



*Underground Storage Tank
(UST) Cleanup Fund*

*State Water Board
Public Workshop*

March 9, 2009



UST Cleanup Fund
Where Have we Been?





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Claims Process

Its Always Been the Same

Step 1 - Application

Step 2 - Priority List

Step 3 - Letter of Commitment

Step 4 - Multiple Payments

Step 5 - Closeout



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4-Class Priority System
No Changes

CLASS

DESCRIPTION

A Residential tank owners

B Small businesses with gross receipts below a specified maximum receipts fewer than 100 employees

C Medium-sized businesses not meeting Priority Class B requirements and with fewer than 500 employees

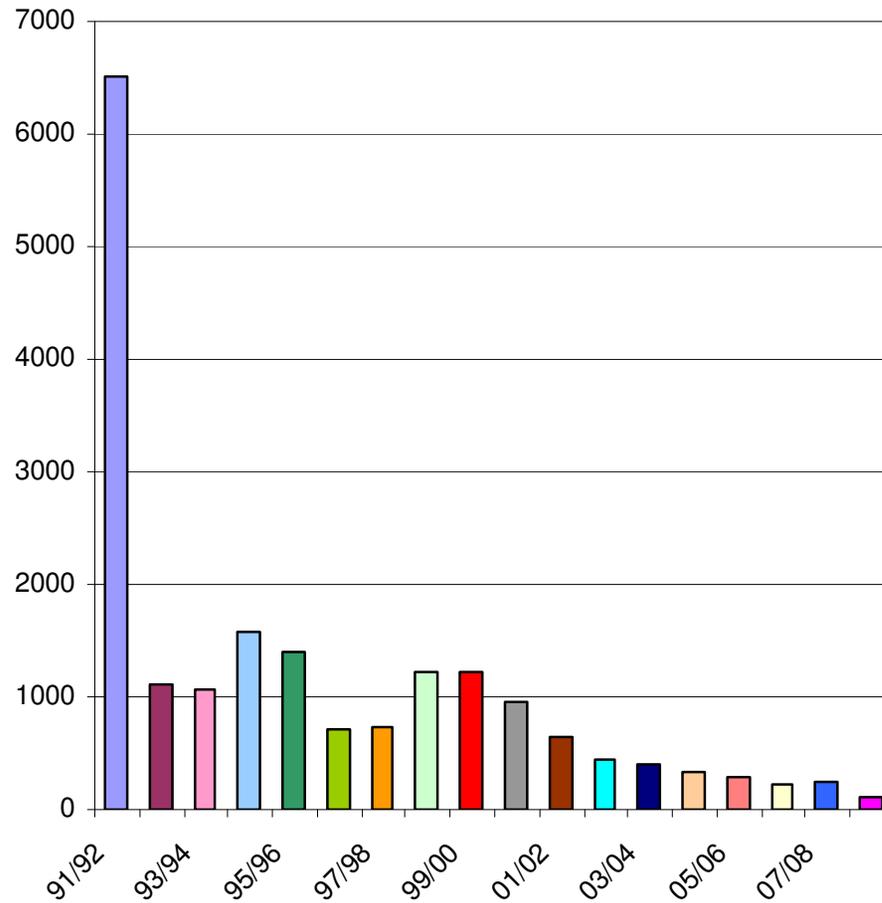
D All other eligible claimants (typically major oil companies)





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Total Claims Received by FY (since inception)
The rate of new claims is declining





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Disposition of Claims

- *Total Claims Received* **19,200**
- *Total Claims Approved* **15,600**
- *Total Claims Denied or
Pending* **3,600**





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Status of Approved Claims

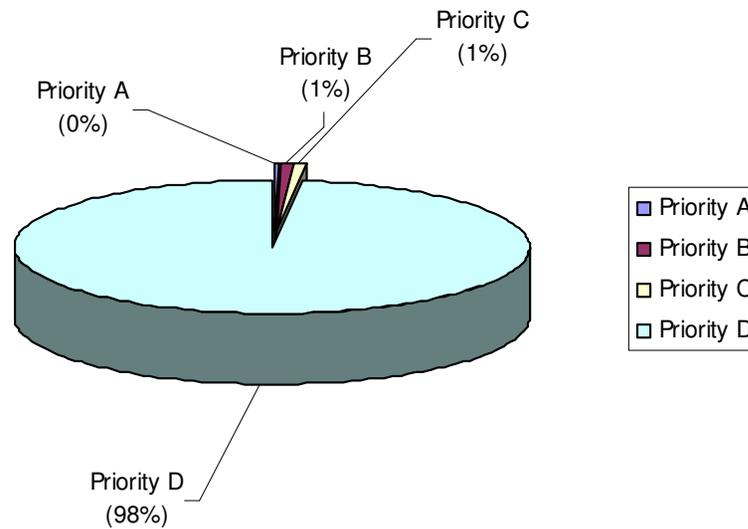
- *Closed Claims* 6,700
- *Claims on Priority List* 4,600
- *Active Claims* 4,300
(Before Suspensions)





