

UNDERGROUND STORAGE TANK REVOLVING LOAN FUND ANNUAL REPORT

FISCAL YEAR
2005

Department of Environmental Conservation
Spill Prevention and Response Division



Presented to the **Second Session** of the **Twenty - Fourth Alaska Legislature**
January 9, 2006

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I. INTRODUCTION

Leaking underground storage tanks have impacted a number of public drinking water systems in Alaska. Benzene, a petroleum component and known carcinogen, poses a significant threat to human health and the environment. Over 50 percent of all pre-1998 underground storage tanks (UST) systems in Alaska leaked over time, impacting soils and groundwater.

A. Statement of Purpose

The Underground Storage Tank Revolving Loan Fund was established by the legislature to provide technical and financial assistance to underground tank owners and operators in an effort to prevent new spills and cleanup old spills. The following annual report to the legislature is submitted pursuant to Alaska Statute Section 46.03.410 to provide information about the purpose and activities of the Fund.

B. Federal Law

Subtitle I to the 1984 Hazardous and Solid Waste Amendments to the Resource Conservation and Recovery Act (RCRA) requires, in part, that the U.S. Environmental Protection Agency (EPA) regulate USTs containing petroleum and hazardous substances.

Congress directed the EPA to develop regulations for the design, construction, and installation of new underground storage tanks, as well as for the addition of leak detection, corrosion prevention, plus spill and overflow protection to existing underground storage tanks. These EPA regulations went into effect on December 22, 1988. The EPA established 1998 deadlines and objectives for spill and overflow, and corrosion protection, as well as tank closures. The Department of Environmental Conservation issued 146 tank upgrade grants and 342 tank closure grants to help owners and operators comply with the federal requirements.

Congress also mandated that all UST owners, except state and federally owned or operated tanks, be able to demonstrate specific levels of financial responsibility for corrective action and cleanup associated with releases from their USTs, including third party loss and bodily injury. The most common type of financial responsibility is commercial pollution insurance. Tank owners are now required to demonstrate \$1 million of financial responsibility per occurrence and \$2 million aggregate.

C. State Law

The Alaska legislature introduced the Alaska UST legislation as a result of the EPA requirements. Rather than relying solely on a federal enforcement program after problems developed, the Alaska Legislature passed proactive legislation (House Bill 220), providing technical and educational assistance as well as incentives for compliance with federal and state requirements. They did so by:

- Setting performance standards for both new and existing UST systems
- Providing for corrective action activities and cleanup standards for leaking USTs
- Mandating that the Department of Environmental Conservation provide educational assistance to UST owners and operators
- Requiring the certification of UST workers
- Requiring registration of all USTs, and
- Establishing the Storage Tank Assistance Fund.

Many changes have occurred in the State's program since its inception in 1990.

- Effective July 1, 1999, Senate Bill 128 established a new cleanup loan program and set owner/operator net worth ceilings for grant cleanup eligibility.
- Effective July 1, 2002, Senate Bill 153 replaced the previous programs with a revolving loan fund for tank cleanup and re-named the original Storage Tank Assistance Fund to the Underground Storage Tank Revolving Loan Fund. Senate Bill 153 mandated that DEC may not pay upgrading and closure grants under AS 46.03.430 after June 30, 2002. Senate Bill 153 also mandates that after July 1, 2004, DEC may not pay money for any grant from the underground storage tank revolving loan fund.
- Effective May 30, 2003, House Bill 187 extended the termination date of the Board of Storage Tank Assistance to June 30, 2007.

Table 1 lists a current summary of the various financial assistance options available after Senate Bill 153.

