

# USING GoToWEBINAR

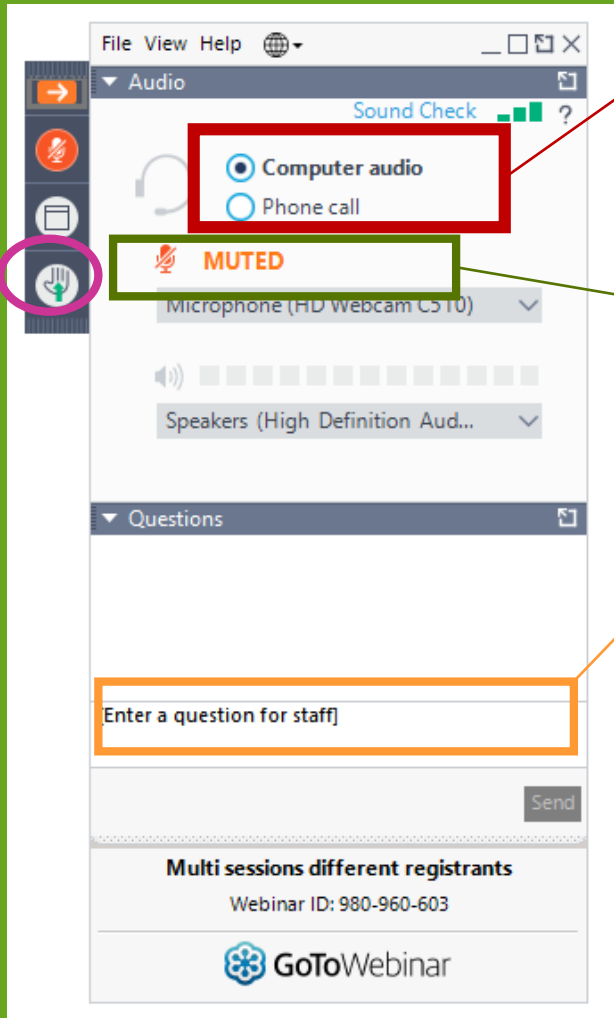
## Two Options for Audio:

1. Use your **computer's** speakers
2. Call in by **phone** using the call-in number and access code in the Audio section of the control box.

All participants are **muted** by default.

**Questions:** Use the “send question” option in the chat panel to ask questions throughout the presentation.

**Ask for help!** Use the questions box to let us know if you have technical difficulties. You can also **raise your hand** for help.



# ***NTC WEBINAR SERIES:***

***CHANGING FUEL CONSUMPTION,  
COVID-19, AND OTHER  
CHALLENGES – PERSPECTIVES  
ON THE STATE OF STATE FUNDS  
AND ENVIRONMENTAL  
INSURANCE***



**11/10/2020**



# NEIWPCC

## TANKS PROGRAM

- Webinar Series
- L.U.S.T.Line
- National Tanks Conference & Expo



# ***NTC WEBINAR SERIES:***

***CHANGING FUEL CONSUMPTION,  
COVID-19, AND OTHER  
CHALLENGES – PERSPECTIVES  
ON THE STATE OF STATE FUNDS  
AND ENVIRONMENTAL  
INSURANCE***



**11/10/2020**

# TODAY'S SPEAKERS



**Will Anderson** – Director, Cleanup and Revitalization Division | *EPA OUST*

**Emma Krulick** – Environmental Protection Specialist | *EPA OUST*

**Mahesh Albuquerque** – Director | *Colorado OPS*

**Therron Blatter** – UST Branch Manager | *Utah DEQ*

**Greg Travis** – AVP - Environmental | *Berkley Environmental*

**David Wattles** – Chief Operating Officer | *Idaho PSTF*

**Robert Winterburn** – VP - Product Line Manager - Storage Tanks | *Chubb Environmental*



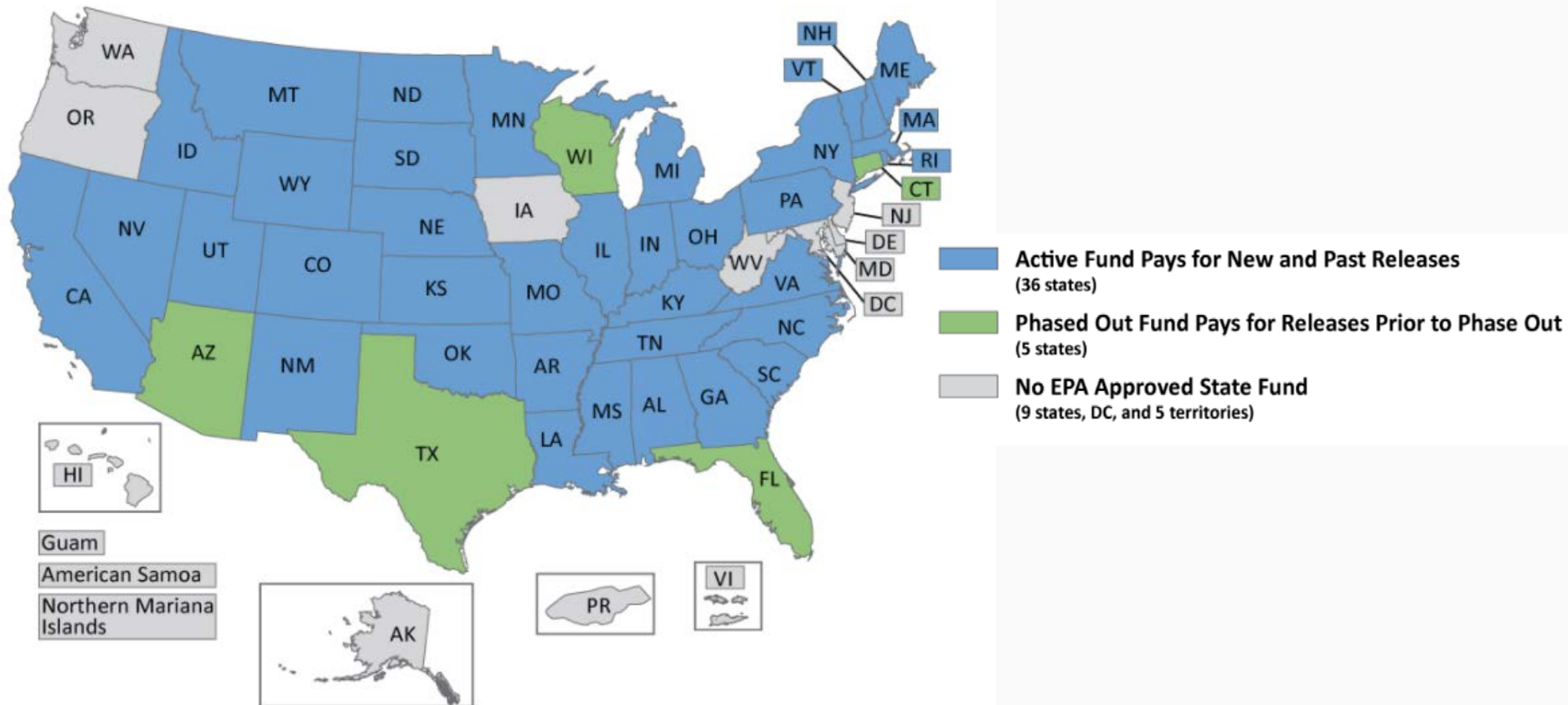
# State of State Funds

National Perspective Based on FY19 Reviews

November 10, 2020

## State Funds by Type

## Map of State Financial Assurance Funds (2020)





## FY19 Year in Review

- Approximate Annual Revenue: \$1.82B
- Approximate Current Balance: \$2.53B
- Outstanding Claims: \$354.91M
- # of Releases with Claims (cumulative): 362,788
- Approximate Total Amount Paid:
  - Total: \$23.3B
  - Annual: \$626.6M

