
**Financial Institutions &
Insurance Committee**

HB 2478

Brief Description: Concerning underground petroleum storage tanks.

Sponsors: Representatives Cooper, Sump, Hinkle and Chase.

Brief Summary of Bill

- Increases the fee paid by heating oil dealers from six-tenths of one cent per gallon of heating oil to up to one and two-tenths cents per gallon of heating oil to cover rising claim costs.

Hearing Date: 1/30/04

Staff: Carrie Tellefson (786-7127).

Background:

Pollution Liability Insurance Agency

The Pollution Liability Insurance Agency (PLIA) mission is to make pollution liability insurance available and affordable to the owners and operators of regulated petroleum underground storage tanks (USTs) and heating oil tanks by offering reinsurance services to the insurance industry.

Commercial Underground Storage Tank Reinsurance Program

Underground storage tank (UST) owners are required to be financially responsible for cleanup in the event of an accidental release of petroleum. There are a variety of ways to demonstrate financial responsibility. Most small businesses and local government entities purchase pollution liability insurance to satisfy this requirement.

PLIA makes pollution liability insurance available to the owners of USTs by serving as a reinsurer of insurance policies. As the reinsurer, PLIA assumes part of the risk for each petroleum release. For example, on a one million dollar insurance policy, PLIA is responsible for settlements over \$75,000. This assumed risk allows the insurance companies to reduce insurance premiums. The program has spent over \$15.2 million on cleanups at 290 sites.

Heating Oil Pollution Liability Insurance Program

Contamination resulting from a heating oil tank leak or spill must be addressed according to the state's cleanup regulations. Since 1996, PLIA has provided coverage for owners of active heating oil tanks through the Heating Oil Pollution Liability Insurance Program. Tank owners register

with PLIA to receive up to \$60,000 in pollution liability coverage. Some insurance companies that write homeowners coverage are now requiring homeowners to have PLIA insurance. Since the program started, PLIA has received over 830 claims and paid for cleanups at over 450 sites.

Program Funding

PLIA and its programs are funded from the *Pollution Liability Trust Account* (trust account) and the Heating Oil Liability Trust Account. Neither PLIA nor any of its programs receive any State General Fund revenue. The primary source of revenue is the Petroleum Products Tax (PPT), an excise tax of 0.5 percent on the wholesale value of petroleum on the first introduction into the state. The PPT is only collected when the unrestricted cash balance in the trust account falls below \$7.5 million. The tax is currently being collected and will continue until the unrestricted cash balance reaches \$15 million, which is expected to occur sometime in 2004. Since 1991 \$10 million in interest earned by the trust account has been transferred to the state General Fund.

Administrative and operating expenditures funded by this account are subject to allotment. No appropriation is required for other expenditures from this account.

The Heating Oil Pollution Liability Trust Account is funded by the fee paid yearly by heating oil dealers. Heating oil dealers pay a fee of six-tenths of one cent per gallon of heating oil sold. This revenue covers most of the administrative costs of the program and the required insurance policy premium. The claim costs are paid out of the Pollution Liability Trust Account. This account subsidizes the Heating Oil Pollution Liability Trust Account for purposes of claims.

Expenditures from this account are subject to the allotment process.

Financial Assistance Program for USTs

Grants were provided in the early 1990s to owners of USTs at remote and rural gas stations. Each grant was limited to \$150,000 of which no more than \$75,000 could be spent on cleanup of contamination. By 1995, USTs at 112 sites were upgraded to meet federal and state standards with cleanups conducted at 70 sites. New grants are no longer being offered; however, PLIA is responsible for the oversight of the original grant recipients.

All of the above programs and the PLIA are scheduled to sunset on June 1, 2007.

Summary of Bill:

- The pollution liability insurance fee for heating oil is increased from six-tenths of one cent to up to one and two-tenths cents per gallon of heating oil. This fee is imposed on every heating oil dealer.
- The language is repealed requiring the director to determine the amount of reserves available to fund financial assistance programs (grants) and report this to the Department of Revenue on a quarterly basis.
- The heating oil program is changed from a "temporary" program to a permanent program by deleting the word "temporary," in the description of the program.
- Residual amounts in the heating oil pollution liability trust account must be transferred to the pollution liability insurance program trust account at the end of every calendar year, instead of at the end of the biennium

- The PLIA director's authority and responsibility is clarified, as follows:
 - a. The director may offer heating oil tank insurance coverage *up to* \$60,000, rather than a flat \$60,000.
 - b. The director must monitor agency expenses and seek to minimize costs and maximize benefits to ensure responsible financial stewardship.
 - c. The director must create an advisory committee consisting of stakeholders to provide advise on all aspects of the program and its funding. The committee will meet quarterly.
 - d. The director is given the authority to adopt appropriate user fees to supplement program funding.

Appropriation: None.

Fiscal Note: Not requested.

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