

SF1163 - 0 - Liquid Fuel Modernization Fee

Chief Author: **Nick Frentz**  
 Committee: **Commerce And Consumer Protection**  
 Date Completed: **3/1/2023 9:05:50 PM**  
 Lead Agency: **Commerce Dept**  
 Other Agencies:  
     Administrative Hearings      Attorney General  
     Governors Office              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	FY2023	FY2024	FY2025	FY2026	FY2027
<b>Administrative Hearings</b>	-	-	-	-	-	-
Administrative Hearings	-	-	-	-	-	-
<b>Attorney General</b>	-	-	-	-	-	-
General Fund	-	-	-	-	-	-
<b>Commerce Dept</b>						
Restrict Misc. Special Revenue	-	554	420	420	420	420
<b>Governors Office</b>	-	-	-	-	-	-
General Fund	-	-	-	-	-	-
<b>Revenue Dept</b>						
General Fund	-	38	2	2	2	2
Restrict Misc. Special Revenue	-	(48,100)	(48,100)	(48,100)	(48,100)	(48,100)
<b>State Total</b>						
Administrative Hearings	-	-	-	-	-	-
General Fund	-	38	2	2	2	2
Restrict Misc. Special Revenue	-	(47,546)	(47,680)	(47,680)	(47,680)	(47,680)
<b>Total</b>	-	<b>(47,508)</b>	<b>(47,678)</b>	<b>(47,678)</b>	<b>(47,678)</b>	<b>(47,678)</b>
<b>Biennial Total</b>			<b>(95,186)</b>		<b>(95,356)</b>	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Administrative Hearings	-	-	-	-	-
Administrative Hearings	-	-	-	-	-
Attorney General	-	-	-	-	-
General Fund	-	.26	.26	.26	.26
Commerce Dept					
Restrict Misc. Special Revenue	-	3	3	3	3

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Governors Office	-	-	-	-	-
General Fund	-	-	-	-	-
Revenue Dept					
General Fund	-	.06	.01	.01	.01
Restrict Misc. Special Revenue	-	-	-	-	-
<b>Total</b>	-	<b>3.32</b>	<b>3.27</b>	<b>3.27</b>	<b>3.27</b>

**Lead 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:** Christian Larson    **Date:** 3/1/2023 9:05:50 PM  
**Phone:** 651-284-6436    **Email:** christian.larson@lbo.mn.gov

**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>	
<b>Dollars in Thousands</b>		<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>
Administrative Hearings		-	-	-	-	-
Administrative Hearings		-	-	-	-	-
Attorney General		-	-	-	-	-
General Fund		-	-	-	-	-
Commerce Dept						
Restrict Misc. Special Revenue		-	554	420	420	420
Governors Office		-	-	-	-	-
General Fund		-	-	-	-	-
Revenue Dept						
General Fund		-	38	2	2	2
Restrict Misc. Special Revenue		-	(48,100)	(48,100)	(48,100)	(48,100)
	<b>Total</b>	-	<b>(47,508)</b>	<b>(47,678)</b>	<b>(47,678)</b>	<b>(47,678)</b>
	<b>Biennial Total</b>			<b>(95,186)</b>		<b>(95,356)</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
Administrative Hearings		-	-	-	-	-
Administrative Hearings		-	2	2	2	2
Attorney General		-	-	-	-	-
General Fund		-	7	7	7	7
Commerce Dept						
Restrict Misc. Special Revenue		-	554	420	420	420
Governors Office		-	-	-	-	-
General Fund						
Expenditures		-	1	-	-	-
Absorbed Costs		-	(1)	-	-	-
Revenue Dept						
General Fund		-	38	2	2	2
Restrict Misc. Special Revenue		-	-	-	-	-
	<b>Total</b>	-	<b>601</b>	<b>431</b>	<b>431</b>	<b>431</b>
	<b>Biennial Total</b>			<b>1,032</b>		<b>862</b>
<b>2 - Revenues, Transfers In*</b>						
Administrative Hearings		-	-	-	-	-
Administrative Hearings		-	2	2	2	2
Attorney General		-	-	-	-	-
General Fund		-	7	7	7	7
Commerce Dept						
Restrict Misc. Special Revenue		-	-	-	-	-
Governors Office		-	-	-	-	-
General Fund		-	-	-	-	-
Revenue Dept						
General Fund		-	-	-	-	-
Restrict Misc. Special Revenue		-	48,100	48,100	48,100	48,100
	<b>Total</b>	-	<b>48,109</b>	<b>48,109</b>	<b>48,109</b>	<b>48,109</b>

