California
Underground Storage Tank (UST)
Cleanup Fund Update

For

Water Quality Coordinating Committee

Barbara Evoy, Deputy Director
Division of Financial Assistance

October 26 & 27, 2009
Program Background

A Brief Primer
Calif. UST Cleanup Fund

Program Background

The Fund was established in 1989 to benefit businesses, individuals, and the environment by providing reimbursement for unexpected and catastrophic expenses associated with the cleanup of leaking petroleum USTs.

$1.5 million limit per claim.

As of September 2009, $2.6 billion reimbursed.
Calif. UST Cleanup Fund

Program Background

The Fund’s revenues are generated by a storage fee (currently 1.4 cents) for every gallon of petroleum products placed into USTs.

The fee is collected quarterly (Jan, April, July, Oct) from owners of active USTs by the State Board of Equalization (BOE).

The fee currently generates about $220 - $250 million per year.

New Sunset Date: January 1, 2016.
Fund Background

4-Class Priority System

Because there was never going to be enough money to pay everyone at once, the Fund’s statutes established a 4-Class Priority System based on the claimants’ ability to pay costs of cleanup, not threat to the environment, public health, or water quality.
## Fund Background

### 4-Class Priority System

<table>
<thead>
<tr>
<th>CLASS</th>
<th>DESCRIPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Residential tank owners</td>
</tr>
<tr>
<td>B</td>
<td>Small businesses with gross receipts below a specified maximum receipts &amp; fewer than 100 employees</td>
</tr>
<tr>
<td>C</td>
<td>Medium-sized businesses not meeting Priority Class B requirements and with fewer than 500 employees</td>
</tr>
<tr>
<td>D</td>
<td>All other eligible claimants (typically major oil companies)</td>
</tr>
</tbody>
</table>
Calif. UST Cleanup Fund
Total Claims Received by FY (since inception)
The rate of new claims is declining
Calif. UST Cleanup Fund
Disposition of Claims

- Total Claims Received 19,200
- Total Claims Approved 15,600
- Total Claims Denied or Pending 3,600
Calif. UST Cleanup Fund
Status of Approved Claims

- Closed Claims: 6,900
- Claims on Priority List: 4,600
- Active Claims: 2,900
- Suspended Claims: 1,200

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Calif. UST Cleanup Fund

Make-up of Priority List

- Priority D: 98%
- Priority B: 1%
- Priority C: 1%
- Priority A: 0%
Calif. UST Cleanup Fund
Total Paid
Millions of Dollars

<table>
<thead>
<tr>
<th>PRIORITY</th>
<th># OF PAYMENTS</th>
<th>$ millions PAID</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>1,438</td>
<td>$29</td>
</tr>
<tr>
<td>B</td>
<td>33,470</td>
<td>$1,097</td>
</tr>
<tr>
<td>C</td>
<td>22,238</td>
<td>$940</td>
</tr>
<tr>
<td>D</td>
<td>5,694</td>
<td>$499</td>
</tr>
<tr>
<td>TOTAL:</td>
<td>62,840</td>
<td>$2,565</td>
</tr>
</tbody>
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Calif. UST Cleanup Fund

Fund Expenditures of $3.08 Billion (Since Inception)

- Reimbursements, 79.97%
- BOE, 0.88%
- RUST, 2.94%
- Oversight, 7.31%
- Fund Administration & State Overhead, 5.92%
- Special Accounts, 2.33%
- DPH Drinking Water Acct, 0.65%
Calif. UST Cleanup Fund

2009 – A Year of Transition
A Cash Crunch Hits the Fund
Calif. UST Cleanup Fund
Why are funds so short this year?

