

SENATE APPROPRIATIONS COMMITTEE

FISCAL NOTE

BILL NO. Senate Bill 1386

PRINTER'S NO. 1979

AMOUNT

No Adverse Fiscal Impact

(\$0 – 470 Million) Potential Revenue Loss

Significant Unquantifiable Savings

FUND

General Fund

Federal Funds

Consumers & Businesses

DATE INTRODUCED

January 26, 2012

PRIME SPONSOR

Senator Vogel

HISTORY OF BILL

Referred to ENVIRONMENTAL RESOURCES AND ENERGY, Jan. 26, 2012

Reported as committed, Feb. 7, 2012

First consideration, Feb. 7, 2012

Re-referred to APPROPRIATIONS, Feb. 8, 2012

Re-reported as amended, March 5, 2012

DESCRIPTION AND PURPOSE OF BILL

Senate Bill 1386 amends the Air Pollution Control Act to eliminate statutory requirements for low Reid Vapor Pressure (RVP) gasoline ("summer gas") and Stage II vapor recovery systems for the seven counties of Allegheny, Armstrong, Beaver, Butler, Fayette, Washington and Westmoreland. The combined population of those counties exceeds 2.3 million. The elimination of the Stage II vapor recovery systems would also impact the five counties of Philadelphia, Bucks, Montgomery, Delaware, and Chester, whose total combined population exceeds 4 million.

The bill repeals the gasoline volatility requirement put forth in 25 Pa. Code Chapter 126 Subchapter C, which states that a retailer or wholesale purchaser-consumer may not sell, exchange or supply gasoline that is not a compliant fuel during the period June 1 through September 15, 1998, and continuing every year thereafter.

The bill also repeals Section 6.7 of Act 95 of 1992 related to control of volatile organic compounds (VOCs) from gasoline-dispensing facilities. This section had required the Department of Environmental Protection to implement the functional testing and certification requirements specified in the EPA's Stage II enforcement and technical guidance documents developed under section 182 of the Clean Air Act to meet the Clean Air Act requirements for areas classified as moderate, serious, severe or extreme ozone nonattainment.

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FISCAL IMPACT:

The requirement for RVP gasoline to be sold in the seven-county region of southwestern Pennsylvania from June 1 through September 15 each year was implemented by the Department of Environmental Protection (DEP) in 1998 to address federal air pollution control mandates. Beginning this season, RVP gasoline will be unavailable due to the diminished production of this gas by the refineries that service the area.

In addition, three of the refineries previously producing the RVP gas in eastern PA and which had supplied the southwestern area are closing. Therefore, to avert a significant hardship on the residents living in this area and prevent an economic crisis of immeasurable proportions caused by the known gasoline shortage which will occur in the seven county area, the RVP requirement is being eliminated. The negative economic impact and costs to residents, businesses, consumers, and travelers of no gasoline supply in this seven-county area would be extraordinarily substantial but are not quantifiable. Savings of significant magnitude would be realized by the same residents, businesses, consumers and travelers by not having to travel outside of the seven-county area to purchase gasoline for their vehicles, beginning June 1, 2012.

Beginning in 1997, the Stage II vapor recovery regulations were implemented to comply with the Clean Air Act for this seven-county area in southwestern Pennsylvania as well as the five-county area in the southeastern part of the state. The regulations required the installation of gasoline vapor recovery systems at service stations to prevent the discharge of the vapors into the atmosphere. The Clean Air Act allows the EPA to waive certain requirements of the Stage II vapor recovery program when the EPA Administrator finds the onboard refueling vapor recovery systems in vehicles to be in widespread use. Since 2006, all new automobiles and light and medium duty cars, vans, and trucks are equipped with onboard refueling vapor recovery systems.

Therefore, the installation and use of these specialized and costly gasoline vapor recovery systems at service stations is redundant and no longer necessary. The repeal of this requirement to install such Stage II systems will alleviate a financial burden on and produce a cost savings for many small businesses, service stations and dealers in southwestern and southeastern Pennsylvania. Such cost savings, however, are not quantifiable.

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The elimination of the RVP gasoline standard in the southwestern seven-county area and the repeal of the Stage II requirements in both the southwestern and southeastern areas will, however, put the Commonwealth out of compliance with our State Implementation Plan (SIP) filed and approved with the federal Environmental Protection Agency (EPA). The Commonwealth's SIP includes both the RVP standard and the Stage II requirement as part of our approved efforts to meet the clean air standards under the Clean Air Act.

Being out of compliance with our SIP could result in fiscal sanctions being imposed on the state by the EPA. PennDOT estimates the sanctions could result in a loss of annual federal transportation funding approaching \$250 million for the southwestern area and an additional \$220 million for the southeastern area, based on PennDOT's funding projections for 2013 and 2014.

Because of the supply problems and unavailability of the product, it is assumed that the DEP will petition the EPA and secure a waiver to our SIP, thereby eliminating the potential for loss of federal funds.