State Cost (Savings) = 1-2 Dollars in Thousands	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
	<b>Biennial Total</b>		<b>96,218</b>		<b>96,218</b>

SF1163 - 0 - Liquid Fuel Modernization Fee

Chief Author: **Nick Frentz**  
 Committee: **Commerce And Consumer Protection**  
 Date Completed: **3/1/2023 9:05:50 PM**  
 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		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Restrict Misc. Special Revenue	-	554	420	420	420	420
<b>Total</b>	<b>-</b>	<b>554</b>	<b>420</b>	<b>420</b>	<b>420</b>	<b>420</b>
<b>Biennial Total</b>			<b>974</b>			<b>840</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
Restrict Misc. Special Revenue	-	3	3	3	3
<b>Total</b>	<b>-</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</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:** Christian Larson    **Date:** 3/1/2023 3:42:06 PM  
**Phone:** 651-284-6436    **Email:** christian.larson@lbo.mn.gov

**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>	
<b>Dollars in Thousands</b>	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>	
Restrict Misc. Special Revenue	-	554	420	420	420	
<b>Total</b>	<b>-</b>	<b>554</b>	<b>420</b>	<b>420</b>	<b>420</b>	<b>420</b>
<b>Biennial Total</b>			<b>974</b>			<b>840</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
Restrict Misc. Special Revenue	-	554	420	420	420	
<b>Total</b>	<b>-</b>	<b>554</b>	<b>420</b>	<b>420</b>	<b>420</b>	<b>420</b>
<b>Biennial Total</b>			<b>974</b>			<b>840</b>
<b>2 - Revenues, Transfers In*</b>						
Restrict Misc. Special Revenue	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Biennial Total</b>			<b>-</b>			<b>-</b>

**Bill Description**

SF1163 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, 2023 and extend up to the program sunset date of June 30, 2034.

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**

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

Manager (.5 FTE) Supervision of other program staff. Working with Program Board to organize meetings and set policy.

Support Staff (1 FTE) Reimbursement application processing and data entry. Database administration. Program Board meeting organization and setup.

Analyst (1 FTE) - Reimbursement application review.

Engineer (.25 FTE) Technical review and guidance related to determining the reasonableness and eligibility of petroleum storage tank systems.

Investigator (.25 FTE) Investigation of violations of the program statute (e.g. fraudulent reimbursement claims).

Staff duties will include working with Program Board and stakeholders (e.g. the MN Petroleum Marketers Association and MN Service Station Association) to create processes and forms; working with the Board and the Attorney General's Office to create meeting processes and procedures; working with the Board, stakeholders and the Minnesota Pollution Control Agency to create program-specific rules; working with MNIT to create a database; and working with the Commerce Communications staff to create web content.

From Petrofund Program experience, the analyst and support staff person will also be the main points of contact for applicants and contractors with general questions about the Program and reimbursement requirements. This will entail a large amount of phone, electronic and written communication separate from the processing and review of the estimated 136 reimbursement applications per year. It's also likely that the rule-writing process will create additional duties for this staff, including the creation of a registration process for environmental consultants and contractors who perform tank installation services.

The Minnesota Petroleum Marketers Association (MPMA) anticipates that up to \$50 million per year could be requested for reimbursement from this program. Based on information provided by the MPMA and Petrofund application review statistics, approximately one Analyst would be needed in order to review an estimated 136 reimbursement applications submitted annually. This figure is based on an average reimbursement request of \$383,500 in infrastructure costs.

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

Commerce assumes the goal laid out in Section 2 of the bill doesn't have a fiscal impact on the agency. Section 2 does include a reporting requirement, but the time needed to prepare the report is already accounted for in the FTEs identified.

**Expenditure and/or Revenue Formula**

The costs for Commerce staff are estimated to be approximately \$410,876 annually.

- Manager 0.50 FTE
- Support Staff 1.00 FTE
- Analyst 1.00 FTE
- Engineer 0.25 FTE
- Investigator 0.25 FTE

The costs for rulemaking are estimated to be approximately \$133,376 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 \$6,520 per year. This assumes an estimated 40 hours of attorney work annually at the Attorney General's Office's current rate of \$163 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.

