STATE BOARD OF EQUALIZATION
STAFF LEGISLATIVE BILL ANALYSIS

Date Introduced	**02/21/03**	Bill No:	**AB 1500**
Tax:	**Petroleum Pollution Cleanup and Prevention Fee**	Author:	**Diaz and Pavley**
Board Position:		Related Bills:	**SB 981 (Soto and Romero)**

This analysis will only address the bill's provisions that impact the Board.

BILL SUMMARY

This bill would require an operator of a refinery to pay a fee of one dollar ($1) for each barrel of crude oil received at a refinery within the state. Among other things, the fee would provide funding to projects that investigate or remediate petroleum-related contamination of soil, drinking water supplies, groundwater, or marine and terrestrial surface waters, and to the Lower-Emission School Bus Program.

ANALYSIS

Current Law

The Board of Equalization currently collects two different fees on crude oil and petroleum products transported into, across, and/or through this state. These fees are the oil spill administration and prevention fee and the oil spill response fee.

Existing law, under Section 8670.40 of the Government Code, imposes an oil spill administration and prevention fee not to exceed $0.04 per barrel upon every person owning crude oil at the time the crude oil is received at a marine terminal from within or outside the state, or upon owners of petroleum products received at a marine terminal from outside this state. In addition, every operator of a pipeline is liable for the fee for each barrel of crude oil originating from a production facility in marine waters and transported by means of a pipeline operating across, under, or through the marine waters of this state. The current rate is $0.04 per barrel and the funds are used to implement oil spill prevention programs and finance environmental and economic studies relating to the effects of oil spills.

Existing law, under Section 8670.48 of the Government Code, imposes an oil spill response fee not exceeding $0.25 per barrel on every person owning petroleum products at the time the petroleum products are received at a marine terminal in this state by means of a vessel from a point of origin outside this state. The fee is also imposed on an operator of a pipeline transporting petroleum products by means of a pipeline operating across, under, or through the marine waters of this state and an operator of a refinery receiving crude oil at a refinery in this state. This section further imposes the fee on every marine terminal operator transporting crude oil from within this state by means of a marine vessel and upon each pipeline operator for crude oil transported out of this state by pipeline. The fees are collected during any period that funds are required to meet the designated amounts for promptly responding to containment and cleanup of oil spills into marine waters. The Oil Spill Response Trust Fund reached its $50 million maximum level in 1991-92, and no response fees have been collected since then.

Proposed Law

This bill would add Division 29 (commencing with Section 38000) to the Public Resources Code as the Petroleum Pollution Cleanup and Prevention Act of 2003. Among its provisions, Section 38050 would require the Board to administer a one dollar ($1) per barrel fee imposed upon an operator of a refinery for each barrel of crude oil received at a refinery within the state.

The Board would administer the fee imposed in accordance with the Fee Collection Procedures Law, which contains "generic" administrative provisions for the administration and collection of fee programs to be administered by the Board. The fee imposed would be due and payable to the Board monthly on or before the 25th day of the calendar month following the monthly period for which the fee is imposed. In addition, each fee payer, on or before the 25th day of the month following each monthly period, would be required to make out a return for the preceding monthly period.

The fees paid to the Board would be transmitted to the California Petroleum Pollution Cleanup and Prevention Fund, which this bill would create. The monies deposited to the credit of the fund would be used to pay for refunds on overpayments of the fee and to pay for the administrative costs of the Board, with the balance to the following:

- The California Environmental Protection Agency to fund projects that investigate or remediate petroleum-related contamination of soil, drinking water supplies, groundwater, or marine and terrestrial surface waters to the extent that they relate to harm caused, or are intended to mitigate or prevent the harm created, by petroleum products that are refined by a refinery. (Section 38100(b))
- The State Energy Resources Conservation and Development Commission for expenditure on petroleum consumption reduction and pollution prevention strategies. (Section 38150 (a))
- The California Department of Transportation to fund the development of new, and expansion of existing, public transportation systems, construction of new, and improvement of existing, safe road access and facilities for bicycle transportation and pedestrians, and retrofit or replacement of existing petroleum fueled public transport buses and trains with clean, alternatively fueled engines. (Section 38150(b)(3))

- Diesel emission reduction programs, including, but not limited to, the Carl Moyer Memorial Air Quality Standards Attainment Program, and the Lower-Emission School Bus Program administered by the State Air Resources Board. (Section 38051(b)(2))

The bill would become effective January 1, 2004.

