

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 860-02
Bill No.: SB 310
Subject: Department of Natural Resources; Petroleum Storage Tank Insurance Fund
Type: Original
Date: February 23, 2001

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Petroleum Storage Tank Insurance Fund	\$6,500,980	\$11,375,980	\$1,770,546
Road Fund	\$0	\$0	\$95,000
Total Estimated Net Effect on <u>All</u> State Funds	\$6,500,980	\$11,375,980	\$1,865,546

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None	\$0	\$0	\$0
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 7 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Department of Agriculture** assume the proposed legislation would have no fiscal impact on their agency.

Officials from the **Office of Administration - Division of Budget and Planning** assume the proposed legislation would have no fiscal impact on their agency. Officials noted that there could be impact on total state revenue.

Officials from the **Department of Revenue** noted that the Division of Taxation would notify 800 licensees of the increase in the fee and change the reporting forms to reflect the increase. However, officials assume the DOR would use existing resources in making these changes and notifications.

Officials of the **Department of Transportation (DHT)** noted that the department has performed insurance funded clean-ups with an average reimbursement cost of \$95,000. With the extension of the potential reimbursements until 2010, DHT officials assume the department would experience an average of two (2) clean-ups per year with an average reimbursement of \$95,000 which equates to a total annual reimbursement to the Road Fund of \$190,000. **Oversight** has reflected six (6) months of cost savings to the Road Fund or \$95,000.

Officials from the **Department of Natural Resources (DNR)** assume that currently, Section 319.129 broadly authorizes use of PSTIF resources to implement activities established in Section 319. The annual work plan between the PSTIF board and the department further documents activities to be funded by PSTIF.

Section 319.132.3(4) of this proposal would limit the use of PSTIF to activities specifically authorized in Sections 319.129 through 319.133 and 319.138. This disallows use of PSTIF funds for many of the activities currently in the department's agreement with the PSTIF board. The proposal specifically states "Moneys generated by this surcharge shall not be used for any purposes other than those outlined in sections 319.129 through 319.133 and section 319.138."

The proposed language excludes the following sections under which the department currently performs activities funded and approved by the PSTIF Board and outlined in the work plan. The department assumes that by limiting the PSTIF Board of Trustees to funding only the purposes outlined in sections 319.129 through 319.133 and section 319.138, the proposal would exclude the following activities:

319.103 & 319.120 (tank registration) - maintain a comprehensive database of information about
ASSUMPTION (continued)

specific tanks and tank sites in order to respond to public inquires and report on tank trends in Missouri;

319.105 (tank standards) - oversee the installation of new/replacement tanks to ensure they are properly installed, thereby minimizing the frequency of future releases. This also serves as a technical assistance activity;

319.111 (tank closure) - ensure that tanks are properly closed so that any contamination is addressed and the risk of future contamination is minimized. The department issues a "no further action letter" when closure is completed. The time-frame on this activity would be increased from 30 to approximately 75 days or longer;

319.114 (financial responsibility requirements) - ensures that owners have sufficient resources to clean up releases;

319.123 (tank certification) - planning activities to enable the department to anticipate changes needed to better protect health and the environment from leaking tanks;

319.127 (violations/penalties) - identify violations of environmental requirements through tank site inspections and complaint investigations. By excluding this section's activities, the number of inspections would be reduced from 1400 to less than 300 per year and the number of complaint investigations would be reduced by 50%. This section also allows the department to pursue legal actions against tank owners with serious, persistent, or continuous violations.

The PSTIF Board estimates revenues to remain relatively constant in FY 05 - FY 10 at approximately the same levels as FY 04. In FY 11, revenues would be half or less, compared to prior years. Revenues would be zero in FY 12 and beyond.

Expenditures from the PSTIF are estimated to be approximately \$20-\$30 million in FY 2005 through 2010, decreasing to \$10-20 million in FY 2011 - FY 2012 and less than \$10 million annually thereafter until the balance in the fund has been expended in approximately FY 2014.

A number of cash flow projections were provided to the PSTIF Board of Trustees by its third-party administrator. The estimates contained herein are derived from those studies. Assumptions used include the following:

- * Approximate constant volume of petroleum coming into Missouri annually
- * Approximate increase of 1% per year in participation by underground tank owners in the PSTIF insurance program through FY05, with constant participation thereafter.

