

# Revised

## Consolidated Fiscal Note

2021-2022 Legislative Session

### SF4300 - 0 - Liquid Fuel Modernization Fee

Chief Author: **Gary Dahms**  
 Committee: **Commerce And Consumer Protection Finance And Policy**  
 Date Completed: **4/25/2022 8:09:18 AM**  
 Lead Agency: **Commerce Dept**  
 Other Agencies:  
     Administrative Hearings      Revenue Dept

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
<b>Administrative Hearings</b>	-	-	-	-	-	-
Administrative Hearings	-	-	-	-	-	-
<b>Commerce Dept</b>						
Restrict Misc. Special Revenue	-	-	854	724	724	
<b>Revenue Dept</b>						
General Fund	-	-	42	2	2	
Restrict Misc. Special Revenue	-	-	(48,100)	(48,100)	(48,100)	
<b>State Total</b>						
Administrative Hearings	-	-	-	-	-	-
Restrict Misc. Special Revenue	-	-	(47,246)	(47,376)	(47,376)	
General Fund	-	-	42	2	2	
<b>Total</b>	-	-	<b>(47,204)</b>	<b>(47,374)</b>	<b>(47,374)</b>	
<b>Biennial Total</b>			<b>(47,204)</b>			<b>(94,748)</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	-	-	-	-
<b>Commerce Dept</b>					
Restrict Misc. Special Revenue	-	-	6	6	6
<b>Revenue Dept</b>					
General Fund	-	-	.07	.01	.01
Restrict Misc. Special Revenue	-	-	-	-	-
<b>Total</b>	-	-	<b>6.07</b>	<b>6.01</b>	<b>6.01</b>

### Lead LBO Analyst's Comment

# Revised

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

This fiscal note has been revised to correct a data entry error in the Cost (Savings) table.

**LBO Signature:** Jim Carlson      **Date:** 4/25/2022 8:09:18 AM  
**Phone:** 651-284-6540      **Email:** jim.carlson@lbo.mn.gov

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## State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>	<b>Biennium</b>			<b>Biennium</b>	
Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	-	-	-	-
Commerce Dept					
Restrict Misc. Special Revenue	-	-	854	724	724
Revenue Dept					
General Fund	-	-	42	2	2
Restrict Misc. Special Revenue	-	-	(48,100)	(48,100)	(48,100)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>(47,204)</b>	<b>(47,374)</b>	<b>(47,374)</b>
<b>Biennial Total</b>			<b>(47,204)</b>		<b>(94,748)</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	-	2	2	2
Commerce Dept					
Restrict Misc. Special Revenue	-	-	854	724	724
Revenue Dept					
General Fund	-	-	42	2	2
Restrict Misc. Special Revenue	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>898</b>	<b>728</b>	<b>728</b>
<b>Biennial Total</b>			<b>898</b>		<b>1,456</b>
<b>2 - Revenues, Transfers In*</b>					
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	-	2	2	2
Commerce Dept					
Restrict Misc. Special Revenue	-	-	-	-	-
Revenue Dept					
General Fund	-	-	-	-	-
Restrict Misc. Special Revenue	-	-	48,100	48,100	48,100
<b>Total</b>	<b>-</b>	<b>-</b>	<b>48,102</b>	<b>48,102</b>	<b>48,102</b>
<b>Biennial Total</b>			<b>48,102</b>		<b>96,204</b>

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## Fiscal Note

2021-2022 Legislative Session

### SF4300 - 0 - Liquid Fuel Modernization Fee

Chief Author: **Gary Dahms**  
 Committee: **Commerce And Consumer Protection Finance And Policy**  
 Date Completed: **4/25/2022 8:09:18 AM**  
 Agency: **Commerce Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
Dollars in Thousands					
Restrict Misc. Special Revenue	-	-	854	724	724
<b>Total</b>	<b>-</b>	<b>-</b>	<b>854</b>	<b>724</b>	<b>724</b>
<b>Biennial Total</b>			<b>854</b>		<b>1,448</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
Restrict Misc. Special Revenue	-	-	6	6	6
<b>Total</b>	<b>-</b>	<b>-</b>	<b>6</b>	<b>6</b>	<b>6</b>

#### LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

This fiscal note has been revised to correct a data entry error in the Cost (Savings) table.