Background

In 1997, Assembly Bill 1368 (Villaraigosa) would have added Chapter 9 (commencing with Section 44275) to Part 5 of Division 26 of the Health and Safety Code as the California Air Quality and Energy Efficiency Program. Among other things, the Board would have been required to administer a $0.30 per barrel fee on crude oil received at a refinery within this state through December 31, 2010. The provisions of that measure to establish the program and impose a fee were amended out on May 1, 1997.

In 2002, Assembly Bill 2682 (Chu) and Senate Bill 1994 (Soto) would have required every operator of a refinery to pay a fee of $0.30 for each barrel of crude oil received at a refinery within the state. Among other things, the fee would have provided funding to a California Environmental Protection Agency-administered program for projects addressing petroleum-related contamination of groundwater, marine and terrestrial surface waters, soil, and drinking water supplies, and to the State Air Resources Board to provide funding to purchase new, lower emission school buses pursuant to guidelines adopted by the State Air Resources Board. Assembly Bill 2682 was held under submission in the Assembly Appropriations Committee, and Senate Bill 1994 failed passage out of the Senate Appropriations Committee.

COMMENTS

1. **Sponsor and purpose.** This bill is sponsored by Sierra Club and Environment California and is intended to provide the necessary level of funding for continued operation of pollution cleanup and prevention programs.
2. **Administration of the petroleum pollution cleanup and prevention fee.** This bill would impose a specified fee upon every operator of a refinery for each barrel of crude oil received at a refinery within the state. Identifying these fee payers would not be problematic since every person who operates an oil refinery in this state is currently registered with the Board for purposes of the oil spill response fee. In addition, Board staff does not foresee any other administrative problems with this measure.
3. **This bill should contain a specific appropriation to the Board.** This bill proposes a fee to be imposed on or after January 1, 2004, which is in the middle of the state's fiscal year. In order to begin to develop the fee payer base, reporting forms, and hire appropriate staff, an adequate appropriation would be required to cover the Board's administrative start-up costs that would not be identified in the Board's 2003-04 budget.

4. **Related legislation.** This bill is similar to SB 981 (Soto) in that it imposes a fee upon every operator of a refinery for each barrel of crude oil received at a refinery within the state. Senate Bill 981, however, would impose a $0.30 fee per barrel of crude oil to fund 1) diesel emission exposure reduction incentive projects and programs, 2) the Lower-Emission School Bus Program, and 3) a grant program for the intervention, treatment, and education of sensitive populations suffering from exposure to petroleum-related air pollution.

COST ESTIMATE

The Board would incur non-absorbable costs to adequately develop and administer a new fee program. These costs would include registering fee payers, developing computer programs, mailing and processing returns and payments, conducting audits, developing regulations, training staff, and answering inquiries from the public. A cost estimate of this workload is pending.

REVENUE ESTIMATE

Background, Methodology, and Assumptions

Based on the California Energy Commission's statistics, 670 million barrels of crude oil were refined in California in 2002. This bill would initiate a fee in the amount of $1.00 for each barrel of crude oil refined in California. Had this fee been in effect in 2002, $670 million would have been transferred to the California Petroleum Pollution Cleanup and Prevention Fund ($1.00 × 670 million barrels = $670 million).

Revenue Summary

This bill would generate about $670 million annually to the California Petroleum Pollution Cleanup and Prevention Fund (which this bill would create in the State Treasury).

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