SUBSTITUTE FOR HOUSE BILL NO. 4940

A bill to amend 1994 PA 451, entitled "Natural resources and environmental protection act," by amending sections 21502, 21503, 21506a, 21506b, and 21510 (MCL 324.21502, 324.21503, 324.21506a, 324.21506b, and 324.21510), sections 21502, 21503, and 21510 as amended by 2016 PA 380, section 21506a as amended by 2017 PA 134, and section 21506b as added by 2014 PA 416; and to repeal acts and parts of acts.

THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

- 1 Sec. 21502. As used in this part:
- 2 (a) "Administrator" means the administrator of the authority 3 as provided for in section 21525.
- 4 (b) "Affiliate" means a person that directly, or indirectly 5 through 1 or more intermediaries, controls the person specified.





- 1 (c) "Approved claim" means a claim that is approved pursuant 2 to under section 21510.
- 3 (d) "Authority" means the underground storage tank authority 4 created in section 21523.
- 5 (e) "Board of directors" or "board" means the board of directors of the authority.
 - (f) "Bond proceeds account" means the account within the fund to which proceeds of bonds or notes issued under this part have been credited.
- 10 (g) "Bonds or notes" means the bonds, notes, commercial paper,
 11 other obligations of indebtedness, or any combination of these,
 12 issued by the finance authority pursuant to in accordance with this
 13 part.
 - (h) "Bulk transfer" means a transfer of refined petroleum or a refined petroleum product from, or purchase for resale by, a refiner, pipeline terminal operator, supplier, or marine terminal operator to or from another refiner, pipeline terminal operator, supplier, or marine terminal operator through pipeline tender or marine delivery, including pipeline movements of refined petroleum or a refined petroleum product from 1 or more marine vessel movements of refined petroleum or a refined petroleum product. Refined petroleum or a refined petroleum product in a refinery, pipeline, terminal, or marine vessel transporting refined petroleum or a refined petroleum product to a refinery or terminal is in the bulk transfer terminal system. Notwithstanding anything to the contrary in this subdivision, refined petroleum or a refined petroleum product transferred or purchased for resale by a refiner, pipeline terminal operator, supplier, or marine terminal operator must be delivered to or otherwise remain within the bulk transfer

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- 1 terminal system prior to before removal across the rack in order to
 2 constitute a bulk transfer.
- (i) "Bulk transfer terminal system" means the refined

 petroleum or refined petroleum product distribution system

 consisting of refineries, pipelines, marine vessels, and terminals

 and includes refined petroleum or refined petroleum product storage

 tanks and refined petroleum or refined petroleum product storage
- 8 facilities that are part of a refinery, boat terminal transfer, or 9 terminal owned, operated, or controlled by a refiner, marine
- 10 terminal operator, or pipeline terminal operator.
 - (j) "Claim" means the submission by the owner or operator or his—the owner's or her operator's representative of documentation on an application requesting payment by the authority. A claim shall must include, at a minimum, a completed and signed claim form and the name, address, and telephone number of the owner or operator.
 - (k) "Claimant" means a person to whom an approved claim is assigned or transferred.
 - (l) (k) "Claims "Claim limit" means \$1,000,000.00 per release.

 Two or more claims arising out of the same, interrelated,

 associated, repeated, or continuous releases or a series of related

 releases shall be subject to 1 claims limit. Any claim that takes

 place over 2 or more claim periods shall be subject to 1 claims

 limit.claim, minus the appropriate deductible amount under section

 21510a.
 - (m) (1)—"Claim period" means a 1-year period commencing on beginning October 1 of—each year and ending on—September 30 the following year.
 - (n) (m) "Claim period aggregate limit" means the following

