

# **LSC Redbook**

**Analysis of the Executive Budget Proposal**

## **Petroleum Underground Storage Tank Release Compensation Board**

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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 2016-FY 2017 biennium.
2. **Analysis of 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
- Financial Assurance Fund covers approximately 21,000 USTs

## OVERVIEW

### Agency Overview

The Petroleum Underground Storage Tank Release Compensation Board was established in 1989 to comply with federally mandated requirements concerning petroleum underground storage tank (UST) owners' financial responsibility established in Subtitle I of the Resource Conservation and Recovery Act (RCRA). The Board serves Ohio's UST 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. These regulations require owners and operators to demonstrate financial capability to pay for potential damage caused by releases from their USTs.

### Appropriations Overview

For the FY 2016-FY 2017 biennium, as noted in Table 1 immediately below, the executive budget recommends the Board receive non-GRF funding totaling \$1,257,155 in FY 2016, an amount that is \$115,184, or 10.1%, more than FY 2015 estimated expenditures of \$1,141,971. For FY 2017, the executive budget recommends \$1,258,914, an increase of 0.1%, or \$1,759, from the FY 2016 recommendation. All of the recommended funding will be allocated solely for payroll expenses.

**Table 1. Executive Budget Recommendations by Fund Group, FY 2016 and FY 2017**

Fund Group	FY 2015*	FY 2016	% change, FY 2015-FY 2016	FY 2017	% change, FY 2016-FY 2017
Dedicated Purpose	\$1,141,971	\$1,257,155	10.1%	\$1,258,914	0.1%
<b>TOTAL</b>	<b>\$1,141,971</b>	<b>\$1,257,155</b>	<b>10.1%</b>	<b>\$1,258,914</b>	<b>0.1%</b>

\*FY 2015 figures represent estimated expenditures.

## 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 16 staff, including an executive director.

## Programs

The Board administers the following two distinct programs:

- **Reporting and Compliance.** Responsible for 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.
- **Eligibility and Reimbursement Determination.** Responsible for an eligibility review to determine if Financial Assurance Fund coverage may be extended for a release and conducting a claims review to determine if particular costs associated with the release are reimbursable.

The allocation of the executive recommended biennial funding for each of these two programs is expected to be more or less as summarized in Table 2 below.

<b>Program</b>	<b>Biennial Recommendation</b>	<b>% of Total</b>
Reporting and Compliance	\$1,096,884	43.6%
Eligibility and Reimbursement Determination	\$1,419,185	56.4%
<b>TOTAL</b>	<b>\$2,516,069</b>	<b>100.0%</b>

## Financial Assurance Fund

The Financial Assurance Fund, which is in the custody of the Treasurer of State, consists of annual and supplemental per-tank fees, interest earnings, and revenue bond proceeds.<sup>1</sup> The fund assures a UST owner correction cost reimbursement of up to \$1 million, less the deductible. Fees are currently set at \$500 annually for a single tank with a standard deductible of \$55,000 for necessary corrective actions.<sup>2</sup> Owners of six or fewer USTs may elect to pay an additional \$200 fee per tank for a reduced deductible of \$11,000. The Board estimates it will collect \$11.9 million in tank fees in FY 2015. Approximately 21,000 USTs across about 7,600 facilities are covered by the fund.

<sup>1</sup> Two previously issued sets of bonds totaling \$65 million were paid off in FY 2011.

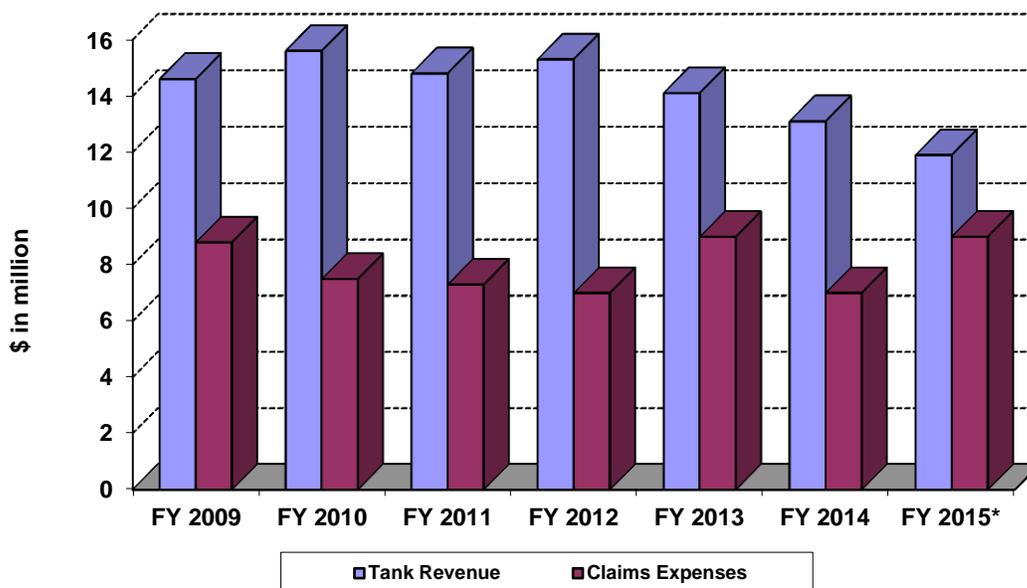
<sup>2</sup> The annual per-tank fee was reduced from \$600 (set in FY 2007) to \$500 in FY 2014.

