

Legislative Analysis



REFINED PETROLEUM FUND – LIFT SUNSET DATES ON USES OF FUND REVENUE

Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 5581 as introduced
Sponsor: Rep. Roger Victory
House Committee: Appropriations

Analysis available at
<http://www.legislature.mi.gov>

Complete to: 4-26-16

A SUMMARY OF HOUSE BILL 5581 AS INTRODUCED APRIL 20, 2016

BRIEF SUMMARY:

House Bill 5581, as introduced, would amend Section 21506a of the Natural Resources and Environmental Protection Act (NREPA), a section that establishes the Refined Petroleum Fund and governs the use of fund revenue. The section currently allows the use of fund revenue for, among other things, gasoline inspection programs of the Michigan Department of Agriculture and Rural Development (MDARD) under authority of the Weights and Measures Act, (1964 PA 283) and the Motor Fuels Quality Act (1984 PA 44) – but only through December 31, 2016.

House Bill 5581 would lift this sunset on the use of fund revenue for gasoline inspection programs. This bill is necessary in order to implement the FY 2016-17 MDARD budget under Article I of House Bill 5284, the FY 2016-17 General Omnibus Budget bill. The budget bill assumes continued use of \$3.9 million in Refined Petroleum Fund revenue for MDARD gasoline inspection programs.

FISCAL IMPACT:

Failure to lift the sunset on the use of Refined Petroleum Fund revenue for MDARD gasoline inspection programs would affect MDARD's ability to perform gasoline quality and quantity inspection activities. The department would have to reduce program activities or alternative funding sources would have to be found to supplant Refined Petroleum Fund revenue in the MDARD budget.

BACKGROUND INFORMATION:

The Refined Petroleum Fund receives a distribution of revenue from an environmental protection regulatory fee established in Section 21508 of NREPA. The fee, 7/8 cents per gallon (\$.875) on all refined petroleum products sold in the state, generates approximately \$52.7 million in annual revenue. Section 201508 of NREPA, as amended by Public Act 416 of 2014, directs that the first \$20.0 million of annual environmental protection regulatory fee revenue be deposited to the Underground Storage Tank Cleanup Fund created in section 21506b, with the balance deposited to the Refined Petroleum Fund. The amount of environmental protection regulatory fee revenue credited to the

Refined Petroleum Fund in FY 2014-15 was approximately \$32.7 million and is expected to total approximately \$30.2 million in both FYs 2015-16 and 2016-17.

Section 21506a of the Natural Resources and Environmental Protection Act also prescribes the uses of fund revenue. The section directs that money from the fund be expended, upon appropriation, only for 1 or more of the following purposes:

- Corrective actions performed by the Department of Environmental Quality (DEQ) pursuant to Section 21320 of NREPA – i.e., corrective actions related to suspected or confirmed release of regulated substances, including petroleum products, from an underground storage tank.
- Reasonable costs of the DEQ in administering the Refined Petroleum Fund and implementing Part 213 of NREPA (the leaking underground storage tank program).
- Until December 31, 2016, for gasoline inspection programs under both the Weights and Measures Act, (1964 PA 283) and the Motor Fuels Quality Act (1984 PA 44).
- Other purposes as determined by the Legislature.

The gasoline inspection programs authorized under Section 21506a are performed by the Michigan Department of Agriculture and Rural Development (MDARD). The MDARD Laboratory Division performs testing of fuel pumps to ensure true volume of fuel sold. The MDARD Laboratory Division also samples and tests motor fuel to ensure product description accuracy, including octane rating, and that fuels meet quality standards.

Funding for MDARD's gasoline inspection programs is provided through appropriations from the Refined Petroleum Fund in the MDARD budget – \$3.9 million in FY 2015-16. The House General Omnibus Budget bill for FY 2016-17, House Bill 5284, assumes the continued use of \$3.9 million in Refined Petroleum Fund revenue for MDARD gasoline inspection programs.

Fiscal Analyst: William E. Hamilton

■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.