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Make-up of Priority List





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Total Paid

Millions of Dollars

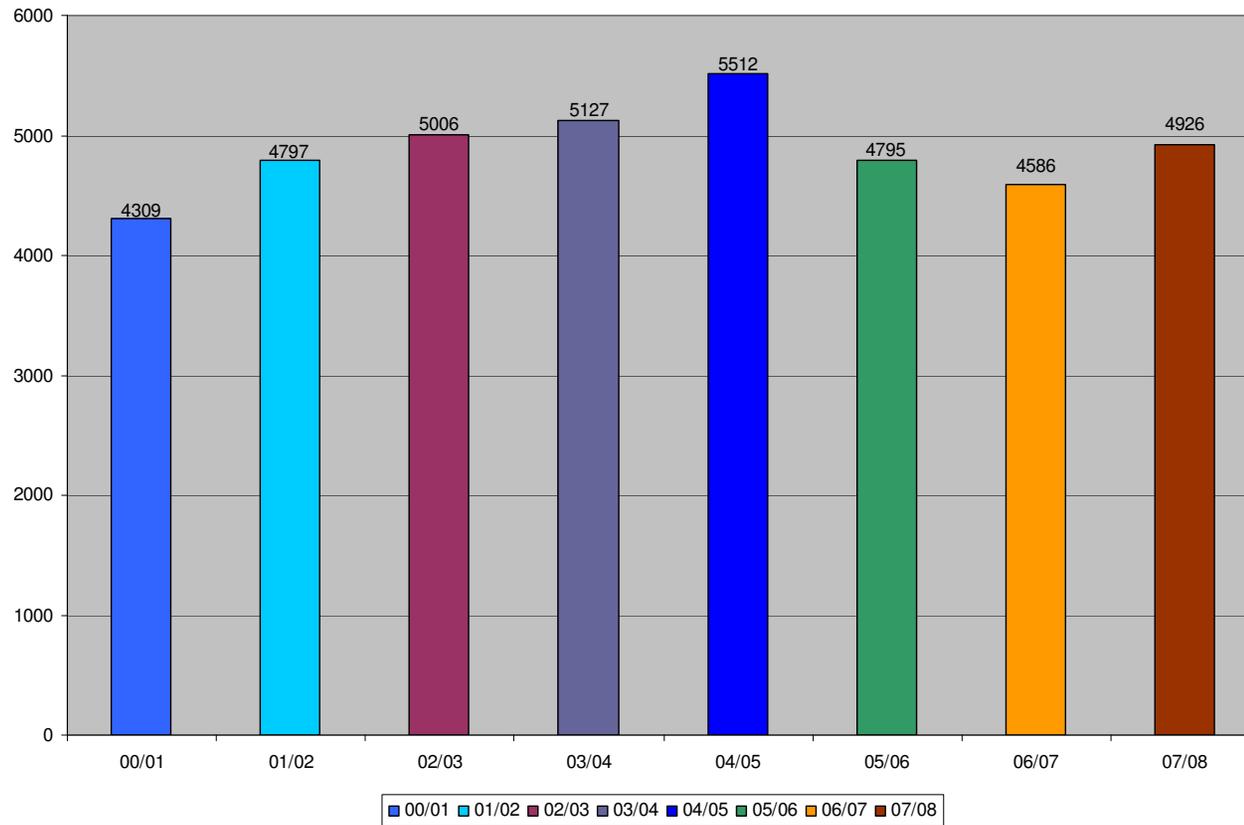
<i>PRIORITY</i>	<i># OF</i>	<i>\$\$\$</i>
	<i>PAYMENTS</i>	<i>PAID</i>
<i>A</i>	<i>1,438</i>	<i>\$ 27</i>
<i>B</i>	<i>33,470</i>	<i>\$1,032</i>
<i>C</i>	<i>22,238</i>	<i>\$ 949</i>
<i>D</i>	<i>5,694</i>	<i>\$ 488</i>
<i>TOTAL:</i>	<i>62,840</i>	<i>\$ 2,495</i>





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Number of Payments/Year





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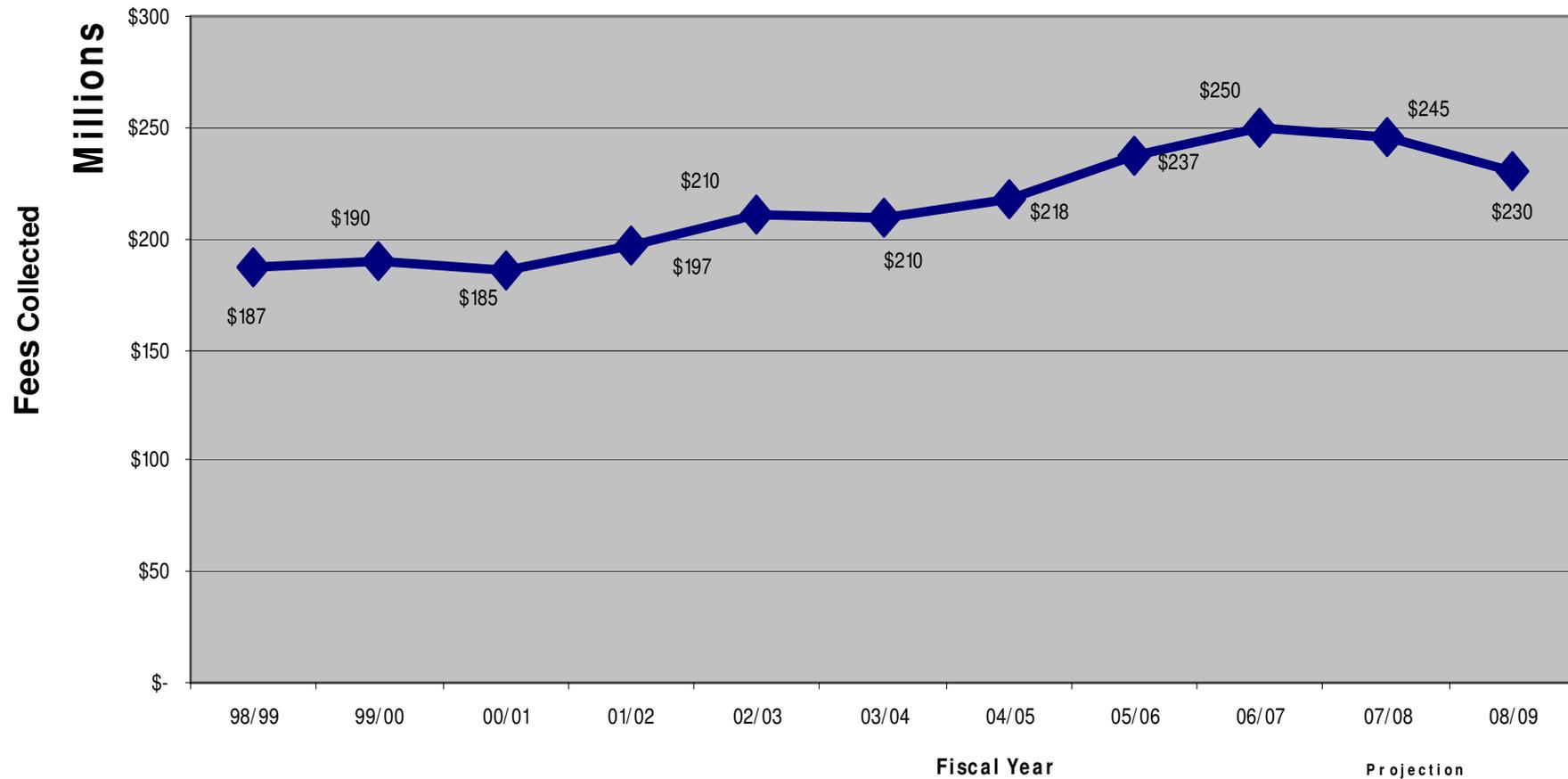
Source of revenue

