

FY 2017 UST Fee Proposal Summary

Background

The underground storage tank (UST) compliance program provides regulatory oversight aimed at eliminating releases and reducing the impacts from USTs. The funding for this program comes from three sources. First, annual registration fees are collected for each UST in the state. Second, a Federal Grant administered by the EPA is awarded to the state annually. Finally, funding from the Petroleum Storage Tank Trust (PST) Fund is allocated by the legislature each year. Historically, the funding received from annual tank fees along with the Federal Grant have been used to conduct operational inspections, provide outreach and training, and, when necessary, conduct enforcement actions. Although primarily a cleanup fund, an allocation from the PST Fund has generally been provided to meet administrative needs such as technology, office support, etc. and subsidize the technical work of the compliance program. Any effective prevention measures taken reduce exposure to the PST Fund and so these expenditures have been justified.

Current Condition

The annual UST Registration fee has not been raised in thirteen years. During that same period the cost of doing business has continued to increase and recently Federal Grant funding has been reduced. As this has happened, an increasing portion of expenses to cover program costs have come from the PST Fund allocation. Recent legislation has been enacted in an effort to shore up the PST Fund by incentivizing risk reduction for tank systems. In order to further ensure preservation of the PST Fund to meet cleanup needs, the UST program identified two services provided whose costs are increasingly being covered by the PST Fund allocation; UST installations and UST Closures.

The UST Compliance program currently has projects being tracked under the Governor's Success Framework. The program has gone thirteen years without raising registration fees on tanks. There are several reasons that we have been able to make this possible including:

- Implementation of inspection prioritization program which targets higher risk facilities for inspection rather than inspecting every facility each year, reducing the amount of time needed to verify compliance.
- Implementation of operator training program to help facility operators stay on top of compliance and reduce the amount of time spent on individual inspections.
- Initiation of a notification program designed to help operators meet periodic testing requirements and provide results directly to the UST program further reducing the amount of time spent on-site during the inspection.
- Increased outreach through emailed tank tips and targeted phone calls to resolve compliance issues.

In spite of these efficiencies, and because of the length of time without any increase in fees, costs have increased over the past decade.

The average time spent on a typical UST closure is approximately 8.5 hours and the average time spent on a typical UST installation is 12.5 hours. During FY2014, 151 tanks were removed from 61 facilities and 105 tanks were installed at 37 facilities. Using the billing rate approved in the fee schedule, the value of the time dedicated to these tasks last year is estimated to be approximately \$88,000. In some local health districts, local inspectors conduct field work portion of the removals and installations on behalf of the UST program. Because of this involvement, the cost to the State and PST Fund for this work is about \$70,000. Since this cost has largely been provided out of the PST Fund, those facilities that participate in the Fund have disproportionately subsidized these services for everyone.

Potential Remedies

In order to continue to provide these services, options for ongoing funding were evaluated. First, because the registration fee has not been adjusted in thirteen years, and they (coupled with the federal grant) were historically the source of funds to provide the service, we considered adjusting this fee. Because there are approximately 3,900 regulated tanks in the state, an increase of \$20 across the board would result in about \$78,000 annually to offset these costs. A second option considered is to assess a fee for the specific service provided. For example, for each tank closure or installation conducted a fee reflective of the time necessary to oversee that activity could be assessed.

These alternatives were presented and discussed over the course of the past year with the UST Advisory Task Force. Although task force members prefer to delay any increased cost as long as possible, there was general agreement that it would be easier for business purposes to assess the fee for the service provided. To follow this recommendation, there are two scenarios that seemed most reasonable. A flat fee based on the number of tanks removed or installed could be assessed. Based on the number of tanks removed last year, the UST removal fee would need to be about \$325 per tank. Likewise the UST installation fee would need to be \$400 per tank.

A second model was discussed with the UST Task Force where a base fee would be assessed to cover many of the administrative costs of a closure or installation with a smaller “per tank” fee to account for the field work. This scenario was more favorable to task force members because it would allow them to capitalize the cost with the project being completed. Additionally, some Local Health Districts conduct the field work and already assess a fee for service. This would allow to State to recover the cost of the administrative work without assessing any fee for the field work. Based on the feedback from the task force, this is the alternative proposed in the fee schedule. For UST closures with a base fee of \$250 and a per tank fee of \$150, it is expected that \$30,000 would be collected. For UST installations with a base fee of \$500 and a per tank fee of \$200, it is expected that \$32,000 would be collected. The combined fee collection of approximately \$62,000 would cover the cost of the service provided and only impact those who receive the service rather than socializing the cost as was historically done or would be done by simply raising tank registration fees.

Other Considerations

One concern about initiating a closure fee is that the fee may be a deterrent to removal and upgrade of aging and risky tank systems. A solution proposed by task force members is to provide a grace period, of possibly 2-3 years, for tanks systems that are high risk under the PST Fund rebate model to remove their tanks without being assessed the closure fee. This would provide a financial incentive to further reduce the risk exposure for the PST Fund. Additional incentives could be structured within rule to further encourage reduction of risk to the PST Fund.