



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 738

Sponsor: Senator Loren Bennett

Committee: Natural Resources and Environmental Affairs

Date Completed: 11-7-95

SUMMARY OF SENATE BILL 738 as introduced 10-31-95:

The bill would amend the Natural Resources and Environmental Protection Act generally to place a June 29, 1995, deadline on corrective action work invoices and requests for indemnification that could be funded through the Michigan Underground Storage Tank Financial Assurance (MUSTFA) Fund, and to delete provisions requiring quarterly review of the Fund's financial status, providing for adjustments in the regulatory fee to compensate for over- or underexpenditures, and providing for a 90-day grace period, after notification is given that Fund revenues are insufficient to pay expected expenditures, during which work invoices and requests for indemnification may be submitted for payment.

Currently, the Act specifies that the Fund must be used only for certain purposes, including payments for approved corrective action work invoices and approved requests for indemnification. The bill specifies instead that the Fund could be used for payments for work invoices and requests for indemnification submitted prior to 5 p.m. on June 29, 1995 and approved by the Department of Natural Resources, and for payments for work invoices or requests for indemnification that were denied, but for which an appeal was filed prior to 5 p.m. on June 29, 1995, if the denial were subsequently reversed on appeal. The bill also specifies that upon payment in full of all obligations on the Fund, the State Treasurer would have to file with the Secretary of State a notice of final payment of all obligations lawfully payable from the Fund.

The bill also would delete provisions that:

- Require the Fund administrator to determine quarterly if the Fund revenues are sufficient to pay the expected expenditures from the Fund.
- Require the State Treasurer to notify the advisory board and the Legislature of any adjustments needed in the regulatory fee or other revisions to improve the security of the Fund.
- Require the State Treasurer to notify the administrator if Fund revenues are not sufficient to pay expected expenditures and require the administrator to notify owners and operators of registered petroleum underground storage tank systems that funding will no longer be available for new claims upon the expiration of a 90-day grace period after notification is given to the administrator; but specify that work invoices and requests for indemnification submitted prior to the deadline may be paid to the extent money is available in the Fund.

Instead, the bill provides, "The legislature declares that the obligation of the fund to pay for work invoices and requests for indemnification ceased to exist at 5 p.m. June 29, 1995."

The bill is tie-barred to House Bill 5349, which would change the date that the provisions governing the Fund will be repealed from January 1, 2005, to the date the State Treasurer filed with the Secretary of State a notice of final payment of all obligations lawfully payable from the Fund; delete provisions that require the Department of Natural Resources to complete a study of the fiscal soundness of the Fund by May 1, 1995, and to evaluate the Fund annually; change the deadline for the submittal of work invoices and requests for indemnification from December 22, 1998, to 5 p.m. on June 29, 1995; and delete the January 1, 1997, deadline on the prohibition on claims for releases from underground storage tanks closed prior to January 1, 1974.

MCL 324.21506 & 324.21508

Legislative Analyst: L. Burghardt

FISCAL IMPACT

This bill, and House Bill 5349 to which it is tie-barred, would result in an indeterminate increase in costs and revenues to the State dependent on the amount and terms of revenue bonds issued to cover MUSTFA invoices through June 29, 1995.

Current law requires that the State pay invoices only as long as revenues are available. Therefore, the bill would create additional State liability by requiring the payment of all invoices as of June 29, 1995, which totals approximately \$252 million. According to the Department, \$184 million in revenue is available between now and the year 2005, after subtracting debt service and administrative costs, which means that the bill would result in a \$68 million cash deficit over the next 10 years (depending upon actual debt servicing payments and the value of challenged claims).

The Department estimates that the 7/8 cent per gallon fee regulatory fee would need to be extended for at least seven years beyond 2005 (in House Bill 5349), to generate \$357 million in revenue to cover the principal and interest of \$252 million in bonds. (The \$184 million in potential revenue prior to 2005 is incorporated into the bond calculations.)

Fiscal Analyst: G. Cutler

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.