ASSUMPTION (continued)

- * Approximate increase of 7% per year in participation by aboveground tank owners in the

- PSTIF insurance program, through FY05 with constant participation thereafter
- * Approximate increase of 3% annually in state agency and administrative expenses
 - * Additional claims for cleanup of 2,800 old tank sites are received
 - * 1% of insured UST sites and 2.5% of insured AST sites file a claim annually
 - * Claims currently delayed due to funding shortfall are allowed to begin cleanups during FY02
 - * Twenty-five additional large loss claims (exceeding \$250,000) are filed during the life of the program
 - * Environmental cleanup requirements are not substantially changed during the life of the program

Fiscal Analysis of Tank Work - Fiscal Impact to Tank Activities from Proposed Legislation

	Tank Activities	Statute (RSMo. Section)	Current FTE	Remaining		Lost	
					FTE		FTE
1A	Closure Notice Approvals	319.111	0.21	0%	0.00	100%	0.21
1B	Closure Report Review	319.111	1.86	0%	0.00	100%	1.86
2A	Site Inv. & Emerg Abate/Res	319.131	0.86	100%	0.86	0%	0.00
2B	Remediation Oversight	319.131	3.56	100%	3.56	0%	0.00
3A	Installation Notice Review	319.105	0.06	0%		100%	0.06
4A	Site Inspections	319.127	6.83	0%		100%	6.83
4B	Complaint Investigations	319.127	0.26	0%		100%	0.26
5A	Enforcement & Compliance	319.127	0.03	0%		100%	0.03
6A	Technical Assistance	work plan	2.37	0%		100%	2.37
7A	Registration, Database & Reporting	319.103, 319.120	0.35	0%		100%	0.35
8A	Planning and Fees	319.123	0.94	27.5%	0.26	72.5%	0.68
8B	Financial Responsibility	319.114	0.58	0%	0.00	100%	0.58
9A-D	Administrative Activities	work plan	14.66	27.5%	4.03	72.5%	10.63
	Totals		32.56		8.70		23.86

Allocation of Administrative Activities Based on ratio of total work plan activities to those remaining and lost

ASSUMPTION (continued)

Oversight notes that PSTIF officials are assuming an increase of \$25 per transport load. The

current fee is \$25 and officials are assuming the board would increase the fee to \$50.

Oversight also notes that the DNR, as referenced in their assumptions, assumes savings to the PSTIF as a result of this proposal. However, officials from the PSTIF do not anticipate savings to this fund as a result of this proposal. Therefore, Oversight assumes no savings to this fund. If it is later determined that DNR administrative costs cannot be funded by the PSTIF, then a shift to General Revenue funding may be necessary.

<u>FISCAL IMPACT - State Government</u>	FY 2002	FY 2003	FY 2004
 PETROLEUM STORAGE TANK INSURANCE FUND (PSTIF)			
<u>Revenue - PSTIF</u>			
Increase of Transport Load Fee	\$7,125,000	\$14,250,000	\$14,250,000
			(6 Mo)
Continuance of fee collection due to extension of sunset date	<u>\$0</u>	<u>\$0</u>	<u>\$8,223,231</u>
Estimated <u>Revenue</u> to PSTIF	\$7,125,000	\$14,250,000	\$22,473,231
 <u>Cost - PSTIF</u>			
Other Fund Costs (Administrative) - Due to increase in fee	(\$124,020)	(\$241,020)	(\$404,820)
Other Fund Costs (Program Distribution) - Due to increase in fee	(\$500,000)	(\$2,633,000)	(\$9,108,000)
			(6 Mo.)
Other Fund Costs (Administrative) - Continuation of fund	\$0	\$0	(\$2,901,654)
Other Fund Costs (Program Distribution) - Continuation of fund	<u>\$0</u>	<u>\$0</u>	<u>(\$8,288,211)</u>
Estimated <u>Cost</u> to PSTIF	<u>(\$624,020)</u>	<u>(\$2,874,020)</u>	<u>(\$20,702,685)</u>

<u>FISCAL IMPACT - State Government</u>	FY 2002	FY 2003	FY 2004
Estimated Net Effect on PETROLEUM STORAGE TANK INSURANCE FUND	<u>\$6,500,980</u>	<u>\$11,375,980</u>	<u>\$1,770,546</u>

<u>FISCAL IMPACT - State Government</u>	FY 2002	FY 2003	FY 2004 (6 Mo.)
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ROAD FUND

<u>Savings</u> - Department of Transportation Continued reimbursement for clean-ups	<u>\$0</u>	<u>\$0</u>	<u>\$95,000</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses could be affected by the provisions of this proposal.

DESCRIPTION

The Petroleum Storage Tank Insurance Fund expires on December 31, 2003. This proposal extends the fund to December 31, 2010. Thereafter, the fund's board of trustees may function only to complete payment of claims made prior to the expiration date. Current law allows the board to set, by rule, the surcharge paid into the fund for each petroleum transport load. The proposal allows the board to adjust the surcharge after 60 days notice and an opportunity for public comment. The maximum surcharge is increased from \$25 to \$60 per load. If the fund's balance exceeds its liabilities by 10% on the first day of any month, the surcharge reverts to \$25 per load on the first day of the second month following this event.

Moneys generated by this surcharge shall not be used for any purposes other than those outlined in sections 319.129 through 319.133 and section 319.138.

DESCRIPTION (continued)

The board, in consultation with the Department of Natural Resources, may prioritize claims and expenditures from the fund. Tank owners and operators may continue participating in the fund

after transferring their property to another party.

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 Agriculture
Department of Natural Resources
Department of Revenue
Department of Transportation
Office of Administration - Division of Budget and Planning



Jeanne Jarrett, CPA
Director

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