			FY24	FY25	FY26	FY27
Salary			242,637	242,637	242,637	242,637
Fringe			72,791	72,791	72,791	72,791
Other Personnel Related Costs			95,447	95,447	95,447	95,447
			410,876	410,876	410,876	410,876

Rulemaking		133,376			
Board Reimbursement		3,000	3,000	3,000	3,000
Attorney General's Office		6,520	6,520	6,520	6,520
Total Costs		553,772	420,396	420,396	420,396

**Long-Term Fiscal Considerations**

The proposed program would operate through June 30, 2034, when it would be scheduled to sunset.

**Local Fiscal Impact**

**References/Sources**

- Commerce staff familiar with the Petrofund Program
- Commerce Financial Services staff
- *Minnesota Rulemaking Manual* compiled by the Department of Health
- Petrofund Board member expense reports
- Attorney General's Office invoices for legal services provided to the Petrofund Program

**Agency Contact:**

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

**Date:** 3/1/2023 3:39:05 PM

**Phone:** 651-539-1517

**Email:** amy.trumper@state.mn.us



SF1163 - 0 - Liquid Fuel Modernization Fee

Chief Author: **Nick Frentz**  
 Committee: **Commerce And Consumer Protection**  
 Date Completed: **3/1/2023 9:05:50 PM**  
 Agency: **Administrative Hearings**

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

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State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
Administrative Hearings	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
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:** Chloe Burns      **Date:** 2/15/2023 4:10:24 PM  
**Phone:** 651-297-1423      **Email:** chloe.burns@lbo.mn.gov

**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	FY2023	FY2024	FY2025	FY2026	FY2027	
Administrative Hearings	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
Administrative Hearings	-	2	2	2	2	2
<b>Total</b>	-	2	2	2	2	2
<b>Biennial Total</b>			4			4
<b>2 - Revenues, Transfers In*</b>						
Administrative Hearings	-	2	2	2	2	2
<b>Total</b>	-	2	2	2	2	2
<b>Biennial Total</b>			4			4

**Bill Description**

SF1163 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 \$245 per hour (see Minn. Stat. § 16A.126, subd. 1 (2020)).

**Expenditure and/or Revenue Formula**

Estimated 50 hours of ALJ time at \$245/hr = \$12,250

Estimated 2 appeals x \$12,250 = \$24,500

\$24,500 averaged over 10 years = \$2,450/year (\$24,500/10 years)

**Long-Term Fiscal Considerations**

Hearing costs would continue until program sunsets in 2034.

**Local Fiscal Impact**

**References/Sources**

**Agency Contact:** Denise Collins

**Agency Fiscal Note Coordinator Signature:** Denise Collins  
**Phone:** 651-3617875

**Date:** 2/14/2023 4:40:57 PM  
**Email:** denise.collins@state.mn.us

SF1163 - 0 - Liquid Fuel Modernization Fee

Chief Author: **Nick Frentz**  
 Committee: **Commerce And Consumer Protection**  
 Date Completed: **3/1/2023 9:05:50 PM**  
 Agency: **Attorney General**

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

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State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	.26	.26	.26	.26
<b>Total</b>	-	.26	.26	.26	.26

**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:** Susan Nelson    **Date:** 3/1/2023 6:32:03 PM  
**Phone:** 651-296-6054    **Email:** susan.nelson@lbo.mn.gov

**State Cost (Savings) Calculation Details**

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

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands	FY2023	FY2024	FY2025	FY2026	FY2027	
General Fund	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	7	7	7	7	7
<b>Total</b>	-	7	7	7	7	7
<b>Biennial Total</b>			14			14
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	7	7	7	7	7
<b>Total</b>	-	7	7	7	7	7
<b>Biennial Total</b>			14			14

**Bill Description**

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.

SF1163 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, 2023 and extend up to the program sunset date of June 30, 2034.

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

**Assumptions**

The Attorney General's Office anticipates it will spend 40 hours of attorney work for legal services annually to defend the Department of Commerce in a civil action to recover reimbursement. AGO's cost for attorney work will be paid by Commerce.