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- 1 aggregate claims limit for all releases discovered during
- 2 \$2,000,000.00 for a claimant or a claimant's affiliate for all
- 3 claims approved for a claim period. \div
- 4 (i) For owners, operators, and affiliates of 1 to 100 refined
 5 petroleum underground storage tanks, \$1,000,000.00.
- 6 (ii) For owners, operators, and affiliates of more than 100
 7 refined petroleum underground storage tanks, \$2,000,000.00.
 - (o) "Closure" means department-approved closure of a release covered by an approved claim. Closure includes approval of a closure report with conditions after the conditions are met.
 - (p) "Confirmed release" means a release of refined petroleum that is reported to the department of licensing and regulatory affairs on a form created by the department of licensing and regulatory affairs and designated on the form as a confirmed release.
 - (q) (n)—"Controls" means the possession or the contingent or noncontingent right to acquire possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person, whether through the ownership of voting securities or interests, by contract, other than a commercial contract for goods or nonmanagement services, by pledge of securities, or otherwise, unless the power is the result of an official position with or corporate office held by the person.
 - (r) $\overline{\text{(o)}}$ "Corrective action" means that term as $\overline{\text{it is}}$ defined in section 21302.
 - (s) (p)—"Deductible amount" means the amount of corrective action costs or indemnification costs that are required to be paid by an owner or operator a claimant as provided in section 21510a.
 - (t) (q)—"Department" means the department of environmental

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- 1 quality.environment, Great Lakes, and energy.
- **(u)** (r) "Eligible person" means an owner or operator who meets 3 the eligibility requirements under this part to submit a claim.
- 4 (v) $\frac{\text{(s)}}{\text{(s)}}$ "Excluded liquid" means that term as defined in 26 CFR 5 48.4081-1.
 - (w) "Federally recognized tribe" means a Native American tribal entity that is recognized as having a government-to-government relationship with the United States, that has the responsibilities, powers, limitations, and obligations attached to that designation, and that is eligible for funding and services from the federal government.
- **(x)** (t) "Finance authority" means the Michigan finance
 13 authority created by Executive Reorganization Order No. 2010-2, MCL
 14 12.194.
 - (y) (u)—"Financial responsibility requirements" means the financial responsibility for taking corrective action and for compensating third parties for bodily injury and property damage caused by a release from a refined petroleum underground storage tank system that the owner or operator of a refined petroleum underground storage tank system must demonstrate under part 211 and the rules promulgated under that part.
 - (z) (v)—"Fund" means the underground storage tank cleanup fund created in section 21506b and includes the bond proceeds account established within the fund.
 - (aa) (w)—"Indemnification" means indemnification of an owner or operator a claimant for a legally enforceable judgment entered against the owner or operator claimant by a third party, or a legally enforceable settlement entered between the owner or operator claimant and a third party, compensating that third party

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- 1 for bodily injury or property damage, or both, caused by an
- 2 accidental release. as As used in this subdivision, "accidental
- 3 release", "bodily injury", and "property damage" mean those terms
- 4 are as defined in R 29.2163 of the Michigan Administrative Code.
- 5 **(bb)** (x) "Location" means a parcel of property where refined
- 6 petroleum underground storage tank systems are registered pursuant
- 7 to in accordance with part 211.
- 8 (cc) (y) "Marine terminal operator" means a person that stores
- 9 refined petroleum or a refined petroleum product at a boat terminal
- 10 transfer.
- (dd) (z) "Operator" means that term as it is defined in
- 12 section 21303 or a person to whom an approved claim has been
- 13 assigned or transferred.
- (ee) (aa) "Owner" means that term as it is defined in section
- 15 21303.
- 16 (ff) (bb) "Oxygenate" means an organic compound containing
- 17 **that contains** oxygen and having has properties as a fuel that are
- 18 compatible with petroleum, including, but not limited to, ethanol,
- 19 methanol, or methyl tertiary butyl ether (MTBE).
- 20 Sec. 21503. As used in this part:
- 21 (a) "Person" means an individual, partnership, corporation,
- 22 association, governmental entity, or other legal entity.
- 23 (b) "Pipeline terminal operator" means a person that receives
- 24 and stores refined petroleum or a refined petroleum product in
- 25 tanks and other equipment used in receiving and storing refined
- 26 petroleum or a refined petroleum product from interstate and
- 27 intrastate pipelines, pending wholesale bulk reshipment.
- 28 (c) "Qualifying expenditures" means an expenditure for a
- 29 specific activity that does not exceed the allowable payment for

- that activity as detailed on the schedule of costs.
- 2 (c) (d) "Rack" means a mechanism for delivering refined
- 3 petroleum or a refined petroleum product from a refiner, a-pipeline
- 4 terminal operator, or a marine terminal operator into a railroad
- 5 tank car, a transport truck, a tank wagon, or the fuel supply tank
- 6 of a marine vessel.