Source: ASTSWMO 2019 Annual State Fund Survey





## FY19 Year in Review – EPA Fund Soundness Reviews

- Most funds are doing well
- Some areas of concern:
  - Insufficient revenue and high unpaid claims
  - Small percentage of sites getting payment
  - States with few closures
  - States with long cleanup times (start and finish)
  - Fiscal challenges facing states – will funds with large EOY balances face diversions?
- EPA follow-up with state funds facing challenges: additional data and Tier 2 Review



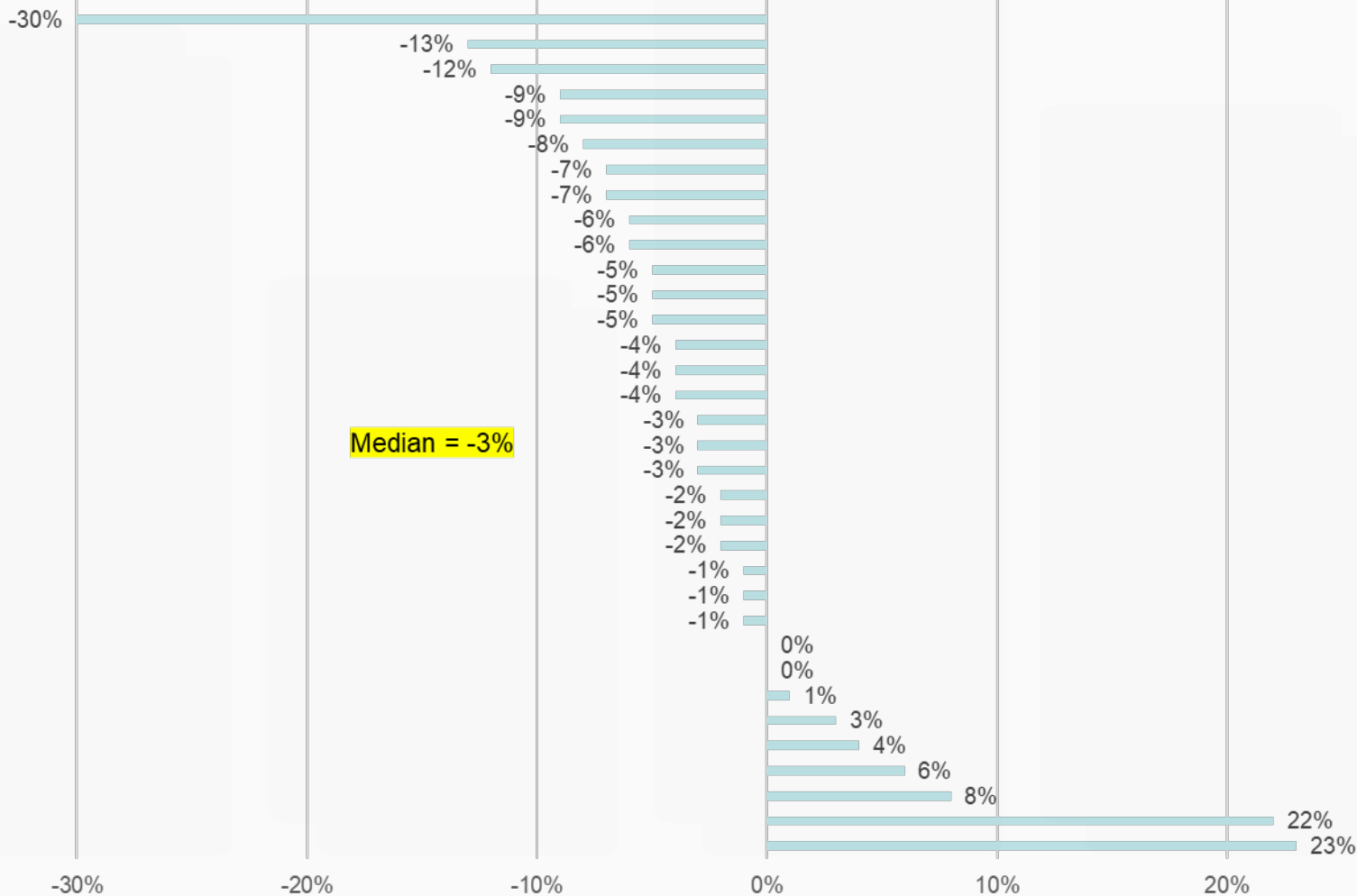
## FY19 Year in Review – EPA Fund Soundness Reviews

- 35 funds reviewed
  - Median backlog reduction: **-3%**
  - Median percent of money available spent: **44.5%**
  - Median percent of FRFE sites that received payment: **53%**
  - Median time from release to start of remediation: **6 months**
  - Median time from start of remediation to close: **85 months**