**LBO Signature:** Jim Carlson      **Date:** 4/25/2022 8:09:03 AM  
**Phone:** 651-284-6540      **Email:** jim.carlson@lbo.mn.gov

# Revised

## State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands		FY2021	FY2022	FY2023	FY2024	FY2025
Restrict Misc. Special Revenue	-	-	-	854	724	724
<b>Total</b>	-	-	-	<b>854</b>	<b>724</b>	<b>724</b>
<b>Biennial Total</b>				<b>854</b>		<b>1,448</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
Restrict Misc. Special Revenue	-	-	-	854	724	724
<b>Total</b>	-	-	-	<b>854</b>	<b>724</b>	<b>724</b>
<b>Biennial Total</b>				<b>854</b>		<b>1,448</b>
<b>2 - Revenues, Transfers In*</b>						
Restrict Misc. Special Revenue	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>				-		-

## Bill Description

SF4300 creates a Liquid Fuel Modernization Program that would reimburse eligible applicants for a portion of their costs to upgrade petroleum storage tank systems at petroleum retail properties across Minnesota. Reimbursement would cover 65% of the infrastructure upgrade costs incurred by an applicant and be capped at \$800,000 per year per eligible entity, regardless of the number of facilities where work is performed. Reimbursements would be made for costs incurred after July 1, 2022 and extend up to the program sunset date of June 30, 2033.

The program would be administered by Commerce, with advice provided by a five-member Board, which would also hear appeals of Commerce reimbursement determinations.

The program would be funded by a fee on certain petroleum products paid by the first licensed distributors receiving the products in Minnesota. The fee would be charged at a rate of \$13 per 1,000 gallons of product, rounded to the nearest 1,000 gallons. The fee would be imposed whenever the unencumbered balance of the fund dropped below \$25 million and would be turned on for a period of six months at a time.

## Assumptions

SF4300 does not define "Commissioner," This analysis is contingent on the bill ultimately including a definition of "Commissioner" as the Commissioner of the Department of Commerce (Commerce).

It is estimated that a total of six full-time equivalents (FTEs) would be needed to administer the proposed program:

- Manager            0.50 FTE
- Support Staff    1.00 FTE
- Analysts           4.00 FTE
- Engineer           0.25 FTE
- Investigator      0.25 FTE

The Minnesota Petroleum Marketers Association (MPMA) anticipates that up to \$50 million per year could be requested for reimbursement from this program, Based on Petrofund application review statistics, approximately four analysts would be needed in order to review an estimated 1,000 reimbursement applications submitted annually. This figure is based on an

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average reimbursement request of \$50,000 in infrastructure costs and each analyst reviewing an average of 250 reimbursement applications per year.

All of the proposed program staff identified above and the Board members would be involved in rulemaking.

The program Board would incur expenses (e.g. mileage, parking, per diem, etc.) related to holding regular meetings related to advising Commerce, hearing reimbursement appeals and participating in rulemaking.

It is assumed that one to two cases over the course of the 10 year program may require services of the Office of Administrative Hearings (OAH), with costs to be estimated by OAH.

The proposed program would also require legal services from the Attorney General's Office and technology services from Minnesota IT Services (MNIT).

## **Expenditure and/or Revenue Formula**

The costs for Commerce staff are estimated to be approximately \$714,923 annually.

	<b>FY23</b>	<b>FY24</b>	<b>FY25</b>
Salary	410,221	410,221	410,221
Fringe	123,066	123,066	123,066
Other Personnel-Related Costs	181,636	181,636	181,636
Total	714,923	714,923	714,923

The costs for rulemaking are estimated to be approximately \$129,749 based on guidelines in the *Minnesota Rulemaking Manual* compiled by the Department of Health. This assumes rulemaking of medium complexity.

The costs for Board member expenses are estimated at approximately \$3,000 per year. This assumes the two non-state agency Board members traveling to ten meetings annually at a total reimbursement rate for mileage, parking and per diem of \$150 per member per meeting.

The costs for legal fees charged by the Attorney General's Office are estimated at approximately \$5,920 per year. This assumes an estimated 40 hours of attorney work annually at the Attorney General's Office's current rate of \$148 per hour.

Although MNIT staff will need to develop a database for the proposed program, MNIT staff were unable to ascertain an estimated cost for this project within the timeframe of this request.

## **Long-Term Fiscal Considerations**

The proposed program would operate through June 30, 2033, when it would be scheduled to sunset.

## **Local Fiscal Impact**

## **References/Sources**

### **Agency Contact:**

**Agency Fiscal Note Coordinator Signature:** Amy Trumper

**Date:** 4/25/2022 8:02:50 AM

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**Phone:** 651-539-1517

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## Fiscal Note

2021-2022 Legislative Session

### SF4300 - 0 - Liquid Fuel Modernization Fee

Chief Author: **Gary Dahms**  
 Committee: **Commerce And Consumer Protection Finance And Policy**  
 Date Completed: **4/25/2022 8:09:18 AM**  
 Agency: **Administrative Hearings**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		
		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
Administrative Hearings	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
Administrative Hearings	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

#### LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Joel Enders      **Date:** 4/21/2022 6:42:59 PM  
**Phone:** 651-284-6542      **Email:** joel.enders@lbo.mn.gov



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## State Cost (Savings) Calculation Details