**Expenditure and/or Revenue Formula**

The Office of the Attorney General uses billing rates to calculate revenue and costs. The billing rates effective from July 1, 2024-June 30, 2025 are \$163/hour for attorneys and \$103/hour for legal assistants (including investigators, paralegals, mediators, financial analysts, and support staff). The billable hour rate reflects the cost of providing legal services. One

FTE is 1500 billable hours per year.

	Hourly Billing Rate	Hours	Total Cost to AGO
Attorney, [division]	\$163	40	\$6,520
Legal assistant, [Investigator/other non-attorney staff]	\$103	n/a	n/a
<i>Other</i>			
<b>Total</b>	<b>N/A</b>		<b>\$6,520</b>

**Long-Term Fiscal Considerations**

n/a

**Local Fiscal Impact**

n/a

**References/Sources**

n/a

**Agency Contact:** Laura Sayles

**Agency Fiscal Note Coordinator Signature:** Laura Capuana

**Phone:** 651-402-2213

**Date:** 3/1/2023 7:58:14 AM

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SF1163 - 0 - Liquid Fuel Modernization Fee

Chief Author: **Nick Frentz**  
 Committee: **Commerce And Consumer Protection**  
 Date Completed: **3/1/2023 9:05:50 PM**  
 Agency: **Governors Office**

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	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	-	-	-	-
<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:** Susan Nelson    **Date:** 3/1/2023 6:31:37 PM  
**Phone:** 651-296-6054    **Email:** susan.nelson@lbo.mn.gov

**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	FY2023	FY2024	FY2025	FY2026	FY2027	
General Fund	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund						
Expenditures	-	1	-	-	-	-
Absorbed Costs	-	(1)	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-
<b>2 - Revenues, Transfers In*</b>						
General Fund						
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

**Bill Description**

This bill provides for the liquid fuel modernization fee and various reimbursement and oversight provisions.

**Assumptions**

The legal and appointments team will prepare the appointments required under this bill as part of their regular appointments work.

**Expenditure and/or Revenue Formula**

The Governor’s Office will absorb the costs of this work.

**Long-Term Fiscal Considerations**

**Local Fiscal Impact**

**References/Sources**

**Agency Contact:** Alyssa Haugen (651-201-3416)

**Agency Fiscal Note Coordinator Signature:** Alyssa Haugen

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SF1163 - 0 - Liquid Fuel Modernization Fee

Chief Author: **Nick Frentz**  
 Committee: **Commerce And Consumer Protection**  
 Date Completed: **3/1/2023 9:05:50 PM**  
 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	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	38	2	2	2
Restrict Misc. Special Revenue	-	(48,100)	(48,100)	(48,100)	(48,100)
<b>Total</b>	-	<b>(48,062)</b>	<b>(48,098)</b>	<b>(48,098)</b>	<b>(48,098)</b>
<b>Biennial Total</b>			<b>(96,160)</b>		<b>(96,196)</b>

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2023	FY2024	FY2025	FY2026	FY2027
General Fund	-	.06	.01	.01	.01
Restrict Misc. Special Revenue	-	-	-	-	-
<b>Total</b>	-	<b>.06</b>	<b>.01</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:** 2/24/2023 5:42:19 PM  
**Phone:** 651-284-6542      **Email:** joel.enders@lbo.mn.gov

**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>	
<b>Dollars in Thousands</b>	<b>FY2023</b>	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>	<b>FY2027</b>	
General Fund	-	38	2	2	2	2
Restrict Misc. Special Revenue	-	(48,100)	(48,100)	(48,100)	(48,100)	(48,100)
<b>Total</b>	<b>-</b>	<b>(48,062)</b>	<b>(48,098)</b>	<b>(48,098)</b>	<b>(48,098)</b>	<b>(48,098)</b>
<b>Biennial Total</b>			<b>(96,160)</b>			<b>(96,196)</b>
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	38	2	2	2	2
Restrict Misc. Special Revenue	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>38</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Biennial Total</b>			<b>40</b>			<b>4</b>
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	-	-	-	-	-
Restrict Misc. Special Revenue	-	48,100	48,100	48,100	48,100	48,100
<b>Total</b>	<b>-</b>	<b>48,100</b>	<b>48,100</b>	<b>48,100</b>	<b>48,100</b>	<b>48,100</b>
<b>Biennial Total</b>			<b>96,200</b>			<b>96,200</b>

**Bill Description**

This bill establishes a liquid fuel modernization fee and reimbursement program. The reimbursement program would be administered by the Department of Commerce and the fee would be collected by the Department of Revenue on their behalf. The fee would be in effect from 7/1/2023 until 6/30/2033 and would turn on and off based on the balance in the liquid fuel modernization account.