## Percent of FRFE Backlog Change at End of FY

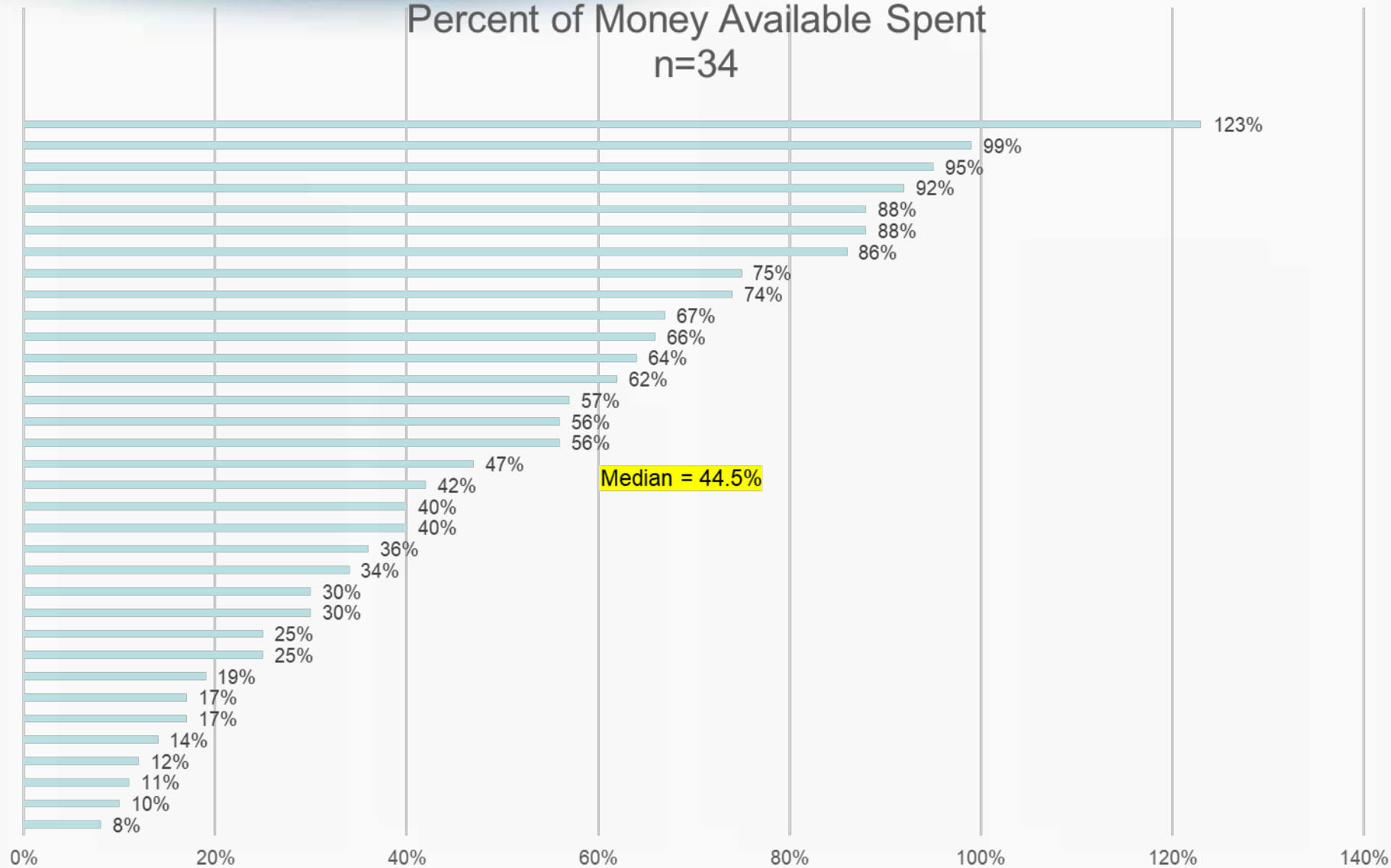
n=34





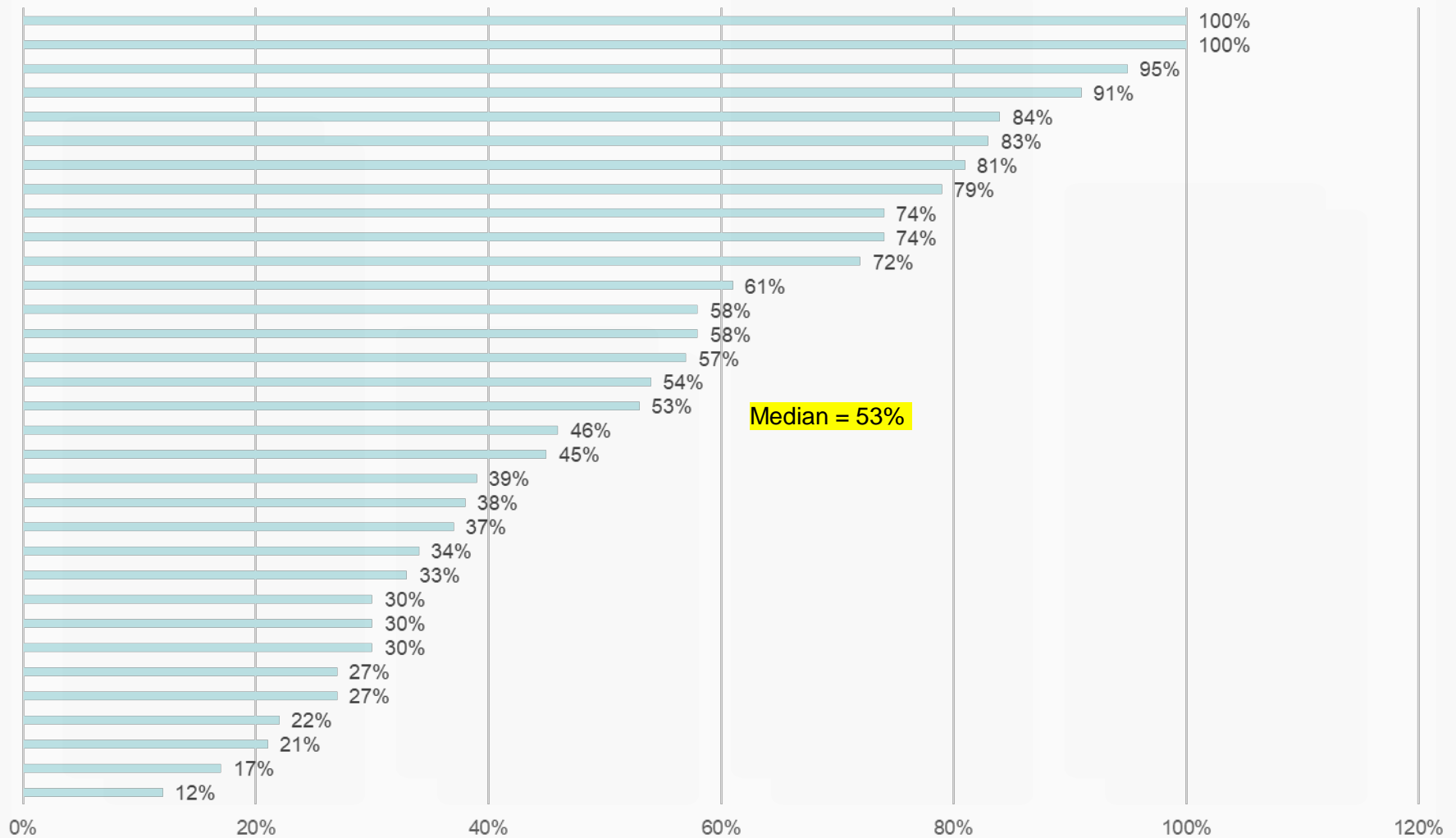
## Percent of Money Available Spent

n=34



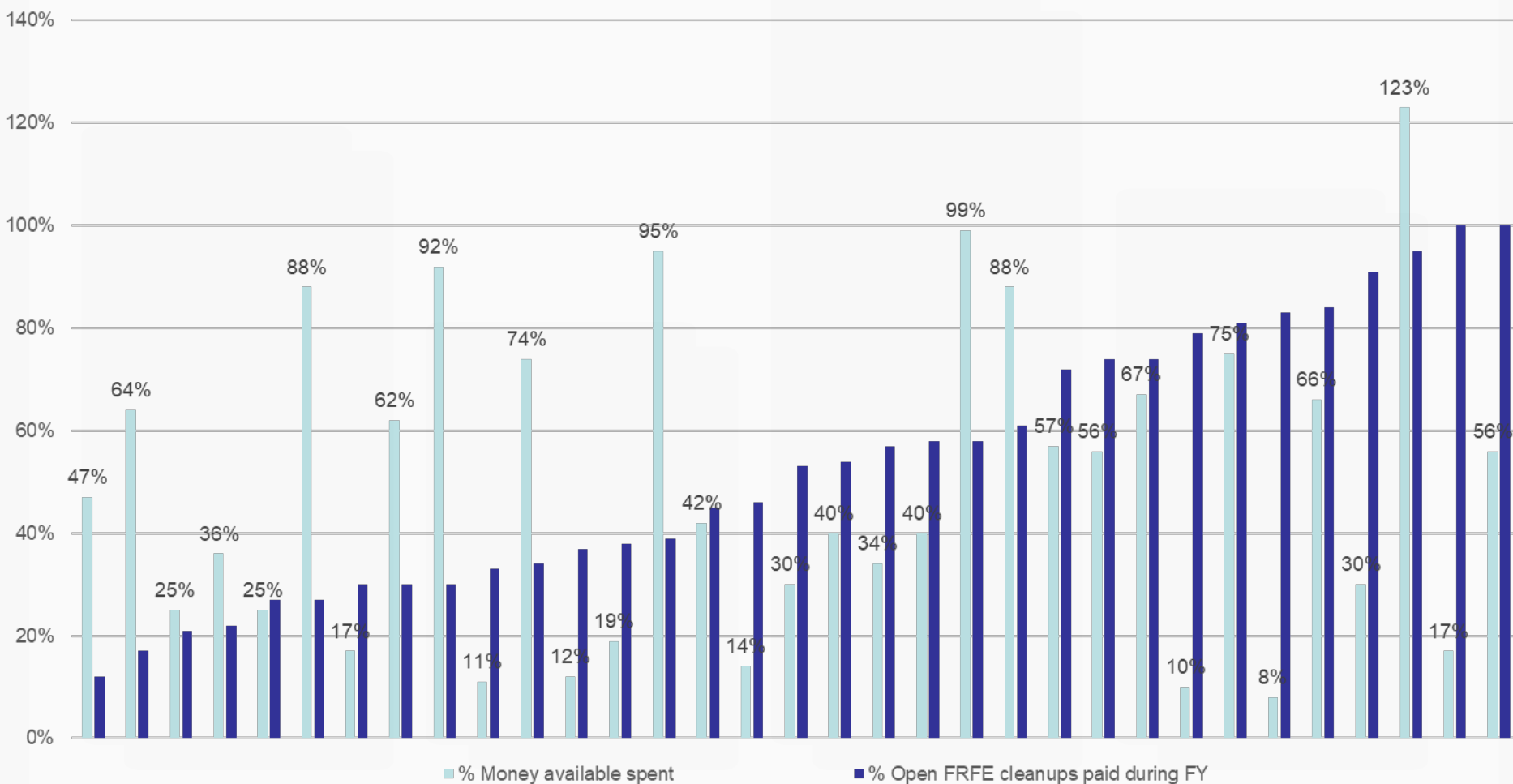