- *The Underground Storage Fee*
- *Paid quarterly by the Board of Equalization (Jan, April, July, Oct)*
- *Began at \$0.006/gal in 1991*
- *Increased several times through legislation*
- *Currently \$0.014/gal*



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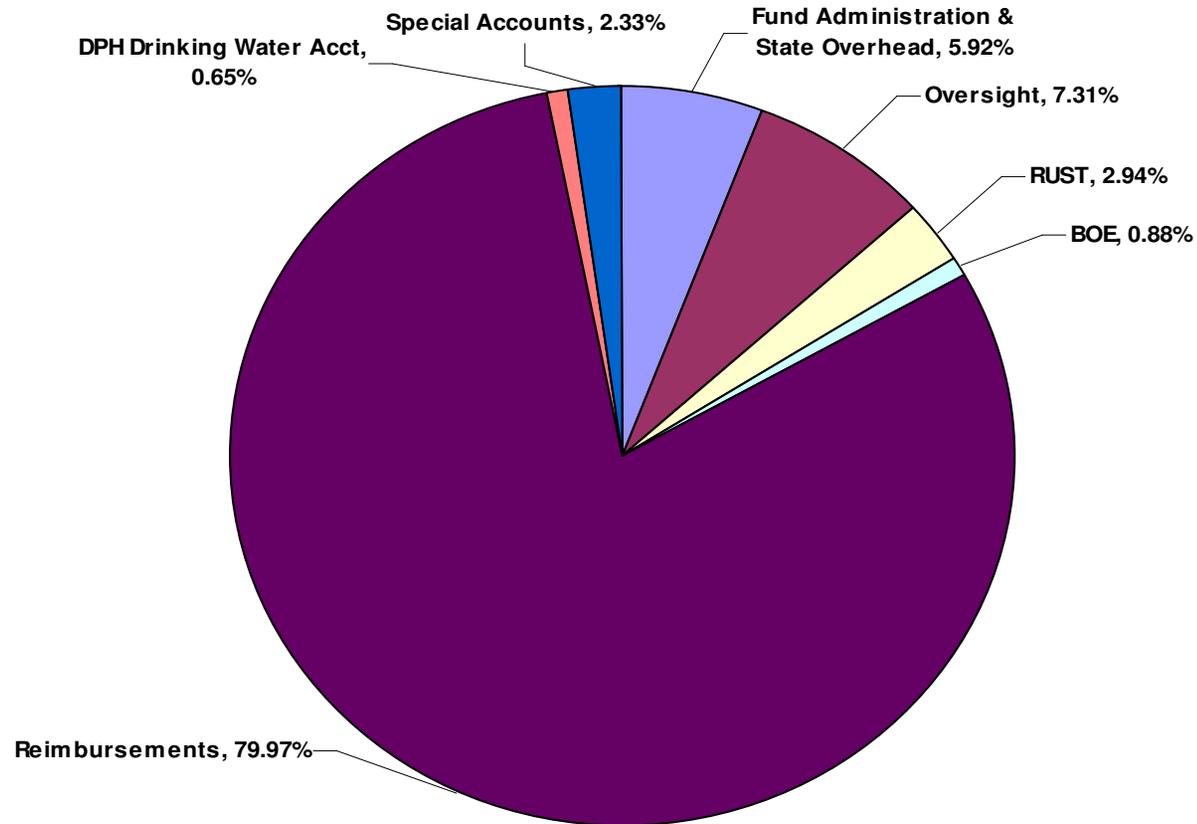
Fees Collected





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Fund Expenditures of \$3.08 Billion (Since Inception)



■ Fund Administration & State Overhead ■ Oversight □ RUST □ BOE ■ Reimbursements □ DPH Drinking Water Acct ■ Special Accounts





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So What Happened this Year??





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So what happened to the Fund?
Why are funds so short this year?

IMMEDIATE REASON:

The long term cash surplus in the Fund is gone and the program must now operate within annual income

UNDERLYING REASONS:

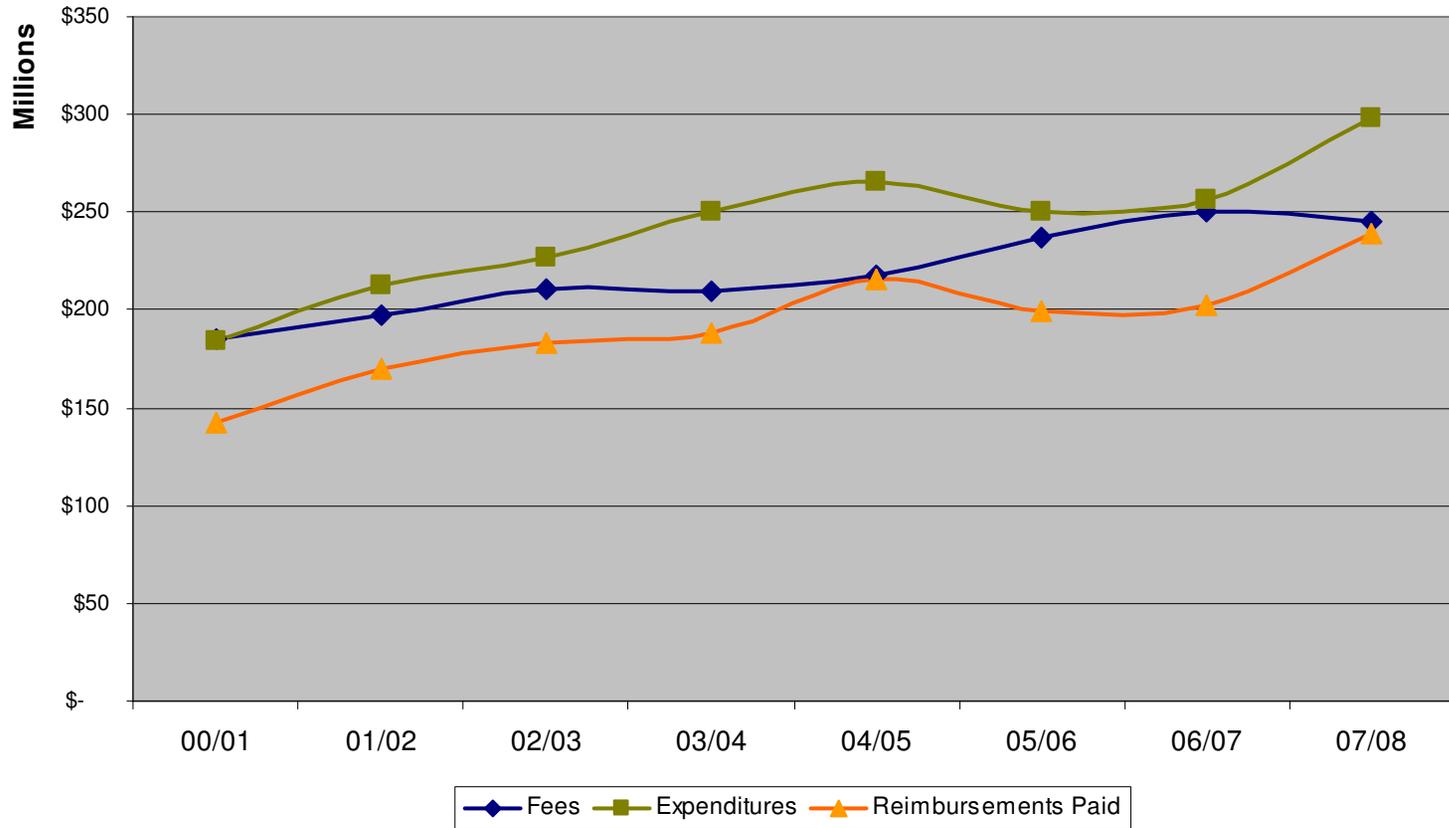
- 1. The costs for cleanup reimbursements are up*
- 2. Other costs paid by the Fund have also gone up*
- 3. Revenue has dipped*