- 7 (d) (e) "Refined petroleum" means aviation gasoline, middle
- 8 distillates, jet fuel, kerosene, gasoline, residual oils, and any
- 9 oxygenates that have been blended with any of these. Refined
- 10 petroleum includes refined petroleum products and transmix. Refined
- 11 petroleum does not include excluded liquids.
- (e) (f) "Refined petroleum fund" means the refined petroleum
- 13 fund established under section 21506a.
- (f) (g) "Refined petroleum underground storage tank" means an
- 15 underground storage tank system used for the storage of refined
- 16 petroleum.
- 17 (g) (h)—"Refiner" means a person that meets both of the
- 18 following:
- 19 (i) Manufactures or produces refined petroleum or a refined
- 20 petroleum product at a refinery.
- 21 (ii) Is a taxable fuel registrant that is a refiner for
- 22 purposes of 26 CFR 48.4081-1.
- 23 **(h)** (i) "Refinery" means a facility used by a refiner to
- 24 produce refined petroleum or a refined petroleum product from crude
- oil, unfinished oils, natural gas liquids, or other hydrocarbons by
- 26 any process involving substantially more than the blending of
- 27 refined petroleum and from which refined petroleum or a refined
- 28 petroleum product may be removed by pipeline or marine vessel or at
- 29 a rack.

- 1 (i) (j)—"Regulated financial institution" means a state or
 2 nationally chartered bank, savings and loan association or savings
 3 bank, credit union, or other state or federally chartered lending
 4 institution or a regulated affiliate or regulated subsidiary of any
 5 of these entities.
- 6 (j) (k)—"Regulatory fee" means the environmental protection regulatory fee imposed under section 21508.
- 8 **(k)** $\overline{(l)}$ "Release" means that term as \overline{it} defined in section 9 21303.
- (1) (m)—"Removal" or "removed" means a physical transfer other
 than by evaporation, loss, or destruction of refined petroleum or a
 refined petroleum product from a refiner, pipeline terminal
 operator, or marine terminal operator.
- 17 (n) (\circ) "Site" means that term as it is defined in section 18 21303.
- (o) (p) "Supplier" means a supplier or permissive supplier
 licensed under the motor fuel tax act, 2000 PA 403, MCL 207.1001 to
 21 207.1170.
- (p) (q) "Tank wagon" means a straight truck having 1 or more compartments other than the fuel supply tank designed or used to carry fuel.
- 25 **(q)** "Terminal" means a refined petroleum or refined
 26 petroleum products storage and distribution facility that meets all
 27 of the following requirements:
 - (i) Is registered as a qualified terminal by the internal revenue service. Internal Revenue Service.



- (ii) Is supplied by a pipeline or a marine vessel.
- 2 (iii) Has a rack from which refined petroleum or refined petroleum products may be removed.
- **(r)** (s)—"Transmix" means the mixed product that results from
 5 the buffer or interface of 2 different products in a pipeline
 6 shipment, or a mixture of 2 different products within a refinery or
 7 terminal that results in an off-grade mixture.
 - (s) (t) "Transport truck" means a semitrailer combination rig designed or used for the purpose of transporting refined petroleum or a refined petroleum product over the public roads or highways.
 - (t) (u) "Two-party exchange" means a transaction, including a book transfer, in which refined petroleum or a refined petroleum product is transferred from 1 supplier to another supplier and to which all of the following apply:
 - (i) The transaction includes a transfer of refined petroleum or a refined petroleum product from the person that holds the original inventory position for the refined petroleum or refined petroleum product in storage tanks as reflected in the records of the refiner, pipeline terminal operator, or marine terminal operator.
- 20 (ii) The exchange transaction is completed before removal 21 across the rack by the receiving supplier.
 - (iii) The refiner, pipeline terminal operator, or marine terminal operator in its books and records treats the receiving exchange party as the supplier that removes the refined petroleum or refined petroleum product across a rack for purposes of reporting the transaction to the department under the motor fuel tax act, 2000 PA 403, MCL 207.1001 to 207.1170.
- 28 (u) $\frac{(v)}{v}$ "Underground storage tank system" means that term as 29 $\frac{it}{v}$ defined in section 21303.

