



The State of New Hampshire
DEPARTMENT OF ENVIRONMENTAL SERVICES



Thomas S. Burack, Commissioner

Rep. D.L. Chris Christensen, Chairman

Oil Fund Disbursement Board

March 30, 2010

The Honorable Bob Odell, Chairman
Senate Ways and Means Committee
Room 100
State House
Concord, New Hampshire 03301

SUBJECT: HB 1291-FN, As Amended, Relative to the Fuel Oil Importation Fee

Dear Chairman Odell:

Thank you for the opportunity to testify in support of House Bill 1291-FN. As introduced, this bill made permanent a \$0.0025 per gallon increase to the heating oil import fee that provides income for the Fuel Oil Discharge Cleanup Fund (FODCF). The fee increase was approved by the Legislature under the Laws of 2009, Chapter 231, effective for FY 2010, and the Legislative Budget Assistant (LBA) was required to conduct a FODCF Performance Audit in 2009. The House amended HB 1291-FN to extend the fee increase through FY 2012, and require that the Oil Fund Disbursement Board (Board) submit a report on FODCF administration and performance by December 1, 2011.

The FODCF under RSA 146-E is a dedicated environmental fund for heating oil contamination prevention and cleanup. The fund is available to low-income homeowners to replace substandard heating oil storage tanks, and provides very important and highly successful "excess insurance" for owners of heating oil storage tanks that leak. Due to FODCF income shortfalls, limits have been imposed on leak prevention assistance and many contamination cleanup projects are on-hold. In its December 2009 Performance Audit Report, the LBA concluded the FODCF is effective and functioning as intended, but income is not sufficient to fully support programs. The LBA also provided 16 observations/recommendations for improving efficiency that the Board has addressed or will address in the near future, but these improvements will not provide significant expenditure reductions. We believe the data developed for the 2011 Board report will re-affirm the 2009 LBA finding that income is not sufficient. Significant FODCF expenditure reductions to offset income shortfalls would require that the criteria for receiving assistance be changed, and/or environmental cleanup standards be modified, and/or payments to cleanup service providers be reduced below market rates.

Increasing the import fee to \$0.0125 per gallon was estimated to generate \$683,000 in supplemental FODCF income each year. However, through February 28th, FY 2010 income at the higher import fee is below expectations because heating oil imports declined 12% vs. FY 2009. It is important for the higher import fee to remain effective to at least maintain an already diminished level of FODCF services. The FODCF fiscal situation as of February 28, 2010 is shown in the table below. It should be noted that FY 2010 income also includes a \$400,000 transfer from the Oil Pollution Control Fund (RSA 146-A) to help stabilize the FODCF balance. Therefore, import fee income is only \$43,956 greater than expenses, which are below normal demand due to the limitations noted above.

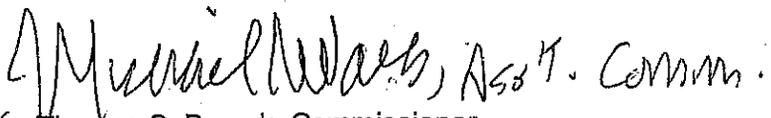
Fiscal Year	Income	Expenses	Annual Income vs. Expense (Deficit) Surplus	Balance
2006	\$3,081,973	\$3,377,335	(\$295,362)	\$661,812
2007	\$3,171,445	\$2,970,517	\$200,928	\$862,740
2008	\$2,867,751	\$2,789,479	\$78,272	\$941,012
2009	\$2,743,665	\$3,301,932	(\$558,267)	\$382,745
2010	\$2,557,729	\$2,113,773	\$443,956	\$826,701

When fully active, demand for leak prevention funding is \$500,000 per year, demand for cleanup funding is \$2,500,000 per year, and administrative costs are budgeted at approximately \$400,000 for FY 2010, for a total of \$3,400,000 for the FODCF programs. If fuel oil imports return to FY 2009 levels, a \$0.0125 per gallon import fee would generate annual income of approximately \$3,420,000. The \$0.0025 per gallon import fee increase provides needed resources for maintaining and restoring environmental quality and protecting public health for all New Hampshire citizens. The consumer cost increase of \$2.50 per 1,000 gallons of heating oil purchased makes more funds available for tank replacements, limited to \$1,500 per location, and is quite small compared to the average \$17,300 in cleanup coverage provided per project.

Thank you for your careful consideration of this important bill. If you have questions, please contact Michael Wimsatt, Director of the Waste Management Division at (603) 271-2905 Michael.Wimsatt@des.nh.gov, or Timothy R. Denison at (603) 271-2570 Timothy.Denison@des.nh.gov. Detailed FODCF program operating reports are available.

Sincerely,

Rep. D.L. Chris Christensen, Chairman
Oil Fund Disbursement Board


Thomas S. Burack, Commissioner
Department of Environmental Services

cc: Members of the Ways and Means Committee
Rep. Leigh Webb
Sen. Bette Lasky
Oil Fund Disbursement Board