



## STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE BILL ANALYSIS

Date Amended	<b>05/01/02</b>	Bill No:	<b>AB 2682</b>
Tax:	<b>Petroleum Pollution Cleanup Fee</b>	Author:	<b>Chu</b>
Board Position:	<b>Neutral</b>	Related Bills:	<b>SB 1994 (Soto)</b>

### **BILL SUMMARY**

This bill would require 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 provide 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.

### **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

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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 California Clean Communities and Petroleum Pollution Cleanup Act of 2002. Among its provisions, Section 38050 would require the Board to administer a \$0.30 per barrel fee imposed upon every operator of every refinery for each barrel of crude oil received at a refinery within the state. The fees would be deposited in the California Petroleum Pollution Cleanup 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 support the following programs:

- A California Environmental Protection Agency-administered program for funding projects addressing petroleum-related contamination of groundwater, marine and terrestrial surface waters, soil, and drinking water supplies.
- Diesel emissions exposure reduction incentive projects and programs administered by local air districts and the current Lower-Emission School Bus Program administered by the State Air Resources Board.

### **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.

### **COMMENTS**

1. **Sponsor and purpose.** This bill is sponsored by V. John White and Associates and is intended to address petroleum-related contamination. The author believes that the current myriad regulatory fees imposed on petroleum products in California do not adequately reflect the aggregate negative impact to the environment caused by use of petroleum products. In addition, the author believes that the extent of petroleum-related air and water pollution in California warrants the imposition of an additional 30-cent per barrel assessment on crude oil received by the state's 22 refiners.

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- 2. Summary of the amendments.** The introduced version of the bill would have required the owner or operator of every refinery in the state to pay a fee of \$0.30 for each barrel of crude oil refined at that refinery. The May 1, 2002, amendments would instead require every operator of a refinery to pay a \$0.30 fee for each barrel of crude oil received at a refinery within the state.

The amendments also add language to 1) allow the Board to comply with the requirements to collect the fee, 2) specify a due date for the fee and return, and 3) authorize the payment of refunds on overpayments of the fee and reimbursement for the Board's costs of administration.

- 3. This bill should contain a specific appropriation to the Board.** This bill proposes a fee to be imposed on or after January 1, 2003, 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 2002-03 budget.
- 4. Related legislation.** This bill is identical to SB 1994 (Soto) and is also sponsored by V. John White and Associates. The Board voted to be neutral on SB 1994.

## **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 monthly reports, 637.5 million barrels of crude oil were refined in California in 2001. The Commission believes that the number of barrels of crude oil refined in this state is a reasonable estimate of the number of barrels of crude oil received at a refinery. This bill would initiate a fee in the amount of \$0.30 for each barrel of crude oil received at a refinery in California. Had this fee been in effect in 2001, \$191.3 million would have been transferred to the California Petroleum Pollution Cleanup Fund ( $\$0.30 \times 637.5$  million barrels = \$191.3 million).

The Commission estimates that 90.5 percent of crude oil is used to produce petroleum products other than diesel fuel. Based on this ratio, it is estimated that \$173.1 million would have been transferred to the Petroleum Polluted Water Remediation Account ( $90.5\% \times \$191.3$  million = \$173.1 million).

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The Commission estimates that 9.5 percent of crude oil is used to produce diesel fuel. Based on this ratio, it is estimated that the diesel fuel revenue portion would have been \$18.2 million (9.5% × \$191.3 million = \$18.2 million). Fifty percent of this diesel fee portion i.e. \$9.1 million would have been transferred to the Carl Moyer Memorial Air Quality Standards Attainment Trust Fund (50% × \$18.2 million = \$9.1 million). The other 50 percent (\$9.1 million) would have been allocated to the State Air Resources Board.

**Revenue Summary**

This bill would generate approximately \$191.3 million annually for the California Petroleum Pollution Cleanup Fund (which this bill would create in the State Treasury) to be allocated as follows:

Petroleum Pollution Water Remediation Account	\$ 173.1 million
Carl Moyer Memorial Air Quality Standards Attainment Trust Fund	\$ 9.1 million
State Air Resources Board (school buses)	<u>\$ 9.1 million</u>
	\$ 191.3 million

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