

Redbook

LBO Analysis of Executive Budget Proposal

Ohio Petroleum Underground Storage Tank Release Compensation Board

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LBO Redbook

Ohio Petroleum Underground Storage Tank Release Compensation Board

Quick look...

- The Ohio Petroleum Underground Storage Tank Release Compensation Board has the primary responsibility of administering the Petroleum Financial Assurance Fund, which is used to reimburse owners and operators of underground petroleum storage tanks for the costs of corrective actions and damage compensation paid to third parties.
- The Board's appropriations consist of cash transferred from the fund solely for paying personal services; it receives no GRF funding.
- The Petroleum Financial Assurance Fund is not a part of the state treasury and instead is in the custody of the Treasurer of State.
- The executive budget will permit the Board to maintain current service delivery levels, including anticipated mandatory increases in health care and salary costs if authorized.

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
Fund 6910 ALI 810632, Petroleum Underground Storage Tank Release Compensation Board – Operating					
\$1,154,094	\$1,357,727	\$1,380,903	\$1,419,129	\$1,470,292	\$1,489,689
% change	17.6%	1.7%	2.8%	3.6%	1.3%

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 Petroleum 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.

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 basis 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. The day-to-day operations of the Board are handled by 16 full-time equivalent (FTE) staff, including an executive director.

Analysis of FY 2022-FY 2023 budget proposal

The Board's single line item, supported by cash transferred from the Petroleum Financial Assurance Fund, is used solely for the payroll expenses (wages and salaries, fringe benefits, and other personnel charges) associated with the nine Board members and 16 FTE staff. 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 Petroleum Financial Assurance Fund by warrant of the Treasurer of State.

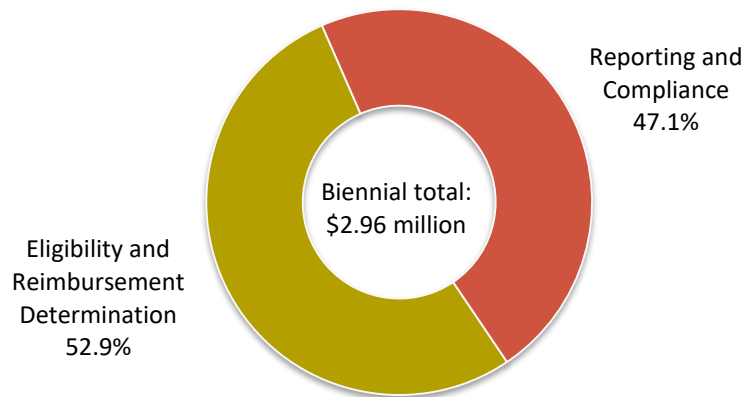
The preceding table shows the line item's expenditure history for personnel expenses from actual FY 2018 expenditures through the executive proposed appropriations for FY 2022 and FY 2023. The proposed appropriation increases for FY 2022 and FY 2023 relative to the FY 2021 estimated expenditures will permit the Board to maintain current service delivery levels, including anticipated increases in health care and salary costs. A previously scheduled 3% wage increase budgeted for FY 2021 was postponed. It will instead take place during the FY 2022-FY 2023 biennium.

Programs

The Board's operations are primarily split between two program areas: Eligibility and Reimbursement Determination and Reporting and Compliance. Total funding, \$2.96 million, as proposed in the budget between the two programs is shown in Chart 1 below. As shown, the Eligibility and Reimbursement Determination Program accounts for the largest share of the Board's budget at 52.9%, or \$1.6 million. This program is responsible for an eligibility review to determine if Petroleum Financial Assurance Fund coverage may be extended for a release, and for conducting a claims review to determine if particular costs associated with the release are reimbursable.

The remainder (47.1%, or \$1.4 million) is allocated for the Reporting and Compliance Program, which is responsible for 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 Petroleum Financial Assurance Fund. Approximately 3,100 applications for a Certificate of Coverage are issued for about 140 facilities each year. Staff in this program area also work with the Office of the Attorney General to pursue collections of delinquent accounts.

**Chart 1: Petroleum Underground Storage Tank Release Compensation Board Budget by Program
FY 2022-FY 2023 Biennium**



Petroleum Financial Assurance Fund

The Petroleum 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. The fund assures a UST owner correction cost reimbursement of up to \$1 million, less the deductible. Fees are currently set at \$350 annually for a single tank with a standard deductible of \$55,000 for necessary corrective actions.¹ Owners of six or fewer USTs may elect to pay an additional \$550 fee per tank for a reduced deductible of \$11,000. The Board estimates that it will collect \$8.4 million in fees in FY 2022 and FY 2023. Currently, 20,300 USTs across 6,600 facilities are covered by the fund.

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 August 31, 2020, the unobligated fund balance was \$22.1 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. As of September 2020, the Board had received approximately 20,350 applications for reimbursement since coming into existence. The Board anticipates that it will process 1,400 applications for reimbursement during the upcoming biennium and will be able to maintain current service levels with the appropriation allocated in the proposed budget. However, processing times are expected to continue to be a

¹ The annual per-tank fee was reduced from \$600 (set in FY 2007) to \$500 in FY 2015, to \$400 in FY 2016, and to \$350 in FY 2019.

challenge for as long as personnel are working in a partial remote status as well as partner agencies and clients due to the pandemic.

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 Board opted to not change the fees for the upcoming program year. The table below shows a summary of the cash flow for the Petroleum Financial Assurance Fund as accounted for in the Board's annual financial reports. Tank fees were the largest source of revenue, ranging from \$8.5 million (FY 2019) to \$11.7 million (FY 2015). Operating expenses were largely attributable to claims and claims adjustments. In FY 2018, the Board incurred a rather large claims adjustment, accounting for the spike in that year (\$16 million).

Petroleum Underground Storage Tank Release Compensation Board FY 2015-FY 2019 Revenues and Expenses					
Financial Information	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Operating Revenue					
Tank fees	\$11,680,581	\$9,631,076	\$9,469,624	\$9,535,796	\$8,457,656
Recovery of bad debt	\$121,491	\$256,858	\$192,842	\$137,500	\$136,289
Other	\$169	\$194	\$247	\$9,944	\$256
Non-operating Revenues					
Earnings on investments	\$67,140	\$212,216	\$115,418	\$305,040	\$964,246
Loss on disposal of assets	-\$9	--	--	-\$121	--
Total Revenue	\$11,869,372	\$10,100,344	\$9,778,131	\$9,988,159	\$9,558,447
Operating Expenses					
Incurred claims and claims adjustment	\$10,811,046	\$10,873,008	\$6,296,167	\$16,019,568	\$6,576,939
Administration	\$1,454,979	\$1,591,853	\$1,754,790	\$1,757,295	\$2,181,421
Depreciation	\$25,365	\$13,590	\$11,318	\$16,124	\$25,571
Total Expenses	\$12,291,390	\$12,478,451	\$8,062,275	\$17,792,987	\$8,783,931

Source: Annual Ohio Petroleum Underground Storage Tank Release Compensation Board financial statements (FY 2015-FY 2019)