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API State Legislative and Regulatory Report #17
5/12/2017

SPECIAL NOTICES

Several states adjourned their sessions this week: Colorado adjourned sine die on 5/10. Florida adjourned sine die on 5/8. South Carolina adjourned sine die on 5/11. Tennessee adjourned on 5/10. The Missouri Legislature will adjourn sine die today at 6 pm.

In addition, the following states have adjourned their 2017 sessions: Georgia, Idaho, Indiana, Iowa, Kentucky, Maryland, Mississippi, Montana, New Mexico, North Dakota, South Dakota, Utah, Virginia, Washington, West Virginia, and Wyoming.

West Virginia is now in Special Session.

SHALE DEVELOPMENT

-Prohibitions/Moratoriums

The City and County of Broomfield sent a [letter](#) on 5/12 to Colorado Gov. John Hickenlooper, asking him to direct the Colorado Oil and Gas Conservation Commission to not appeal the Court's decision in the Martinez v COGCC court case. They claim "they share the Court of Appeals' concerns that public health, safety, welfare and the environment should be paramount when considering regulation of the oil and gas industry."

Florida [SB 442](#) HF ban legislation died in Committee. In all, there were 6 bills and one ballot initiative introduced to ban hydraulic fracturing and various other forms of well stimulation. The Florida Petroleum Council/API maintained a coordinated multi-pronged campaign to limit SB 442 to one committee hearing and kept the house bill off any committee agenda.

-Water/Wastes

Connecticut [HB 6329](#), the hydraulic fracturing waste ban bill, passed the House and is now on the Senate Calendar. The bill converts the existing HF waste law moratorium passed in 2014 into a permanent ban. The 2014 law also required DEEP to write new HF waste regulations, due by 2018. An amendment that would have changed the current hydraulic fracturing waste law by giving DEEP an extra year to write its regulations failed. If passed by the Senate and signed by the Governor, DEEP will no longer have to write regulations. The DEEP has refused to take a position on the bill throughout the process.

-HF Guidelines/Specifications

Colorado [H2017-1372](#) which required oil and gas companies to make available maps showing the location of flow lines, gathering pipelines, and transmission pipelines was laid over in the House and failed to pass. The maps would be provided to the Colorado Oil and Gas Conservation Commission and the local government within whose jurisdiction the subsurface is located.

Pennsylvania's Senate Majority Policy Committee and Senate Environmental Resources and Energy Committee will hold a joint public hearing on 5/24 to receive an update on the Marcellus Shale industry in Pennsylvania as well as to hear about trends from across the country.

-Severance & Other Taxes

In Colorado, proponents of [Initiative #20](#), the Severance Tax Initiative which was thrown out by the title board 4/28 filed their notice of appeal on 5/5. It is important to note, Title Board cases use an unusual appellate process, whereby all parties file their opening briefs at the same time, and then all file their answer briefs at the same time as well. Following the notice to appeal the Title Boards decision, there are 14 days to file opening briefs.

Redacted - First Amendment

-Royalties

North Dakota [SB 2013](#) the Land Department budget bill that included oil impact funding for western North Dakota communities and a study of gas royalty valuation and deductions was [vetoed](#) by the Governor. However, the study provisions remained in the bill.

In West Virginia, a natural gas royalty case is back in the state Supreme Court of Appeals, just 5 months after the court decided in favor of the royalty owners. The case, *Leggett v EQT*, accuses Pittsburgh-based EQT of breaching its lease agreement with them by deducting post-production costs from their royalty checks.

FUELS

Biofuel

In Connecticut, an amendment has been filed that would strike the existing language in [SB 997](#), the "kelp bill" and allow DEEP to help local kelp companies file a petition to EPA for approval of kelp oil as a feedstock for heating oil that could be used in the federal Renewable Fuel Standard program.

The Minnesota Biodiesel Task Force will meet on 6/9 to discuss whether the statutory conditions have been met in order to move to the B20 level on 5/1/18, as provided in M.S. 239.77 or whether it should be delayed. Commissioners of the Department of Commerce, the MPCA, and Agriculture will be in attendance. There is a 270-day requirement in statute that the three commissioners must determine whether to implement the mandate prior to 5/1/18 based upon the criteria spelled out in law.

