LSC Redbook

Analysis of the Executive Budget Proposal

Petroleum Underground Storage Tank Release Compensation Board

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March 2009

READER'S GUIDE

The Legislative Service Commission prepares an analysis of the executive budget proposal for each agency. These analyses are commonly called "Redbooks." This brief introduction is intended to help readers navigate the Redbook for the Petroleum Underground Storage Tank Release Compensation Board (UST), which includes the following three sections.

1. *Overview*: Provides a brief description of UST and relevant operating statistics.
2. *Analysis of the Executive Proposal:* Provides a detailed analysis of the executive budget recommendations for UST, which in the budget bill includes non-GRF funding only for the Boards personnel costs. Most of the operating costs of the agency are paid from tank fees paid into a custodial fund that does not require legislative appropriation.
3. *Attachments*: Includes the catalog of budget line items (COBLI) for UST, which briefly describes the funding source and purpose of the line item that supports agency operations, and the LSC budget spreadsheet.

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Petroleum Underground Storage Tank Release Compensation Board

- Recommended biennial appropriation of $2.3 million
- No GRF Funding
- More than $165 million disbursed for the reimbursement of corrective action costs since inception

OVERVIEW

Agency Overview

The Petroleum Underground Storage Tank Release Compensation Board (UST) was established in 1989 to comply with federally mandated requirements concerning underground storage tank owners' financial responsibility requirements established in Subtitle I of the Resource Conservation and Recovery Act (RCRA). The Board serves Ohio's underground storage tank owners and operators by overseeing the Financial Assurance Fund, which provides a mechanism for all underground storage tank owners and operators to meet United States Environmental Protection Agency (USEPA) regulations requiring them to demonstrate financial capability to pay for potential damage caused by releases from their underground storage tanks.

The Financial Assurance Fund assures underground storage tank owners reimbursement of up to $1 million, less a standard deductible of $55,000, for necessary corrective actions. Owners of six or fewer underground storage tanks may pay an additional $200 fee per tank to receive a reduced deductible of $11,000. In FY 2008, 21,324 underground tanks were covered by the program. In addition to the fees collected from underground storage tank owners, the FAF also consists of the proceeds from the sale of revenue bonds and interest earnings. As of February 3, 2009, the unobligated balance of the FAF is approximately $11.7 million. The obligated balance of approximately $4.1 million represents the amount the Board anticipates paying for claims reimbursements through the end of FY 2009. An additional $7.0 million is maintained for debt service on the revenue bonds sold.

The Board consists of nine members appointed by the Governor. The State Treasurer and the directors of the Department of Commerce and the Ohio Environmental Protection Agency serve as exofficio members. Day to day operations

are handled by an executive director and 15 staff responsible for determining tank owner eligibility and reimbursement, reporting and regulation, and administration.

Appropriation Overview

The Board's entire budget is for staff payroll costs, appropriated in line item 810632, PUSTRCB Staff, within the PUSTRCB Staff Fund (Fund 6910). The appropriation is supported by a portion of the fees assessed to underground storage tank owners and operators. Recommended funding for the agency is approximately $1.1 million in each fiscal year. Table 1 below shows the exact amounts and how they compare to the FY 2009 appropriation.

Table 1. Executive Budget Recommendation for UST, FY 2010-FY 2011

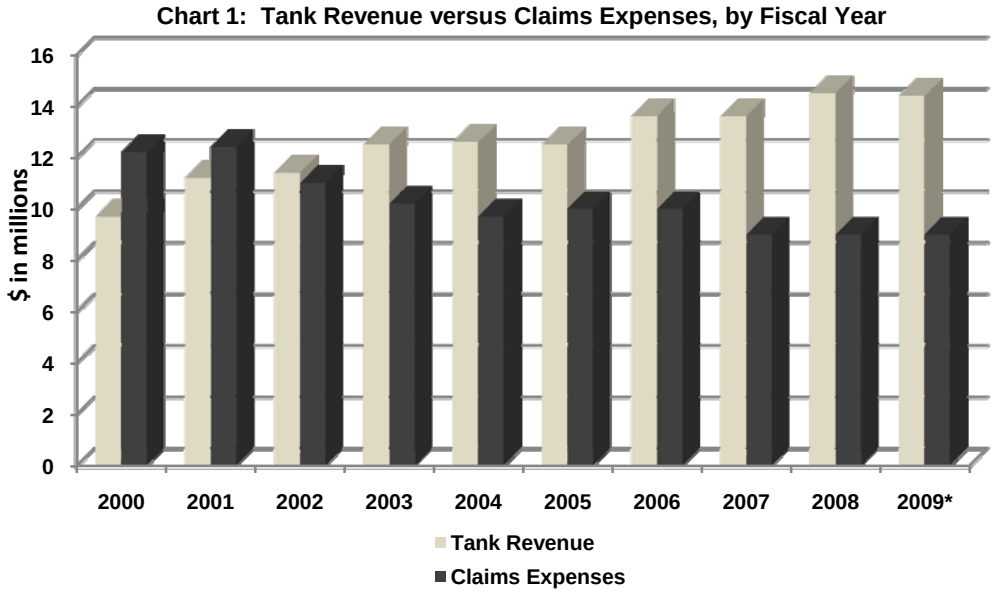
Line Item	FY 2009	FY 2010	% change, FY 2009-FY 2010	FY 2011	% change, FY 2010-FY 2011
810632, PUSTRCB Staff	$1,169,181	$1,134,860	(2.9%)	$1,144,627	0.8%
Total	**$1,169,181**	**$1,134,860**	**(2.9%)**	**$1,144,627**	**0.8%**

