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State Water Resources Control Board
Division of Financial Assistance

**REPLACEMENT OF UNDERGROUND
STORAGE TANKS PROGRAM**

**LEGISLATIVE
ANNUAL
REPORT**

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Summary

Chapter 6.76, Section 2599.112 of the Health and Safety Code (H&SC) requires the State Water Resources Control Board (State Water Board) to annually prepare a report to the Legislature on the performance of the Replacing, Removing, or Upgrading Underground Storage Tanks (RUST) grant and loan program, including the number and size of grants and loans made, characteristics of grant and loan recipients, the number of underground storage tanks (USTs) removed and upgraded as a result of the grant and loan program, and the amount of money spent on administering the program. The program has been effective in helping independent gas retailers, who cannot otherwise afford the expense associated with required UST and component upgrades and/or removing and replacing older USTs, to remain in business. The RUST Program has successfully helped 1) protect California's drinking water from contaminants, including methyl tertiary-butyl ether (MTBE), 2) protect California's air, by assisting small gas station owners in complying with the Air Resources Board's (ARB) Enhanced Vapor Recovery (EVR) Phase II requirements and 3) ensure that necessary fuel supplies are maintained, particularly in rural areas.

Background

The RUST Program was established at the Technology, Trade, and Commerce Agency in 1989 to provide low-interest loans (ranging from \$10,000 to \$750,000) to small businesses (fewer than 500 employees) for replacing, removing, and repairing USTs to meet regulatory standards and to take corrective actions in response to leaks. In 1999, the Legislature expanded the RUST Program 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 (defined as businesses having fewer than 20 employees and selling under 900,000 gallons of gasoline annually) to obtain grants (ranging from \$3,000 to \$50,000) for required UST and UST-related upgrades. The legislation specified that if eligibility requirements cannot be met under the RUST grant program, or if available funding is exhausted, applicants may apply for funding under the RUST loan program. 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.

Chapter 624, Statutes of 2004 (AB 1068 (Liu)) reinstated the RUST Program in the State Water Board and extended the sunset date of the program to January 1, 2011. RUST loans and grants are funded from the Petroleum Underground Storage Tank Financing Account (PUSTFA). Repayments on RUST loans are deposited into the PUSTFA and made available for future loans and grants. The loan interest rate is currently at two and a half percent; this is based on the most recent State Treasurer's Surplus Money Investment Fund rate verified and adjusted bi-annually.

Chapter 69, Statutes of 2009 (AB 96 (Ruskin)), effective August 6, 2009, appropriated \$8 million from the PUSTFA to the State Water Board for grants and loans to assist small gas station owners and operators in upgrading their equipment to comply with certain air and water quality regulatory requirements. It also extended the sunset date

of the RUST program from January 1, 2011, to January 1, 2016, and revised the eligibility criteria for the RUST program.

Chapter 69 provides immediate funding to 125 small gas station owners and operators to assist them in complying with the ARB's EVR Phase II requirements. Chapter 649, Statutes of 2009, (AB 1188 (Ruskin)) made a clarifying change to the grant awards process for the RUST grants to allow the State Water Board to reimburse applicants who applied for a RUST grant by April 1, 2009, for costs that the applicant incurred after the State Water Board received the grant application to comply with the EVR Phase II regulations. The bill also would make other clarifying changes to the RUST fund.

The following information is based on RUST Program records through June 30, 2009.

Loans, Grants, and Results

During fiscal year 2008/09, the RUST Program received 38 loan applications totaling \$5,898,300. The RUST Program approved 29 loans totaling \$4,680,900, with an average loan amount of \$161,410. During the same year, the RUST Program received 138 grant applications totaling \$6,557,120. The RUST Program approved 69 of those applications, totaling \$2,627,450, with an average grant amount of \$38,079. These loans and grants enabled recipients to replace/upgrade 262 USTs and preserved 418 jobs. The replacement/upgrade of these USTs also helped protect groundwater from contamination from UST leaks.

Attachment A details the number and amount of RUST loans and grants approved and the resultant tanks removed, replaced, or upgraded from fiscal year 2004/05 through 2008/09.

Characteristics of Grant and Loan Recipients

The loan and grant applications include questions that identify the characteristics of the applicant. The following charts summarize approved grants and loans characteristics.

Chart 1. Applicant's Ethnicity

ETHNICITY	FY 2008/09 TOTAL
White	33
Asian/ Pacific Islander	10
Hispanic	2
African-American	0
East Indian	9
Other	9
Not Reported	35

Chart 2. Business Types

BUSINESS TYPES	FY 2007/08 TOTAL
Gas Sales	0
Gas & Auto Repair	2
Gas & Mini Mart	95
Gas & Car Wash	1
Cardlock	0

Chart 3. Applicant's Legal Business Structure

LEGAL STRUCTURE	FY 2007/08 TOTAL
Sole Proprietorship	42
Corporation	39
Partnership	11
Individual	4
Limited Liability Company	0
Trust	2

Administrative Costs

The state operating expenditures for the RUST Program totaled \$398,000 in fiscal year 2008/09. These expenditures are for loan and grant 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 who cannot otherwise afford the expense associated with certain water quality and air quality regulatory requirements 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.

Attachment A
 RUST Loans and Grants
 2004/05 through 2008/09