Redacted - First Amendment

RVP

(Reg) In Tennessee, the comment period on 7.8 RVP for Middle Tennessee ends today (5/12). The Office of Management and Budget may still require a 90-day review period, but everyone expects that to be waived, as OMB waived the first 90-day review period on this rule. Assuming the review period is waived, the final two steps are for the EPA Administrator to sign the rule, which is ready, and for the signed rule to be published in the Federal Register. If the rule is signed on the first business day possible, it will still take a few days until it would be legal to sell 9 RVP during summer months and there is no way to predict when that will occur.

CLIMATE CHANGE

Greenhouse Gas Emissions

In Connecticut, the Governor's Climate Change stakeholders' meetings on reducing greenhouse gas emissions from the transportation sector are scheduled for 5/17.

The Massachusetts Joint Environment, Natural Resources and Agriculture Committee has scheduled a hearing on 5/16 that includes over [two dozen bills](#) aimed at fossil fuels. The bills range from several measures banning hydraulic fracturing and/or the treatment of fracked wastes; preventing the construction of natural gas pipelines or compressor stations; raising the state's greenhouse gas reduction thresholds and requiring the "carbon tracking" of all transportation fuels in the state. MPC's Steve Dodge and API Scientific Advisor Uni Blake will testify in opposition to the bills.

New York [AB 5105/SB 5908](#) establish a zero net greenhouse gas emissions energy system in New York by 2032. The bills mandate New York shutter all nuclear power plants by 2032 and cease investment in and development of any infrastructure related to "the distribution, processing, storage or extraction of fossil fuels or new permits related to such use."

Cap and Trade

The California Senate Environmental Quality Committee heard from environmental groups, industry officials and others at a hearing 5/10 regarding the state's cap and trade program which is scheduled to expire in 2020. Senate Environmental Quality Chairman has introduced [SB 775](#) that revises the current program that among other things limits allowances to industry. The committee also considered [AB 378](#) which limits greenhouse gas "allowances" based on a company's "toxic" emissions.

Carbon

In Connecticut, the Sierra Club unveiled a radio campaign in support of the RGGI program. Their ads ask listeners to call the governor's office to articulate their support. RGGI is a greenhouse gas reduction cap-and-trade program aimed at fossil fuel-fired power plants in the Northeast states, and is set to expire in 2019. Regulators are considering options to renew the program for another 10 years and requiring power plant operators to cut their emissions an additional 2.5%-to-5% per year, per plant. Such cuts, in the view of environmentalists, would offset the need for any new natural gas pipelines. Others in the RGGI group want to extend the program to the transportation sector.

The Boston-based [Acadia Center](#) released new research this week claiming that a strengthened RGGI (Regional Greenhouse Gas Initiative) program would drive \$2.1 billion in avoided health impacts. "A stronger cap on carbon pollution would drive reductions in regional emissions of harmful pollutants like SO₂, NO_x, and particulate matter, which would lead to fewer emergency room visits, missed work and school days and premature deaths." The report says "burdens of these co-pollutants fall disproportionately on low-income communities and communities of color, meaning that a stronger RGGI program will provide the greatest benefit to underserved populations." The analysis is being used to advocate for a 5% annual decline in the RGGI cap from 2020 to 2030 in fossil-fuel fired power plants in the Northeast states.

In Massachusetts, the energy law enacted last summer contained a section authorizing the Department of Energy Resources to create a "carbon reduction research center" to advance carbon reduction goals, although it is unclear if, and when, the administration will move forward on the project. The work undertaken by the center could include research on fuel cells, energy storage technology, residential and commercial property clean energy programming, increased efficiency of existing small domestic energy production and increased efficiency of and cleaner use of traditional fossil fuels. DOER says discussions concerning the center are ongoing and that they look forward to working with stakeholders as the process continues.