## Percent of Open FRFE Cleanups that Received Payment During FY n=33





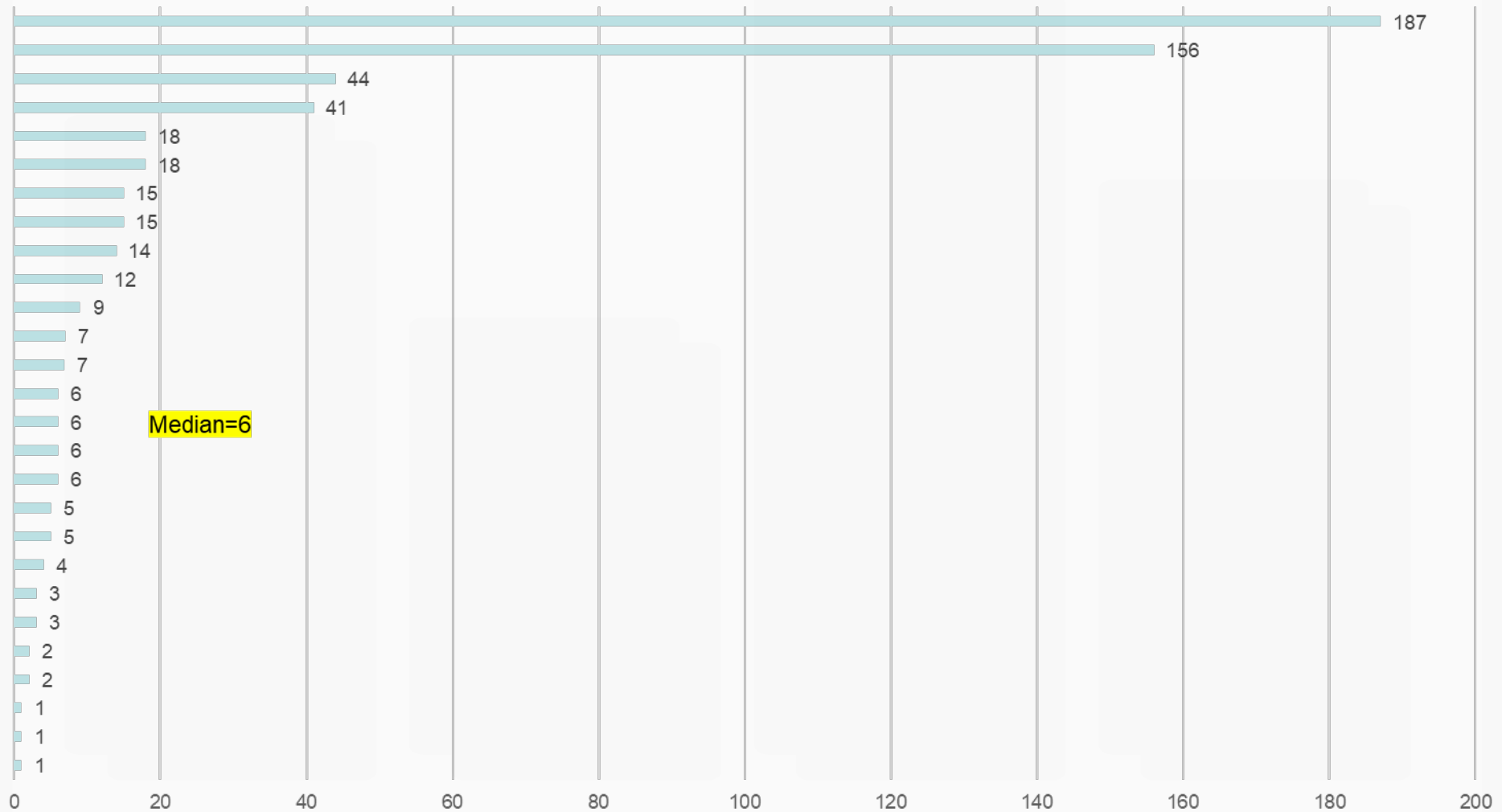
## Percent of Available Money Spent and Percent of Open Sites That Received Payment n=33





