

Annual Budget Pre-approval Update

Background

In September 2010 the Underground Storage Tank Cleanup Fund (Fund) announced that we are changing the way we conduct business. The Fund is changing to a “new business model” that will allow us to be more proactive in balancing our cash flow both at the individual claim level and at the overall program level. Beginning July 1, 2011, all claims in Priority A, B, and C will be required to be on a budget. These budgets will be based on site-specific scopes of work for the upcoming year (Fiscal Year 2011/2012), and will be updated annually. The amount of funding available for each claim will be limited according to the overall funding available during the fiscal year, where the case is in the cleanup process, and the Priority of the claim.

The Fund is also committed to reimbursing “old costs”, that is, any eligible corrective action costs incurred before July 1, 2011. These include costs that have been approved for reimbursement by the Fund and are now on hold awaiting revenue, any appealed costs approved in past or future decisions, and other costs that have been incurred but not yet submitted to the Fund. Based on the current reimbursement request submittal rate and the estimated revenues, the Fund expects that a significant amount in reimbursement requests from this fiscal year will be carried over for payment into the 2011/2012 fiscal year. We anticipate that sufficient funds will be available next fiscal year to pay off the remainder of these “old costs”. However, any carry over costs will reduce the amount of money available for the new site budgets that will be implemented next year.

Fiscal year 2011/2012 will be a transition year for the Fund. In the upcoming year, as we have previously indicated, the Fund will pay off old costs as a priority, and implement site budgets for continuing work. The payment of these old costs will, however, reduce the funding available to the program for individual site budgets. The Fund anticipates that by Fiscal Year 2012/2013 most old costs will be paid, and the Fund’s priority will shift to fund individual site budgets. In the interim, however, claimants should be aware that funding for individual sites in the 2011/2012 fiscal year will likely be much less than in past years.

Site Budgets

The Fund has begun requesting budgets from claimants or their representatives for State fiscal year 2011/2012, which begins on July 1, 2011. The initial budgets requests were transmitted to approximately 700 claims that are currently operating remedial treatment systems (O&M). You can find this list of claims and the Technical contact at the Fund in [O&M Table Web Posting 12-23-10](#).

Over the next few months, additional budget requests will be sent out to claimant representatives for all other corrective action categories. By the end of May 2011, we hope to have reviewed and processed budgets for all of approximately 3,500 active A, B and C claims. This ambitious schedule will require the patience and cooperation of all USTCF stakeholders.

Since we have a phased schedule for reviewing annual budgets, claimant representatives should try to keep to the schedule as closely as possible. The budget schedule and all 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. We are compiling lists of claims and budget contact e-mail addresses, which we will use to request budgets and transmit budget approvals. In addition, all important budget information is being posted to our web site and sent out to our electronic mailing list. You can subscribe to the e-mail list at:

http://www.waterboards.ca.gov/resources/email_subscriptions/ust_subscribe.shtml

Many consultants have expressed concern over the monetary limits placed on specific budget categories. For example, the Fund established a budget limit of \$50,000 per year for sites with ongoing active remediation (O&M). These limits are based on both the Fund's projected ability to pay as well as average historical costs, and may not fit with site-specific conditions or past remedial activities. Initial annual budgets must be based on what corrective action activity can realistically be accomplished within the budget constraints. Remember that the budget limit is for all site activity, including monitoring, reporting, utilities, project management, etc. For example, if a treatment system can only be operated for eight months out of twelve, then the budget should state that. The Fund understands that some sites may require less than \$50,000 per year in maintenance and operating costs, while some sites may require more than \$50,000. As explained above, the Fund anticipates that funding for individual sites will be reduced from past levels. The Fund has determined that \$50,000 will allow most, if not all, O&M sites to continue to be funded in fiscal year 2011/2012.

Once the majority of the initial budgets have been reviewed, it will be possible to make adjustments to specific budgets. Although it is the Fund's intention to provide adequate funding for all sites that very likely will not be possible, given the amount of funds available. Any increases to the initial \$50,000 budgets will be based on overall availability of funds, regulatory priorities and environmental risk... Keep in mind that for any site where the budget is increased, the annual budget at another site will likely be decreased by a commensurate amount.

The goal of the new 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.