API New York attended the Spring Conference of the Independent Power Producers of New York (IPPNY). Speakers included the Chair of the Federal Energy Regulatory Commission, Cheryl LaFleur, Energy Czar Richard Kauffman, Senator Griffo and Assemblywoman Paulin. There were a number of issues under discussion at this event which have implications for our industry, starting with the State's patchwork of programs to reduce carbon emissions. Wholesale electricity market stakeholders such as IPPNY's members and the New York State Independent System Operator have become increasingly concerned over the cumulative impacts of state initiatives such as the Clean Energy Standard (which includes the Zero Emission Credit subsidy for nuclear plants upstate), the Clean Energy Fund, the Regional Greenhouse Gas Initiative and the Reforming the Energy Vision proceeding. These programs serve to undermine the market by through support for particular technologies, distorting market prices and taking revenues away from traditional generators using fossil fuels. As a result, the stakeholders are anxious to find a more rational, predictable mechanism to internalize the cost of carbon in the wholesale market. The NYISO is collaborating with parties such as IPPNY and the NYS Public Service Commission to study alternatives including a carbon tax or a cap and trade mechanism for carbon allowances. API New York is monitoring this effort.

In Virginia, a [regulatory petition](#) before the Air Pollution Control Board is seeking state level carbon regulations for electrical generation. The Governor is expected to make an announcement on the results of his working group that is studying this issue before the end of May, with some sources saying it could come next week. The electric cooperatives in Virginia do not have a position because of their particular portfolio of generation assets, and it is likely to impact Dominion the most. VOGA is opposed and has been trying to generate comments to that effect.

CLEAN AIR

Clean Air Act

(Reg) In Pennsylvania, [Part 58 of 40 CFR](#) (relating to ambient air quality surveillance) requires state and local air pollution control agencies to adopt and submit to U.S. EPA an Annual Monitoring Network Plan (AMNP) for Philadelphia by 7/1. The AMNP provides for the establishment and maintenance of an air quality surveillance system that consists of a network of monitoring stations. A proposed AMNP must be made available for public inspection and comment for at least 30 days prior to submission to the EPA. The [proposed AMNP](#) is now available for public inspection on the City's web site; comments are due 6/6.

Vehicle I&M

Ohio [HCR 4](#) which urges Congress to amend the Federal Clean Air Act to eliminate the requirement to implement the E-Check Program received a third hearing this week in House committee. The Ohio Chamber of Commerce testified as an Interested Party citing support of the E-Check Program but a desire to see the new federal air quality standards reversed.

MARKETING

Franchises

Florida [SB 750](#) which provided additional requirements for franchise contracts that would have provided much more leverage for franchisees died in committee.

Zone Pricing

New York [AB 979](#) which would now include dealers as well as wholesalers in the prohibition on zone pricing and define zone pricing as arbitrary price differences based on geographical locations without regard to the posted terminal price has been reported from the Assembly Economic Development Committee to the Assembly Codes Committee.

Signage

Florida [HB 1021](#) addressing state and local building permits which impacts signage for retail gasoline stations and business logos, will be delivered to the Governor for signature. The bill includes a broad preemption of local governments from adopting sign ordinances affecting gasoline retail station signs and business logos. There is a provision unrelated to our industry that has some insurance companies requesting a veto by the Governor, but there are a wide variety of companies supportive of the bill.

Infrastructure

Tesla is adding four charging locations for electric vehicles in Georgia as part of their nationwide expansion of its charging network. Tesla plans to double its charging network in 2017, adding about 5,000 charging stations worldwide by the end of the year.

HEALTH & SAFETY

Environmental Enforcement/Protection

Michigan [SB 280](#) aims to clarify who has authority to name the recreational projects and make land acquisitions that are funded out the Michigan Natural Resources Trust Fund (NRTF). It also asks whether some money should be set aside for a rainy day. The NRTF was put in the state constitution when voters adopted Proposal B in 1984. The amendment requires that oil, gas and other mineral lease and royalty money be placed in the trust fund and be used to acquire and develop public recreation land. The amendment created a \$500 million fund from which interest could acquire and develop park land. At issue is who has ultimate say in how the money is allocated.

