



Linda S. Adams
Acting Secretary for
Environmental Protection

State Water Resources Control Board

Division of Financial Assistance

1001 I Street • Sacramento, California 95814
P.O. Box 944212 • Sacramento, California • 94244-2120
(916) 341-5815 • FAX (916) 341-5806 • www.waterboards.ca.gov/water_issues/programs/ustcf/



Edmund G. Brown Jr.
Governor

Fiscal Year 2011-2012 UST Cleanup Fund Claim Budget Allocations

The attached table provides the claim budget allocations for fiscal year 2011-2012 (FY 11/12) for all Priority A, B, and C claims, with the few exceptions noted below. The Fund reasonably expects to have available funding for these budgets in the upcoming fiscal year. The Fund anticipates that we will be able to pay reimbursement requests made against these individual claim budgets in a timely manner. The Fund will not be able to pay any costs in excess of these site budgets in a timely manner.

In general, most claims will not receive the requested budget amount. The Fund expects to have approximately \$107 million available in FY 11/12 for claim budgets. We received budget requests for approximately \$254 million. The Fund allocated the available money for claim budgets using the following general considerations:

- Claim priority: A, B, or C. Priority D claims are already limited to 14% minimum by statute, and have therefore been excluded from the budget allocation process for now.
- Amount requested by claimant .
- “Reasonable and necessary” evaluation by Fund staff of requested budget and scope of work.
- Five Year Review results: If a Five Year Review recommended a site for closure consideration, only costs directly related to site closure, such as monitoring well abandonment, were budgeted.
- Total amount of funding available for budgets.
- Claim Activity: Inactive claims (those claims that have not submitted a reimbursement request since January 1, 2008, or a budget request for FY 11/12) were budgeted at zero dollars. These claims will be evaluated by the Fund for final audit and claim closure.
- Phase of corrective action the claim is anticipated to be in in FY 11/12. As an example, within a priority class, sites currently in the operation and maintenance phase of active remediation received larger allocations as necessary to keep existing cleanups progressing.
- Claims in the School District Account and/or the Commingled Plume Account are being budgeted separately, and are not included in the attached table.

All active Priority Class A, B and C claims that are expected to incur costs during FY 11/12 were allocated a budget, with the exceptions noted above. Unfortunately, due to the limited amount of funding available for claim budgets, some significant individual claim costs, such as system start-up costs for Priority B and C claims, were not able to be accommodated in the budget allocation process. Those claims were allocated a minimal annual budget amount of \$10,000. This minimal annual budget amount should be sufficient for limited-scope, semi-annual groundwater monitoring events or other minimal site work as necessary. This allocation is intended to allow the claimant to conduct a minimal amount of work to document current site conditions until the next budget cycle.

The claim budgets are based on our revenue forecasts under current conditions. The Fund understands that legislation has been introduced to extend the Chapter 649, Statutes of 2009 (AB 1188) \$0.006 increase to the Fund fee for another two years. If, and when, this proposed fee extension is passed, the Fund will revisit the claim budgets and adjust them accordingly. Similarly, the Fund will monitor expenditures against the amount of money set aside for contingencies throughout the upcoming year. If this contingency funding is not being used, we anticipate being able to distribute the money to claims budgets incrementally through the course of the year.

These claim budgets are being used as administrative tools to help the Fund manage both our short-term claim-specific cash flow, as well as our overall program cash flow. They are not meant to limit regulatory directives, and should not be used as justification that regulatory directives on a site cannot be complied with. Claimants must continue to comply with existing regulatory directives, regardless of whether the Fund can reimburse those costs or not. The Fund recommends that claimants and regulators discuss strategies to continue corrective action work, perhaps at a smaller-scale or in a phased approach, for those sites with reduced available budgets from the Fund. Implementation of successful cost-saving strategies such as remedial process optimization and long-term monitoring optimization is also strongly encouraged by the Fund.

Future Years

The Fund anticipates that, under current conditions, the amount of funding available for claim budgets will stabilize in future fiscal years as costs from previous fiscal years are paid off.

	FY 2010-2011 Full Year AB 1188 Funding	FY 2011-2012 Half Year AB 1188 Funding	FY 2012-2013 After AB 1188 Funding
Total Available for Claims	\$255,000,000	\$193,000,000	\$155,000,000
Set Asides			
Pay for Old Costs	NA	\$70,000,000	\$9,000,000
Contingencies	NA	\$16,000,000	\$16,000,000
Subtotal	NA	\$86,000,000	\$25,000,000
Revised Balance Available for Site Budgets	Claims not on budget allocation model	\$107,000,000	\$130,000,000

FY 11/12 will be a transition year for the Fund. Preliminary experience from the transition to this claim budget-based new business model indicates that the Fund will need to aggressively develop and implement additional tools and controls to maintain the financial discipline required for the Fund to continue as a sustainable source of funding for UST cleanups in California. The Fund will continue to communicate these changes as they are developed via our web site, the Lyris mailing list and other outreach efforts. We understand that this change from the status quo is neither easy nor painless, but it is critical to the viability of the Fund. We appreciate the continued cooperation of all parties involved in this developing and ongoing improvement process.

If you have any questions or concerns, please contact the Fund at (800) 813-FUND (3863) or by e-mail at USTCleanupFund@waterboards.ca.gov. Additional Fund related information, including sign up information for our Lyris mailing list, can be found on our web site at: http://www.waterboards.ca.gov/water_issues/programs/ustcf/.

Sincerely,



John Russell, P.G., Fund Manager
Underground Storage Tank Cleanup Fund