# Median Months From Release Report to Start of Remediation for Cleanups Started This FY

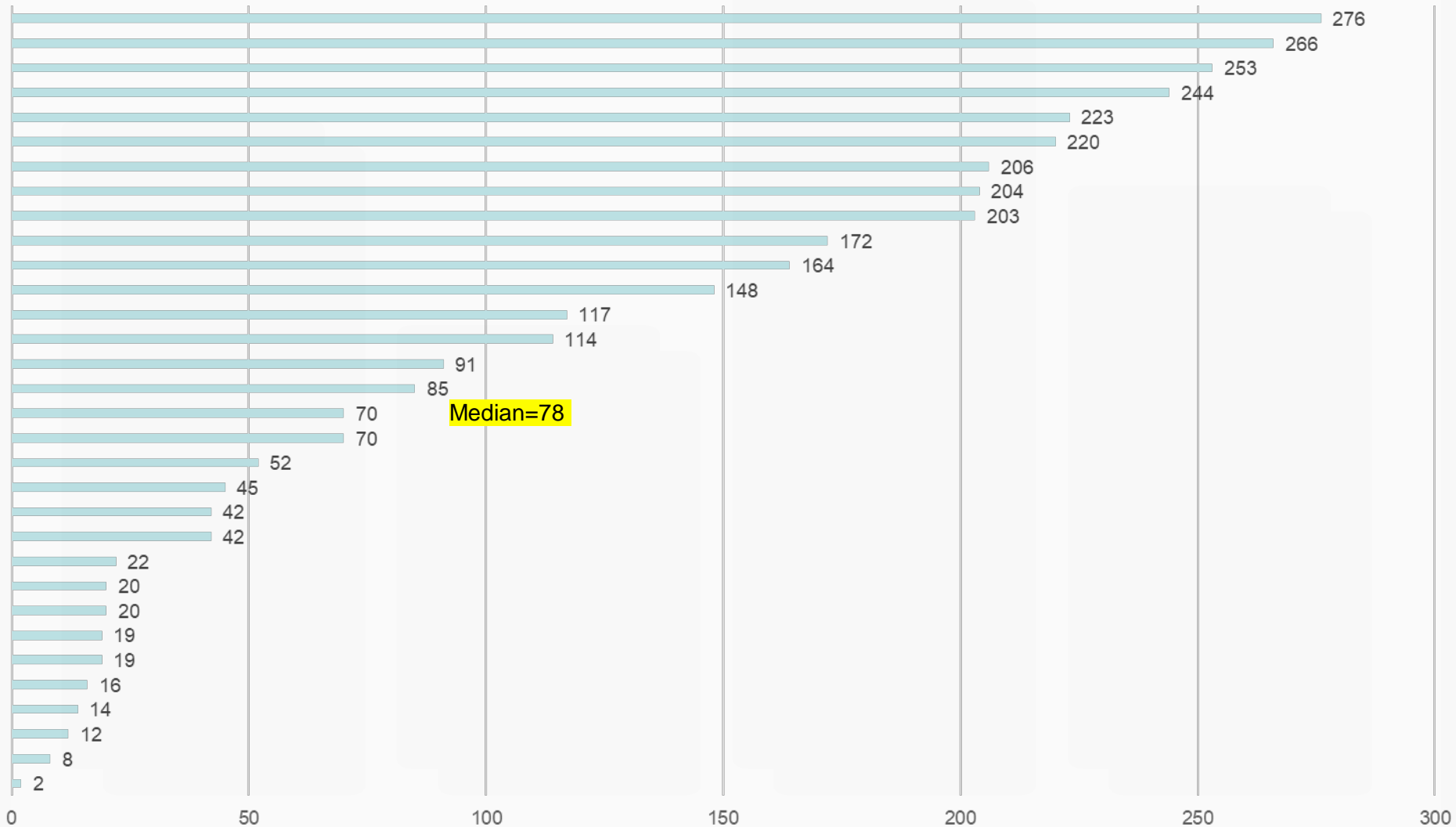
n=26





## Median Months from Release Report to Closure for Cleanups Started this FY

n=32







## On the Horizon for FY20

- 35 state fund reviews
- OUST & Regions currently reviewing submitted workbooks
- Potential Covid19 impacts/solutions?

Questions? Contact Emma Krulick at  
[Krulick.emma@epa.gov](mailto:Krulick.emma@epa.gov) or 202-564-5653

# Q&A



Please address all questions to  
a specific speaker or the panel

# UST Program Revenue COVID and Beyond

Mahesh Albuquerque, Director  
Division of Oil and Public Safety



**COLORADO**  
Department of  
Labor and Employment

# Most UST programs funded by Fuel Tax Revenue

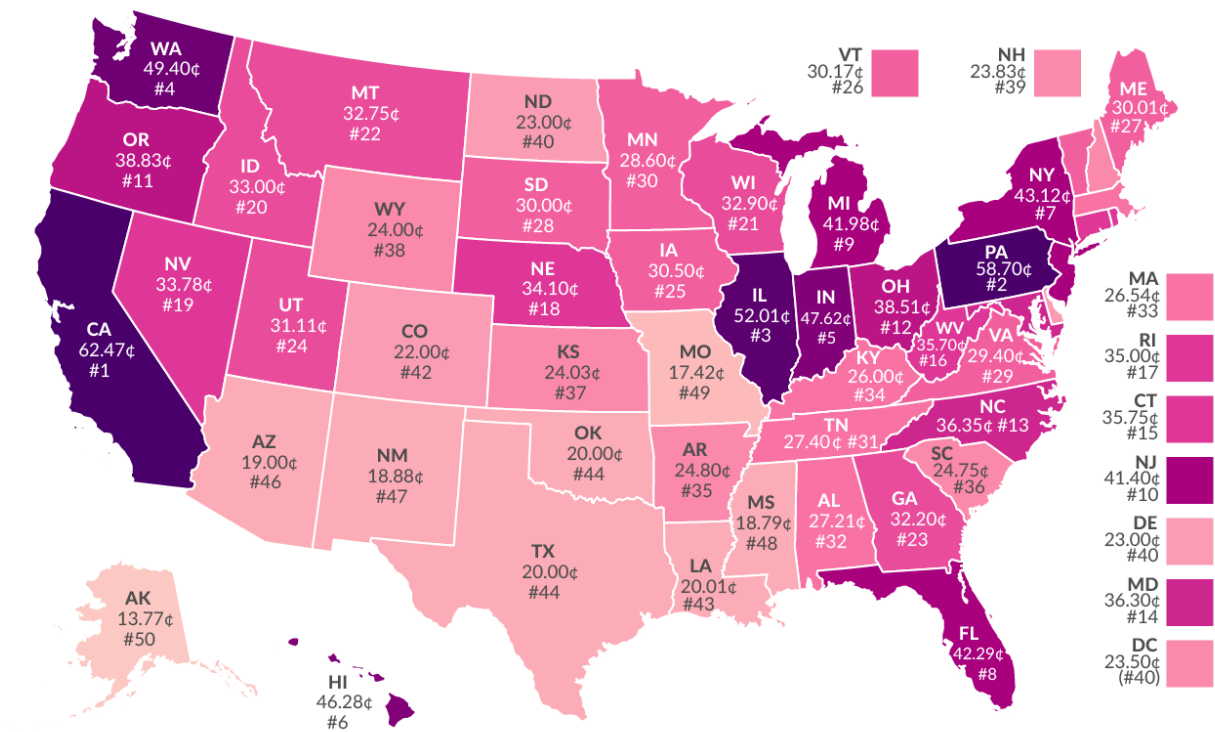
The taxes and other fees on retail gasoline and diesel fuel, in cents per gallon, as of July 1, 2020

	Gasoline	Diesel
Federal	18.40	24.40
Average state tax	29.86	31.76

Federal taxes include excises taxes of 18.3 cents per gallon on gasoline and 24.3 cents per gallon on diesel fuel, and a Leaking Underground Storage Tank fee of 0.1 cents per gallon on both fuels. State taxes include rates of general application including, but not limited to, excise taxes, environmental taxes, special taxes, and inspection fees, but they exclude state taxes based on gross or net receipts. State taxes do not include county and local taxes.