North Dakota [HB 1336](#) which provides for certain immunity from administrative or civil penalties when a violation of an environmental or health and safety law is self-disclosed as a result of a self-initiated audit was signed by the Governor. Provisions of the new law take effect 8/1/17.

Ohio [SB 2](#), a comprehensive bill aimed at revising Ohio's environmental laws received proponent testimony in House committee this week. Among other things, the bill modifies laws governing: evaluation and cleanup of landfill facilities and properties; the Construction and Demolition Debris law; Waste Management Fund; public water system capability; receivership of a public water system and public water systems exemptions; Section 401 Water Quality Certification; dredged material; and the Lake Erie Protection Fund. The bill passed the Senate unanimously on 3/15.

Spill Reporting

North Dakota [HB 1151](#) which raises the threshold for reporting oil spills was signed by the Governor. HB 1151 increases the reporting threshold for spills contained on a wellsite or facility from one barrel to more than 10 barrels over a 15-day time period. This change only applies to wellsites spud after and facilities constructed after 9/1/01, and goes into effect on 8/1/17. The bill also requires the Department of Mineral Resources to place any written violation notice regarding the notification of a fire, leak, spill, blowout, or leak and spill cleanup be placed in the well or facility file and be available for review by the surface owner.

Storage Tanks (Aboveground and Underground)

Michigan [HB 4583](#) aims to encourage owners/operators to perform additional work to close legacy leaking underground storage tank sites. The program will use the Refined Petroleum Fund, which has an approximate \$76 million balance as a funding source, and will not infringe on the funding for the MUSTA program, nor the balance in the MUSTA program. API Michigan worked with the Michigan Petroleum Association on drafting the bill and will support it in committee.

Pennsylvania [SB 143](#) which revises membership of the state Underground Storage Tank Indemnification Fund Board passed the Senate. A similar bill, [HB 290](#) was referred to the Senate Environmental Resources and Energy Committee. In addition to changing the appointment protocol and board composition, the bill also extends the sunset date of the Underground Storage Tank Environmental Cleanup Program to 6/30/22.

Water Quality/Permitting

Ohio [HB 121](#) which permits licensed professional engineers in Ohio to review and suggest any material deemed appropriate for public water or wastewater projects received a third hearing in the House State and Local Government Committee. At the hearing, all 16 witnesses spoke as opponents, including the County Commissioners Association of Ohio, Ohio Society of Professional Engineers, Ohio Municipal League, American Council of Engineering Companies in Ohio, and the American Water Works Association. Companion legislation in the [SB 95](#) has only received one hearing thus far in the Senate Energy and Natural Resources Committee.

ENERGY POLICY/MANAGEMENT

Florida [SB 1238](#) / HB 1043 the natural gas hedge bill for utilities encompassing the policy initially approved by the Florida Public Service Commission and subsequently overturned by the courts made it to the Senate floor for final reading but died in committee in the House. The bill would have allowed Florida Power and Light to pass investments in natural gas fields used as a price hedge along to customers as part of the fuel rate. The hedge included in a natural gas field in Oklahoma. Since the wells are stimulated through hydraulic fracturing, the bill was tied to hydraulic fracturing by the press and environmental activists. In addition, the bill had an amendment that also would have excluded investments in natural gas fields in the state using hydraulic fracturing from being used or any natural gas produced offshore. After session, the press characterized the bill as making Floridians pay for fracking in other states.

In Georgia, the Atlanta City Council unanimously passed a non-binding resolution stating that all the electricity used in the city be generated through renewable resources by 2035. Advocates said the victory sets the stage for a push to bring the issue of clean energy for transportation into this year's city elections. The resolution defines renewable energy as, "energy derived from wind, solar, existing and low- impact hydroelectric, geothermal, biogas, and wave technology sources."

New York [AB 6571](#) which establishes an energy storage program run by the Public Service Commission, the New York State Research and Development Authority and the Long Island Power Authority awaits action on the Assembly floor. The bill aims to promote installation of energy storage systems throughout the state by providing "a regulatory framework for the PSC to start the energy storage deployment program."

