Fiscal Note

Fiscal Services Division

Description

Senate File 489 relates to finances of the Road Use Tax Fund and the Underground Storage Tank (UST) Program. The Bill:

- Extends the one cent per gallon Environmental Protection Charge (EPC) applied to motor fuel for 10 years. This tax is currently set to expire June 30, 2016.
- Creates a new infrastructure replacement grant fund and program for owners and operators of underground petroleum storage tanks.
- Dedicates one half ($7.0 million) of the UST Program's annual allocation from the Statutory Allocations Fund to the new infrastructure grant program.
- Assigns administration of the new grant program to the UST Fund Board. The Board is directed to award grants to owners and/or operators of locations where petroleum is marketed and the grant funds are to be used to replace underground storage tank infrastructure. Grants for a project cannot exceed the lesser of 50.0% of the cost of replacing the infrastructure, or $100,000. A single applicant may not receive more than $1.0 million in grants in a calendar year.
- Specifies that the Board may expend up to $50,000 annually from the grant fund to administer the grant program.

Background

The UST Program pays to remediate environmental contamination from leaking underground petroleum storage tanks. In most instances, the contamination must have been reported to the UST Board by October 26, 1990, to be eligible for UST Program financing. The UST Program is funded through an annual allocation of $14.0 million from the Statutory Allocations Fund. That annual allocation does not sunset.

The EPC is a tax that is equal to one cent per gallon of petroleum deposited in underground and certain aboveground tanks at retail outlets. The EPC revenue is deposited in the Road Use Tax Fund. The EPC sunsets June 30, 2016.

Additional history and background for the EPC and the UST Program, including financial projections through FY 2019, are available in the following two Legislative Services Agency *Issue Reviews*, released November 10, 2014:

Environmental Protection Charge — Future Repeal

Underground Storage Tank Program Financial Outlook

Iowa Code section **159A.14** currently provides for an infrastructure cost-share program available to owners and operators to improve retail motor fuel sites. Grants are available for up

to 70.0% of the infrastructure installation costs, or $50,000, whichever is less. Owners and operators may receive multiple grants for a single site.

Fiscal Impact

Extending the current EPC for 10 years (July 1, 2016 through June 30, 2026) will increase tax revenue approximately $21.0 million annually, beginning in FY 2017 and ending in FY 2026. The tax revenue will be deposited in the Road Use Tax Fund.

Creating a new grant program and fund for petroleum infrastructure will increase UST Program expenditures by $7.0 million per year, beginning in FY 2016. This new grant program does not sunset. Creation of the new grant program will reduce money available for UST site cleanup by $7.0 million annually.

The Renewable Fuels Infrastructure Board operates a cost-share program available for owners and operators of retail motor fuel locations. The new infrastructure grant program created in this Bill will apply to the same infrastructure expenditures and could allow owners and operators to benefit from two State grant programs, each providing 50.0% or more State cost-share benefits.

The Bill allocates a maximum of $50,000 per year from the new grant program to administer the program.

Sources

Legislative Services Agency analysis
UST Board financial records

/s/ Holly M. Lyons

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