

# 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 Ohio Petroleum Underground Storage Tank Release Compensation 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 paying personal services; it receives no GRF funding.
- The Petroleum Financial Assurance Fund is not a part of the state treasury and instead is in the custody of the Treasurer of State.
- The executive budget will permit the Board to maintain current service delivery levels, including increases in health care and salary costs.

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Introduced	FY 2025 Introduced
<b>Fund 6910 ALI 810632, Petroleum Underground Storage Tank Release Compensation Board – Operating</b>					
\$1,380,903	\$1,385,926	\$1,428,812	\$1,539,981	\$1,616,900	\$1,638,600
% change	0.4%	3.1%	7.8%	5.0%	1.3%

### 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 when fully staffed.

## **Analysis of FY 2024-FY 2025 budget proposal**

The Board's single line item, supported by cash transferred from the Petroleum Financial Assurance Fund, is used solely for payroll expenses 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 for personnel expenses from actual FY 2020 expenditures through the executive proposed appropriations for FY 2024 and FY 2025. The proposed appropriation increases for FY 2024 and FY 2025 relative to the FY 2023 estimated expenditures will permit the Board to maintain current service delivery levels, including anticipated increases in health care benefit costs and a 3% wage increase for FY 2024.

## **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. 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>1</sup> Owners of six or fewer USTs may elect to pay an additional \$550 fee per tank for a reduced deductible of \$11,000. The Board estimates that it will collect \$8.4 million in fees in FY 2024 and FY 2025. Currently, more than 20,000 USTs across over 6,600 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 September 30, 2022, the unobligated fund balance was \$15.8 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 of September 2022, the Board had received approximately 21,500 applications for reimbursement since coming into existence. The Board anticipates that it will process 1,100 applications for reimbursement during the upcoming biennium and will be able to maintain current service levels with the appropriation allocated in the proposed budget.

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<sup>1</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.

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. The table below shows a summary of the cash flow for the Petroleum Financial Assurance Fund as accounted for in the Board's annual financial reports. Tank fees were the largest source of revenue, ranging from \$8.3 million (FY 2021) to \$9.5 million (FY 2018). Operating expenses were largely attributable to claims and claims adjustments. In FY 2018, the Board incurred a rather large claims adjustment, accounting for the spike in that year (\$16 million).

<b>Petroleum Underground Storage Tank Release Compensation Board FY 2017-FY 2021 Revenues and Expenses</b>					
<b>Financial Information</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>
<b>Operating Revenue</b>					
Tank fees	\$9,469,624	\$9,535,796	\$8,457,656	\$8,467,497	\$8,304,171
Recovery of bad debt	\$192,842	\$137,500	\$136,289	\$72,937	\$123,842
Claim Refunds	--	--	--	\$468,750	--
Other	\$247	\$9,944	\$256	\$1,829	\$8,662
<b>Nonoperating Revenues</b>					
Earnings on investments	\$115,418	\$305,040	\$964,246	\$761,311	\$29,916
Loss on disposal of assets	--	-\$121	--	--	--
<b>Total Revenue</b>	<b>\$9,778,131</b>	<b>\$9,988,159</b>	<b>\$9,558,447</b>	<b>\$9,772,324</b>	<b>\$8,466,591</b>
<b>Operating Expenses</b>					
Incurred claims and claims adjustment	\$6,296,167	\$16,019,568	\$6,576,939	\$5,478,863	\$9,363,110
Administration	\$1,754,790	\$1,757,295	\$2,181,421	\$2,056,808	\$1,118,597
Depreciation	\$11,318	\$16,124	\$25,571	\$28,375	\$27,717
<b>Total Expenses</b>	<b>\$8,062,275</b>	<b>\$17,792,987</b>	<b>\$8,783,931</b>	<b>\$7,564,046</b>	<b>\$10,509,424</b>

Source: Annual Ohio Petroleum Underground Storage Tank Release Compensation Board financial statements (FY 2017-FY 2021)