Nuclear

Connecticut [SB 106](#), the Millstone bill passed the Appropriations Committee by a 23-21 vote, thereby keeping it alive in the Senate. The Republican Senate chairman of the committee is from the Millstone district in southeast Connecticut and led the charge, while the Senate Democratic chairwoman from the adjacent district also supported it. Among other things, the bill gives Dominion's nuclear plant special preference at the expense of natural gas.

The Nuclear Regulatory Commission released its [230-page inspection report](#) on the Pilgrim Nuclear Station in Plymouth, concluding that no additional regulatory actions are needed for it to operate "beyond those prescribed for plants in Column 4 ... to ensure that the plant remains safe." The NRC placed Pilgrim in Column 4 status in late 2015 - a downgrade from its previous categorization and one step from the Commission's unacceptable ranking, and conducted lengthy inspections at Pilgrim to assess the potential for additional serious performance declines. The NRC said Pilgrim's owner, Entergy, will submit a revised recovery plan based on the inspection results and face future inspections to ensure compliance. Pilgrim, which was licensed in 1972 and can produce 680 megawatts of power, is scheduled to close for good on 5/31/19.

The New Jersey Petroleum Council joined with other allies to discuss issues surrounding the possibility of the nuclear industry proposals for Zero Emission Credits (ZEC). Those allies included Direct Energy; NJ Chemistry Council; the Large Energy Users; Environment NJ; AARP, and; BioNJ. To date, there's not been any formal legislation introduced. Additional meetings to discuss this issue will be held soon to determine interest and/or the formation of a formal coalition in opposition to this subsidy issue.

In New York, Westchester County Executive Rob Astorino has filed two lawsuits over Governor Cuomo's plans to close the Westchester-County based Indian Point Nuclear Power Plant. The first of the lawsuits alleges the agreement between Indian Point operator Entergy and the Cuomo Administration was undertaken without the review mandated by the New York State Environmental Quality Review Act. The second lawsuit asks the court to annul the recently issued State Pollution Discharge Permit and Water Quality Review Permit alleging the permits were issued based on the agreement to close the plant which was undertaken without an environmental review. The Westchester County Legislature did not vote to back the lawsuit. Astorino said no taxpayer funds will be

spent on the action and defended the suits stating, "If this is allowed to stand then we shouldn't even have a State Environmental Quality Review Act."

In Ohio, API Chief Economist Erica Bowman provided testimony before the House Public Utilities in opposition FirstEnergy nuclear bailout bill, [HB 178](#). She urged the committee to reject the proposal which would skew the energy markets by propping up uncompetitive nuclear generation, increase costs for ratepayers and deny Ohioans the economic and environmental benefits of natural gas. The full testimony is available [here](#). The bill is slated for all testimony on 5/16 and API is working with coalition partners to speak in opposition on the measure. Proponent testimony for the companion bill, [SB 128](#), will be offered by FirstEnergy CEO Chuck Jones, among others, next week in the Senate Public Utilities Committee.

In Pennsylvania, the "nuclear bailout" issue continues to get attention in the media. This week, Stephanie Catarino Wissman, API-PA executive director, was quoted in a [State Impact PA](#) article saying "We are not anti-nuclear. We feel they're an important part of the energy mix. However, they've got to play by the same rules as every other energy source." API-PA continues to meet with legislators and work with the broad based coalition, Citizens Against Nuclear Bailouts.

INFRASTRUCTURE

-Pipeline

Georgia Gov. Nathan Deal signed [HB 413](#) into law on 5/9. The new law is a pro-industry bill that contains the compromise language regarding eminent domain powers for petroleum pipelines. HB 413 includes language that allows pipelines to be constructed anywhere in the state and lays out a better set of rules and regulations for pipeline applications and permits from the Georgia Department of Transportation and the Environmental Protection Division. The Georgia Petroleum Council was able to defeat a move to extend the current petroleum pipeline moratorium in Georgia for an additional 3 years as well as a ban on the construction of petroleum pipelines within the 11-county coastal management zone.

