



**STATE BOARD OF EQUALIZATION
STAFF LEGISLATIVE BILL ANALYSIS**

DRAFT

Date:	07/02/13	Bill No:	<u>Assembly Bill 282</u>
Tax Program:	Underground Storage Tank Maintenance Fee	Author:	Wieckowski
Sponsor:	CORE Environmental Reform, Inc.	Code Sections:	HSC 25299.43 & 25299.81
Related Bills:		Effective Date:	01/01/14

BILL SUMMARY

This bill extends the temporary underground storage tank maintenance fee (fee) rate increase of six mills (\$0.006) per gallon for an additional two years, from January 1, 2014, to January 1, 2016, after which the rate will be fourteen mills (\$0.014) until January 1, 2018.

Summary of Amendments

Since the previous analysis, this bill was amended to return the rate to fourteen mills (\$0.014) until January 1, 2018, after which the chapter imposing the fee is repealed.

ANALYSIS

CURRENT LAW

Health and Safety Code (HSC) Section 25299.41 of the current law¹ requires underground storage tank (UST) owners to pay a storage fee of six mills (\$0.006) on each gallon of petroleum (including, but not limited to, gasoline and diesel fuel) placed in their underground storage tanks. From 1995 to 2006, HSC Section 25299.43 increased the fee gradually during that time period by an additional eight mills (\$0.008), for a total storage fee of fourteen mills (\$0.014) per gallon of petroleum placed in the tank. In 2009, the fee was temporarily increased by an additional six mills (\$0.006), to a total of twenty mills (\$0.020) per gallon, effective on and after January 1, 2010.

While the temporary rate increase was effective until December 31, 2011, the Legislature extended the temporary rate another two years until January 1, 2014.² The fee is scheduled to revert back to the previous rate of fourteen mills (\$0.014) per gallon on January 1, 2014.

The fees are reported and paid to the Board of Equalization (BOE), pursuant to the Underground Storage Tank Maintenance Fee Law,³ and are deposited into the UST Cleanup Fund. These funds are earmarked for the cleanup of leaking tanks. The entire UST maintenance fee sunsets on January 1, 2016.

PROPOSED LAW

This bill extends the temporary six-mills (\$0.006) increase in the UST maintenance fee rate. If extended, the total UST maintenance fees will be twenty mills (\$0.020) on each gallon of petroleum placed in an underground storage tank until January 1, 2016. After that date, the

¹ Barry Keene Underground Storage Tank Cleanup Trust Fund Act of 1989, Chapter 6.75 (commencing with Section 25299.40) of Division 20 of the Health and Safety Code.

² Assembly Bill 291 (Stats. 2011, Ch. 569).

³ Part 26 (commencing with Section 50101) of Division 2 of the Revenue and Taxation Code.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the BOE's formal position.

fee rate reverts to the ongoing rate of fourteen mills (\$0.014) until January 1, 2018. This bill extends the repeal date of the chapter that imposes the fee from January 1, 2016, to January 1, 2018.

The bill is effective January 1, 2014.

BACKGROUND

The UST Cleanup Fund was originally established in 1989 by SB 299 (Keene). Subsequent legislation affected fees, fund accounts, repeal dates, and various other provisions.

AB 1906 (Stats. 2004, Ch. 774) increased the fee by one mill (\$0.001) effective January 1, 2005, and by another one mill (\$0.001) effective January 1, 2006.

SB 1161 (Stats. 2008, Ch. 616), among other things, extended the sunset date of the fee to January 1, 2016.

AB 1188 (Stats. 2009, Ch. 649), among other things, temporarily increased the UST maintenance fee by an additional six mills (\$0.006) per gallon between January 1, 2010, and December 31, 2011.

AB 291 (Stats. 2011, Ch. 569), extended the temporary six mills (\$0.006) per gallon UST maintenance fee from January 1, 2012 to January 1, 2014.

COMMENTS

- 1. Sponsor and Purpose.** This bill is sponsored by CORE Environmental Reform, Inc. According to the author, the current fee schedule ensures that sites are returned to productive use.
- 2. The July 2, 2013, amendment** returns the rate to fourteen mills (\$0.014) and extends the date for repealing the chapter that imposes the fee from January 1, 2016, until January 1, 2018.
- 3. An extension of the temporary rate increase and subsequent rate decrease would not be difficult for the BOE to administer.** As provided in HSC Section 25299.51, the State Water Resources Control Board is authorized to expend revenues to pay for the BOE's administrative costs.

COST ESTIMATE

The BOE would incur absorbable costs to notify fee payers and change programs.

REVENUE ESTIMATE

The bill extends the temporary fee increase, in the amount of six mills (\$0.006), to a total of twenty mills (\$0.020) per gallon of petroleum stored in underground tanks for 2014 and 2015. We estimate total fee revenues of \$346 million ($\0.020×17.3 billion gallons = \$346 million) for 2014. Fuel consumption is expected to climb slightly in 2015, therefore we estimate total fee revenues of \$348 million ($\0.020×17.4 billion gallons = \$348 million) for 2015.

The bill also continues the ongoing fee of fourteen mills (\$0.014) per gallon for calendar years 2016 and 2017. We estimate 2016 total fee revenues of \$245 million ($\0.014×17.5 billion gallons = \$245 million). In calendar year 2017, fuel consumption is expected to increase slightly. Therefore we estimate total fee revenues of \$246 million ($\0.014×17.6 billion gallons = \$246 million) for 2017.

The following depicts revenues for 2014 and 2015 with the temporary rate extension and 2016 and 2017 at the ongoing rate:

Year	Total Consumption	Proposed Fee	Total Revenues
2014	17,306,963,906	\$0.020	\$346,139,278
2015	17,407,139,033	\$0.020	\$348,142,781
2016	17,507,893,989	\$0.014	\$245,110,516
2017	17,609,232,128	\$0.014	\$246,529,250

This revenue estimate does not account for any changes in economic activity that may or may not result from enactment of the proposed law.

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