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Total Revenue, Expenditures and Reimbursements Paid
FY 00/01 to FY 07/08

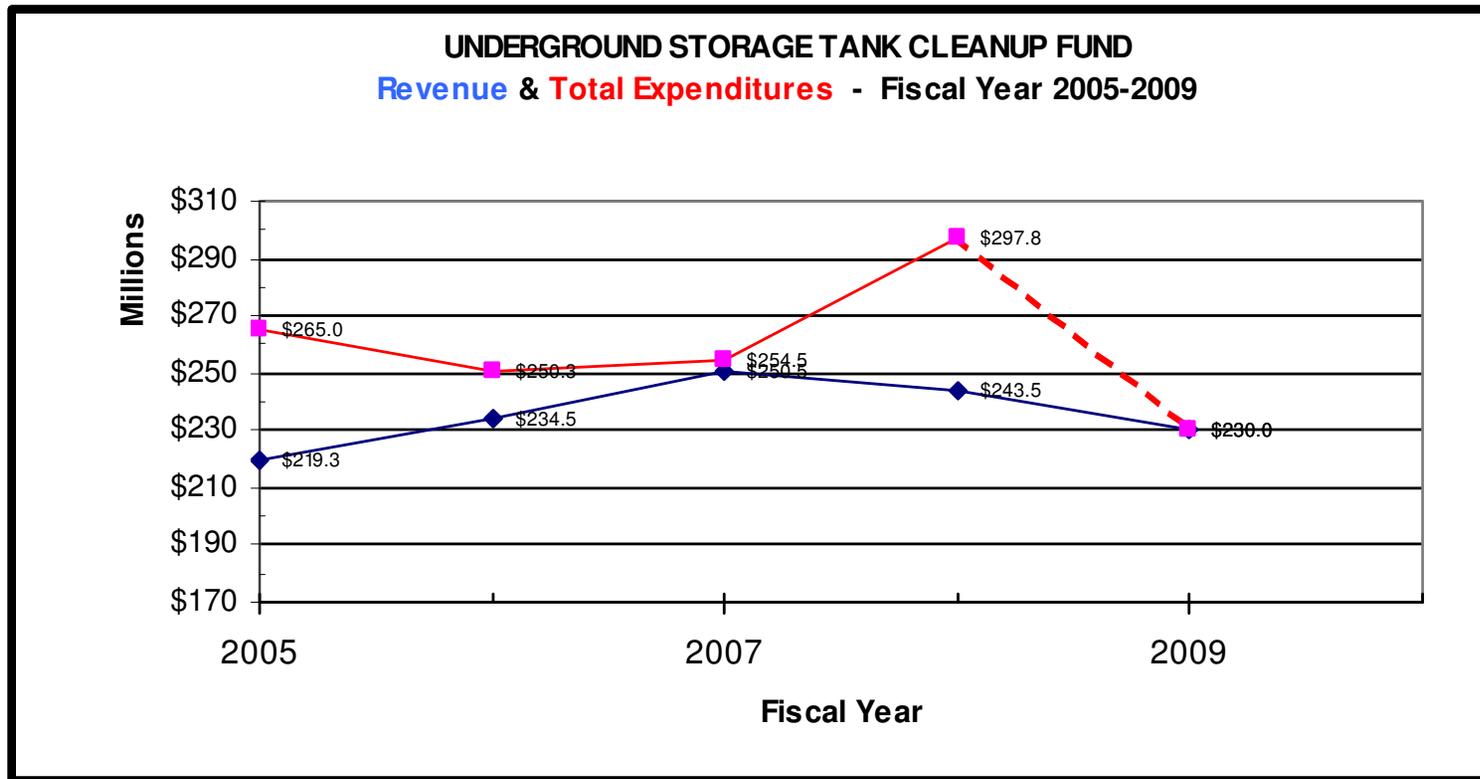
Why? We have been spending more than we take in





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Why? We have to get by with \$70 million less this year than last year



