

# Redbook

## LBO Analysis of Executive Budget Proposal

### Ohio Petroleum Underground Storage Tank Release Compensation Board

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# LBO Redbook

## Ohio Petroleum Underground Storage Tank Release Compensation Board

### Quick look...

- The Ohio Petroleum Underground Storage Tank Release Compensation Board has the primary responsibility of administering the Petroleum Financial Assurance Fund, which is used to reimburse owners and operators of underground petroleum storage tanks for the costs of corrective actions and damage compensation paid to third parties.
- The Board’s appropriations consist of cash transferred from the fund solely for paying personal services; it receives no GRF funding.
- The Petroleum Financial Assurance Fund is not a part of the state treasury and instead is in the custody of the Treasurer of State.
- The executive budget will permit the Board to maintain current service delivery levels, including increases in health care and salary costs.

FY 2022 Actual	FY 2023 Actual	FY 2024 Actual	FY 2025 Estimate	FY 2026 Introduced	FY 2027 Introduced
<b>Fund 6910 ALI 810632, Petroleum Underground Storage Tank Release Compensation Board – Operating</b>					
\$1,428,812	\$1,377,337	\$1,404,193	\$1,638,600	\$1,778,594	\$1,910,092
% change	-3.6%	1.9%	16.7%	8.5%	7.4%

### Agency overview

The Petroleum Underground Storage Tank Release Compensation Board was established in 1989 to comply with federally mandated requirements concerning petroleum underground storage tank (UST) owners’ financial responsibility established in Subtitle I of the Resource Conservation and Recovery Act (RCRA). The Board serves Ohio’s UST owners and operators by overseeing the Petroleum Financial Assurance Fund, which provides a mechanism for all underground storage tank owners and operators to meet U.S. Environmental Protection Agency (U.S. EPA) regulations. These regulations require owners and operators to demonstrate financial capability to pay for potential damage caused by releases from their USTs.

The Board consists of nine members appointed by the Governor with the advice and consent of the Senate. The Treasurer of State and the directors of the Department of Commerce and the Ohio Environmental Protection Agency serve as ex officio members. Appointed members of the Board are compensated on a per-diem basis for each day of actual attendance at meetings of the Board. Members also receive their actual and necessary expenses incurred in the

performance of their duties as members of the Board. The day-to-day operations of the Board are handled by 16 full-time equivalent (FTE) staff, including an executive director.

## **Analysis of FY 2026-FY 2027 budget proposal**

The Board's single line item, supported by cash transferred from the Petroleum Financial Assurance Fund, is used solely for payroll expenses associated with the nine Board members and 16 FTE staff. All of the Board's other expenses (supplies and maintenance, purchased personal services, equipment, and corrective action and compensation payments) are paid directly out of the Petroleum Financial Assurance Fund by warrant of the Treasurer of State.

The preceding table shows the line item's expenditure history for personnel expenses from actual FY 2022 expenditures through the executive proposed appropriations for FY 2026 and FY 2027. The proposed appropriation increases for FY 2026 and FY 2027 relative to the FY 2025 estimated expenditures are due to anticipated increases in health care costs and increased costs to bring the Board's hourly rates into alignment with hourly rates for similar positions and with consideration for longevity.

## **Petroleum Financial Assurance Fund**

The Petroleum Financial Assurance Fund, which is in the custody of the Treasurer of State, consists of annual and supplemental per-tank fees, interest earnings, and revenue bond proceeds. The fund assures a UST owner correction cost reimbursement of up to \$1 million, less the deductible. Fees are currently set at \$350 annually for a single tank with a standard deductible of \$55,000 for necessary corrective actions. Owners of six or fewer USTs may elect to pay an additional \$200 fee per tank for a reduced deductible of \$11,000. The Board collects \$8.4 million in fees annually. Currently, more than 20,000 USTs across over 6,700 facilities are covered by the fund.

The Board is permitted to assess per-tank fees as follows: (1) an annual per-tank fee in any year in which the unobligated fund balance is below \$45 million, and (2) a supplemental per-tank fee in any year in which the unobligated fund balance is less than \$15 million. As of August 31, 2024, the unobligated fund balance was \$20.8 million.

The number of USTs covered by the fund has decreased as owners and operators have come into compliance with U.S. EPA mandates to upgrade, remove, or replace tanks by December 1998. The number continues to decline, although at a slower rate than in the years predating 1998. In 1989, there were 50,000 USTs covered by the fund. As of August 31, 2024, the Board had received approximately 22,500 applications for reimbursement since coming into existence.

The Board calculates its fees by projecting the number of tanks to be covered in the upcoming fiscal year, the expected amount to be paid in claim reimbursements, and its operating costs. The table below shows a summary of the cash flow for the Petroleum Financial Assurance Fund as accounted for in the Board's annual financial reports. Tank fees were the largest source of revenue, ranging from \$8.3 million (FY 2021) to \$8.5 million (FY 2022). Operating expenses were largely attributable to claims and claims adjustments, averaging \$7.8 million annually over the five-year period.

Petroleum Underground Storage Tank Release Compensation Board FY 2019-FY 2023 Revenues and Expenses					
Financial Information	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>Operating Revenue</b>					
Tank fees	\$8,457,656	\$8,467,497	\$8,304,171	\$8,543,989	\$8,396,605
Recovery of bad debt	\$136,289	\$72,937	\$123,842	\$114,913	\$106,516
Claim refunds	--	\$468,750	--	--	\$2,567,500
Other	\$256	\$1,829	\$8,662	\$161	\$347
<b>Nonoperating Revenues</b>					
Earnings on investments	\$964,246	\$761,311	\$29,916	-\$707,799	\$386,417
Loss on disposal of assets	--	--	--	--	--
<b>Total Revenue</b>	<b>\$9,558,447</b>	<b>\$9,772,324</b>	<b>\$8,466,591</b>	<b>\$7,951,964</b>	<b>\$11,457,385</b>
<b>Operating Expenses</b>					
Incurred claims and claims adjustment	\$6,576,939	\$5,478,863	\$9,363,110	\$9,365,924	\$7,974,497
Administration	\$2,181,421	\$2,056,808	\$1,118,597	\$1,308,863	\$1,808,020
Depreciation	\$25,571	\$28,375	\$27,717	\$114,266	\$105,075
<b>Nonoperating Expenses</b>					
Interest expense	--	--	--	\$1,934	\$960
Loss on disposal of assets	--	--	--	\$40	\$1,540
<b>Total Expenses</b>	<b>\$8,783,931</b>	<b>\$7,564,046</b>	<b>\$10,509,424</b>	<b>\$10,791,027</b>	<b>\$9,890,092</b>

Source: Annual Ohio Petroleum Underground Storage Tank Release Compensation Board financial statements (FY 2019-FY 2023)