Section 1 of the bill imposes a fee on the use of tanks that contain petroleum products. Subdivision 2 specifies that the monies received from the fee would be deposited into a liquid fuel modernization account in the special revenue fund. Subdivision 3 specifies that when the balance in the liquid fuel modernization account falls below \$25 million, within 90 days of being notified the Department of Revenue must impose the fee for six calendar months.

Subdivision 4 of the bill imposes a fee of \$13 per 1,000 gallons of petroleum products beginning July 1, 2023 until June 20, 2033. Subdivision 5 establishes a liquid fuel modernization reimbursement program, funded by the fee, where eligible entities can apply for 65% of their total reasonable equipment and labor costs from acquiring and installing eligible fuel infrastructure. Reimbursements cannot exceed \$800,000 per entity in a calendar year.

Section 2 of the bill establishes an equipment compatibility goal for the state that at least 50 percent of retail gasoline storage and dispensing equipment is certified for and offering for sale the highest ethanol blend authorized by law for use in standard combustion engines. The Department of Commerce must report to the legislature on progress made toward achieving the goal no later than February 1 of each year.

Section 3 of the bill requires people who must pay a liquid fuel modernization fee under section 1, subdivision 3 must also file a report with the Department of Revenue and include the amount of fees due on petroleum products.

The language in the bill expires on June 30, 2034. The bill is effective July 1, 2023, but the Department of Revenue (DOR) would need a minimum of 180 days to allow for internal programming of the Integrated Tax System to allow us to collect the liquid fuel modernization fee. External tax reporting software providers used by distributors will need a similar amount of time to update their systems to report and pay the fee. An effective date of January 1, 2024 for sections 1 and 3 of the bill would help ensure all software and systems can be updated to report and collect the liquid fuel modernization fee upon implementation.

**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 FY24. Ongoing system support beginning in FY25 is estimated at \$800 each year ongoing.

Additional MAPE staff would be needed for systems analysis and testing. The Special Taxes Division at DOR assumes approximately 0.03 Special tax MAPE FTE will be needed in FY24.

The Tax Operations Division at 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 FY24.

The Communications Division at DOR will need an additional 0.02 MAPE FTEs in FY24 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 other materials about new tax law changes.

The Special Taxes Division at 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 \$2,855 as noted in the Administrative Costs chart below as Forms/Media/Communications.

The Tax Operations Division at 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.

**FTE Impact**

FTE's	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Communications staff (MAPE)		0.02			
Tax Operations/Processing staff		0.01	0.01	0.01	0.01
Systems Analysis & Testing staff		0.03			
<b>Total FTE Impact</b>		0.06	0.01	0.01	0.01

Note: Totals may vary slightly due to rounding.

**Expenditure and/or Revenue Formula**

This bill does not impact state tax revenues.

**Fee Income (in whole dollars)**

Fees	FY 2024	FY 2025	FY 2026	FY 2027
Fund 2000: Restricted Misc. Special Revenue	48,100,000	48,100,000	48,100,000	48,100,000
<b>Total Fund Impact</b>	48,100,000	48,100,000	48,100,000	48,100,000

Estimated fee revenue is based on 3.7 billion gallons of petroleum products reported during calendar year 2022, multiplied by the fee of \$0.013/gallon (1.3 cents/gallon) which would yield a 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.

**Administrative Impact**

Administrative Costs (Savings)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027

Employees		4,139	714	714	714
Mailing		571			
Media/Communications		2,855			
Systems Analysis & Testing		4,282			
Systems Development		26,000			
Systems Support			800	800	800
Total Administrative Costs (Savings)		37,847	1,514	1,514	1,514

Note: This chart uses whole numbers. Totals may vary slightly due to rounding.

**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**

N/A

**References/Sources**

Petroleum Collections GenTax (Integrated Tax System) Report

Agency staff provided information for this fiscal note.

If information technology costs are included, my agency’s Chief Business Technology Officer has reviewed the estimate.

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.

**Agency Contact:**

**Agency Fiscal Note Coordinator Signature:** Chelsea Magadance

**Date:** 2/24/2023 10:29:27 AM

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