## How High Are Gas Taxes in Your State?

Total State Taxes and Fees on Gasoline, July 2020 (cents per gallon)



Note: These rates do not include the 18.4 cent/gallon federal excise tax rate on gas. The American Petroleum Institute has developed a methodology for determining the average tax rate on a gallon of fuel. Rates may include any of the following: excise taxes, environmental fees, storage tank taxes, other fees or taxes, and general sales taxes. In states where gasoline is subject to the general sales tax, or where the fuel tax is based on average sale price, the average rate determined by API is sensitive to changes in the price of gasoline. D.C.'s rank does not affect states' ranks, but the figure in parentheses indicates where it would rank if included. Data as of July 2020.

Source: American Petroleum Institute, "Notes to State Motor Fuel Excise and Other Taxes."

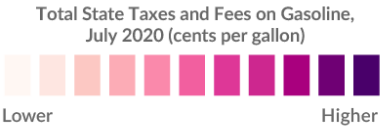
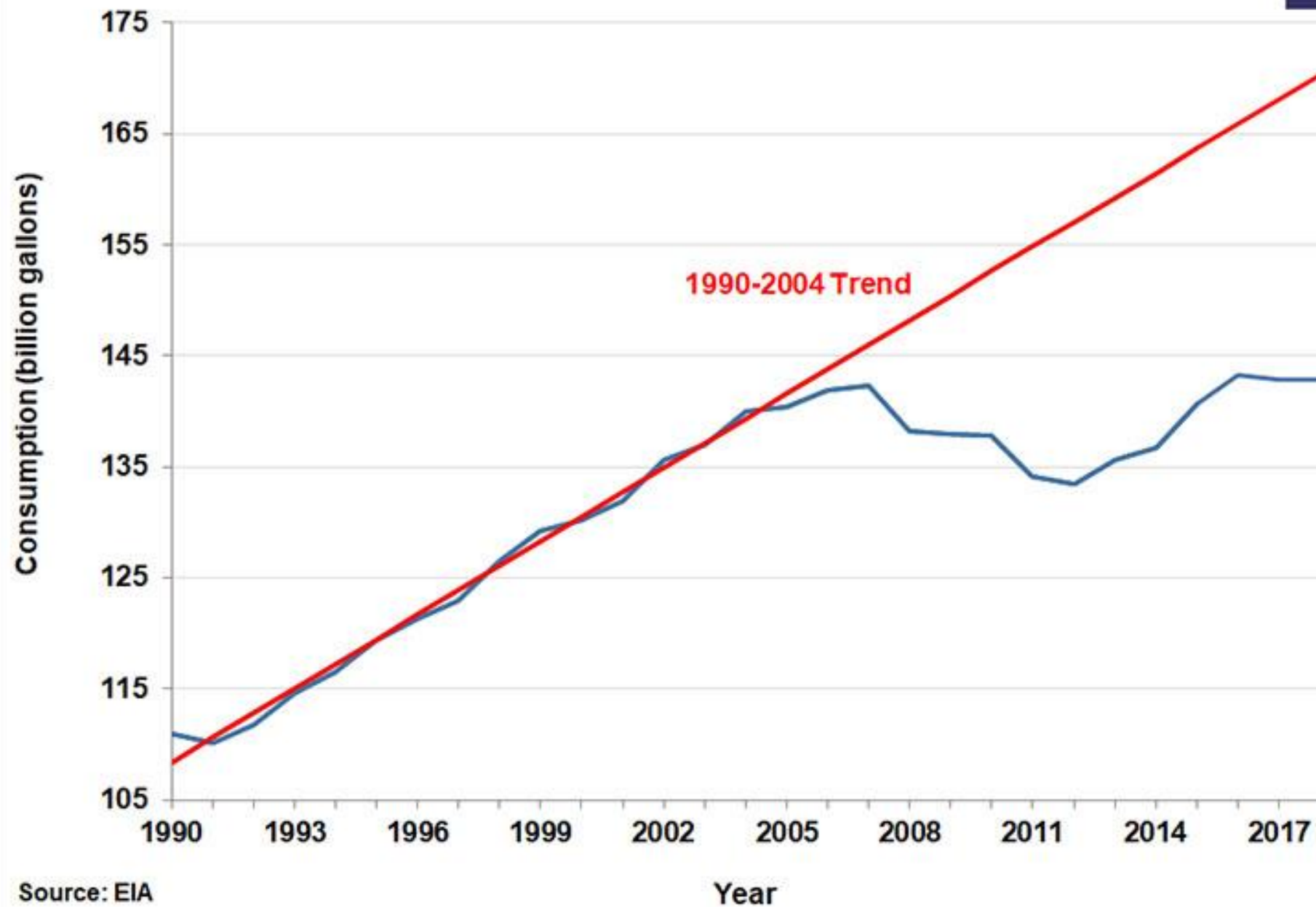


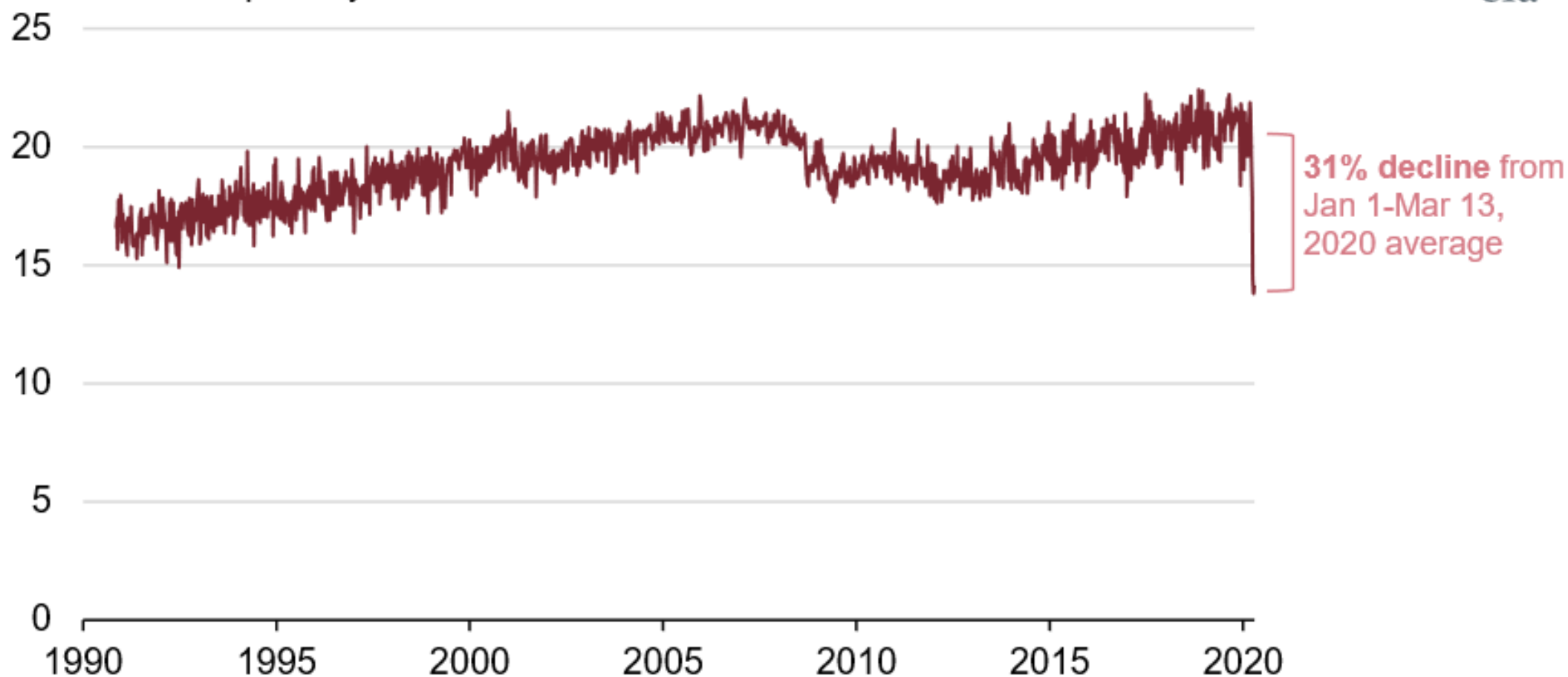
Figure 4. Annual U.S. Gasoline Consumption, 1990-2018