- 1 (v) (w)—"Work invoice" means a list of goods or services for costs of corrective action related to a claim, including a statement of the amount due.
- Sec. 21506a. (1) The refined petroleum fund is created within the state treasury.
- 6 (2) The state treasurer may receive money or other assets from
 7 any source for deposit into the refined petroleum fund. The state
 8 treasurer shall direct the investment of the refined petroleum fund
 9 . The state treasurer shall and credit to the refined petroleum
 10 fund interest and earnings from refined petroleum fund investments.
- 11 (3) Money in the refined petroleum fund at the close of the 12 fiscal year remains in the refined petroleum fund and does not 13 lapse to the general fund.
- 14 (4) Money from the refined petroleum fund shall must be 15 expended, upon on appropriation, only for 1 or more of the 16 following purposes:
- 17 (a) Corrective actions performed by the department pursuant to 18 **in accordance with** section 21320.
 - (b) The legacy release program created in section 21519a.
- 20 (c) The reasonable costs of the department in administering 21 the refined petroleum fund and implementing part 213.
- 22 (d) Not more than \$5,000,000.00 annually for petroleum product 23 inspection programs under both of the following:
- (i) The weights and measures act, 1964 PA 283, MCL 290.601 to 25 290.635.
- 26 (ii) The motor fuels quality act, 1984 PA 44, MCL 290.641 to 290.650d.
- 28 (e) Not more than \$3,000,000.00 annually for the bureau of 29 fire services and office of the state fire marshal, storage tank



- 1 division, section, in the department of licensing and regulatory 2 affairs.
- 3 (f) Reimbursement by the authority to local units of
 4 government and county road commissions for the costs of corrective
 5 action to manage, relocate, or dispose of any media contaminated by
 6 regulated substances refined petroleum left in place within a
 7 public highway pursuant to section 21310a if all of the following
 8 occur:
 - (i) The local unit of government or county road commission has submitted to the authority a public highway cleanup claim for reimbursement on a form created by the authority.
 - (ii) The **public highway cleanup** claim for reimbursement is for reasonable and necessary eligible corrective action costs determined by the administrator pursuant to in accordance with section 21515(2) to (10). (11).
- 16 (iii) The amount of reimbursement is not more than \$200,000.00 per claim.
 - (iv) An institutional control addressing impacted media within the public highway in accordance with section 21310a must be in place before initiation of corrective actions and the submission of a public highway cleanup claim. The department may determine, in writing, that an institutional control is not necessary under this subparagraph.
 - (v) The public highway cleanup claim is for corrective actions completed after January 24, 2018.
 - (g) Not more than \$5,000,000.00 annually for the department to provide grants and loans in accordance with part 196 to facilitate brownfield redevelopment at part 213 properties. Money shall must not be provided under this subsection to fund the performance of

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- response activities at a part 213 property to address contamination that is solely attributable to a release regulated under part 201.
- 3 (h) The permanent closure of an underground storage tank
 4 system by the department if the underground storage tank system
 5 meets the conditions that require permanent closure under R 29.2153
 6 of the Michigan Administrative Code or the department determines it
 7 is necessary to protect public health, safety, welfare, or the
 8 environment.
 - Sec. 21506b. (1) The underground storage tank cleanup fund is created within the state treasury. The state treasurer shall establish a bond proceeds account within the fund and may establish procedures for accounting for deposits and expenditures from the bond proceeds account.
- 14 (2) The state treasurer may receive money or other assets from 15 any source for deposit into the fund. The state treasurer shall 16 direct the investment of the fund . The state treasurer shall and 17 credit to the fund interest and earnings from fund investments.
 - (3) Money in the fund at the close of the fiscal year shall remain remains in the fund and shall does not lapse to the general fund.
 - (4) The authority shall be is the administrator of the fund for auditing purposes.
 - (5) The authority and the finance authority shall expend money from the fund, upon on appropriation, only for the following purposes:
 - (a) As a first priority, to pay principal and interest due on bonds or notes issued by the finance authority pursuant to in accordance with this part, plus any amount necessary to maintain a fully funded debt reserve or other reserve intended to secure the



