



Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS



Telephone: (517) 373-5383
Fax: (517) 373-1986

Senate Bill 738 (as enrolled)
Sponsor: Senator Loren Bennett
Senate Committee: Natural Resources and Environmental Affairs
House Committee: Conservation, Environment and Great Lakes

PUBLIC ACT 269 of 1995

Date Completed: 7-26-96

CONTENT

The bill amended Part 215 of the Natural Resources and Environmental Protection Act (concerning underground storage tank financial assurance) to place a June 29, 1995, deadline on corrective action work invoices and requests for indemnification funded through the Michigan Underground Storage Tank Financial Assurance (MUSTFA) Fund. The bill specifies that, consistent with the March 31, 1995, determination by the State Treasurer that revenue will not be sufficient to pay expected expenditures and the April 3, 1995, notice of the Fund administrator, funding is not available under Part 215 for new claims, work invoices, and requests for indemnification received after 5 p.m. on June 29, 1995. Work invoices and requests for indemnification received prior to 5 p.m. on June 29, 1995, may be paid to the extent money is available in the Fund.

The bill also increased from \$1 million to \$3 million the amount of regulatory fees collected under Part 215 that must be deposited into the Emergency Response Fund, after which the fees must be deposited in the MUSTFA Fund. The bill requires the Department of Treasury to stop collecting the regulatory fee (7/8-cent-per-gallon on refined petroleum products) when it has received sufficient revenue to pay the Fund's obligations.

The bill is tie-barred to House Bill 5349 (Public Act 252 of 1996), which amended the Act to change the date that Part 215 will be repealed from January 1, 2005, to the date the State Treasurer files with the Secretary of State a notice of final payment of all obligations lawfully payable from the Fund; and to 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.

MCL 324.21506 et al.

Legislative Analyst: S. Margules

FISCAL IMPACT

Senate Bill 738 and House Bill 5349 will result 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. The Senate bill redirects an additional \$2 million in funds from the MUSTFA Fund to the Emergency Response Fund, which will increase the revenues available to the Department of Environmental Quality to directly undertake leaking underground storage tank corrective actions.

According to the Department, as of the June 29, 1995 deadline, there were approximately \$252 million in invoices and reserves for challenged claims. Under present law, \$184 million in revenue would be available between now and the year 2005 (after subtracting \$206 million in bond repayment, an estimated \$84 million in interest payments, and \$36 million in administrative costs). This means there are approximately \$68 million in claims for which there would be insufficient revenue.

The Department estimated that the 7/8 cent per gallon 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 principal and interest payments on a \$252 million bond. (This amount includes consideration of the \$184 million in potential revenue as part of 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.