



STATE WATER RESOURCES CONTROL BOARD

**REPLACING, REMOVING, OR UPGRADING
UNDERGROUND STORAGE TANKS**

FY 2010-11 ANNUAL LEGISLATIVE REPORT

DECEMBER 2011



STATE WATER RESOURCES CONTROL BOARD
REGIONAL WATER QUALITY CONTROL BOARDS



STATE OF CALIFORNIA

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**STATE WATER RESOURCES
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Summary

Chapter 6.76, Section 25999.112 of the Health and Safety Code 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, replaced, and/or upgraded as a result of the grant and loan program, and the amount of money spent on administering the program. The RUST 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 received an appropriation of \$8 million from the Petroleum Underground Storage Tank Financing Account (PUSTFA) in the Fiscal Year 2010-11 Budget Act for grants and loans. In Fiscal Year 2010-11, the RUST Program approved a total of 60 grants and 13 loans, totaling \$2,605,274 and \$2,385,120 respectively. The RUST Program has successfully helped to: 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's) 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 less than 900,000 gallons of gasoline annually) to obtain grants (ranging from \$3,000 to \$50,000) for required UST and UST-related upgrades. The Fiscal Year 2003-04 Budget Act abolished the Technology, Trade, and Commerce Agency and transferred the RUST Program to the State Water Board for the collection of outstanding loans.

Chapter 624, Statutes of 2004, (AB 1068, Liu), reinstated the RUST Program in the State Water Board, with a sunset date for the program of January 1, 2011. Chapter 69, Statutes of 2009, (AB 96, Ruskin), authorized an additional one-time appropriation of \$8 million to be used in Fiscal Years 2008-09 and 2009-10 for assisting small gas station owners in complying with the ARB's EVR Phase II requirements, 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.

RUST loans and grants are funded from the PUSTFA. Repayments on RUST loans are deposited into the PUSTFA and made available for future loans and grants based on

current law requirements. The loan interest rate is currently at one-half of one percent (0.5%); this is based on the most recent State Treasurer's Surplus Money Investment Fund rate that is verified and adjusted bi-annually.

The following information is based on RUST Program records through June 30, 2011.

Loans, Grants, and Results

During Fiscal Year 2010-11, the RUST Program received 13 loan applications, totaling \$2,385,120. The RUST Program approved all 13 loan applications. The average loan amount was \$183,471.

During the same year, the RUST Program received 140 grant applications totaling \$5,488,069. The RUST Program approved 60 of those applications, totaling \$2,605,274, with an average grant amount of \$43,421. The State Water Board may be able to fund a portion of the remaining unfunded FY 2010-11 grant applications in FY 2011-12.

RUST loans and grants executed in Fiscal Year 2010-11 enabled recipients to replace/upgrade 199 USTs to comply with air and water quality regulatory requirements and preserved 306 jobs. The replacement/upgrade of these USTs also helped protect groundwater from releases of petroleum from USTs.

Charts 1 through 4 (attached) show the total number and amount of RUST loans and grants approved and the number of project tanks replaced/upgraded during Fiscal Years 2004-05 through 2010-11. Charts 1 and 2 show the number of grants approved, the number of project tanks replaced/upgraded, and the amount of grant funding approved during Fiscal Years 2004-05 through 2010-11. Please note that the number of grants approved, the number of project tanks replaced/upgraded, and the amount of grant funding approved increased in Fiscal Year 2009-10 as a result of the additional funding made available for RUST grants by Chapter 69/2009.

Chart 3 shows the number of loans funded and project tanks replaced/upgraded. Due to increased interest in grants rather than loans during Fiscal Year 2010-11 and the recent downturn in the economy, the State Water Board received fewer loan applications than normal during this period. Chart 4 shows the number of tanks replaced/upgraded during Fiscal Year 2010-11. The number of tanks replaced/upgraded in each fiscal year fluctuates depending on the amount of work being done on the tanks at each RUST loan site and the number of tanks at each site that are being upgraded/replaced.

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.

Table 1. Business Types

| BUSINESS TYPES | FY 2010-11 TOTAL |
|-----------------------|-----------------------------|
| Gas Sales | 10 |
| Gas & Auto Repair | 1 |
| Gas & Mini Mart | 59 |
| Gas & Car Wash | 1 |
| Cardlock | 2 |

Table 2. Applicant's Legal Business Structure

| LEGAL STRUCTURE | FY 2010-11 TOTAL |
|---------------------------|-----------------------------|
| Sole Proprietorship | 17 |
| Corporation | 35 |
| Partnership | 10 |
| Individual | 9 |
| Limited Liability Company | 2 |
| Trust | 0 |

Administrative Costs

The state operating expenditures for the RUST Program totaled \$402,000, which was 71 percent of the amount appropriated in Fiscal Year 2010-11 for operating expenditures. 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. RUST loans and grants executed in Fiscal Year 2010-11 enabled recipients to replace/ upgrade 199 USTs to comply with air and water quality regulatory requirements and preserved 306 jobs. The replacement/upgrade of these USTs also helped protect groundwater from releases of petroleum from USTs.