TABLE 1
SUMMARY OF UST FINANCIAL ASSISTANCE PROGRAMS (after Senate Bill 128 and Senate Bill 153)

PROGRAM	DESCRIPTION	ELIGIBLE COSTS	NET WORTH/PAYMENT LIMITATIONS AS OF 7/1/99	ASSISTANCE PROVIDED
Tank Tightness Testing & Site Assessment Incentive Program	Repealed effective 7/1/99	Provided funds directly to the owner/operator specifically to reimburse costs for tank tightness tests or site assessments to determine if there had been a release of petroleum.	Not Applicable	Repealed effective 7/1/99
Tank Cleanup Grant Program	Application period sunset June 30, 1994* Program terminated June 30, 2004.	Provides funds directly to the owner/operator specifically to cover costs of risk assessment, containment, corrective action, and cleanup.	The tangible net worth of both owner and operator limited to \$1 million or less each. Grant payments under this program may not exceed \$250,000 less the 10% for owner/operator's deductible (not to exceed \$25,000.) When combined with a grant payment under the tank upgrade and closure program, payment may not exceed \$250,000. When combined with tank cleanup loans under AS 46.03.422 or tank upgrade/closure grants to same owner/operator, payments cannot exceed \$500,000.	Up to \$250,000 and owner/operator is responsible for 10% of total cleanup costs (not to exceed \$25,000) which is excluded from the grant. A tank cleanup loan at no interest is available to assist owner/operator with the deductible.
Tank Cleanup Loan Program	Program active. Application period sunset June 30, 1994*	Provided funds directly to the owner/operator specifically to cover costs of risk assessment, containment, corrective action, and cleanup.	Loans, when combined with grants to same owner or operator, may not exceed \$500,000. When combined with tank cleanup or tank upgrade/closure grants and loans to same owner/operator, payments cannot exceed \$500,000.	An owner/operator may borrow up to \$500,000 for cleanup at a rate equal to the 12th Federal Reserve District discount rate as of Jan. 1 of the year in which the loan is approved plus one-half percentage point.
Tank Upgrade & Closure Grant Program	Repealed effective 7/1/02. Application period sunset June 30, 1994*	Provides funds directly to the owner/operator specifically to cover costs of removal, upgrade, or replacement of UST system.	The tangible net worth of both owner and operator is limited to \$250,000 each. Grant payments under this program cannot exceed a total of \$250,000 for the same owner or operator. When combined with tank cleanup or tank upgrade/closure grants and loans to same owner/operator, payments cannot exceed \$500,000.	Repealed effective 7/1/02
Reimbursement Program	Repealed effective 7/1/99	Provided reimbursement for the costs of risk assessment, containment, cleanup, corrective action, upgrade, or closure activities on or after December 22, 1988 and before September 5, 1990.	Not Applicable	Repealed effective 7/1/99

* Cleanup applications were accepted through June 30, 1996 for those applicants that had an upgrade and closure application on file on or before December 30, 1994 and discovered and reported contamination before July 1, 1996 and can prove that contamination occurred before December 22, 1993.

D. The Underground Storage Tank Revolving Loan Fund

The Underground Storage Tank Revolving Loan Fund was established in June 2002. The grant program terminated on 6/30/04. The loan program for tank cleanups continues.

Table 1 on page 3 (Summary of UST Financial Assistance Programs after Senate Bill 128 and Senate Bill 153) briefly describes the assistance provided in the loan and grant programs.

Following are the annual appropriations to the Underground Storage Tank Revolving Loan Fund since its inception:

	(In millions)
FY 1991	\$6.0
FY 1992	\$0.0
FY 1993	\$5.0
FY 1994	\$4.9
FY 1995	\$3.5
FY 1996	\$3.1
FY 1997	\$2.9
FY 1998	\$2.9
FY 1999	\$4.4
FY 2000	\$5.2
FY 2001	\$1.9
FY 2002	\$0.8
FY 2003	\$0.7
FY 2004	\$0.9
FY 2005	<u>\$0.9</u>
Total	\$43.1

II. ABSTRACT

The following sections of the report summarize:

- The amount and source of money received by the Underground Storage Tank Revolving Loan Fund during FY 2005 (see part III A).
- The amount of money expended during FY 2005 for each type of expense authorized under AS 46.03. 410 (b) (see part III B).
- Department activities paid for from the fund during FY 2005 including the number of requests for assistance made to the Department for use of the fund (see part III C).
- The number of requests funded in each activity area and projected costs for FY 2006 (see part IV).
- The financial assistance program from inception through June 30, 2005 (see part V).

