

Underground Storage Tank Assurance Fund

A.R.S. § 49-1051.D

ADEQ administers the Underground Storage Tank (UST) State Assurance Fund (SAF) through an application process. In FY 2000, ADEQ processed 1,076 SAF applications, which total \$19,032,918.35. Since the program's inception, 9,626 SAF applications have been processed, which total \$388,475,434. All applications are ranked and are prioritized for payment. The cri-

teria for ranking include points for risk to health and the environment, points for financial need, and points for the time an applicant has to wait for payment. Applicants can apply for reimbursement in phases. Claims average \$40,359 each. Based on the existing average claim size and anticipated number of future claims, ADEQ projects year-end negative balances of \$100 million in FY 2001 and \$120 million in FY 2002.

From the inception of the fund on June 21, 1990 to the end of FY 2000, the excise tax revenue has generated \$231,238,377. Despite the gradual decline in the number of facilities, annual revenue is relatively stable. Total revenue from all sources in FY 2000 was \$28,487,467. SAF excise tax revenues for FY 2001 and FY 2002 are expected to be approximately \$29 million annually.

From fiscal years 1992 through 1995, a total of \$19,027,500 was appropriated from the fund and redistributed. In an effort to return these funds to SAF, general fund appropriations of 3 million were made in FY 1997, and \$1,578,000 in FY 1998. Additionally, in FY 1999, Senate Bill 1196 allows additional appropriations from the general fund of \$500,000 in FY 2000 and \$1.3 million in FY 2001. The remainder of \$12,649,500, which was originally taken from the Area A (Maricopa County) portion of the fund, will be used to pay the numerous claims in Area A that are processed and waiting for payment. In April 2000, the governor signed legislation (Senate Bill 1301), which became effective July 2000, and appropriates \$5 million to pay claims of school districts, counties, cities, towns, hospitals or small businesses that suffer from financial hardship.

Although the SAF appears to have a large fund balance, all available funds are encumbered on a monthly basis for pre-approved work eligible for payment. The required balance of \$36 million cannot be maintained. As of June 30, 2000, the cash balance was \$31,671,504, of this amount, \$22,200,506 is required for payment of

Table III.1. State Assurance Fund as of June 30, 2000

Type	Claims	Requested	Paid or Pending
Paid	5,994	\$184,060,277	\$135,750,454
Pre-approved work/ not yet paid	1,445	112,187,452	53,281,679
Denied/ineligible	281	7,906,733	N/A
Warrants in process	29	1,011,274	778,953
Appeals	121	4,645,703	2,875,110
Processed, in process or awaiting funding	1,756	78,663,995	N/A
<i>Totals</i>	<i>9,626</i>	<i>388,475,434</i>	<i>192,686,196</i>

approved work. To maintain the required balance in the SAF, additional revenue would have to be received or the department would need to stop making payments until the balance of \$36 million is replenished. If no increase is made to the fund balance through additional appropriations or increased taxes, the fund will continue to be insolvent.

If the department continues to receive applications at the current rate and amount, an increase of excise tax would eliminate the backlog and replenish the fund in the following time frames.

- ◆ additional \$.01 per gallon excise tax in approximately three and half years
- ◆ additional \$.02 per gallon excise tax in approximately two years
- ◆ additional \$.03 per gallon excise tax in approximately 16 months

In 1998, the Legislature created an Underground Storage Tank Policy Commission (A.R.S. § 49-1092). The duties of the commission include,

- ◆ Evaluation of the need for additional assurance account monies or other monies to meet the needs of the program (A.R.S. § 49-1092, D.2(d)).
- ◆ Evaluation and recommendation of dates to phase out the assurance account and transfer responsibility for corrective action costs to the private insurance industry (A.R.S. § 49-1092, D.2(e).)

The department is working closely with the commission and is supportive of decisions that could potentially raise revenue and reduce payments from the fund and support the overall effort of the program. By doing this, we hope to pay all outstanding claims as quickly as possible and regain a positive fund balance.

Table III.2. UST Assurance Fund Financial Activity (July 1, 1999 to June 30, 2000)

Beginning balance		\$35,473,018
<i>Gross tax collected - assurance fund portion</i>		
Taxes collected		
ADOT excise activity tax	28,963,803	
DEQ excise/activity tax	102,868	
State Assurance Fund voluntary clean up	86,221	
Underground Storage Tank corrective action	3,000	
Taxes collected		\$29,155,892
Less refunds of excise tax		
ADOT refunds to suppliers	(1,391,531)	
ADOT collection fee contract #96-0095	(161,900)	
ADEQ refunds to owners/operators	(540,832)	
Total refunds of excise tax		(2,094,263)
Net taxes collected		27,061,629
General fund appropriation transfer in		500,000
Investment income earned		1,545,130
Total available		64,579,777
<i>Disbursements</i>		
Personnel and employee related	2,774,629	
Professional and outside services	3,275,671	
Travel	32,484	
Operating expenses	90,416	
Capital expenses	22,846	
Administrative overhead	1,421,876	
Total		7,617,921
Claims paid or pending payment to owners/operators of USTs		19,782,411
Appropriation transfer out to policy review commission		500,000
Loan to Maricopa County mass transit		5,400,000
Total disbursements		33,300,332
Ending cash balance		31,279,445
Plus loan due from Maricopa County mass transit		5,400,000
Ending fund balance		36,679,445
Average monthly cash/investment balance		28,852,466