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\*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
Administrative Hearings	-	-	-	-	-
<b>Total</b>	-	-	-	-	-
<b>Biennial Total</b>			-		-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
Administrative Hearings	-	-	2	2	2
<b>Total</b>	-	-	2	2	2
<b>Biennial Total</b>			2		4
<b>2 - Revenues, Transfers In*</b>					
Administrative Hearings	-	-	2	2	2
<b>Total</b>	-	-	2	2	2
<b>Biennial Total</b>			2		4

## Bill Description

SF4300 provides for the Commissioner (Commissioner) of the Department of Commerce (Department) to establish a liquid fuel modernization program and reimburse eligible entities from the liquid fuel modernization account. This bill also requires the Commissioner to convene a Liquid Fuel Modernization Board (Board). Subdivision 7, Appealing reimbursement determination, allows for an applicant to appeal a reimbursement determination by notifying the Board of a request for a contested case hearing to be held under Chapter 14.

## Assumptions

The Office of Administrative Hearings (OAH) has used the Department's estimate that two appeals may be referred to OAH over the 10 years of the proposed program. Averaging the number of ALJ hours in similar matters referred from the Department for hearing, OAH assumes that a hearing will require an estimated 50 hours of ALJ time at the currently approved billable rate of \$215 per hour (see Minn. Stat. § 16A.126, subd. 1 (2020)).

## Expenditure and/or Revenue Formula

Estimated 50 hours of ALJ time at \$215/hr = \$10,750

Estimated 2 appeals x \$10,750 = \$21,500

\$21,500 averaged over 10 years = \$2,150/year (\$21,500 ÷ 10 years)

## Long-Term Fiscal Considerations

Hearing costs would continue until program sunsets in 2032.

## Local Fiscal Impact

## References/Sources

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**Agency Contact:** Denise Collins

**Agency Fiscal Note Coordinator Signature:** Denise Collins

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**Date:** 4/21/2022 4:34:06 PM

**Email:** denise.collins@state.mn.us

# Revised

## Fiscal Note

2021-2022 Legislative Session

### SF4300 - 0 - Liquid Fuel Modernization Fee

Chief Author: **Gary Dahms**  
 Committee: **Commerce And Consumer Protection Finance And Policy**  
 Date Completed: **4/25/2022 8:09:18 AM**  
 Agency: **Revenue Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings	X	
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings) Dollars in Thousands	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	42	2	2
Restrict Misc. Special Revenue	-	-	(48,100)	(48,100)	(48,100)
<b>Total</b>	-	-	<b>(48,058)</b>	<b>(48,098)</b>	<b>(48,098)</b>
<b>Biennial Total</b>			<b>(48,058)</b>		<b>(96,196)</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	.07	.01	.01
Restrict Misc. Special Revenue	-	-	-	-	-
<b>Total</b>	-	-	<b>.07</b>	<b>.01</b>	<b>.01</b>

#### LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

**LBO Signature:** Joel Enders      **Date:** 4/22/2022 11:39:38 AM  
**Phone:** 651-284-6542      **Email:** joel.enders@lbo.mn.gov

# Revised

## State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
General Fund	-	-	42	2	2
Restrict Misc. Special Revenue	-	-	(48,100)	(48,100)	(48,100)
<b>Total</b>	-	-	<b>(48,058)</b>	<b>(48,098)</b>	<b>(48,098)</b>
<b>Biennial Total</b>			<b>(48,058)</b>		<b>(96,196)</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>					
General Fund	-	-	42	2	2
Restrict Misc. Special Revenue	-	-	-	-	-
<b>Total</b>	-	-	<b>42</b>	<b>2</b>	<b>2</b>
<b>Biennial Total</b>			<b>42</b>		<b>4</b>
<b>2 - Revenues, Transfers In*</b>					
General Fund	-	-	-	-	-
Restrict Misc. Special Revenue	-	-	48,100	48,100	48,100
<b>Total</b>	-	-	<b>48,100</b>	<b>48,100</b>	<b>48,100</b>
<b>Biennial Total</b>			<b>48,100</b>		<b>96,200</b>

## Bill Description

Sec. 1. Amends Minnesota Statutes, chapter 239 by adding Subd. 787 Liquid Fuel Modernization Fee; Reimbursement.

Sec.1 of the bill imposes a liquid fuel modernization fee on the use of tanks that contain petroleum products. The fee is imposed at a rate of \$13 per 1,000 gallons of petroleum product, rounded to the nearest 1,000 gallons. The fee will be allocated to a liquid fuel modernization account established in the special revenue fund. The fee will fund a reimbursement program where eligible entities can apply for 65% of their total reasonable equipment and labor costs from installing eligible fuel infrastructure as a reimbursement. Reimbursements cannot exceed \$800,000 per entity.

Sec. 1 expires June 30, 2033.