Kansas [HB 2406](#), which would repeal the existing 10-year property tax exemption for qualifying pipelines – those in excess of 190 miles and to which Kansas refineries have access, appears dead for the year in current form. The Kansas Petroleum Council and industry midstream companies have convinced the House Tax Committee Chairman that the bill should not go forward.

Michigan [SR 56](#), a resolution, urges the Governor and Attorney General to exercise their authority under the public trust to terminate the 1953 easement and shut down the Enbridge Energy Line 5 pipelines on the bottomlands of the Straits of Mackinac. The resolution was referred to the Government Operations Committee.

Minnesota [SF 1937](#), the omnibus Jobs and Energy Finance bill, contains language that would require the state to only consider a pipeline route preferred by applicant. The language is in response to the Public Utilities Commission allowing alternative routes for Enbridge's Sandpiper application that was earlier cancelled and the current Line 3 application that are not supported by the applicant. The bill is now in conference, the conference committee report has not yet been voted on the floors of the Senate or House.

The Federal Energy Regulatory Commission ordered a halt to new drilling activity along the Rover Pipeline project in Ohio following a series of environmental violations until the operating company complies with new measures and receives authorization. In total, 18 incidents have been reported in 11 Ohio counties over the past 8 weeks. Ohio EPA has indicated that at least 8 of these incidents violated state law, and the rest are under review. Consequently, the parent company of the pipeline project, Energy Transfer Partners, has been ordered to pay \$431,000 for these violations, in addition to submitting plans to address potential future releases and restore impacted wetlands. FERC will allow some non-drilling activity to continue, in order to avoid any further adverse impacts, but has ordered the company to double the number of environmental inspectors to ensure compliance along the entire pipeline route. Additionally, the commission instructed the company to immediately hire an independent third-party contractor to analyze all drilling activities. Energy Transfer Partners has indicated it is working with FERC and Ohio EPA to resolve the matter.

In Virginia, Atlantic Coast Pipeline opponents have developed a new line of argument against the Pipeline, claiming that it will require the removal of mountaintops in the construction phase. Meanwhile, Virginia Natural Gas, a subsidiary of Southern Company, which provides local distribution largely to the Hampton Roads region, has run into local resistance to a 9-mile pipeline in Chesapeake and Norfolk that would be built completely along an existing Dominion power line right of way. The project is very close to approval and is at the end stages of receiving their state permits. However, homeowners groups, environmental groups, and some minority/poverty groups have jumped in to oppose it and are influencing local legislators to interfere with the process.

-Rail

In Florida, fire chiefs from the Treasure Coast (central Florida eastern coast) sent a [letter](#) to the Governor expressing concerns about

lack of training and equipment to manage risks associated with increasing rail transportation of CNG and ethanol as well as other hazardous cargo. The letter highlights necessary training, equipment and infrastructure improvements but does not include a funding request. While the intent was likely to raise the Governor's awareness of the issues, the FPC will also monitor public reactions as the [press \(and here\)](#) has published reports about the letter.

-Safety/Security

Florida [HB 1027](#) addressing the use of drones awaits delivery to the Governor for his consideration. The bill preempts local regulations on drones, prevents flyovers of critical infrastructure (except for commercial inspections) and includes provisions for delivery drones.

Oklahoma [HB 1123](#) which establishes penalties for persons trespassing on critical infrastructure was signed into law by the Governor on 5/3. The new law took effect on the Governor's signature.

KEY ISSUES

Redistricting

Maryland Gov. Larry Hogan vetoed SB 1023 creating an Independent Congressional Redistricting Commission. The Governor called the bill "phony" because it requires 5 other states to agree before it would take effect. For 3 years Hogan has submitted legislation that would turn the task of drawing Congressional and state legislative districts over to an independent board, but it has never moved forward.

Regulatory Reform

Pennsylvania's Senate Rules and Executive Nominations Committee reported out [SB 561](#) on 5/8; the bill is now on the Senate calendar. SB 561 amends the Regulatory Review Act to require that economically significant regulations be sent to the General Assembly for approval. If the General Assembly does not adopt a joint resolution approving the regulation in the time prescribed by the bill, the regulation is deemed not approved and shall not take effect. Economically significant is defined as a regulation that has an impact or cost exceeding \$1 million.

