

January 21, 2011 Annual Budget Pre-approval Update

As many of you are already aware, all Priority Class A, B, and C claims will be assigned site-specific budgets to be effective on July 1, 2011. These budgets will be for Fiscal Year 2011/2012, which runs through June 30, 2012. The purpose of this email is provide as many stakeholders as possible with a more complete picture of our planned Annual Budget Pre-approval roll-out process, and the schedule on which the Underground Storage Tank Cleanup Fund (Fund) expects this budget process to occur.

Introduction

Under our new program, all active A, B and C claims will receive a pre-approved annual budget, based on the site-specific needs of the claim, the Fund's projected annual revenue, local regulatory priorities, and directions from the State Water Resources Control Board. This is a significant change in process from the previous system in which reimbursements were based on the claim priority class and the date reimbursement requests were received by the Fund. The Annual Budget Pre-approval will be the yearly allocation of eligible corrective action costs for that claim. The primary objective of this new program is to ensure that some funding is available for necessary corrective action for ALL active Fund claims, while ensuring the financial soundness of the Fund.

The main shift in the Fund's responsibilities is that we will more actively manage individual claims from the budget (pre-approval) phase through the reimbursement phase. The Fund will no longer act as a passive reimbursement program that only reviews costs after they have been incurred. This new process should help claimants and consultants manage their cash flow by increasing the predictability and timeliness of reimbursements. Claimants and consultants will need to submit both budgets and reimbursement requests on time in order to keep the system from bogging down. There are currently approximately 3,600 active A, B and C claims, and actively managing them will require maximum cooperation and coordination of all parties, including local regulators and Fund staff.

Site Budgets

The Annual Budget Pre-approval program is being implemented in several phases between now and July 1st, the beginning of the 2011/2012 State fiscal year. Input from the Fund's Advisory Workgroup indicates that for both business and regulatory efficiencies, it is a better strategy to fully fund the necessary work at one particular site in a given year, and not fund work at other sites, rather than dividing the money equally and giving all the sites insufficient money to perform the necessary work. Funding for the other sites would be postponed to a later year. Based on this input, the amount of funding anticipated to be available this year, and input from regulatory staff, the Fund anticipates funding claims in the following manner:

- All sites will receive some funding this year. In some instances, it may only be the minimal amount allocated for verification monitoring (\$10,000) to allow other sites to be more fully funded.
- Sites in the operations and maintenance (O&M) mode of remediation are a high priority for funding. The Fund intends to fund these sites as fully as possible to allow these remedial systems to continue operations. We are currently starting to evaluate the claim budgets for O&M sites that were recently due. Although the fund intends to increase, where possible, the individual site budgets beyond the \$50,000 limit stipulated in the instructions for preparing these budgets, any increases allowed will be fully dependant on the amount of funding available. Claimants will be notified if allowances in excess of the \$50,000 limit are available.
- Sites in the site closeout category will also be as fully funded as possible, again dependant on the amount of funding available.
- Sites in other categories will be funded with the money not allocated to either O&M category sites or site closeout category sites. Funding for these sites will be allocated based on the funding available, and the site priority information received from the regulatory community.
- Because of the zero sum budgeting of the Fund, any increases in budgets in either individual claims or overall site categories will result in a commensurate reduction in money available for another claim or site category.

Although each phase has been designated by the primary corrective action activity taking place, actual budgets should include all costs expected to be incurred during the fiscal year. For example, sites in the O&M mode of remediation need to budget for utilities, groundwater monitoring, project management, permits, as well as actual operation and maintenance of remedial treatment systems. The requested site budgets can be submitted by either claimants, or by consultants on behalf of claimants.

O&M sites. The first phase of annual budget requests was sent out via e-mail and posted on our website on December 17, 2010. A follow-up request was sent out via the lyris list on January 19, 2011. These budget requests were for claims in the O&M mode of the corrective action plan/remediation (CAP/REM) category with operating remediation systems. We are now receiving budgets from consultants for this site category, and will attempt to respond to all O&M budget requests by February 15. If you are NOT currently operating a remedial system, your site should fall into one of the following categories described below:

Site Closeout (SC) sites. The Fund requests that consultants prepare and transmit SC budgets by February 15, 2011. A response from the Fund should be ready by March 15, 2011. Site-specific well abandonment information must be provided for this category in order for us to determine more accurately the amount of funding needed for proper well decommissioning of all site monitoring wells. Please use the fill-able PDF, "SC-Site Specific Well Abandonment Info," to submit this information with the "Annual Budget & Scope of Work Cost Breakdown Table, and the Project Narrative Form." Claims in SC should not

budget for additional assessment, monitoring, or active remediation. Over 60% of sites in this category have already received No Further Action letters. If the last reimbursement request for well abandonment was submitted and paid, and no additional costs will be incurred, email ustcleanupfund@waterboards.ca.gov. In the subject line, please specify **Claim #**, **Region**, and **SC Budget-Not Needed**, so we can properly process your information.