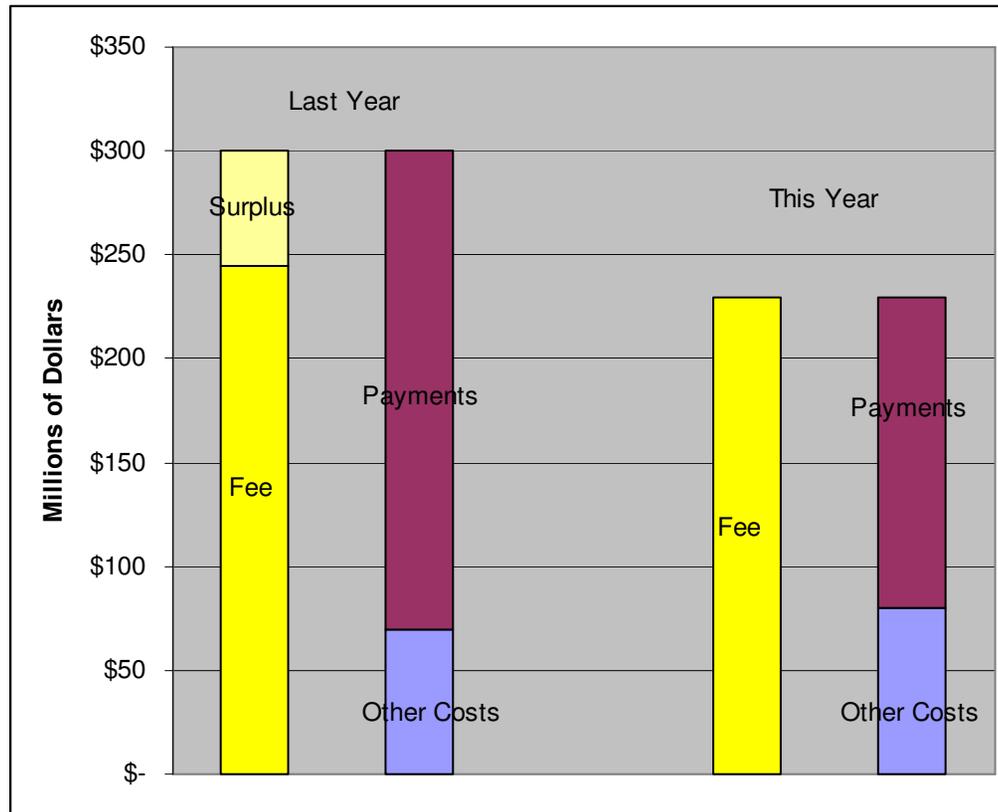


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Why: Less Money

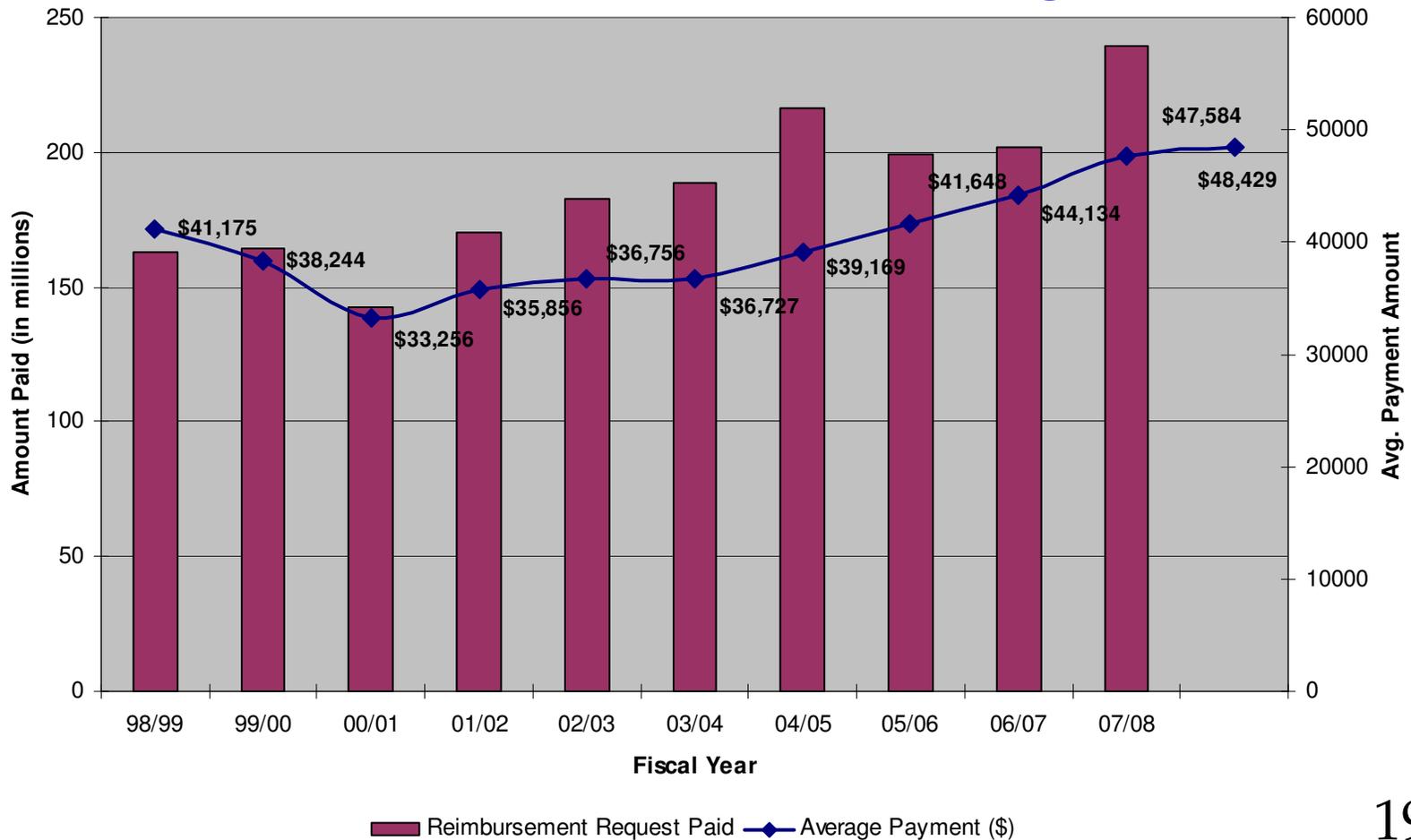
Last year vs. this year

(Conceptual)



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Why? Cleanup Costs are Up Total Amount Paid & Avg. Pmt.