Divestment

Maine [LD 981](#) which, among other provisions, would have required the state to divest itself of investments in entities engaged in the financing and construction of the Dakota Access Pipeline has been soundly rejected by the Legislature, killing the bill for the year. API worked closely with legislative leaders on the bill, and with state pension officials who opposed the measure.

New York [SB 923](#) which would uphold previously enacted sanctions by New York State against investment with companies operating in Iran's financial and energy sectors is now on the Senate floor awaiting action. The bill further upholds those sanctions unless a duly executed treaty approved by two-thirds of the United States Senate abrogates the same in accordance with federal law. The Assembly version remains in the Governmental Operations Committee.

In New York, supporters of the Fossil Fuel Divestment Act (AB 3712/SB 4596) were in Albany asking the State Comptroller to divest the New York State Common Retirement Fund from the top 200 companies that hold the largest carbon content fossil fuel reserves. Activists held a press conference in the Capital in an attempt to pressure lawmakers, including state Comptroller Tom DiNapoli and City Comptroller Scott Stringer, for their support. Both DiNapoli and Stringer have shied away from such measures in the past. State Comptroller spokeswoman Jen Freeman said the state's pension fund actively seeks ways to work with companies "in building a cleaner, sustainable global economy, while fulfilling our fiduciary duty to maximize the long-term value of the fund through profitable investment."

TAXATION

The Kansas legislature is now on day 87 of their 90-day session and has yet to pass a 2-year budget and a tax increase to fund a projected 2-year deficit of nearly \$1B. Lawmakers must also pass a new school finance formula and fund it with more tax increases in the amount of an additional \$150m per year by 6/30 as mandated by the Kansas Supreme Court. The debate has been about whether to pass the budget and fix the deficit with a tax increase plan first and do another school finance tax increase later OR wait until the school finance plan is passed and ascertain how much it will cost before passing one massive tax increase to cover both the budget deficit and the new court-ordered school finance plan.

West Virginia is in special session. The state Senate passed the Governor's revenue bill that would balance the state budget by raising some taxes, while decreasing the state income tax 6 months later. However just a few minutes later, the House voted to kill the bill on first reading. Both the House and Senate the recessed and will return on Monday (5/15).

Motor Fuel

In Illinois, Rep. Marcus Evans, Chairman of the Transportation Committee, held a subject matter hearing on the Motor Fuel Tax formula this week. While the hearing was meant to be an educational experience for new committee members, it turned into a sounding board for proponents of a Capital Bill. Many proponents leveraged their support for an increase in the motor fuel tax with fee reductions for their particular industries. No advancement of a Capital Bill was discussed by any member of the committee. While the Corn Growers were expected to inject E15 incentives into the discussion, ethanol was never discussed during the course of the hearing.

Tennessee [HB 910](#), which diverts money from the highway fund – about \$2 million more per year than currently – to cover the cost of TWRA enforcing boating safety laws, passed the General Assembly. Proponents say the idea is to send money from fuel taxes collected by marinas selling gas to assuring that boating laws are enforced.

Tax "Havens"

The Massachusetts Joint Revenue Committee held a hearing this week on two "tax haven" bills, [HB 1501](#) and [SB 1659](#). HB 1501 would direct the Commissioner of Revenue to create a tax haven blacklist based on a list of criteria regarding foreign tax jurisdictions. The commissioner could update this list biennially. SB 1659 lists 36 jurisdictions as tax havens, including the Netherlands, Switzerland, Singapore and Luxembourg, that could be updated every two years by the Legislature based on recommendations from the commissioner. While no one testified either for or against the bills, written testimony in opposition to the two bills was submitted by the Organization for International Investment, which represents several API members. Similar bills filed in previous sessions have ended up in the legislative graveyard, although projected budget deficits have brought particular focus this year on ways to enhance revenues.

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