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**Financial Institutions &  
Insurance Committee**

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**HB 1823**

**Brief Description:** Assisting the economic development of underserved rural communities by assisting an owner or operator that has discontinued using an underground petroleum storage tank.

**Sponsors:** Representatives Kretz, Serben, McCune, Armstrong, Rodne, Buri, Clements, Cox, Sump, Haler, Pettigrew, Grant, Holmquist, Walsh, Strow, Haigh and Kristiansen.

**Brief Summary of Bill**

- Recognizes that closing of local gas stations adversely affects local economies by reducing or eliminating access to fuel for recreational needs.
- Provides for a grant to an owner or operator of a petroleum underground storage tank located in an underserved rural area where use of the tank has been discontinued due to economic hardship.
- Authorizes use of up to \$1 million from the Pollution Liability Trust Account for such grants.

**Hearing Date:** 2/24/05

**Staff:** CeCe Clynch (786-7168).

**Background:**

In response to serious environmental problems posed by petroleum underground storage tanks (USTs), federal and state laws were enacted which required that these USTs be upgraded or replaced. This posed a serious problem for rural communities in particular because, although emergency vehicles and school buses relied upon rural gas stations for fuel, rural gas stations often did not generate the profit necessary to upgrade or replace the USTs. In 1991, the Pollution Liability Insurance Agency (PLIA) was directed by the legislature to establish the UST Community Assistance Program (USTCAP).

Owners and operators of the UST's in rural areas who could demonstrate serious financial hardship and who were certified by the local government as meeting a vital local government, public health, or safety need were eligible for grants to enable continued operation. There were 112 grants awarded by the PLIA to privately owned businesses, local government entities, and

rural hospitals which met the criteria established by the legislature. Of these, 99 were rural gas stations or convenience stores with gas stations.

The maximum amount of grant money available to a single owner or operator through the program was \$150,000. No more than \$75,000 could be spent on remediation or contamination.

Construction on all of the grant sites was completed in 1995 but the PLIA continues to oversee them. According to the terms of the grants, a 15 year lien was placed on any privately owned business receiving these moneys to ensure that these businesses continued to provide the service to the community that had been the purpose behind the program. If a grantee complies with the terms of the grant for a period of 15 years, at the end of that 15 year period the PLIA will sign a release of the lien.

The PLIA and its programs, including the USTCAP, do not receive state general funds. Rather, funding comes from two sources: (1) a pollution liability fee imposed on dealers making sales of heating oil to a homeowner or other consumer which is deposited into the Heating Oil Pollution Liability Trust Account; and (2) an excise tax on the wholesale value of petroleum which is deposited into the Pollution Liability Trust Account. A total of \$15 million from the Pollution Liability Trust Account was made available for the USTCAP.

### **Summary of Bill:**

It is recognized that the closing of gas stations in rural communities adversely affects local economies by reducing access to fuel for *recreational* needs as well as agricultural, commercial, and transportation needs as was stated in the original legislation.

Specific authority is given to the director of the PLIA or his or her designee to authorize expenditures from the Pollution Liability Trust Account.

The criteria for financial assistance for the USTCAP is revised to provide for an owner or operator of an UST who has discontinued use of the tank due to economic hardship. Such an owner or operator is eligible for a \$150,000 grant for each retailing location if the property:

1. is located in an underserved rural area;
2. was previously used by a private owner or operator to provide motor vehicle fuel; and
3. is at least 10 miles from the nearest motor vehicle fuel service station.

Such an owner or operator must comply with the requirements previously imposed upon other private owners or operators receiving assistance through the USTCAP, such as: applying for insurance and requesting financial assistance in a form and manner required by the PLIA; obtaining from the local government a determination that operation of the tanks meets a vital local government, or public health or safety need; and qualifying for the PLIA insurance coverage if such financial assistance were to be provided. In consideration of the grant, the owner or operator must also agree to sell petroleum products to the public, maintain the tank site for retail sale of petroleum products for at least 15 years, sell to local government entities on a negotiated cost-plus basis, and comply with all financial and environmental responsibilities.

From the pollution liability insurance trust account, \$1 million is designated for the biennium year ending July 1, 2007 to carry out the purpose of assisting an owner or operator meeting the above stated criteria.

**Appropriation:** None.

**Fiscal Note:** Requested on February 18, 2005.

**Effective Date:** The bill takes effect 90 days after adjournment of session in which bill is passed.