# COVID-19 mitigation efforts result in the lowest U.S. petroleum consumption in decades

## U.S. weekly product supplied of petroleum products (Oct 1990-Apr 2020)

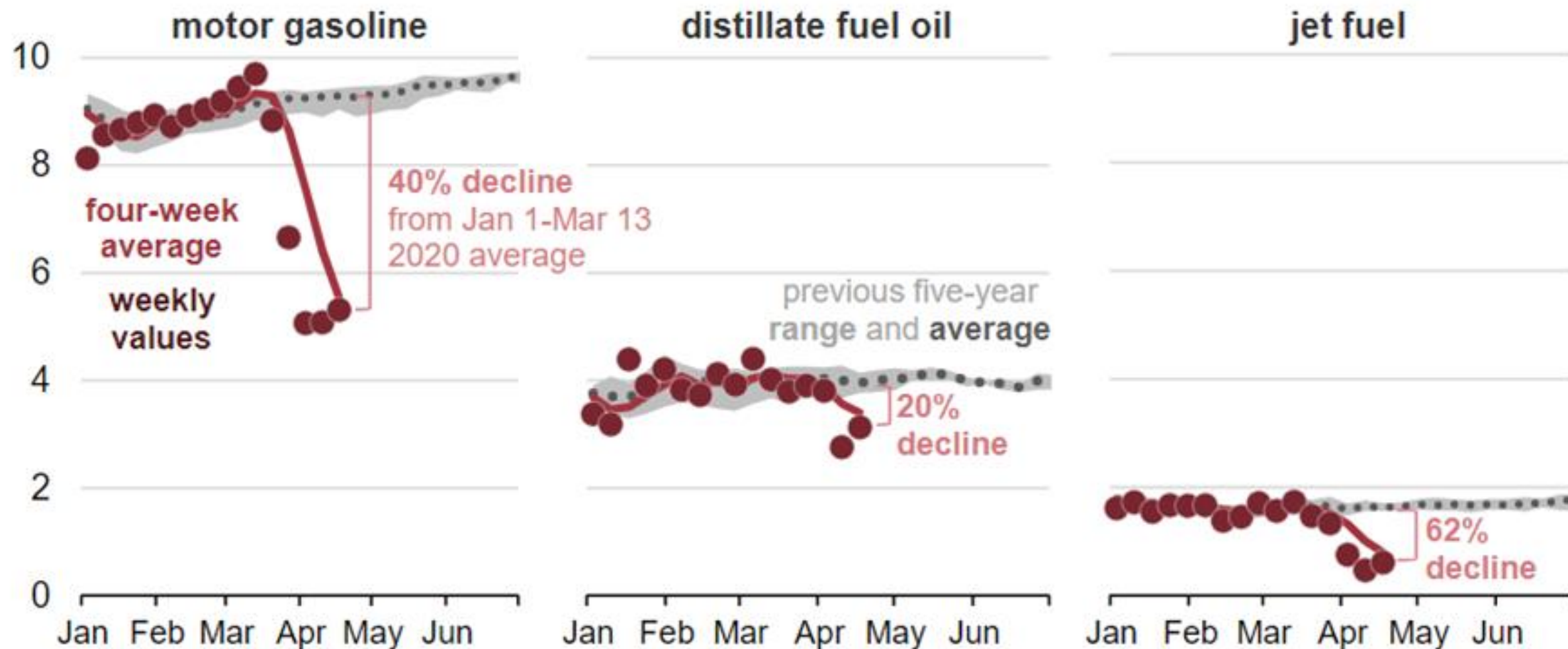
million barrels per day



Source: U.S. Energy Information Administration, [Weekly Petroleum Status Report](#)

