

# Redbook

## LBO Analysis of Executive Budget Proposal

### Ohio Petroleum Underground Storage Tank Release Compensation Board

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# LBO Redbook

## Ohio Petroleum Underground Storage Tank Release Compensation Board

### Quick look...

- The Board has the primary responsibility of administering the Petroleum Financial Assurance Fund, which is used to reimburse owners and operators of underground petroleum storage tanks for the costs of corrective actions and damage compensation paid to third parties.
- The Board's appropriations consist of cash transferred from the fund solely for the purpose of paying for personal services; it receives no GRF funding.
- The executive budget will permit the Board to maintain current service delivery levels, including anticipated increases in health care and salary costs.

FY 2016 Actual	FY 2017 Actual	FY 2018 Actual	FY 2019 Estimate	FY 2020 Introduced	FY 2021 Introduced
<b>Fund 6910 ALI 810632, Petroleum Underground Storage Tank Release Compensation Board – Operating</b>					
\$1,093,047	\$1,110,725	\$1,154,094	\$1,374,270	\$1,410,740	\$1,469,195
% change	1.6%	3.9%	19.1%	2.7%	4.1%

### Agency overview

The Petroleum Underground Storage Tank Release Compensation Board was established in 1989 to comply with federally mandated requirements concerning petroleum underground storage tank (UST) owners' financial responsibility established in Subtitle I of the Resource Conservation and Recovery Act (RCRA). The Board serves Ohio's UST owners and operators by overseeing the Petroleum Financial Assurance Fund, which provides a mechanism for all underground storage tank owners and operators to meet U.S. Environmental Protection Agency (USEPA) regulations. These regulations require owners and operators to demonstrate financial capability to pay for potential damage caused by releases from their USTs.

The Board consists of nine members appointed by the Governor with the advice and consent of the Senate. The Treasurer of State and the directors of the Department of Commerce and the Ohio Environmental Protection Agency serve as ex officio members. Appointed members of the Board are compensated on a per diem basis for each day of actual attendance at meetings of the Board. Members also receive their actual and necessary expenses incurred in the performance of their duties as members of the Board. The day-to-day operations of the Board are handled by 16 full-time equivalent (FTE) staff, including an executive director.

## Analysis of FY 2020-FY 2021 budget proposal

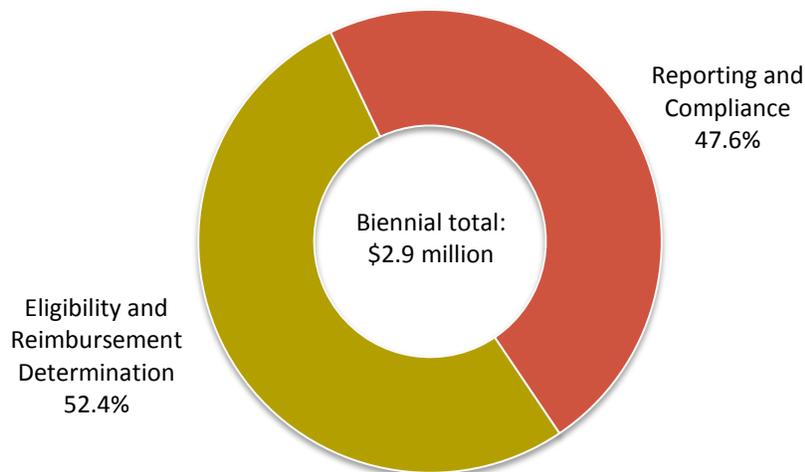
The Board's single line item, supported by cash transferred from the Petroleum Financial Assurance Fund, is used solely for the payroll expenses (wages and salaries, fringe benefits, and other personnel charges) associated with the nine Board members and 16 FTE staff. All of the Board's other expenses (supplies and maintenance, purchased personal services, equipment, and corrective action and compensation payments) are paid directly out of the Petroleum Financial Assurance Fund by warrant of the Treasurer of State.

The preceding table shows the line item's expenditure history from actual FY 2016 expenditures through the executive recommended appropriations for FY 2020 and FY 2021. The recommended FY 2020 and FY 2021 appropriation increases relative to the FY 2019 estimated expenditures will permit the Board to maintain current service delivery levels, including anticipated increases in health care and salary costs.

