



# Petroleum Underground Storage Tank Release Compensation Board

P.O. Box 2280 • Westerville, Ohio 43086-2280  
Phone: (614) 752-8963 • Fax: (614) 752-8397  
[www.petroboard.org](http://www.petroboard.org)

**TO:** The Honorable Theresa Gavarone, Chair, and members of the Senate Local Government and Elections Committee

**FROM:** W Petroleum Underground Storage Tank Release Compensation Board  
Starr Richmond, Executive Director  
Donald Leasor, Chief Fiscal Officer, Presenter

**RE:** Agency Testimony

**DATE:** April 20, 2021

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Chair Gavarone and members of the Senate Local Government and Elections Committee:

## **BACKGROUND**

The Petroleum Underground Storage Tank Release Compensation Board (Board) and the Financial Assurance Fund (Fund) it manages were created through legislation enacted in 1989 in response to a federal mandate. All petroleum underground storage tank (UST) owners and operators are required to demonstrate \$1 million of financial responsibility to pay for potential damages caused by releases from their tanks. The U.S. EPA has approved Ohio's Fund as a mechanism that meets this federal requirement.

The Board is composed of 12 members, nine of whom are appointed by the Governor, and three ex officio members – the Treasurer of State, and the Directors of the Ohio EPA and Department of Commerce. The Board is a body both corporate and politic; may enter into contracts or agreements for the purposes of administering Sections 3737.90 to 3737.98 of the Revised Code; and must sue or be sued in its own name. Its primary responsibility is the successful management of the Fund for the benefit of not only Ohio's UST owners and operators, but also the health and welfare of the general public through the protection of water resources and improving damaged property.

Under Ohio's statute, the Fund is in the custody of the State Treasurer but is not part of the state treasury. The Fund's assets are generated by annual tank fees paid by UST owners, the proceeds from revenue bonds issued by the Board, if any, and interest income. Moneys in the Fund are used solely to pay claims for the reimbursement of corrective action costs and third-party damages, including bodily injury; to pay the principle and interest on revenue bonds, if any; and to pay the costs of administering the Fund, including personnel costs.

## **PROGRAM UPDATE**

In addition to demonstrating financial responsibility, owners of petroleum USTs were required to bring their equipment and operations into compliance with performance standards by December

1998. These standards were designed to make the equipment and its use more protective of human health and the environment by, among other things, requiring corrosion protection and leak detection and, on a regular basis, requiring certain tests be performed to verify the integrity of these systems.

As owners replaced or otherwise brought their USTs into compliance, a significant number of petroleum releases were discovered. Of the more than 5,400 eligibility applications received to date, 69% are associated with bringing USTs into compliance with the 1998 performance standards. In addition, the Board has received 20,675 subsequent claim applications, of which 20,142 have been settled or are below the deductible and, therefore, review is not required at this time. Since the inception of the Fund, approximately \$284 million has been disbursed to Ohio's UST owners and operators for the reimbursement of corrective action costs and compensation to third parties for bodily injury and property damage.

As of yesterday, the Fund's unobligated balance was \$21.3 million; an additional \$3.7 million is obligated for the payment of claims through the end of fiscal year 2021. This total of \$25 million compares against an estimated unpaid claim liability of \$38.4 million as of June 30, 2020. The estimate of the Fund's liability is revised on an annual basis and is calculated using actuarial methods and assumptions based on historical claim payments.

Effective September 1, 2017, the State Fire Marshal's Bureau of Underground Storage Tank Regulations (BUSTR) amended its UST operational rules to require additional testing of certain UST components and its corrective action rules to require testing for additional chemicals of concern. Although it is too early to know the full extent of the impact on the Fund, the Board is beginning to see an increase in the number of new releases being reported as well as in the cost to clean up those releases.

### **PROPOSED BUDGET**

The budget request before you is solely for the Board's personnel costs. All other expenses are paid directly out of the Fund by warrant of the State Treasurer. All expenditures of the Board, including personnel, are financed by its fee collections; no General Revenue Fund dollars are part of this budget request. This request is an increase of less than 1% from the current funding level and will allow for the continued funding of 16 full-time positions as well as anticipated increases in health care costs.

Thank you for allowing me to appear before you today and present testimony on the Board and Ohio's Financial Assurance Fund. I am happy to respond to any questions or concerns that you may have.