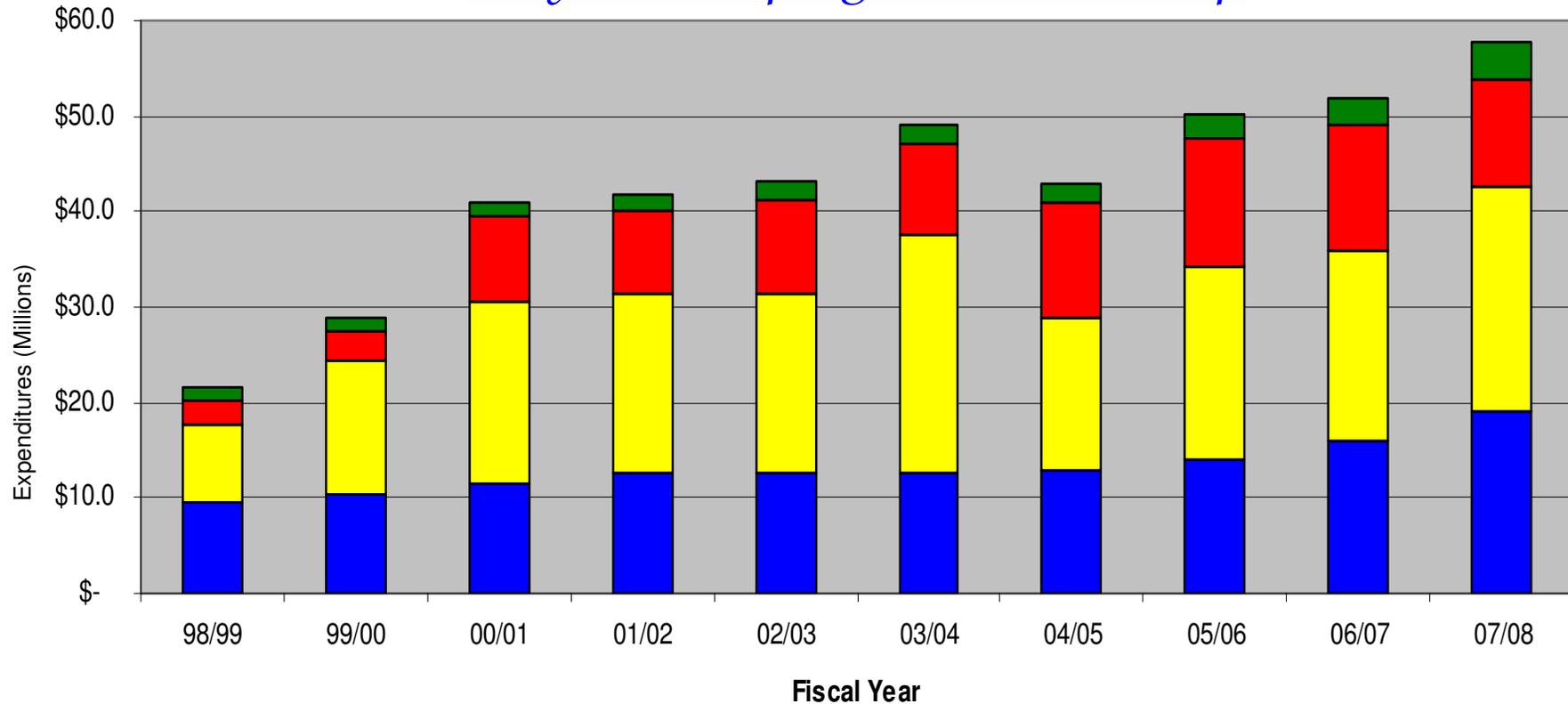




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Actual expenditures – non reimbursements

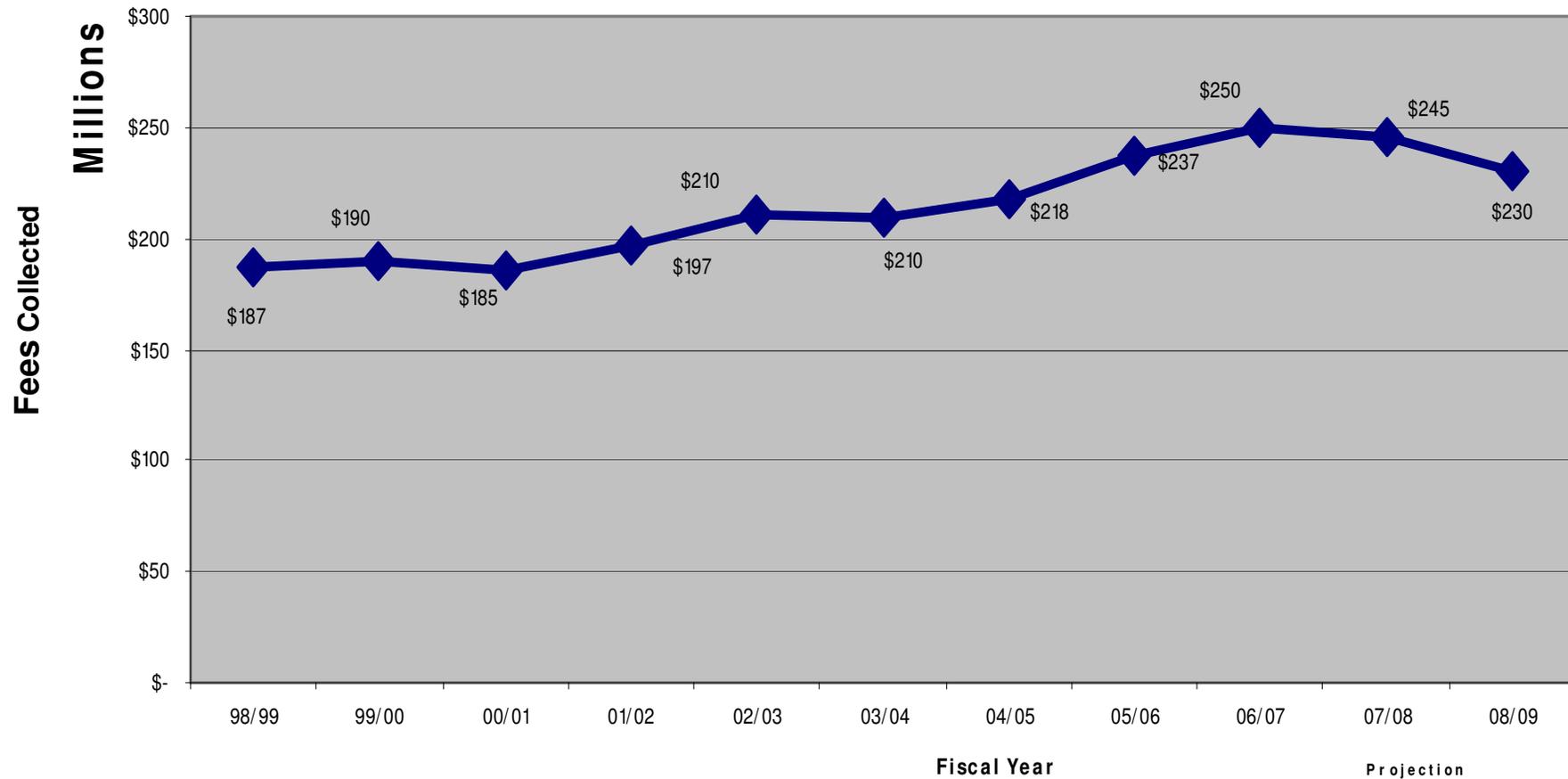
Why? Other program costs are up





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Why? And revenue has dipped





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Why? The elephant in the room:

