

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. Based on points for risk to health and the environment, points for financial need and points for the time an applicant has to wait for payment, applications are prioritized for payment. Applicants can apply for reimbursement in phases.

Since the program's inception, 12,390 SAF applications totaling \$487,852,932 have been processed, with an average claim of \$39,375 each. Based on the existing average claim size and anticipated number of future claims, ADEQ projects year-end negative balances of \$90 million in FY 2003 and \$110 million in FY 2004.

Table 1: State Assurance Fund as of June 30, 2002

Type	No. of Claims	Requested	Paid or Pending
Paid	8288	\$237,361,871	\$174,045,267
Pre-Approved Work/ Not Yet Paid	1,865	150,129,882	77,262,105
Denied/Ineligible	390	10,067,449	----
Warrants in Process	13	383,859	74,580
Appeals	102	4,767,361	1,055,159
Processed or In Process/ Awaiting Funding	1,732	85,142,507	----
Totals	12,390	\$487,852,932	\$252,437,111

From the inception of the fund on June 21, 1990 to the end of FY 2002, the excise tax revenue has generated \$287,512,099. Despite the gradual decline in the number of facilities, annual revenue is relatively stable, with the revenue from all sources in FY 2002 totaling \$28,997,957. SAF excise tax revenues for FY 2003 and FY 2004 are expected to be approximately \$29 million annually.

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, 2002, the cash balance was \$41,696,992 of this amount, \$39,364,094 is required for payment of approved work. In addition, most of the remaining balance reflects claims that have been prioritized for payment and are in the final stage of processing. 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 years
- Additional \$.02 per gallon excise tax in approximately one and a half years
- Additional \$.03 per gallon excise tax in approximately 13 months

The department used the results of the 2000 census to reconfirm that Maricopa County is still the only county that meets the requirements to be included in the Area A account.

UST ASSURANCE FUND FINANCIAL REPORT

UST ASSURANCE FUND FINANCIAL ACTIVITY FOR THE PERIOD JULY 1, 2001 THROUGH JUNE 30, 2002		AMOUNT
BEGINNING BALANCE July 1, 2001		\$39,862,805
Prior Year Adjustment to Beginning Balance:		
Loan to Regional Public Transit Authority Transferred from Grant Account	(\$600,000)	
ADOT collection fee (Contract # 96-0095)	(166,500)	(766,500)
BEGINNING BALANCE (PRIOR YEAR ADJUSTMENT)		39,096,305
GROSS TAX COLLECTED- ASSURANCE FUND PORTION		
TAXES COLLECTED:		
ADOT EXCISE ACTIVITY TAX	\$29,573,626	
DEQ EXCISE /ACTIVITY TAX	\$41,550	
STATE ASSURANCE FUND VOLUNTARY CLEAN-UP	\$34,969	
TAXES COLLECTED:		29,650,145
LESS REFUNDS OF EXCISE TAX:		
ADOT REFUNDS TO SUPPLIERS	(1,271,381)	
ADEQ REFUNDS TO OWNERS/OPERATORS	(397,159)	
ONE TIME TANK FEE	(1,800)	
ADOT COLLECTION FEE(See note 1)	(127,517)	
TOTAL REFUNDS OF EXCISE TAX		(1,797,857)
NET TAXES COLLECTED		27,852,288
TRANSFER-IN FROM GRANT ACCOUNT		26,437
INVESTMENT INCOME EARNED		1,228,819
TOTAL AVAILABLE		\$68,970,348
DISBURSEMENTS:		
PERSONNEL & EMPLOYEE RELATED	3,376,361	
PROFESSIONAL & OUTSIDE SERVICES	1,615,564	
TRAVEL	30,326	
OPERATING EXPENSES	230,464	
CAPITAL EXPENSES	26,641	
ADMINISTRATIVE OVERHEAD	1,685,752	
TOTAL		6,965,109
CLAIMS PAID TO OWNER(s)/ OPERATOR(s) of UST(s)		14,553,442
APPROPRIATION TRANSFER OUT:		20,000
TOTAL DISBURSEMENTS		\$21,538,552
ENDING FUND BALANCE		47,431,796
LOAN TO REGIONAL PUBLIC TRANSIT AUTHORITY		(6,000,000)
ENDING CASH BALANCE		\$41,431,796
AVERAGE MONTHLY CASH/INVESTMENT BALANCE		36,866,104

Note 1 The ADOT Collection Fee is included in the computation for the 21% of Administration cost as per ARS49-1051 Ppar. 3