

LSC Greenbook

Analysis of the Enacted Budget

Petroleum Underground Storage Tank Release Compensation Board

Garrett Crane, Budget Analyst
Legislative Service Commission

July 2015

TABLE OF CONTENTS

OVERVIEW..... 1
Duties and Responsibilities..... 1
Appropriation Overview 1
Staffing Level..... 2
Financial Assurance Fund 2
ANALYSIS OF ENACTED BUDGET 4

ATTACHMENT:

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

Duties and Responsibilities

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.

Appropriation Overview

For the FY 2016-FY 2017 biennium, as noted in the table below, the budget appropriates for the Board's use non-GRF funding totaling \$1,257,155 in FY 2016 and \$1,258,914 in FY 2017. All of the appropriated funding will be allocated solely for payroll expenses.

UST Appropriations by Fund Group, FY 2016 and FY 2017 (Am. Sub. H.B. 64)					
Fund Group	FY 2015*	FY 2016	% change, FY 2015-FY 2016	FY 2017	% change, FY 2016-FY 2017
Dedicated Purpose	\$1,115,317	\$1,257,155	12.8%	\$1,258,914	0.1%
TOTAL	\$1,115,317	\$1,257,155	12.8%	\$1,258,914	0.1%

*FY 2015 figures represent actual 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, and are responsible for administering 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.

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.¹ 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.² Owners of six or fewer USTs may elect to pay an additional \$200 fee per tank for a reduced deductible of \$11,000. Approximately 21,000 USTs across about 7,600 facilities are covered by the fund.

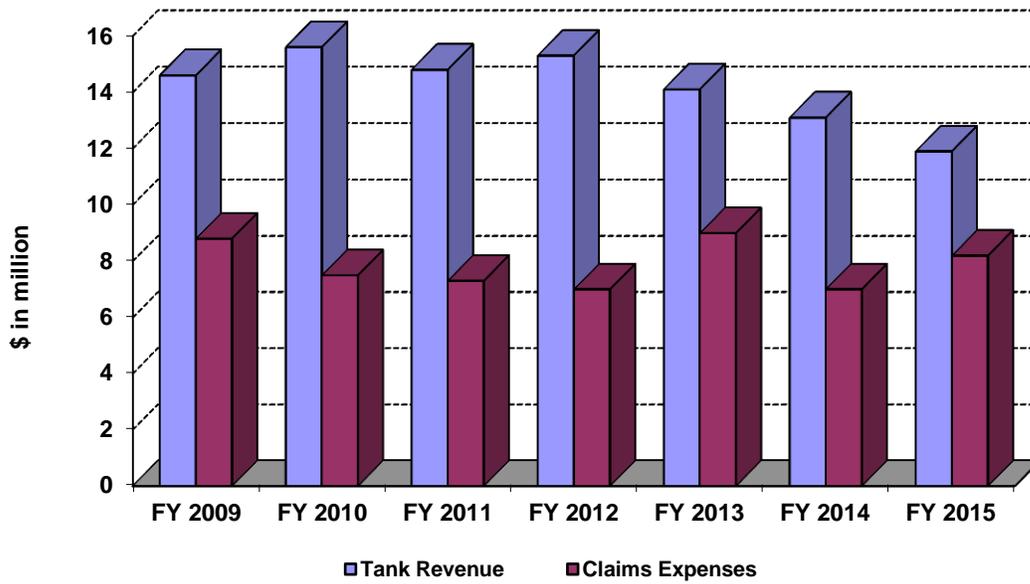
The number of USTs covered by the fund has decreased as owners and operators have come into compliance with USEPA mandates to upgrade, remove, or replace tanks by December 1998. The number continues to decline, although at a slower rate than in the years predating 1998. In 1989, there were 50,000 USTs 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.

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

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

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 chart below shows the fund's annual revenues and claims expenses from FY 2009 through FY 2015. Over that seven-year period, annual revenue ranged between \$11.9 million (FY 2015) and \$15.6 million (FY 2010), an average of \$14.2 million per year. Annual claims expenses ranged between \$7.0 million (FYs 2012 and 2014) and \$9.0 million (FY 2013), an average of \$7.8 million per year.

Tank Revenue and Claims Expenses, FY 2009-FY 2015



ANALYSIS OF ENACTED BUDGET

The table below shows the Board's only line item that is subject to the biennial budgeting process, as well as the 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 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.

Appropriation Amounts for the Board				
Fund		ALI and Name	FY 2016	FY 2017
Dedicated Purpose Fund Group				
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) incurred for nine appointed Board members and 16 full-time staff. The appropriations are less than what the Board requested by \$90,694 in FY 2016 and \$96,967 in FY 2017 for the purpose of: (1) awarding merit pay increases averaging 3.5% (last increase was January 2012), and (2) hiring one new Claims Analyst to expedite services provided by the Eligibility and Reimbursement Determination Program. The appropriations will be sufficient for the Board to continue delivering FY 2015 services levels in each of FYs 2016 and 2017. 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.

UST.docx/lb

FY 2016 - FY 2017 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			FY 2014	FY 2015	Appropriation FY 2016	FY 2015 to FY 2016 % Change	Appropriation FY 2017	FY 2016 to FY 2017 % Change
Report For Main Operating Appropriations Bill			Version: As Enacted					
UST Petroleum Underground Storage Tank Release Compensation Board								
6910	810632	Petroleum Underground Storage Tank Release Compensation Board - Operating	\$ 1,111,365	\$ 1,115,317	\$ 1,257,155	12.72%	\$ 1,258,914	0.14%
Dedicated Purpose Fund Group Total			\$ 1,111,365	\$ 1,115,317	\$ 1,257,155	12.72%	\$ 1,258,914	0.14%
Petroleum Underground Storage Tank Release Compensation Board Total			\$ 1,111,365	\$ 1,115,317	\$ 1,257,155	12.72%	\$ 1,258,914	0.14%