*Claims are taking too long to complete
& A new claim is filed for every claim
closed*





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Cleanups are taking too long

- Claims with active LOC of 5 years or more - 78%
- Claims with active LOC of 10 years or more - 43%
- Claims with active LOC of 15 years or more - 8%

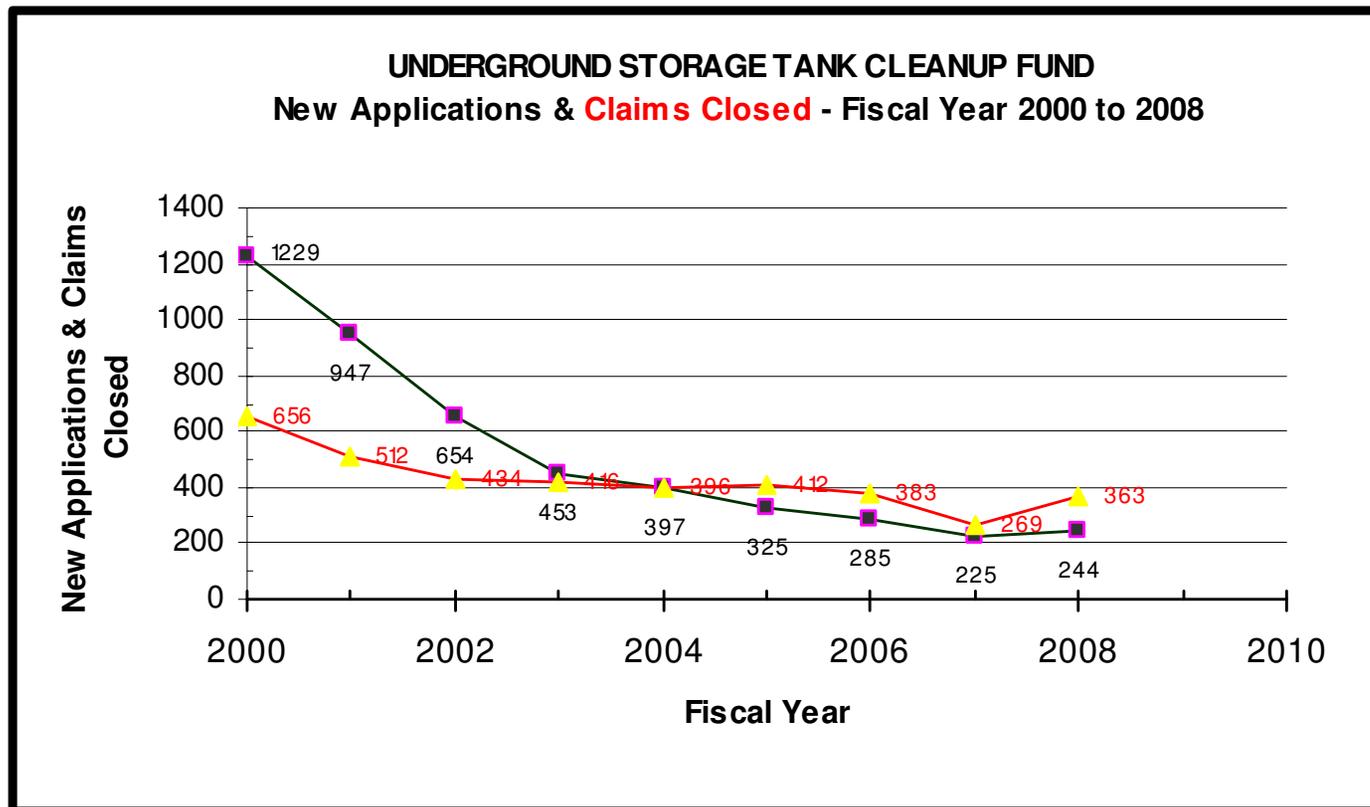
(Pcts. Based on 4,305 active claims, i.e. before suspensions)





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Why?: New Claims are being filed at the same rate old claims are closed





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Where does this leave us?

- A major backlog of payments
 - \$240 million demand vs. \$150 million in funds for payments = \pm \$70 million unpaid this year.
 - Quarterly fee receipts vs. continuous demand for funds = Payments made in batches every 90 days
- Need to plan for a smaller program
 - 3,000 active claims vs. 4,500
 - Lower cost per claim?
 - Close claims?



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Q: So, How does this affect me?

A: Depends on your Priority Class





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How does this impact me?

Priority Class A (Residential)

NO IMPACT

- Priority Class A claims are the highest priority
- 90 active claimants
- Payment requests are being processed and payments made as funds become available.
- These payments will be delayed less than 3 months, if at all.
- Priority Class A claimants represent less than 2 percent of the historic payment demand on the Fund's net revenues.
- Priority Class A claims will not have their LOCs suspended.
- New LOCs will continue to be issued to claimants in this class.





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How does this impact me?

Priority Class B

Small businesses with 100 or fewer employees

MODERATE IMPACT – PAYMENTS WILL TAKE LONGER

- Priority Class B claims are the second priority.
- 2,000+ active Priority Class B claimants.
- Priority Class B payments will be delayed 6 to 18 months.
- In future FYs, Priority Class B claimants will receive about 70 percent of the Fund's available revenues.
- Some active LOCs may be suspended in the near future in order to keep projected payment demand to the 70 percent level.
- No new LOCs for approx. 40 Priority Class B on the Priority List.
- Approx. 150 appeals in-house to switch Priority Class C to B.