Details on the FY 2005 grant activities and grant priority lists of UST cleanup sites can be found in the appendix A.

III. FY 2005 FUND SUMMARY

A. Funding & Appropriations

The Oil and Hazardous Substance Release Prevention and Response Fund served as the source of the Underground Storage Tank Revolving Loan Fund's appropriation in FY 2005. Table 2 reflects appropriations from the Fund to finance closure and fiscal audits of grants, closure of the program and other services provided by the department.

TABLE 2
Underground Storage Tank Revolving Loan Fund
Financial Summary FY 2005

FY 2005 State Appropriations

FY 2005 Appropriations To The Underground Storage Tank Revolving Loan Fund	<u>Amount</u>
Fund Transfer From The Oil & Hazardous Substance Response Prevention Fund HB375, Section 35	<u>875,000.00</u>
Total Appropriations To The Underground Storage Tank Revolving Loan Fund	\$875,000.00

Appropriations from the Underground Storage Tank Revolving Loan fund
FY05 Financial Detail

	Appropriations	Expenditures	Balance
Administration			
Personal Services	35,408.00	35,408.00	0.00
Travel	2,617.00	2,617.00	0.00
Contractual	1,000.00	1,000.00	0.00
Supplies	51.00	51.00	0.00
Subtotal	<u>39,076.00</u>	<u>39,076.00</u>	<u>0.00</u>
Other			
Site Cleanup and Fund Management	780,724.00	0.00	780,724.00
Administrative Services	144,700.00	144,700.00	0.00
Total	<u>964,500.00</u>	<u>183,776.00</u>	<u>780,724.00</u>

B. Expenditures

Grant Activities

The grant program terminated on June 30, 2004. In FY 2005, no grant funds were expended on cleanup, upgrade or closure activities.

C. Assistance Requested and Funded for FY 2005

The Department did not receive any request for assistance in FY 2005.

1. Tank Cleanup Program

There were no expenditures or encumbrances for tank cleanup grants in FY 2005.

2. Senate Bill 153- Revolving Loan Program

Effective July 1, 2002, Senate Bill 153 converted the loan program created by SB 128 to a revolving loan program. No loan applications under this program were received by the department in FY 2005.

3. Tank Upgrade and Closure Program

Since the Fund's inception, DEC issued 146 tank upgrade grants and 342 tank closure grants to comply with the federal 1998 deadlines and objectives for spill protection, overfill protection, corrosion protection, and tank closures. This program ended June 30, 2002 and all final payments were made.

IV. FINANCIAL ASSISTANCE FOR FY 2006

TABLE 3

Financial Assistance to be Provided in FY 2006

TANK CLEANUP LOAN* PROGRAM	(\$ In Thousands)
Total Number Anticipated Loans	0
Total Dollar Amount of Anticipated Loans	\$0.0

*Note: Loan in this table includes loans under AS 46.03.420 and AS 46.03.422

V. PROGRAM SUMMARY SINCE INCEPTION

From the inception of the Underground Storage Tank Financial Assistance Program on September 5, 1990 until June 30, 2005, over \$43 million has been appropriated for tank tightness testing, site assessment, cleanup, upgrade or closure of USTs in Alaska. Of the over 2,000 applications originally received, 1,107 have been funded.

Grant and loan activity for all grant programs for work performed from inception of the Financial Assistance Program through June 30, 2005, is summarized in Tables 4 and 5.

Table 6 summarizes the status of applications after the transition to Senate Bill 128 and reflects the cleanup grants issued during FY 2001, 2002, 2003, 2004 and 2005.