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- principal and interest on the bonds or notes as may be required by resolution, indenture, or other agreement of the finance authority.
- 3 (b) For the reasonable administrative cost of implementing
- 4 this part incurred by the department, the department of treasury,
- 5 the department of attorney general, and the finance authority.
- 6 Administrative costs include the actual and necessary expenses
- 7 incurred by the finance authority and its members in carrying out
- 8 the duties imposed by this part. Total administrative costs
- 9 expended under this subdivision shall must not exceed 7%-12% of the
- 10 fund's projected revenues in any year. Costs incurred by the
- 11 finance authority for the issuance of bonds or notes, which may
- 12 also be payable from the proceeds of the bonds or notes, shall—are
- 13 not be—considered administrative costs.
- 14 (c) To pay approved claims as provided for in this part.
- 15 Sec. 21510. (1) An owner or operator is eligible to receive
- 16 money from the authority for corrective action or indemnification
- 17 due to a **confirmed** release from a refined petroleum underground
- 18 storage tank system only if all of the following requirements are
- 19 satisfied and the owner or operator otherwise complies with this
- 20 part:
- 21 (a) The release from which the corrective action or
- 22 indemnification arose was discovered and reported on or after
- 23 December 30, 2014.
- 24 (b) The refined petroleum underground storage tank from which
- 25 the release occurred was, at the time of discovery of the release τ
- 26 and is presently, in compliance with the registration and fee
- 27 requirements of part 211. The refined petroleum underground storage
- 28 tank owned by a federally recognized tribe from which the release
- 29 occurred was, at the time of discovery of the release, in

compliance with federal registration and fee requirements.

- (c) The owner or operator reported the **confirmed** release within not later than 24 hours after its discovery as required by part 211 and the rules promulgated under that part.of the confirmed release.
 - (d) The owner or operator is not the United States government.
- (e) The claim is not for a release from a refined petroleum underground storage tank closed prior to before January 1, 1974, in compliance with the fire prevention code, 1941 PA 207, MCL 29.1 to 29.33, and the rules promulgated under that act.
- (f) The owner or operator was in compliance with the financial responsibility requirements of part 211 and the rules promulgated under that part at the time of the discovery of the release or releases for which the claim is filed. An underground storage tank owned by a federally recognized tribe was in compliance with federal financial responsibility requirements at the time of the discovery of the release. The financial responsibility requirements may be waived for previously unknown refined petroleum underground storage tanks with written consent from the administrator.
- (g) The owner or operator is otherwise eligible to receive money from the authority under this part.
- (h) The total amount of expenditures, including the deductible amount, does not exceed the claims limit or the claim period aggregate limit applicable to the claim. The claim is filed not later than 24 months after the date the confirmed release is reported.
- (i) The claim is not for a release discovered after a refined petroleum underground storage tank system from which the release occurred was closed or considered permanently closed in compliance

- 1 with part 211 and the rules promulgated under that part.
- 2 (j) The owner or operator is otherwise in compliance with this 3 part.
 - (k) The administrator and the board may consider substantial compliance when making eligibility determinations under this subsection.
 - (2) The owner or operator may receive money from the authority for corrective action or indemnification due to a release that originates from an aboveground piping and dispensing portion of a refined petroleum underground storage tank system if all of the following requirements are satisfied:
 - (a) The owner or operator is otherwise in compliance with this part and the rules promulgated under this part.
 - (b) The release is sudden and immediate.
 - (c) The release is of a quantity exceeding 25 gallons and is released into groundwater, surface water, or soils.
 - (d) The owner or operator reported the release to the department within 24 hours after its discovery.
 - (2) (3) Either the owner or the operator may receive money from the authority under this part for an occurrence, but not both.
 - (3) (4)—An owner or operator that is a public utility with more than 500,000 customers in this state is ineligible to receive money from the authority for corrective action or indemnification associated with a release from a refined petroleum underground storage tank system used to supply refined petroleum for the generation of steam electricity.
 - (5) If an owner or operator has received money from the authority under this part for a release at a location, the owner and operator are not eligible to receive money from the authority



for a subsequent release at the same location unless the owner or operator has done either or both of the following:

(a) Discovered the subsequent release pursuant to corrective action being taken on a confirmed release and included this subsequent release as part of the corrective action for the confirmed release.

