$0	(\$2,237,802)

*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. The Department of Natural Resources estimates an annual net fiscal impact of approximately of negative \$2.2 million to the fund beyond FY 2025 (annual collections into the fund of approximately \$16.6 million and annual expenses from the fund of \$18.8 million)

Numbers within parentheses: () indicate costs or losses.

ESTIMATED NET EFFECT ON FEDERAL FUNDS				
FUND AFFECTED	FY 2023	FY 2024	FY 2025	Fully Implemented (FY 2030)
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 2023	FY 2024	FY 2025	Fully Implemented (FY 2030)
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 2023	FY 2024	FY 2025	Fully Implemented (FY 2030)
Local Government	\$0	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Petroleum Storage Tank Insurance Fund (PSTIF)** assumed the following regarding this proposal:

Section 319.129.16 would extend all PSTIF Board of Trustees' operations until 12/31/2030. Under current law, the Board's operations will be reduced on 1/1/2026, thereafter no longer accepting new claims. Revenue will cease and the cash balance in the Fund will be used for paying costs for claims previously filed, including the administrative costs necessary during the "wind down" period until all claims are closed or moneys are depleted. Actuarial analysis indicates the cash balance on 12/31/2025 will not be sufficient to meet long-term liabilities for claims already filed, plus those expected to be filed before the sunset date. The estimated shortfall is approximately \$45 million. This issue is exasperated by the anticipated increase in claims as the sunset date nears and tank and property owners rush to test for impact of previously unreported pollution and file claims before the cut-off.

If this bill passes, the rush to file end-of-program claims will be spread out over more years, lessening the impact as revenues are still being collected. Additionally, in an effort to have adequate revenue to meet long-term liabilities, the PSTIF Board of Trustees is currently considering an increase in the transport load fee, the primary source of revenue for the Fund. The five additional years of collection this bill provides would allow for a smaller increase in the fee.

PSTIF's 2021 "Breakeven Analysis" estimates that revenues and expenses from 1/1/2026 through 12/31/2030 (the period of the proposed extension) with no increase in the transport load fee would be consistent with current PSTIF budget plus/minus typical fluctuations due to economic factors and claims projections as follows:

FY 2026: Total Est. Revenue \$16,846,213; Total Est. Expenses \$18,253,921
FY 2027: Total Est. Revenue \$16,791,007; Total Est. Expenses \$18,478,701
FY 2028: Total Est. Revenue \$16,735,401; Total Est. Expenses \$18,375,900
FY 2029: Total Est. Revenue \$16,679,367; Total Est. Expenses \$18,613,508
FY 2030: Total Est. Revenue \$16,622,888; Total Est. Expenses \$18,860,690
FY 2031(1/2): Total Est. Revenue \$7,675,000; Total Est. Expenses \$12,859,926

Oversight does not have information to the contrary and therefore, Oversight will reflect an extension of revenue and related expenses as provided by the PSTIF.

Oversight notes there was a balance of \$42,428,271 in the Petroleum Storage Tank Insurance Fund (0585) as of December 31, 2021. The fund had receipts of \$17.5 million in FY 2021.

Officials from the **Department of Natural Resources, Department of Commerce and Insurance, Department of Revenue, Office of the State Treasurer and Missouri Department of Transportation** 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.

<u>FISCAL IMPACT</u> – State Government	FY 2023 (10 Mo.)	FY 2024	FY 2025	Fully Implemented (FY 2030)
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	\$16,622,888
<u>Expenses</u> - PSTIF Board of Trustees - Extension of program from 2025 to 2030 (\$319.129.16)	\$0	\$0	\$0	(\$18,860,690)
ESTIMATED NET EFFECT ON THE PETROLEUM STORAGE TANK INSURANCE FUND	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$2,237,802)</u>

<u>FISCAL IMPACT</u> <u>- Local</u> <u>Government</u>	FY 2023 (10 Mo.)	FY 2024	FY 2025	Fully Implemented (FY 2030)
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT – Small Business

Small business owners and operators of petroleum storage tanks will be able to continue to obtain reasonably-priced pollution liability coverage as a result of this proposal.

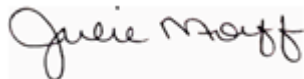
FISCAL DESCRIPTION

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

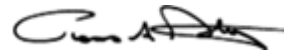
This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

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



Julie Morff
 Director
 February 22, 2022



Ross Strobe
 Assistant Director
 February 22, 2022