
December
2006

State Water Resources Control Board
Division of Financial Assistance

**REPLACEMENT OF UNDERGROUND
STORAGE TANKS PROGRAM**

**LEGISLATIVE
ANNUAL
REPORT**

New Series No. 3
December 2006
State Water Resources Control Board

Summary

The Replacement of Underground Storage Tanks (RUST) Program was established at the Technology, Trade and Commerce Agency in 1989 to provide low-interest, small business loans (ranging from \$10,000 to \$750,000) to replace, remove, and repair underground storage tanks (USTs) in order to meet regulatory standards and take corrective actions in response to leaks. In 1999, the Program was expanded as part of legislation aimed at limiting the release of MTBE from leaking USTs into groundwater and surface water resources. The 1999 legislation enabled small and disadvantaged businesses to obtain grants (ranging from \$3,000 to \$50,000) for required UST and UST-related upgrades. The 2003/04-Budget Act abolished the Technology, Trade and Commerce Agency and transferred the RUST Program to the California Environmental Protection Agency for the collection of outstanding loans.

AB 1068 (Chapter 624, Statutes of 2004, Liu) added Chapter 6.76 (commencing with Section 25299.100) of Division 20 of the Health & Safety Code, reinstating the RUST Program within the California Environmental Protection Agency, State Water Resources Control Board, and extending the sunset date to January 1, 2011. The following information is based on RUST Program records through June 30, 2006.

Loans, Grants, and Resultant Tanks Removed/Upgraded

During fiscal year 2005-2006, the RUST Program received 33 loan applications totaling \$7,659,595, of those applications 24 loans were approved totaling \$4,896,795, with an average loan amount of \$204,000; and 97 grant applications were received totaling \$3,954,786, of those applications 63 grants were approved totaling \$2,621,461, with an average grant amount of \$41,610. These loans and grants enabled recipients to replace/repair 221 USTs and preserved 427 jobs.

Characteristics of Grant and Loan Recipients

The loan and grant applications include questions that identify the ethnicity, business type, and legal business structure of the applicant. The following charts summarize these characteristics:

Chart 1. Applicant's Ethnicity*

ETHNICITY	2005-06 TOTAL
White	33
Asian/ Pacific Islander	10
Hispanic	1
African-American	0
East Indian	7
Other	9
Not Reported	17

*This question was optional and all applicants did not respond

Chart 2. Business Types

BUSINESS TYPES	2005-06 TOTAL
Gas Sales	28
Gas & Auto Repair	8
Gas & Mini Mart	47
Boat Marina	1
Cardlock	3

Chart 3. Applicant's Legal Business Structure

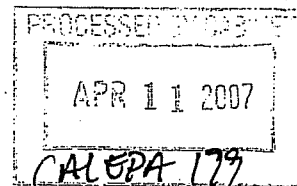
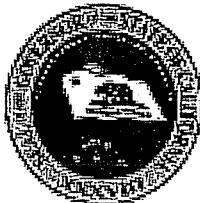
LEGAL STRUCTURE	2005-06 TOTAL
Sole Proprietorship	43
Corporation	28
Partnership	6
Individual	9
Limited Liability Company	0
Trust	1

Administrative Costs

The state operating expenditures for the RUST Program totaled \$290,000 in FY 2005/2006. These expenditures are for servicing and collection costs. Servicing costs include processing and accounting for new and existing loans and grants and depositing of monthly payments. Collection costs include pursuing delinquent borrowers and enforcement of contract provisions that ensure loan repayment.

Conclusion

The RUST Program has helped independent gas retailers, which cannot otherwise afford the expense associated with required UST upgrades and/or removal, to remain in business. The success of the RUST Program has helped protect California's drinking water from contaminants, including MTBE, and ensured that necessary fuel supplies, particularly in rural areas, are maintained.



**GOVERNOR'S OFFICE ACTION REQUEST
REQUEST FOR REPORT APPROVAL**

TO: Dan Dunmoyer
Cabinet Secretary

Chris Kahn
Legislative Secretary

FROM: Linda S. Adams
Secretary for Environmental Protection
California Environmental Protection Agency

PREPARED BY: Tam M. Doduc, Chair
State Water Resources Control Board
Telephone: 916-341-5611
Fax: 916-341-5621
E-Mail: tdoduc@waterboards.ca.gov

DATE: April 3, 2007

SUBJECT: ANNUAL REPORT TO THE LEGISLATURE, REPLACEMENT OF
UNDERGROUND STORAGE TANKS PROGRAM

DUE TO LEGISLATURE: December 31, 2006

REPORT TITLE: 2006 Annual Report to the Legislature, Replacement Of Underground Storage Tanks Program

AUTHORITY/MANDATE: Pursuant to Chapter 6.76, section 25299.112 of the Health and Safety Code (H&SC), the State Water Resources Control board (SWRCB) is mandated to prepare an annual report to the Legislature describing the performance of the Replacement of Underground Storage Tanks Program.

FREQUENCY: Annually

POLICY ISSUES ADDRESSED: This annual report discusses recent Program performance and characteristics of loan and grant recipients.

REPORT RECOMMENDATIONS: No recommendations are addressed in this report.

Dan Dunmoyer, Cabinet Secretary
Chris Kahn, Legislative Secretary

April 3, 2007

Page 2

SUBJECT: ANNUAL REPORT TO THE LEGISLATURE, REPLACEMENT OF
UNDERGROUND STORAGE TANKS PROGRAM

APPROVED:

Thomas Howard
Director/Department

2/15/07
Date

Cindy Tuck
Secretary/Agency (Acting)

3/30/07
Date



Governor's Cabinet Office
Governor's Office Action Request

**Title: CALEPA199 Annual report to the Legislature, Replacement of
Underground Storage Tanks Program**

Approved by:

Alice Dowdin Calvillo
Chief Deputy Cabinet Secretary

4/12/07

Date

w/ edits

Chris Kahn
Secretary of Legislative Affairs

4-16-07

Date

Lisa Page
Chief Deputy Communications Secretary

4-18-07

Date

Dan Dunmoyer
Secretary of Cabinet Affairs

5/14/07

Date

25299.112. On or before January 1 of each year, the board shall submit a report to the Legislature concerning the performance of the grant and loan program established by this chapter, including the number and size of grants and loans made, characteristics of grant and loan recipients, the number of underground storage tanks removed and upgraded as a result of the grant and loan, and the amount of money spent on administering the program. Copies of the report shall be submitted to the appropriate fiscal and policy committees of the Legislature and, upon request, to individual Members of the Legislature.