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Priority Class C

Businesses with 500 or fewer employees

MAJOR IMPACT: MANY SUSPENSIONS – LONGER WAIT FOR FUNDS – SMALLER SHARE OF PIE

- Priority Class C claims are the third priority
- Payment requests will be processed and the payments placed on hold pending the availability of funds.
- Current projections indicate delay for Priority Class C payments may be as long as 30 months.
- In future years, payments may be limited to the statutory minimum of 14 percent of the Fund's net revenues.
- 440 currently active (application filing date prior to January 1, 1995)
- 612 suspended on November 7, 2008
- 617 more suspended on January 7, 2009
- 40 on Priority List will not be issued LOCs.





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Priority Class D

Other Claimants, major businesses, etc

IMPACT: 14 PERCENT OF A SMALLER PIE

- Priority Class D claims are the fourth and lowest priority.
- Payment requests will be processed to meet 14% minimum.
- In future FYs, payments will continue to be limited to the statutory minimum of 14 percent of the Fund's net revenues.
- 370 currently active
- 127 suspended on January 5, 2009
- 4,500 on Priority List will not be issued LOCs.





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Actions we are taking:

- *Encouraging cost savings*
- *Asking for budgets for active claims*
- *Developing forms and procedures to allow claimants to use outside bridge financing*
- *Working with regulators to achieve closure where appropriate. Improving five year review process*
- *Seeking Federal stimulus funds*
- *Exploring all options. Other ideas?*



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The Top Ten Questions Asked:

- 1. Why has there been such a drastic reaction to a decrease in funding of only 5 to 10%?*
- 2. When will my payment be issued?*
- 3. How long will my claim be suspended?*



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The Top Ten Questions Cont'd

4. *Has there been a “shared-pain” approach, or are the claimants and their consultants the only ones being affected by revenue shortfalls?*

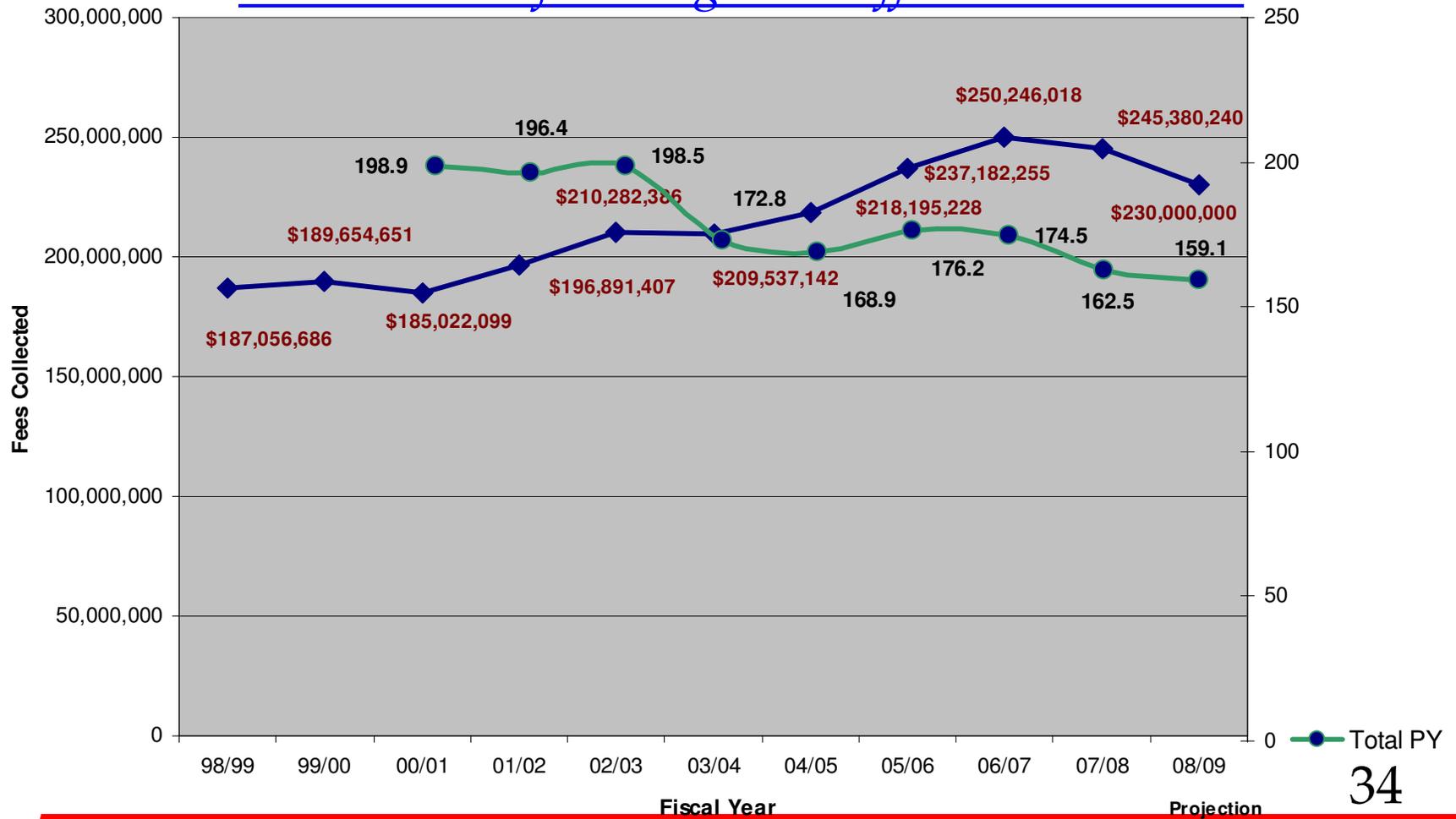
5. *Are claims being administered in the most efficient and cost-effective manner?*



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Staffing vs. Revenue

The number of state govt. staff has been stable





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The Top Ten Questions Cont'd

- 6. Is everything possible being done to close sites that are ready for closure?*
- 7. What is being done to allow claimants access to outside financing*
- 8. Can we make bridge financing eligible?*
- 9. Is everything possible being done to collect payments from fee-payers?*



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Top Ten Questions Cont'd

- 10. What is the list of possible solutions to these problems, both short-term and long-term?*





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Web Page

http://www.waterboards.ca.gov/water_issues/programs/ustcf/

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