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State Water Resources Control Board
Division of Financial Assistance

**REPLACEMENT OF UNDERGROUND
STORAGE TANKS PROGRAM**

**LEGISLATIVE
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REPORT**

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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, 2007.

Loans, Grants, and Resultant Tanks Removed/Upgraded

During fiscal year 2006-2007, the RUST Program received 25 loan applications totaling \$5,379,124. Of those applications, 24 loans were approved totaling \$5,359,124, with an average loan amount of \$223,297. During the same year, 70 grant applications were received totaling \$3,285,889. Of those applications, 49 grants were approved totaling \$2,285,889, with an average grant amount of \$46,651. These loans and grants enabled recipients to replace/repair 199 USTs and preserve 413 jobs.

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	2006-07 TOTAL
White	22
Asian/ Pacific Islander	5
Hispanic	0
African-American	0
East Indian	14
Other	5
Not Reported	27

*This question was optional and all applicants did not respond

Chart 2. Business Types

BUSINESS TYPES	2006-07 TOTAL
Gas Sales	22
Gas & Auto Repair	3
Gas & Mini Mart	43
Gas & Car Wash	2
Cardlock	3

Chart 3. Applicant's Legal Business Structure

LEGAL STRUCTURE	2006-07 TOTAL
Sole Proprietorship	26
Corporation	21
Partnership	9
Individual	15
Limited Liability Company	1
Trust	1

Administrative Costs

The state operating expenditures for the RUST Program totaled \$281,000 in FY 2006/2007. 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, who 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.