Table 4 Financial Assistance Grants and Loans Summary - Pre-SB128 (Dollars are in Thousands)												
	TTT/SA		Cleanup		Upgrade		Closure		Reimbursement		Total	
	No.	Dollars	No.	Dollars	No.	Dollars	No.	Dollars	No.	Dollars	No.	Dollars %
Applications Received	416	\$362.5	577	\$56,045.3	308	\$12,076.6	614	\$6,609.0	158	\$3,388.4	2073	\$78,481.8 100%
Grants & Loans* Issued	286	\$210.7	233	\$17,906.7	146	\$6,150.0	342	\$3,171.0	0	\$0.0	1007	\$27,438.4 49%
Awaiting Funds Prior to SB128	0	\$0.0	215	\$23,925.7	37	\$1,465.9	96	\$1,080.5	158	\$3,388.4	506	\$29,860.5 24%
Continuation Cleanup Projects 6/30/99	0	\$0.0	29	\$1,650.0	0	\$0.0	0	\$0.0	0	\$0.0	29	\$1,650.0 2%
Ineligible/Withdrawn/Cancelled	130	\$151.9	100	\$12,562.9	125	\$4,460.7	176	\$2,357.5	0	\$0.0	531	\$19,533.0 25%

*Note: Loan in this table includes only loans under AS 46.03.422.

Table 5 Financial Assistance Grants and Loans Summary Through 6/30/05 - Post-SB128 (Dollars are in Thousands)								
	Cleanup Grant		SB 128 Loan* Program		Upgrade		Closure	
	No.	Dollars	No.	Dollars	No.	Dollars	No.	Dollars
Applications Awaiting Funds Prior to SB128	<u>244</u>	<u>\$25,575.7</u>	Note 1	<u>\$14,250.0</u>	<u>2</u>	<u>\$0.0</u>	<u>3</u>	<u>\$32.2</u>
SB128 Eligible/Interested Applicants	51	\$8,908.0	57	\$14,250.0	2	\$0.0	3	\$32.2
<i>SB128 Funding Approach:</i>								
FY01 Grants Issued	36	\$2,197.0	0	\$0.0	0	\$0.0	3	\$32.2
FY02 Grants Issued	38	\$2,311.1	0	\$0.0	0	\$0.0	0	\$0.0
FY03 Grants Issued	28	\$2,017.5	0	\$0.0	0	\$0.0	0	\$0.0
FY04 Grants Issued	3	\$262.0	0	\$0.0	0	\$0.0	0	\$0.0
FY05 Projected Projects	0	\$0.0	0	\$0.0	0	\$0.0	0	\$0.0

* Note: Loan in this table includes only loans under AS 46.03.422.

APPENDIX

Appendix A

TANK CLEANUP PROGRAM FINANCIAL ASSISTANCE FY 05 GRANT ACTIVITIES

The grant program terminated on June 30, 2004, therefore no grants were issued and no payments were made in FY 2005.

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UNDERGROUND STORAGE TANK REVOLVING LOAN FUND
ALASKA STATUTES

Sec. 46.03.410. UNDERGROUND STORAGE TANK REVOLVING LOAN FUND

- (b) The commissioner may use money in the underground storage tank revolving loan fund to pay for
- (1) loans under AS 46.03.422 for risk assessment, containment, corrective actions, and cleanup costs;
 - (2) costs of administering the fund and the tank cleanup loan program under AS 46.03.422; and
 - (3) costs of the Board of Storage Tank Assistance (AS 46.03.360).
- (c) The commissioner shall prepare a report on the status of the underground storage tank revolving loan fund and notify the legislature not later than the 10th day following the convening of each regular session of the legislature that the report is available. The report may include information considered significant by the commissioner but must include
- (1) the amount and source of money received by the fund during the preceding fiscal year;
 - (2) the amount of money expended during the preceding fiscal year for each type of expense authorized under (b) of this section;
 - (3) a detailed summary of department activities paid for from the fund during the preceding fiscal year, including how many requests for assistance have been made to the department to use the fund for grants or loans for testing, site assessment, risk assessment, upgrading, closure, containment, corrective action, and cleanup costs, and the number of requests funded in each activity area;
 - (4) the projected cost for the next fiscal year of monitoring, operating, and maintaining sites where department activities have been completed or are expected to start or be continued during the fiscal year;
 - (5) the priority list of tank system sites for which the department expects to provide financial assistance in the next fiscal year.