



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bills 1051, 1052, 1053, and 1179 (as enacted)
Sponsor: Senator Mike Green
Senate Committee: Appropriations (S.B. 1051-1053)
House Committee: Appropriations

PUBLIC ACTS 465-468 of 2016

Date Completed: 4-21-17

CONTENT

Senate Bill 1051 amended the Natural Resources and Environmental Protection Act to do the following:

- Delete a requirement that the owner of an underground storage tank (UST) pay an annual fee of \$100 for the registration of each tank he or she owns.
- Delete a requirement that an owner continue to pay registration fees on USTs that have been closed or removed until notification is provided.
- Delete a limit of \$8.0 million on the size of the Underground Storage Tank Regulatory Enforcement Fund.

Senate Bill 1052 amended the Motor Fuels Quality Act to do the following:

- Delete an annual license fee of \$100 for a retail dealer of petroleum products.
- Delete a requirement that the Department of Agriculture and Rural Development refund a license fee if the license is not issued or denied in 120 days.

Senate Bill 1053 amended Part 215 of the Natural Resources and Environmental Protection Act (NREPA) to do the following:

- Increase the regulatory fee assessed on each gallon of refined petroleum products sold for resale or consumption in Michigan from 7/8 of a cent to 1 cent.
- Delete a December 31, 2016, sunset on the use of the Refined Petroleum Fund (RPF) for gasoline inspection programs under the Weights and Measures Act and the Motor Fuels Quality Act.
- Specify that not more than \$5.0 million of RPF revenue may be spent on petroleum product inspection programs each year.
- Add storage tank programs to the list of allowable uses of the RPF and allow not more than \$3.0 million of RPF revenue to be used to support them each year.

Senate Bill 1179 amended the Fire Prevention Code to exempt aboveground storage tanks that exclusively receive refined petroleum products subject to the regulatory fee under Part 215 of NREPA from application fees payable before installation of a tank, as well as an annual fee. Under the Code, a person who wishes to install an aboveground storage tank is subject to a fee of \$203 with the application for installation, as well as an annual fee of \$61.50. The bill exempts owners of these tanks from those fees if the tanks are used exclusively for the storage of refined petroleum products subject to the per-gallon regulatory fee under Part 215.

The bills took effect on March 29, 2017.

MCL 324.21102 & 324.21104 (S.B. 1051)
MCL 290.646 (S.B. 1052)
MCL 324.21506a & 324.21508 (S.B. 1053)
MCL 29.5d (S.B. 1179)

FISCAL IMPACT

The bills will have an overall positive fiscal impact on the State, and no fiscal impact on local units of government. The bills will reduce revenue received by the Department of Licensing and Regulatory Affairs (LARA) by about \$1.8 million per year by removing the \$100 per-year fees paid by owners of underground storage tanks (Senate Bill 1051), and will reduce revenue received by the Department of Agriculture and Rural Development (DARD) from \$100 per-year refined petroleum product retailer license fees by about \$600,000 per year (Senate Bill 1052). The lost revenue in those two Departments will effectively be replaced by about \$7.4 million each year in additional RPF revenue that will be generated by the increase of the environmental regulatory fee from 7/8 of a cent to 1 cent (Senate Bill 1053), as all revenue from this fee after the first \$20.0 million¹ each year is credited to the RPF. In a given fiscal year, the environmental regulatory fee generates between \$50.0 million and \$55.0 million. The remaining \$5.0 million in new revenue will be credited to the RPF to be used, upon appropriation, for uses allowable by law. The RPF is the primary fund source the Department of Environmental Quality uses to clean up orphaned leaking underground storage tanks.

Additionally, Senate Bill 1053 allows RPF revenue to be used as follows: up to \$5.0 million to support petroleum product inspection programs in DARD each year, and up to \$3.0 million to support the Storage Tank Division of the Bureau of Fire Services within LARA. Ultimately it will be incumbent upon the Legislature to appropriate those funds, however. In years prior to fiscal year (FY) 2016-17, DARD received about \$3.9 million from the RPF for support of its fuel inspection programs; in FY 2016-17, the Legislature reduced that amount to \$2.4 million with the remaining \$1.5 million coming from the State's General Fund. Support for the storage tank regulatory program in LARA has historically come from registration fees paid by tank owners, and under the bills about \$600,000 in support for the program from aboveground storage tank fees not affected by the bills will remain.

Further, Senate Bill 1051 removed the \$8.0 million limit on the balance of the Underground Storage Tank Regulatory Enforcement Fund. The balance of the Fund has not approached that level in recent history, having remained less than \$1.0 million at year-end for the last few years.

Finally, Senate Bill 1179 will have a negative fiscal impact on LARA, which will be offset by the effects of the other bills. The exemption of aboveground storage tanks that store refined petroleum products from application and annual certificate fees will reduce aboveground storage tank fee revenue received by the Department by about \$250,000, out of a total of \$450,000 per year. However, as noted above, the fee increase in Senate Bill 1053, after taking into account the loss of revenue from the fees that are eliminated by Senate Bills 1051 and 1052, will generate an additional \$5.0 million each year. Senate Bill 1179 will reduce new fee revenue under Senate Bill 1053 to \$4.75 million each year.

Fiscal Analyst: Josh Sefton

¹ The first \$20.0 million in environmental regulatory fee revenue is credited to the Underground Storage Tank Cleanup Fund.

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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.