The Board is permitted to assess per-tank fees as follows: (1) an annual per-tank fee in any year in which the unobligated fund balance is below \$45 million, and (2) a supplemental per-tank fee in any year in which the unobligated fund balance is less than \$15 million. As of January 31, 2015, the unobligated fund balance was \$24.4 million.

The number of USTs covered by the 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 approximately 21,000. 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. Chart 1 below shows the fund's annual revenues and claims expenses from FY 2009 projected through FY 2015. Over that seven-year period, annual revenue ranges between \$11.9 million (FY 2015 estimate) and \$15.6 million (FY 2010), an average of \$14.2 million per year. Annual claims expenses range between \$7.0 million (FYs 2012 and 2014) and \$9.0 million (FY 2013 and FY 2015 estimate), an average of \$7.9 million per year.

**Chart 1. Tank Revenue and Claims Expenses, FY 2009-FY 2015**



\*FY 2015 amounts are estimates.

## ANALYSIS OF EXECUTIVE PROPOSAL

The table immediately below shows the Board's only line item that is subject to the biennial budgeting process, as well as the executive recommended appropriation for each of FYs 2016 and 2017. 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.

Executive Recommended Amounts for the Board				
Fund	ALI and Name		FY 2016	FY 2017
<b>Dedicated Purpose Fund Group</b>				
6910	810632	Petroleum Underground Storage Tank Release Compensation Board – Operating	\$1,257,155	\$1,258,914

This 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 appropriations are less than what the Board requested by \$90,694 in FY 2016, and \$96,967 in FY 2017. The Board's budget request submitted to the Office of Budget and Management asked for additional funding in each fiscal year to: (1) award merit pay increases averaging 3.5% (last increase was January 2012), and (2) hire one new Claims Analyst to expedite services provided by the Eligibility and Reimbursement Determination Program. The executive recommendations will be sufficient for the Board to continue delivering FY 2015 services levels in the next biennium. However, from the Board's perspective, there will not be sufficient funding to both award pay raises and hire an additional analyst.

All of the Board's other expenses (supplies and maintenance, purchased personal services, equipment, and corrective action and compensation payments) are paid directly out of the Financial Assurance Fund by warrant of the Treasurer of State.

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# Petroleum Underground Storage Tank Release Compensation Board

## Dedicated Purpose Fund Group

### 6910 810632 Petroleum Underground Storage Tank Release Compensation Board - Operating

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$1,166,326	\$1,123,265	\$1,111,365	\$1,141,971	<b>\$1,257,155</b>	<b>\$1,258,914</b>
	-3.7%	-1.1%	2.8%	<b>10.1%</b>	<b>0.1%</b>

**Source:** Dedicated Purpose Fund Group: Money appropriated from the Petroleum Underground Storage Tank Financial Assurance Fund

**Legal Basis:** Section 347.10 of Am. Sub. H.B. 59 of the 130th G.A. (originally established by Controlling Board in June 1990)

**Purpose:** This line item is used solely to pay for the Board's personal services costs (staff payroll and related charges).

## FY 2016 - FY 2017 Introduced Appropriation Amounts

## All Fund Groups

### Line Item Detail by Agency

			Estimate	Introduced	FY 2015 to FY 2016	Introduced	FY 2016 to FY 2017	
			FY 2014	FY 2015	FY 2016	% Change	FY 2017	% Change
<b>Report For Main Operating Appropriations Bill</b>			<b>Version: As Introduced</b>					
<b>UST Petroleum Underground Storage Tank Release Compensation Board</b>								
6910	810632	Petroleum Underground Storage Tank Release Compensation Board - Operating	\$ 1,111,365	\$ 1,141,971	\$ 1,257,155	10.09%	\$ 1,258,914	0.14%
<b>Dedicated Purpose Fund Group Total</b>			<b>\$ 1,111,365</b>	<b>\$ 1,141,971</b>	<b>\$ 1,257,155</b>	<b>10.09%</b>	<b>\$ 1,258,914</b>	<b>0.14%</b>
<b>Petroleum Underground Storage Tank Release Compensation Board Total</b>			<b>\$ 1,111,365</b>	<b>\$ 1,141,971</b>	<b>\$ 1,257,155</b>	<b>10.09%</b>	<b>\$ 1,258,914</b>	<b>0.14%</b>