

LSC Redbook

Analysis of the Executive Budget Proposal

Petroleum Underground Storage Tank Release Compensation Board

Matthew L. Stiffler, Budget Analyst
Legislative Service Commission

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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 the Board's existing functions and staffing, and an overview of the executive recommended budget for the FY 2012-FY 2013 biennium.
2. Analysis of the Executive Proposal: Provides an analysis of the Board's executive recommended budget, which consists of non-GRF funding solely for the Board's payroll costs.
3. Attachments: Includes the Catalog of Budget Line Items (COBLI), which describes the funding source and purpose of the Board's lone budgeted line item, and the LSC budget spreadsheet, which summarizes the line item's recent expenditure and appropriations history.

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ATTACHMENTS:

 Catalog of Budget Line Items

 Budget Spreadsheet By Line Item

Petroleum Underground Storage Tank Release Compensation Board

- Non-GRF entity
- Budget funded by tank fee collections
- More than 26,000 tanks certified annually

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 U.S. Environmental Protection Agency (USEPA) regulations requiring them to demonstrate financial capability to pay for potential damage caused by releases from their underground storage tanks (USTs).

Financial Assurance Fund

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 2010, more than 21,600 underground tanks were covered by the fund. In addition to the fees and charges collected from underground storage tank owners, the fund also consists of the proceeds from the sale of revenue bonds and interest earnings.

Staffing Level

The Board consists of nine members appointed by the Governor with the advice and consent of the Senate. The Treasurer of State and the directors of the Department of Commerce and the Ohio Environmental Protection Agency serve as ex officio members. Appointed members of the Board are compensated on a per diem for each day of actual attendance at meetings of the Board. Members also receive their actual and necessary expenses incurred in the performance of their duties as members of the Board.

Day-to-day operations are handled by an executive director and 15 staff responsible for administering two distinct programs.

1. The Reporting and Compliance Program, which involves the assessment, collection, and application of an annual per tank fee, and the issuance of a Certificate of Coverage for all USTs covered by the Financial Assurance Fund.
2. The Eligibility and Determination Program, which involves an eligibility review to determine if Financial Assurance Fund coverage may be extended for a release, and a claims review conducted to determine if particular costs associated with the release are reimbursable.

Appropriation Overview

For the FY 2012-FY 2013 biennium, as noted in Table 1 immediately below, the executive proposed budget recommends the Board receive non-GRF funding totaling \$1,162,179 in FY 2012 and \$1,123,014 in FY 2013. All of that recommended funding would be allocated solely for payroll expenses.

Fund Group	FY 2011*	FY 2012	% change, FY 2011-FY 2012	FY 2013	% change, FY 2012-FY 2013
Agency	\$1,144,627	\$1,162,179	1.5%	\$1,123,014	-3.4%
TOTALS	\$1,144,627	\$1,162,179	1.5%	\$1,123,014	-3.4%

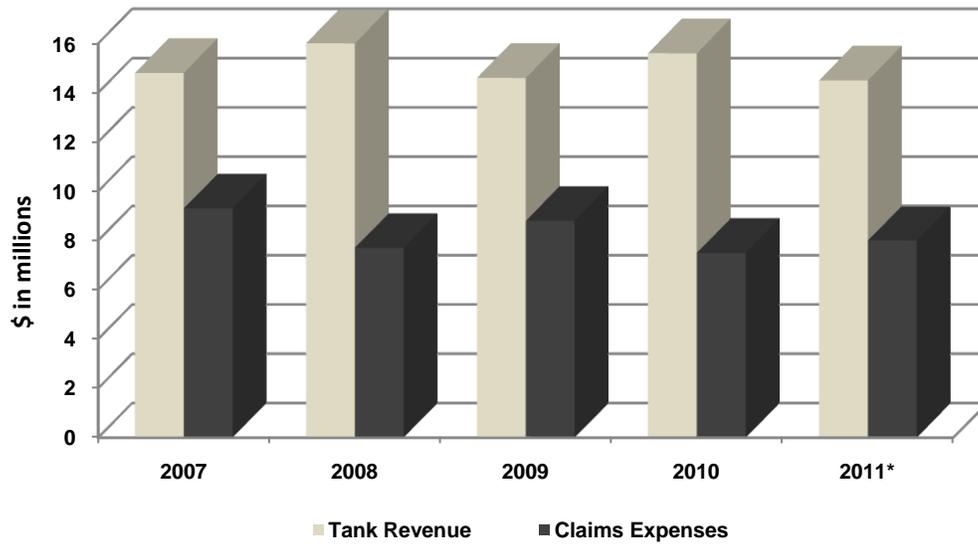
*FY 2011 figures represent estimated expenditures.

