

# Individual State Agency Fiscal Note

Revised

<b>Bill Number:</b> 1789 HB	<b>Title:</b> Home heating oil tanks	<b>Agency:</b> 462-Wa Pollution Liab Insurance Program
-----------------------------	--------------------------------------	--

## Part I: Estimates

☐ No Fiscal Impact

### Estimated Cash Receipts to:

FUND					
<b>Total \$</b>					

### Estimated Expenditures from:

	FY 2008	FY 2009	2007-09	2009-11	2011-13
<b>Fund</b>					
Heating Oil Pollution Liability Trust Account-Non-Appropriated 545-6	32,530	0	32,530	0	0
<b>Total \$</b>	32,530	0	32,530	0	0

*The cash receipts and expenditure estimates on this page represent the most likely fiscal impact. Factors impacting the precision of these estimates, and alternate ranges (if appropriate), are explained in Part II.*

Check applicable boxes and follow corresponding instructions:

- ☐ If fiscal impact is greater than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete entire fiscal note form Parts I-V.
- ☒ If fiscal impact is less than \$50,000 per fiscal year in the current biennium or in subsequent biennia, complete this page only (Part I).
- ☐ Capital budget impact, complete Part IV.
- ☒ Requires new rule making, complete Part V.

Legislative Contact: Jon Hedegard	Phone: 360-786-7127	Date: 02/12/2007
Agency Preparation: Laurie Rippon	Phone: 360-753-2507	Date: 02/14/2007
Agency Approval: Lynn Gooding	Phone: 360-586-5997	Date: 02/14/2007
OFM Review: Linda Steinmann	Phone: 360-902-0573	Date: 02/14/2007

## Part II: Narrative Explanation

### II. A - Brief Description Of What The Measure Does That Has Fiscal Impact

*Briefly describe, by section number, the significant provisions of the bill, and any related workload or policy assumptions, that have revenue or expenditure impact on the responding agency.*

Section 2(1) requires PLIA to identify design criteria for less leak-prone heating oil tanks.

Sections 2(2) and 2(3) require PLIA to reimburse eligible program participants, within the \$60,000 maximum coverage limit set forth in RCW 70.149.040(1), for the difference in tank replacement price between current standard and the new design standard identified in section 2(1) of the bill.

Section 3 states that these requirements apply to new claims filed on or after the effective date of the bill.

### II. B - Cash receipts Impact

*Briefly describe and quantify the cash receipts impact of the legislation on the responding agency, identifying the cash receipts provisions by section number and when appropriate the detail of the revenue sources. Briefly describe the factual basis of the assumptions and the method by which the cash receipts impact is derived. Explain how workload assumptions translate into estimates. Distinguish between one time and ongoing functions.*

None.

### II. C - Expenditures

*Briefly describe the agency expenditures necessary to implement this legislation (or savings resulting from this legislation), identifying by section number the provisions of the legislation that result in the expenditures (or savings). Briefly describe the factual basis of the assumptions and the method by which the expenditure impact is derived. Explain how workload assumptions translate into cost estimates. Distinguish between one time and ongoing functions.*

#### Fiscal Impact on Budgeted Expenditures

Section 2(1) Identify Design Criteria - The agency will not implement new design standards; it will identify design criteria for heating oil tanks that provide superior protection against future leaks. This will be done with the assistance of the Oil Heat Advisory Committee, which is already functioning and meeting at least quarterly. There is no additional cost to the agency to perform this one time task.

Section 2(2) Changes to the Policy Between PLIA and the Insured - Policy holders are entitled to notification when there is a change in their policy, therefore PLIA will need to provide a public notification to its registered home owners to notify them of the change in their coverage. Fiscal Year 2008 estimated expenditures for the one time notification to registered home owners is \$31,530 and is calculated at follows:

Printing - \$9,000

Postage - \$22,165 (65,000 \* \$.341)

Envelopes - \$1,365 (65 \* \$21)

#### Assumptions:

Estimated number of registered owners for FY2008 = 65,000

Printing estimate is from Department of Printing

Bulk mailing rate = \$.341 per envelope per Consolidated Mail Services

Envelopes = \$21/1000 from DOP's print on line price list

#### Fiscal Impact on Non Budgeted Expenditures

Section 2(2) PLIA to Pay the Difference for the Upgraded Tank - Currently the policy between PLIA and its insureds does not cover the cost of replacing the tank. This section would have PLIA pay the difference between the standard tank (which the homeowner currently pays for) and the upgraded tank thereby increasing the claim cost by \$1,000 per claim.

The average claim cost for the last three years was \$9,186.91, it will increase to \$10,186.91 for the next three years if the bill is enacted. The estimated increase in non budgeted claims costs will be \$200,000 (\$1,000 \* 200 tanks) per fiscal year, paid out of Fund 544 per RCW 70.148.025.

**Assumptions:**

The agency assumes the upgrade to a superior tank is mandatory

The difference between a standard steel tank and a superior tank = \$1,000

Estimated number of tanks that will be replaced per fiscal year = 200

## Part III: Expenditure Detail

### III. A - Expenditures by Object Or Purpose

	FY 2008	FY 2009	2007-09	2009-11	2011-13
FTE Staff Years					
A-Salaries and Wages					
B-Employee Benefits					
C-Personal Service Contracts					
E-Goods and Services	32,530		32,530		
G-Travel					
J-Capital Outlays					
M-Inter Agency/Fund Transfers					
N-Grants, Benefits & Client Services					
P-Debt Service					
S-Interagency Reimbursements					
T-Intra-Agency Reimbursements					
<b>Total:</b>	\$32,530	\$0	\$32,530	\$0	\$0

## Part IV: Capital Budget Impact

None.

## Part V: New Rule Making Required

*Identify provisions of the measure that require the agency to adopt new administrative rules or repeal/revise existing rules.*

PLIA will need to make changes to the following rules:

WAC 374-70-060 (3) Corrective action costs covered under the heating oil pollution liability insurance program include: (k) new section to include the difference between the current standard design and the superior standard design.

WAC 374-70-060 (4) Corrective action costs not covered under the heating oil pollution liability insurance program include: e) Removal, repair or replacement of the heating oil tank, lines, or furnace. This section will have be changed to exclude the difference between the standard tank and the superior tank.