(b) Upgraded, replaced, removed, or properly closed in place all refined petroleum underground storage tank systems at the location of the release so as to meet the requirements of part 211 and the rules promulgated under that part.

(6) An owner or operator that discovers a subsequent release at the same location as an initial release pursuant to subsection (5) (a) may receive money from the authority to perform corrective action on the subsequent release, if the owner or operator otherwise complies with the requirements of this part and the rules promulgated under this part. However, the subsequent release shall be considered as part of the claim for the initial release for purposes of determining the total amount of expenditures for corrective action and indemnification under subsection (1)(h).

(7) An owner or operator that discovers a subsequent release at the same location as an initial release following compliance with subsection (5)(b) may receive money from the authority to perform corrective action on the subsequent release, if there have been not more than 2 releases at the location, and if the owner or operator otherwise complies with the requirements of this part and the rules promulgated under this part. The subsequent release shall be considered a separate claim for purposes of determining the total amount of expenditures for corrective action and indemnification under subsection (1)(h).

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- (4) Except as otherwise provided in subsection (5), each eligible confirmed release must be covered by an additional claim and is subject to the appropriate deductible amount under section 21510a.
- (5) A confirmed release must be covered by the most recently approved claim and is subject to that claim's claim limit and claim period aggregate limit if all of the following apply:
- (a) The administrator determines, or the owner or operator demonstrates to the satisfaction of the administrator, that 2 or more confirmed releases are the result of a continuing or repeated exposure from an initial eligible confirmed release.
- (b) The releases described under subdivision (a) are discovered during the same claim period.
- (c) The releases described under subdivision (a) are not interrupted or replaced by a separate cause.
- (6) Expenses related to corrective actions taken to address a confirmed release and that are part of an approved claim are eligible for reimbursement and are subject to that approved claim's claim limit and claim period aggregate limit. Expenses related to corrective actions taken to address a confirmed release that are not included as part of an approved claim are not eligible for reimbursement.
- (7) (8) An owner or operator that seeks to receive money from the authority for corrective action **related to a release** shall submit to the administrator the cleanup fund claim submittal form created by the authority containing that contains the information required by the administrator to determine compliance with this part. The administrator shall determine whether the claim complies with this part and shall notify the owner or operator. The

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- 1 administrator may consult with the department of licensing and
- 2 regulatory affairs to make the determination required in this
- subsection. 3

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- (8) The authority shall not approve a claim for any of the following:
- 6 (a) A release that was expected or intended by an owner or 7 operator or an employee of an owner or operator.
- (b) A release caused by, based on, resulting from, or 9 attributable to the owner's or operator's intentional, knowing, willful, or deliberate noncompliance with a statute, regulation, 10 11 ordinance, administrative complaint, notice of violation, notice 12 letter, executive order, or instruction of any governmental agency 1.3 or body.
- 14 (c) A release arising from the ownership, maintenance, use, or 15 entrustment to others of an aircraft, an automobile, rolling stock, or a watercraft, including loading and unloading. 16
 - (d) A release arising from a consequence, whether direct or indirect, of war, invasion, act of a foreign enemy, act of terrorists, hostilities, whether war has been declared or not, civil war, rebellion, revolution, insurrection, usurpation of power, strike, riot, or civil commotion.
- 22 Enacting section 1. Section 21510c of the natural resources 23 and environmental protection act, 1994 PA 451, MCL 324.21510c, is 24 repealed.
- 25 Enacting section 2. This amendatory act does not take effect 26 unless House Bill No. 5115 of the 103rd Legislature is enacted into 27 law.