CAP/REM Startup sites. The Fund requests that claimants prepare and transmit these budgets by March 15, 2011. A response from the Fund should be ready by April 15, 2011. Allocations for claims in this category for the 2011/2012 fiscal year will be determined when all O&M and SC budgets have been evaluated. The Fund is working with local regulators to ensure that the highest priority sites have sufficient funding, however the amount of funding available for claims in this category is dependent on the overall money available to the Fund. The Fund anticipates that sufficient funding will not be available for all the sites in this category. This may mean that some sites will not be able to begin active remediation until a later fiscal year.

Verification Monitoring (VM) sites. The Fund requests that claimants prepare and transmit these budgets by April 15, 2011. A response from the Fund should be ready by April 29, 2011. A budget cap of \$10,000 has been allocated for sites in verification monitoring, based on the amount of available funding. This budget should be sufficient to conduct two semi-annual groundwater monitoring events of a few key monitoring wells, reporting, and project management.

Remedy Selection (RS) sites. The Fund requests that claimants prepare and transmit these budgets by March 30, 2011. A response from the Fund should be ready by May 16, 2011. Budgets allocated for these sites will depend on the amount of available funding. A budget limit of \$20,000 may be allocated for claims in this category. This allocation is intended to cover required bench scale or pilot testing, preparation of a Corrective Action Plan, as well as groundwater monitoring costs.

Soil and Water Investigation (SWI) sites. The Fund requests that claimants prepare and transmit these budgets by March 30, 2011. A response from the Fund should be ready by May 16, 2011. A budget limit of \$10,000 may be allocated for these sites, depending on the amount of available funding. Like verification monitoring, this budget should be sufficient to conduct two semi-annual groundwater monitoring events of a few key monitoring wells, reporting, and project management.

SUMMARY OF BUDGET REQUEST & SUBMITTAL DUE DATES			
BUDGET CATEGORY	BUDGET REQUEST DATE	BUDGET DUE DATE	BUDGET APPROVAL GOAL DATE
CAP/REM O&M mode	12/17/10	1/18/11	2/15/11
Site Closeout (SC)	1/18/11	2/15/11	3/15/11
CAP/REM Startup mode	2/15/11	3/15/11	4/15/11
Verification Monitoring (VM)	2/28/11	3/30/11	4/29/11
Remedy Selection (RS)	3/15/11	4/15/11	5/16/11
Soil/Water Investigation(SWI)	3/30/11	4/29/11	5/30/11

Budget Limits

The Fund is aware that the budget limits listed above may not be adequate to cover all yearly activities that regulators and claimants would like to accomplish. At this point in implementing the new budget program the Fund anticipates that sufficient funding will not be available to accomplish all the required work at all sites.

The budget limits listed in each category above were used in the Fund's initial overall budgeting efforts, and are what the Fund can reasonably reimburse, based on projected revenues. These limits should be followed when formulating your budgets, as outlined in the instructions. The submitted budgets should outline what work can be performed within the appropriate budget limit. If additional funding is available, the Fund may increase site budgets beyond the initial funding limit, allowing additional work to be performed that year. The overall Fund budget is a conservative one, based on projected revenues and the anticipated demand. A large portion of the 11/12 budget has been set aside to pay "old costs" that were not paid out by the beginning of the fiscal year. If this backlog is smaller than projected, then more money might be available to increase higher priority budgets. Procedures for requesting and approving budget change orders will be developed and disseminated soon after July 2011. Any change orders will require the concurrence of both the Fund technical review section as well as the local regulatory case worker.

Since we have a phased schedule for reviewing annual budgets, claimants should stay on schedule as closely as possible. Budget schedules and other budget information will be posted to the Fund's web site at: http://www.waterboards.ca.gov/water_issues/programs/ustcf/technicalformsinfo.shtml. The Fund will be using electronic communications to the maximum extent possible during the budget review process. In addition, all important budget information is being sent out by our electronic mailing list. You can subscribe to the Fund's e-mail list at: http://www.waterboards.ca.gov/resources/email_subscriptions/ust_subscribe.shtml.

In summary, the goal of the Annual Budget Pre-approval process is to ensure that necessary corrective action continues on all active claim sites, and that reimbursement requests are processed and paid in a reasonable time frame (60 days). If all stakeholders work cooperatively, the Fund anticipates being able to meet both of those goals with the funds available to us this upcoming fiscal year. Please be aware that if you choose NOT to submit a budget for the category in which the Fund has placed a specific claim, and according to the schedule posted, there may not be any funding available for that claim in the 2011-2012 State fiscal year.