



## STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE ENROLLED BILL ANALYSIS

Date Amended	<b>Enrolled</b>	Bill No:	<b>AB 1906</b>
Tax:	<b>Underground Storage Tank Maintenance Fee</b>	Author:	<b>Lowenthal</b>
Related Bills:			

### **BILL SUMMARY**

This bill would increase the underground storage tank maintenance fee by an additional \$0.001 mill per gallon of petroleum stored, on or after January 1, 2005, and by an additional \$0.001 mill per gallon of petroleum stored, on or after January 1, 2006.

### **ANALYSIS**

#### **Current Law**

Under existing law, Section 25299.41 of the Health and Safety Code requires every owner of an underground storage tank to pay a storage fee of six mills (\$0.006) for each gallon of petroleum (including both gasoline and diesel) placed in an underground storage tank which he or she owns. Section 25299.43 imposes an additional fee of six mills (\$0.006) for a total underground storage fee of twelve mills (\$0.012) per gallon. This fee is due to sunset on January 1, 2011.

The underground storage tank fees, which are reported and paid to the Board, are deposited into the Underground Storage Tank Cleanup Fund. The money in the fund may be expended by the State Water Resources Control Board (SWRCB), upon appropriation by the Legislature, for various purposes, including payment of a California regional water quality control board's or local agency's corrective action costs, and the payment of claims to aid owners and operators of petroleum underground storage tanks who take corrective action to clean up unauthorized releases from those tanks.

#### **Proposed Law**

This bill would amend Section 25299.43 of the Health and Safety Code to increase the storage fee by an additional one mill (\$0.001) for each gallon of petroleum placed in an underground storage tank, on and after January 1, 2005, for a total of thirteen mills (\$0.013) per gallon. On and after January 1, 2006, the storage fee would increase by an additional one mill (\$0.001) for each gallon of petroleum placed in an underground storage tank.

This bill would also make other non-substantive technical changes.

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*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 Board's formal position.*

## Background

In 1989, Senate Bill 299 (Ch. 1442, Keene) added Section 25299.24 to the Health and Safety Code. In addition, SB 299 required an owner or operator of an underground storage tank containing petroleum to pay an annual \$200 fee to the Board.

Senate Bill 2004 (Ch. 1366, 1990, Keene), among other things, repealed the annual \$200 maintenance fee and required an owner of an underground storage tank to pay a quarterly storage fee of six mills (\$0.006) for each gallon of petroleum placed into an underground storage tank.

In 1994, SB 1764 (Ch. 1191, Thompson) added Section 25299.43 to the Health and Safety Code to increase the storage fee as follows; 2 mills (\$0.002) effective January 1, 1996 though December 31, 1996; and an additional 3 mills (\$0.003) January 1, 1997 and thereafter.

## COMMENTS

1. **Sponsor and purpose.** This bill is sponsored by 7-Eleven and is intended to ensure that all claimants under the cleanup program would have a reasonable opportunity to have approved claims paid before the expiration of the cleanup program.
2. **This bill should contain a specific appropriation to the Board.** This bill proposes to increase the underground storage tank maintenance fee on and after January 1, 2005, which is in the middle of the state's fiscal year. In order to begin to revise reporting forms and develop computer programs, an adequate appropriation would be required to cover the Board's administrative start-up costs that would not already be identified in the Board's 2004-05 budget.

As an alternative to an appropriation, the author may want to consider amending the bill to move the operative date of the initial fee increase from January 1, 2005 to July 1, 2005. This would allow the Board to obtain funding for administrative start-up costs through the Budget Change Proposal process.

3. **Board staff does not foresee any administrative problems with this measure.** Enactment of this measure would not materially effect the Board's administration of the Underground Storage Tank Maintenance Fee Law.

## COST ESTIMATE

The Board would incur non-absorbable costs related to this measure for notifying feepayers, revising returns, computer programming, developing and carrying out compliance and audit efforts to ensure proper reporting. These costs were estimated to be \$111,000 in fiscal year 2004-05, \$177,000 in fiscal year 2005-06, and \$175,000 annually thereafter.

**REVENUE ESTIMATE**

**Background, Methodology, and Assumptions**

Based on statistics compiled from the Board fuel reports, total gasoline and diesel gallon consumption for the 2002 calendar year was 18.2 billion gallons. A brief review of consumption of the last 5 years (1998-2002) indicated a continuous growth, on average, of 2.5%. It is estimated that in 2005, fuel consumption would be 19.6 billion gallons and in 2006, 20 billion gallons.

This bill would initiate a fee increase in the amount of \$0.001 for each gallon of petroleum stored in underground tanks. In 2005, this fee increase would generate an estimated \$19.6 million in revenues ( $\$0.001 \times 19.6 \text{ billion gallons} = \$19.6 \text{ million}$ ). In 2006, an additional fee increase of \$0.001 would generate an estimated \$40 million in revenues ( $\$0.002 \times 20 \text{ billion gallons} = \$40.0 \text{ million}$ ).

**Revenue Summary**

This bill would generate about \$19.6 million in additional revenues in 2005 and about \$40 million in 2006.

Analysis prepared by:	Cindy Wilson	916-445-6036	09/02/04
Revenue prepared by:	Ronil Dwarka	916-445-0840	
Contact:	Margaret S. Shedd	916-322-2376	
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