UNDERLYING REASONS:
1. Revenue has decreased
2. The costs for cleanup reimbursements are up
3. Other costs paid by the Fund have also gone up
4. Cash Reserve Depleted
5. CASES ARE TAKING TOO LONG & COST TOO MUCH!
Calif. UST Cleanup Fund

Cash Flow Issues

Decline in Revenues

UNDERGROUND STORAGE TANK CLEANUP FUND
UST Fees collected by BOE by Fiscal Year
Calif. UST Cleanup Fund
Why? We have to get by with $70 million less this year than last year

UNDERGROUND STORAGE TANK CLEANUP FUND
Revenue & Total Expenditures - Fiscal Year 2005-2009
Calif. UST Cleanup Fund
Why? Cleanup Costs are Up
Total Amount Paid & Avg. Pmt.

October 26 & 27, 2009
Calif. UST Cleanup Fund

Actual expenditures – non reimbursements

Why? Other program costs are up
Why?

Site cleanups are taking too long to complete &

A new claim is filed for every claim closed
Calif. UST Cleanup Fund

Cleanups are taking too long

- Claims with active LOC of 5 years or more - 78%
- Claims with active LOC of 10 years or more - 43%
- Claims with active LOC of 15 years or more - 8%

(% based on 4,305 active claims in early 2009, i.e. before suspensions)
Calif. UST Cleanup Fund

Why? New Claims are being filed at the same rate old claims are closed
Calif. UST Cleanup Fund
Current Activities
Moving Forward

Key Dates - State Water Board Activities

• March 9, 2009  Board Workshop - Comments
• May 19, 2009  Board adopted Resolution No. 2009-0042
• June 11, 2009 Staff Workshop – Created 2 Task Forces
  - Regulatory Program
  - Fund Administration
• August 2009  Program Audit of the Fund initiated by the firm of Sjober & Evashenk
• Oct. 2, 2009  Task Forces presented short-term recommendations to Board
• Nov. 17, 2009 Board will consider adoption of Task Force short-term recommendations
• Jan. 20, 2010 Board will consider closure of multiple cases
Calif. UST Cleanup Fund

Current Activities
Moving Forward

RESOLUTION NO. 2009-0042
Key Points

- Regulatory case reviews of all open sites by June 30, 2010
  Results on GeoTracker. No new directives until completed.
- DWQ will compile results & post every 6 months.
- Reduce monitoring to semi-annual by August 1, 2009
  Unless site-specific needs warrant otherwise
- Fund will aggressively pursue 5-Year reviews & promptly elevate any site closure disputes
- Create task force(s)
- Audit Cleanup Fund
Calif. UST Cleanup Fund

Current Activities
Moving Forward

Five-Year Review Results

- Through June 30, 2009, staff has completed review of 1,767 claims.

- The reviews fall out about as follows:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
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</thead>
<tbody>
<tr>
<td>Continue Course of Action:</td>
<td>25%</td>
<td>35%</td>
<td>30%</td>
</tr>
<tr>
<td>Change Course of Action:</td>
<td>50%</td>
<td>45%</td>
<td>40%</td>
</tr>
<tr>
<td>Consider Case Closure:</td>
<td>25%</td>
<td>20%</td>
<td>30%</td>
</tr>
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Calif. UST Cleanup Fund

**Current Activities**

*Moving Forward*

**Two Task Forces Established**

- One addressing Fund issues and one addressing technical/regulatory program issues
- Comprised of regulators, tank owners, consultants and other interested parties
- Have met about twice monthly since July
- Recently issued short term recommendations
Calif. UST Cleanup Fund

Current Activities
Moving Forward

Task Force

October 2009 Key short-term recommendations

1. Expedite Disbursement of Payments
2. Un-Suspend Letters of Commitment
3. Use State Water Board Criteria to Decide Case Closures
Calif. UST Cleanup Fund

Current Activities

Moving Forward

Potential Costs Savings

- Reduced Monitoring
  Quarterly to Semi-annual.

- Terminate Inefficient Site Cleanups
  Especially at low-risk sites

- CLOSE CASES!
  Close cases active more than 10 years, and no active site cleanup will be required
Calif. UST Cleanup Fund

THANKS!

For additional info:

California UST Program Web Page:  
http://www.waterboards.ca.gov/water_issues/programs/ust/

California UST Cleanup Fund Web Site:  
http://www.waterboards.ca.gov/cwphome/ustcf/