As explained previously, beside the small portion of tank fees that is tank fees that is set aside for payroll, the majority of the tank fees are deposited in the Financial Assurance Fund, a custodial fund that is not appropriated. This custodial fund is used to pay for claims expenses and debt service on bonds.

Tank Revenue versus Claim Expenses

The number of assurable petroleum tanks has decreased as owners and operators have come into compliance with USEPA mandates to upgrade, remove, or replace them by December 1998. The number continues to decline, although at a slower rate than in the years predating 1998. In 1989 there were 50,000 assured tanks. There are now just over 21,300. UST has received, on average, about 80 applications for eligibility in the last five fiscal years, compared to an average 297 applications for each of the five years leading up to the 1998 upgrade deadline. As no further action is determined for the pre-1998 releases, UST anticipates a decline in the number of claims being submitted on an annual basis.

UST calculates its fees by projecting the number of tanks to be assured in the upcoming fiscal year, the expected amount to be paid in claim reimbursements, and its operating costs. The last fee increase was in FY 2005. Chart 1 below shows the Financial Assurance Fund's annual revenues and claims expenses for the last ten fiscal years.



*FY 2009 estimate

ANALYSIS OF EXECUTIVE PROPOSAL

Reporting and Compliance

The appropriation below funds all the personnel costs related to reporting and compliance functions of the Board. It is the only line item in UST's budget that requires legislative appropriation. UST oversees the Financial Assurance Fund, a custodial fund which provides financial assistance to petroleum underground storage tank owners and operators to clean up contamination caused by releases from assured tanks.

Governor's Recommended Amounts for Reporting and Compliance				
Fund	**ALI and Name**		**FY 2010**	**FY 2011**
UST Fund Group				
6910	810632	PUSTRCB Staff	$1,134,860	$1,144,627
		UST Fund Group Subtotal	***$1,134,860***	***$1,144,627***
Total Funding: UST Fund Group			**$1,134,860**	**$1,144,627**

This line item is used to fund only the personnel costs of the 16 staff. The chief responsibility of the staff is to verify that tank owners are in compliance with all State Fire Marshal regulations concerning underground storage tanks, and if so, issuing certificates of assurability. The staff also collects annual tank fees, which are due July 1, and any penalties for late payments. Additionally, the Board's claims staff must determine whether underground storage tank owners are eligible for reimbursement costs and how much money should be granted in the event of an accidental release.

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Agency Fund Group

6910 810632 PUSTRCB Staff

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
$1,011,189	$1,061,085	$988,138	$1,169,181	**$1,134,860**	**$1,144,627**
	4.9%	-6.9%	18.3%	**-2.9%**	**0.9%**

Source: AGY: Annual tank fees paid by petroleum underground storage tank owners (allocated to this account from the petroleum underground storage tank Financial Assurance Fund). The per tank fee is $600 for a standard $55,000 deductible. Owners of six or fewer USTs may pay an additional $200 per tank for a reduced $11,000 deductible.

Legal Basis: ORC 3737.90 and 3737.91; Section 359.10 of Am. Sub. H.B. 119 of the 127th G.A. (originally established by Controlling Board in June 1990

Purpose: Moneys in this fund are used to pay the salaries and other expenses of the staff of the Petroleum Underground Storage Tank Release Compensation Board.

LSC Budget Spreadsheet by Line Item, FY 2010 - FY 2011

Fund	ALI	ALI Title	2008	2009	As Introduced 2010	% Change 2009 to 2010	As Introduced 2011	% Change 2010 to 2011
UST		**Petroleum Underground Storage Tank**						
6910	810632	PUSTRCB Staff	$ 988,138	$ 1,169,181	$ 1,134,860	-2.9%	$ 1,144,627	0.9%
Agency Fund Group Total			**$ 988,138**	**$ 1,169,181**	**$ 1,134,860**	**-2.9%**	**$ 1,144,627**	**0.9%**
Total All Budget Fund Groups			***$ 988,138***	***$ 1,169,181***	***$ 1,134,860***	***-2.9%***	***$ 1,144,627***	***0.9%***