This report can be found at:

http://www.waterboards.ca.gov/publications_forms/publications/legislative/2011.shtml

Charts 1-4
RUST Program
Fiscal Years 2004-05 through 2010-11

Chart 1

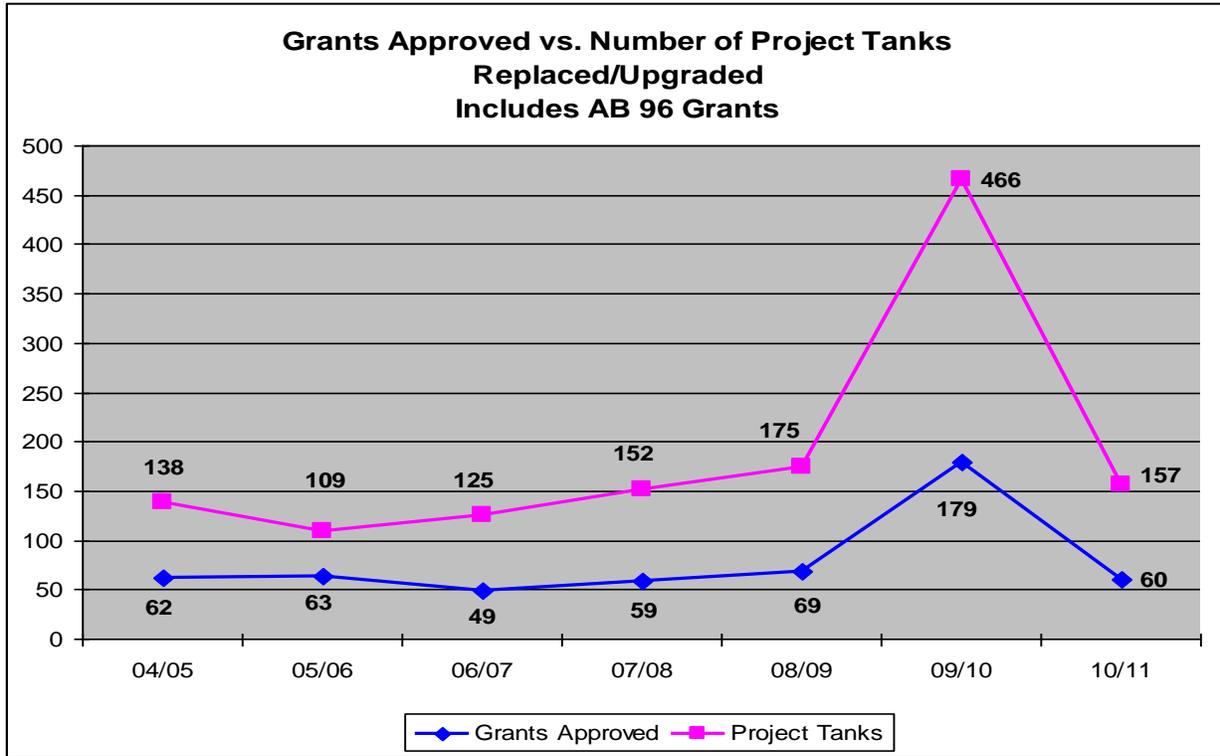


Chart 2

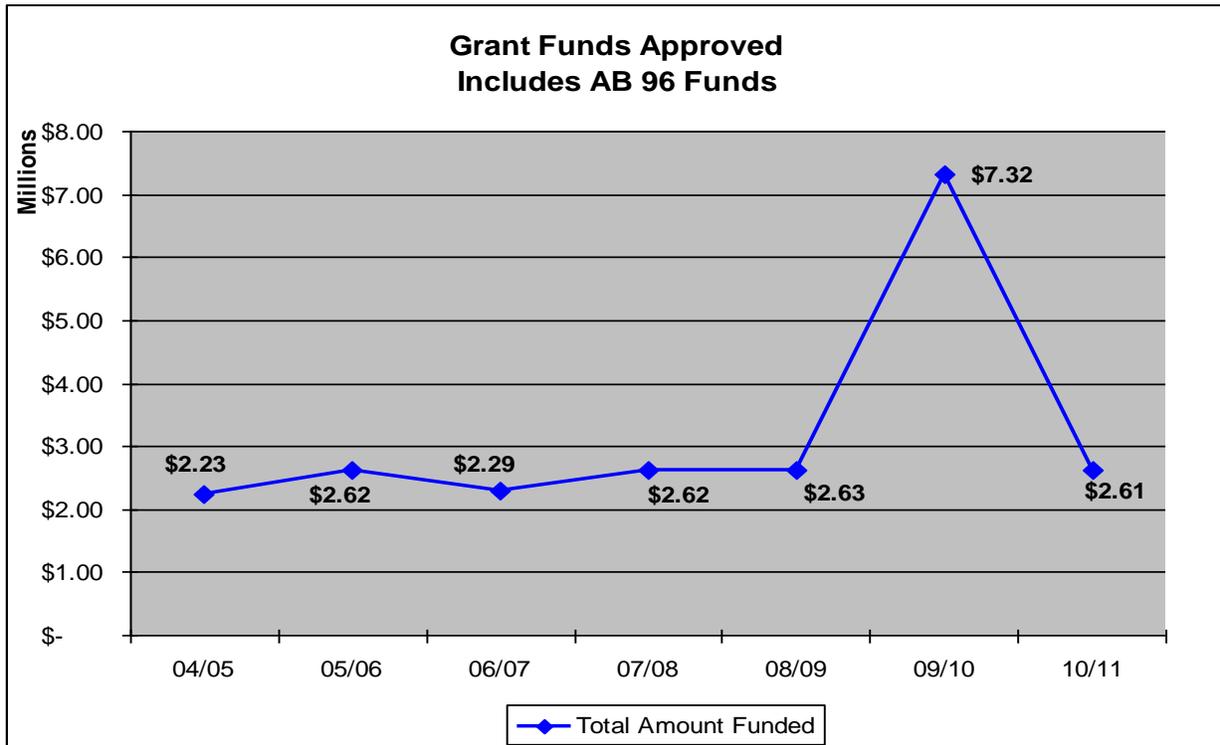


Chart 3

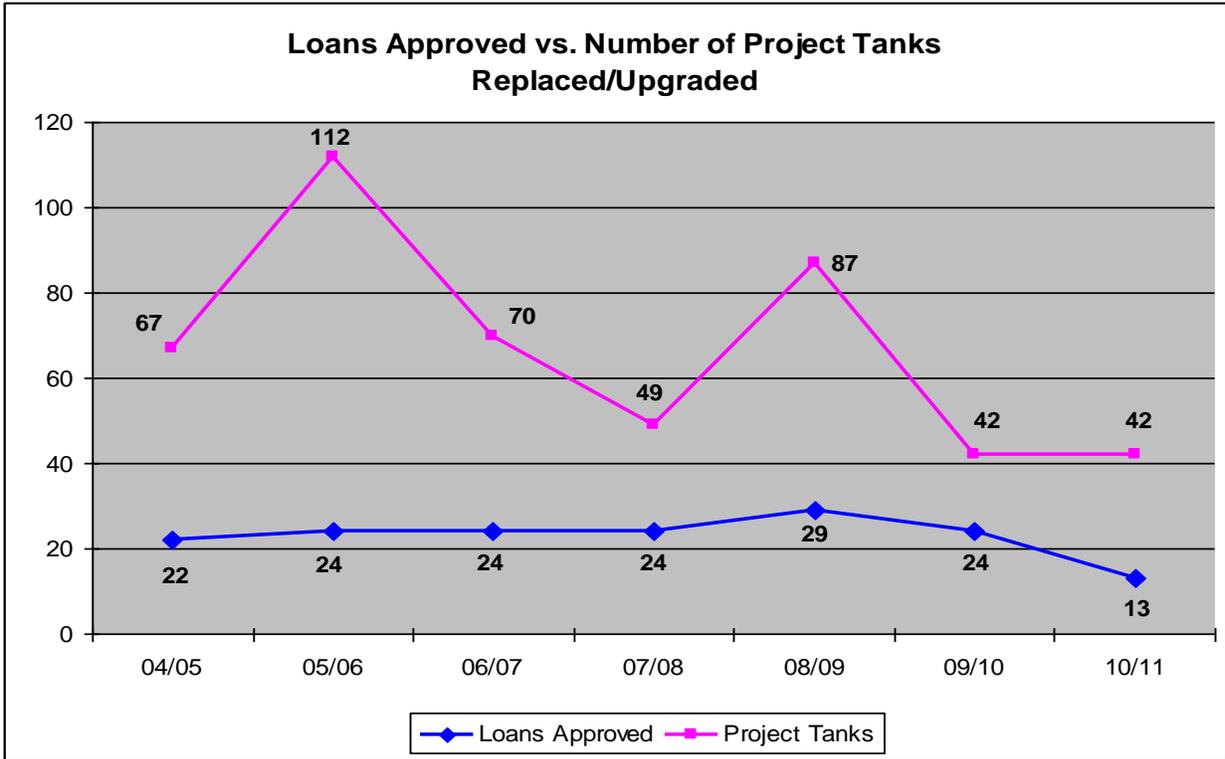


Chart 4