Tank Revenue versus Claim Expenses

The number of USTs covered by the Financial Assurance Fund has decreased as owners and operators have come into compliance with USEPA mandates to upgrade, remove, or replace tanks 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 USTs covered by the fund. There are now just over 21,600. As no further action is determined for the pre-1998 releases, the Board anticipates a decline in the number of claims being submitted in future years.

The Board calculates its fees by projecting the number of tanks to be covered 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 from FY 2007 projected through FY 2011.

Chart 1: Tank Revenue versus Claims Expenses, by Fiscal Year



*FY 2011 figures are estimates.

ANALYSIS OF EXECUTIVE PROPOSAL

Table 2 immediately below shows the Board's lone line item that is subject to the biennial budgeting process, as well as the executive recommended appropriation for each of FYs 2012 and 2013. It is then followed by a narrative describing how the appropriated amounts will be used, and the implications of the executive recommended funding levels. These appropriations will be supported by cash transferred from the Financial Assurance Fund, an account in the custody of the Treasurer of State that is not part of the state treasury. All of the Board's other expenses, including the debt service on bonds and the payment of claims, are paid directly from the Financial Assurance Fund.

Table 2. Executive Recommended Amounts for the Board				
Fund	ALI and Name		FY 2012	FY 2013
Agency Fund (AGY) Group				
6910	810632	PUSTRCB Staff	\$1,162,179	\$1,123,014

This AGY line item is used solely for the payroll expenses (wages and salaries, fringe benefits, and other personnel charges) generated by nine appointed Board members and 16 full-time staff. The executive recommended amounts are likely to be sufficient to cover the anticipated payroll expenses in each of FYs 2012 and 2013.

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Petroleum Underground Storage Tank Release Compensation Board

Agency Fund Group

6910 810632 PUSTRCB Staff

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$988,138	\$1,044,989	\$980,954	\$1,144,627	\$1,162,179	\$1,123,014
	5.8%	-6.1%	16.7%	1.5%	-3.4%

Source: Agency Fund Group: Money appropriated from the Petroleum Underground Storage Tank Financial Assurance Fund, a custodial fund created in ORC 3737.91 that consists of fees and charges paid by owners of underground storage tanks, interest earned on moneys in the fund, and proceeds from revenue bonds authorized by the Petroleum Underground Storage Tank Release Compensation Board

Legal Basis: Section 355.10 of Am. Sub. H.B. 1 of the 128th G.A. (originally established by Controlling Board in June 1990)

Purpose: The line item's appropriation is used for the Board's payroll expenses.

FY 2012 - FY 2013 Introduced Appropriation Amounts

All Fund Groups

Line Item Detail by Agency			FY 2010	Estimate FY 2011	Introduced FY 2012	FY 2011 to FY 2012 % Change	Introduced FY 2013	FY 2012 to FY 2013 % Change
Report For Main Operating Appropriations Bill			Version: As Introduced					
UST Petroleum Underground Storage Tank Release Compensation Board								
6910	810632	PUSTRCB Staff	\$ 980,954	\$ 1,144,627	\$ 1,162,179	1.53%	\$ 1,123,014	-3.37%
Agency Fund Group Total			\$ 980,954	\$ 1,144,627	\$ 1,162,179	1.53%	\$ 1,123,014	-3.37%
Petroleum Underground Storage Tank Release Compensation Board Total			\$ 980,954	\$ 1,144,627	\$ 1,162,179	1.53%	\$ 1,123,014	-3.37%