Sec. 2. Amends Minnesota Statutes 2020, Section 296A.15 by adding Subdivision 2a.

Sec. 2. States that a person required to pay a liquid fuel modernization fee under section 239.787, subdivision 3, must file a report with the commissioner of revenue. It also defines the report content and filing deadlines.

Sec. 2, Subd.2a expires June 30, 2032.

## Assumptions

Department of Revenue, (DOR) will need to update the Integrated Tax System (GenTax) and other computer systems, which includes analysis, gathering requirements, and system testing. This work would be done by MNIT at DOR. Systems development costs are estimated at \$26,000 and would be done in FY23. Ongoing system support beginning in FY24 is estimated at \$800 each year.

Additional MAPE staff would be needed for systems analysis and testing. DOR assumes approximately 0.04 Special tax MAPE FTE will be needed in FY23.

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DOR will need additional administration staff. This would include providing customer assistance for taxpayers, coordinating with the Minnesota Department of Commerce, processing reports. DOR assumes approximately 0.01 MAPE FTE will be needed annually beginning in FY23.

DOR will need an additional 0.02 MAPE FTEs in FY23 to engage in outreach and communication to inform taxpayers, businesses, tax preparers, tax software companies and DOR employees about the changes in this bill. For example, DOR may issue email and social media bulletins, and include information about the changes in press releases, conference calls, and other materials about new tax law changes.

DOR will incur additional non-employee costs to provide taxpayer information (not including outreach). This includes costs for editing/designing/updating fact sheets, tax forms and instructions, website content and other materials, and for issuing press releases, social media posts, and email updates. The estimated cost for this bill is \$6,844 as noted in the Administrative Costs chart below as Forms/Media/Communications.

DOR will mail 840 letters to fuel distributors at a non-employee cost of \$571 as a result of this law change. The letters will notify them of the change and provide related information about what the change means for them.

DOR will create/update fact sheets or informational bulletins, web content, and employee instructional and training materials to reflect the changes in this bill.

## **Expenditure and/or Revenue Formula**

This bill may have an impact on state tax revenues. An estimate of revenue impact is not included in this fiscal note. The Department of Revenue prioritizes revenue estimate requests for bills before Tax Committee and will provide one for this bill when it is before Tax Committee.

## **Fee Income (in whole dollars)**

<b>Fees</b>	<b>FY 2022</b>	<b>FY 2023</b>	<b>FY 2024</b>	<b>FY 2025</b>
Fund 2000: Restricted Misc. Special Revenue		48,100,000	48,100,000	48,100,000
<b>Total Fund Impact</b>		48,100,000	48,100,000	48,100,000

The fee amount is based on the 3.7 billion gallons of gas received during calendar year 2021, multiplied by the fee of \$0.013/gallon (1.3 cents/gallon) which would yield total fee collection of \$48.1 million. This is the maximum fee amount that could be collected; it could be lower if the fee is not applied for the whole year.

DOR determines "Employee" and "Systems Analysis & Testing" costs by bargaining unit, using a formula that incorporates the average employee salaries, fringe benefits, and overhead at the agency. Costs for this fiscal note are determined for the MAPE bargaining unit.

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## Administrative Impact (whole dollars)

Administrative Costs (Savings)	FY 2022	FY 2023	FY 2024	FY 2025
Employees		4,227	729	729
Systems Analysis & Testing		4,373		
Systems Development		26,000		
Systems Support			800	800
Forms/Media/Communications		6,844		
Mailing		571		
<b>Total Administrative Costs (Savings)</b>		<b>42,015</b>	<b>1,529</b>	<b>1,529</b>

## FTE Impact

FTE's	FY 2022	FY 2023	FY 2024	FY 2025
Systems Analysis & Testing Staff		0.04		
Communications Staff		0.02		
Tax Operations / Processing Staff		0.01	0.01	0.01
<b>Total FTE Impact</b>		<b>0.07</b>	<b>0.01</b>	<b>0.01</b>

## Long-Term Fiscal Considerations

Ongoing and annual system support is necessary to accommodate future maintenance of new code, storage, and support. System support is calculated at up to 20% of original development costs.

Staff will be needed on an ongoing basis to handle administration activities.

## Local Fiscal Impact

The bill does not have local government impact.

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## References/Sources

Agency staff provided information for this fiscal note.

I have reviewed the content of this fiscal note and believe it is a reasonable estimate of the expenditures and revenues associated with this proposed legislation.

If Information Technology costs are included, my agency's Chief Information Officer has reviewed the estimate.

**Agency Contact:** Penny Demko 6651-556-4025

**Agency Fiscal Note Coordinator Signature:** Lisa Knops

**Phone:** 651-556-6754

**Date:** 4/22/2022 8:25:28 AM

**Email:** Lisa.Knops@state.mn.us