### Programs

Chart 1 below shows the \$2.9 million proposed budget for the biennium by program. As shown, the Eligibility and Reimbursement Determination Program accounts for the largest share of the Board's budget at 52.4%, or \$1.5 million. This program is responsible for an eligibility review to determine if Petroleum Financial Assurance Fund coverage may be extended for a release, and for conducting a claims review to determine if particular costs associated with the release are reimbursable. The remainder (47.6%, or \$1.4 million) is allocated for the Reporting and Compliance Program, which is responsible for the assessment, collection, and application of an annual per-tank fee and the issuance of a Certificate of Coverage for all USTs covered by the Petroleum Financial Assurance Fund.

Chart 1: Compensation Board Budget by Program  
FY 2020-FY 2021 Biennium



## Petroleum Financial Assurance Fund

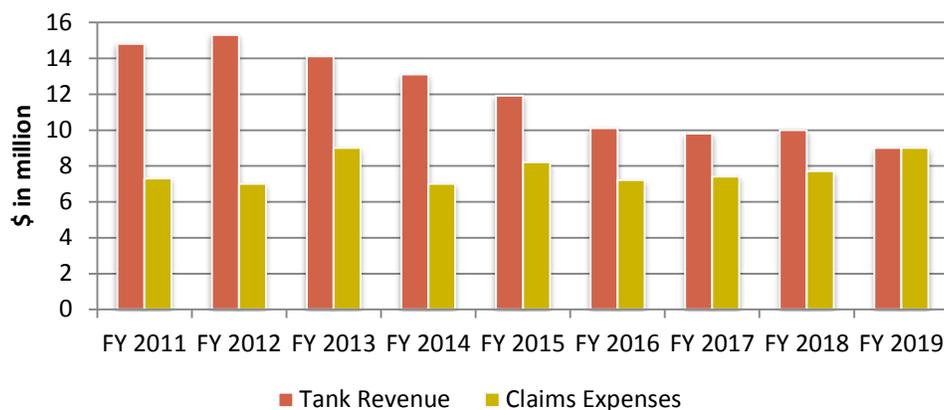
The Petroleum Financial Assurance Fund, which is in the custody of the Treasurer of State, consists of annual and supplemental per-tank fees, interest earnings, and revenue bond proceeds.<sup>1</sup> The fund assures a UST owner correction cost reimbursement of up to \$1 million, less the deductible. Fees are currently set at \$350 annually for a single tank with a standard deductible of \$55,000 for necessary corrective actions.<sup>2</sup> Owners of six or fewer USTs may elect to pay an additional \$200 fee per tank for a reduced deductible of \$11,000. The Board estimates that it will collect \$8.5 million in tank fees in FY 2019. Currently, 20,800 USTs across 7,070 facilities are covered by the fund.

The Board is permitted to assess per-tank fees as follows: (1) an annual per-tank fee in any year in which the unobligated fund balance is below \$45 million, and (2) a supplemental per-tank fee in any year in which the unobligated fund balance is less than \$15 million. As of February 28, 2019, the unobligated fund balance was \$26.6 million.

The number of USTs covered by the fund has decreased as owners and operators have come into compliance with USEPA mandates to upgrade, remove, or replace tanks by December 1998. The number continues to decline, although at a slower rate than in the years predating 1998. In 1989, there were 50,000 USTs covered by the fund. As no further action is determined for the pre-1998 releases, the Board anticipates a decline in the number of claims being submitted in future years.

The Board calculates its fees by projecting the number of tanks to be covered in the upcoming fiscal year, the expected amount to be paid in claim reimbursements, and its operating costs. Chart 2 below shows the fund's annual revenues and claims expenses from FY 2011 projected through FY 2019. Over that nine-year period, annual revenue ranges between \$9.0 million (FY 2019 estimate) and \$15.3 million (FY 2012), an average of \$12.0 million per year. Annual claims expenses range between \$7.0 million (FY 2012 and FY 2014) and \$9.0 million (FY 2013 and FY 2019 estimate), an average of \$7.8 million per year.

Chart 2: Tank Revenue and Claims Expenses, FY 2011-FY 2019



UST/zg

<sup>1</sup> Two previously issued sets of bonds totaling \$65 million were paid off in FY 2011.

<sup>2</sup> The annual per-tank fee was reduced from \$600 (set in FY 2007) to \$500 in FY 2015, to \$400 in FY 2016, and to \$350 in FY 2019.