# U.S. product supplied of selected petroleum products (Jan 2020-Apr 2020)

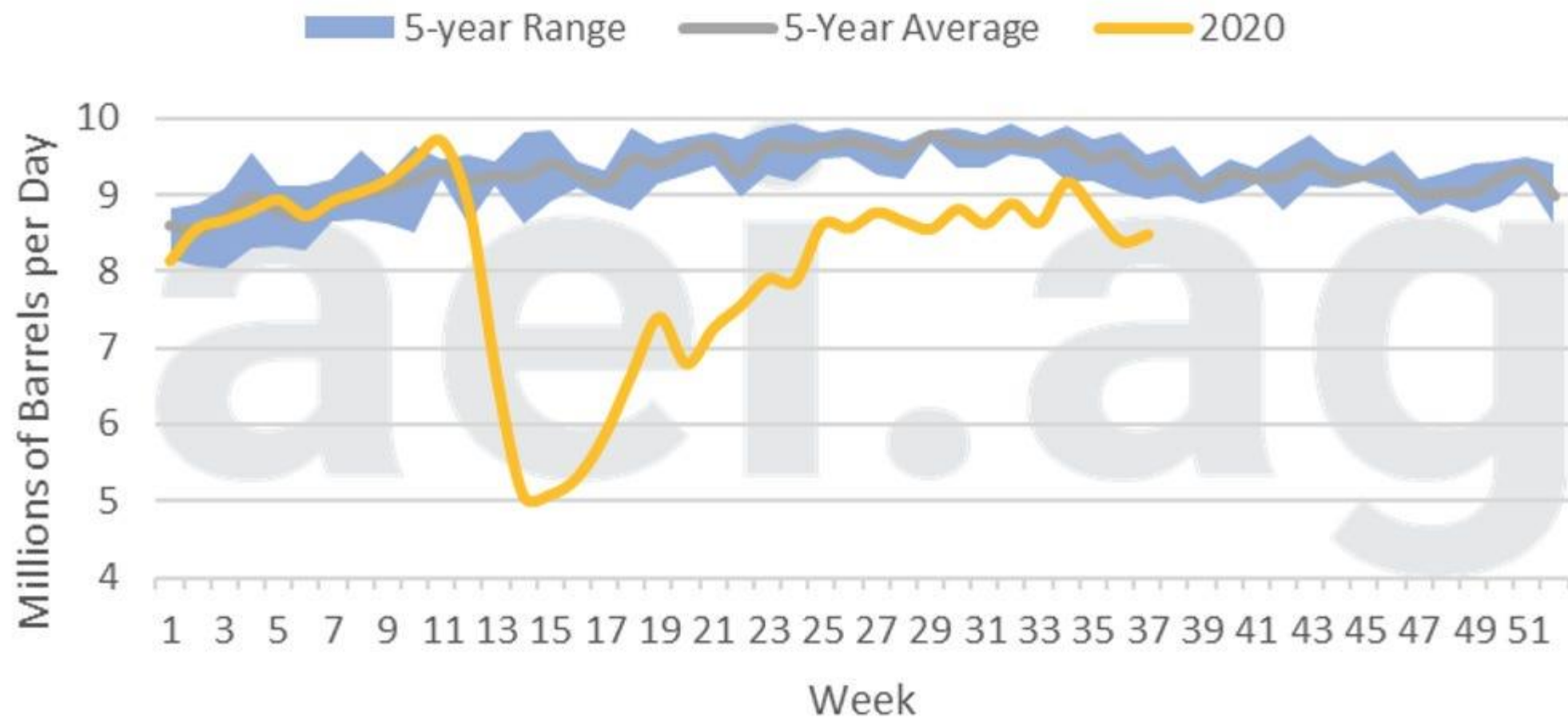
million barrels per day



Source: U.S. Energy Information Administration, [Weekly Petroleum Status Report](#)



## U.S. Weekly Supplied Motor Gasoline (Implied Consumption)





# Colorado's UST Program Dilemma in April 2020

- Colorado Environmental Response Surcharge (ERS) on sliding scale
- Colorado PSTF receives ~ \$3 million/month in ERS fuel tax revenue.
- PSTF pays out ~ \$3 million/month on reimbursement claims
- Expected to receive only \$2 million in March and \$1M in April revenue
- If we did nothing PSTF would go broke within 3 months (by end of FY)

## In addition ....

- Legislature was in session and State was facing a \$3 billion budget shortfall so scrutinized all cash funds, and “raided” larger cash funds
- Our PST Fund had a low cash balance so was not on their radar
- Our Petroleum Cleanup and Redevelopment Fund (PCRF) for brownfields had a \$7.5 million cash balance, so we were asked to transfer \$6.7 million transfer to the states General Fund
- A bill that would enable us to use \$2 million from our PCRF for infrastructure development grants was postponed indefinitely

# So this is what we did...

- Slowed down reimbursement – sent out payments closer to the statutory deadline (90 days) instead of the typical 45 days
- Eliminated second quarter monitoring on most “state lead” sites
- Realized some cost savings from limited inspector travel in March-April
- Engaged with Colorado Wyoming Petroleum Marketers Association to introduce a bill to allow us to “borrow” \$4 million of our own money from the PCRFB before being transferred to the States General Fund

# Outcomes....

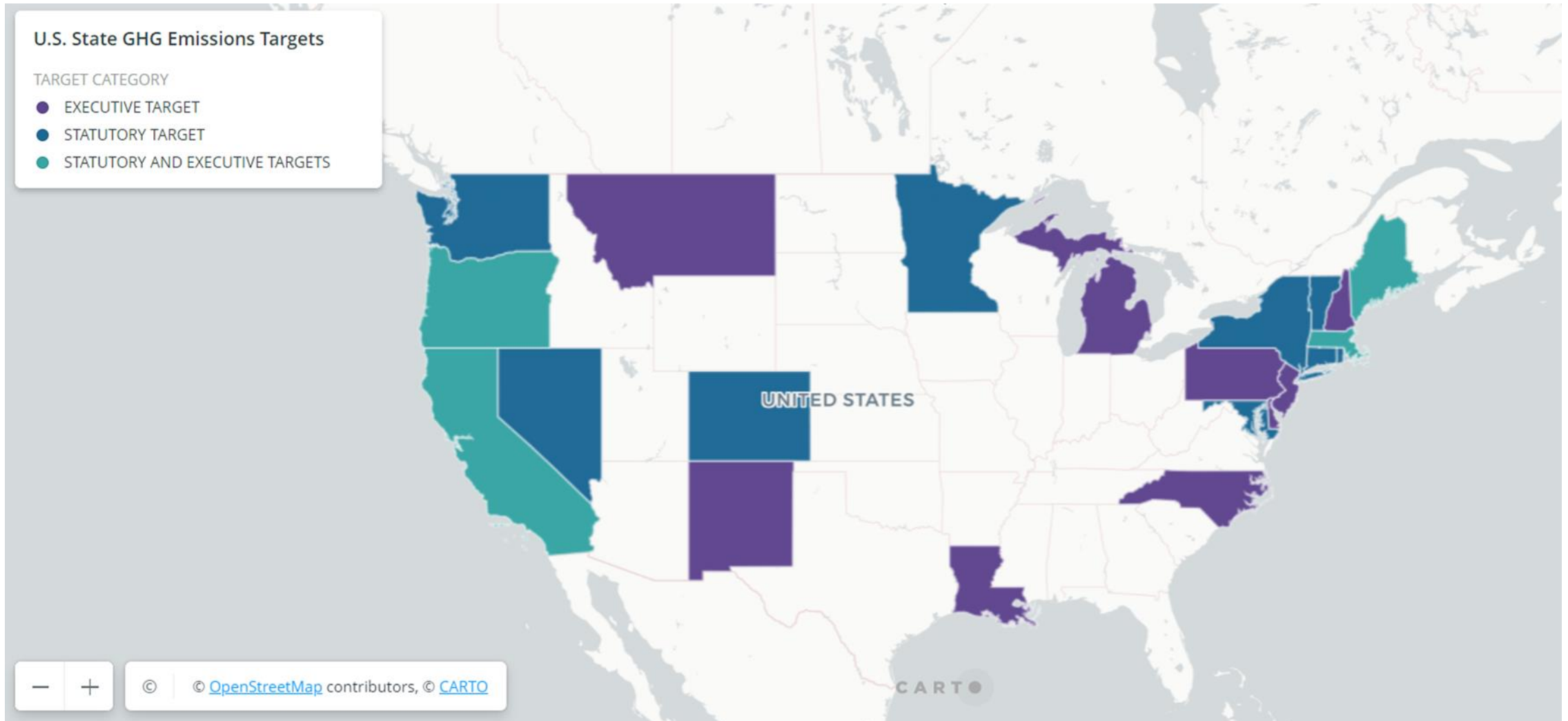
- HB20-1406 was introduced, passed by legislature and signed by our Governor – allowed a \$4 million loan transfer to shore up our PSTF
- We were effective in controlling costs by slowing down payments to statutory deadlines, while continuing our tank incentives programs
- Pleasantly surprised by only a 20% reduction in ERS revenue
- Weathered the storm, and now paying back \$0.5 million per month to our states General Fund..

# Future Impacts to Fuel Tax Revenue

- Working, studying, shopping from home – travelling less
- Fuel efficiency standards
- Population growth
- Greenhouse gas reduction targets
- Zero Emission Vehicle goals



# 23 states and DC adopted specific Greenhouse Gas Reduction targets to address Climate Change





# 15 States Agree to Work Together for All Heavy Trucks to Be Electric by 2050



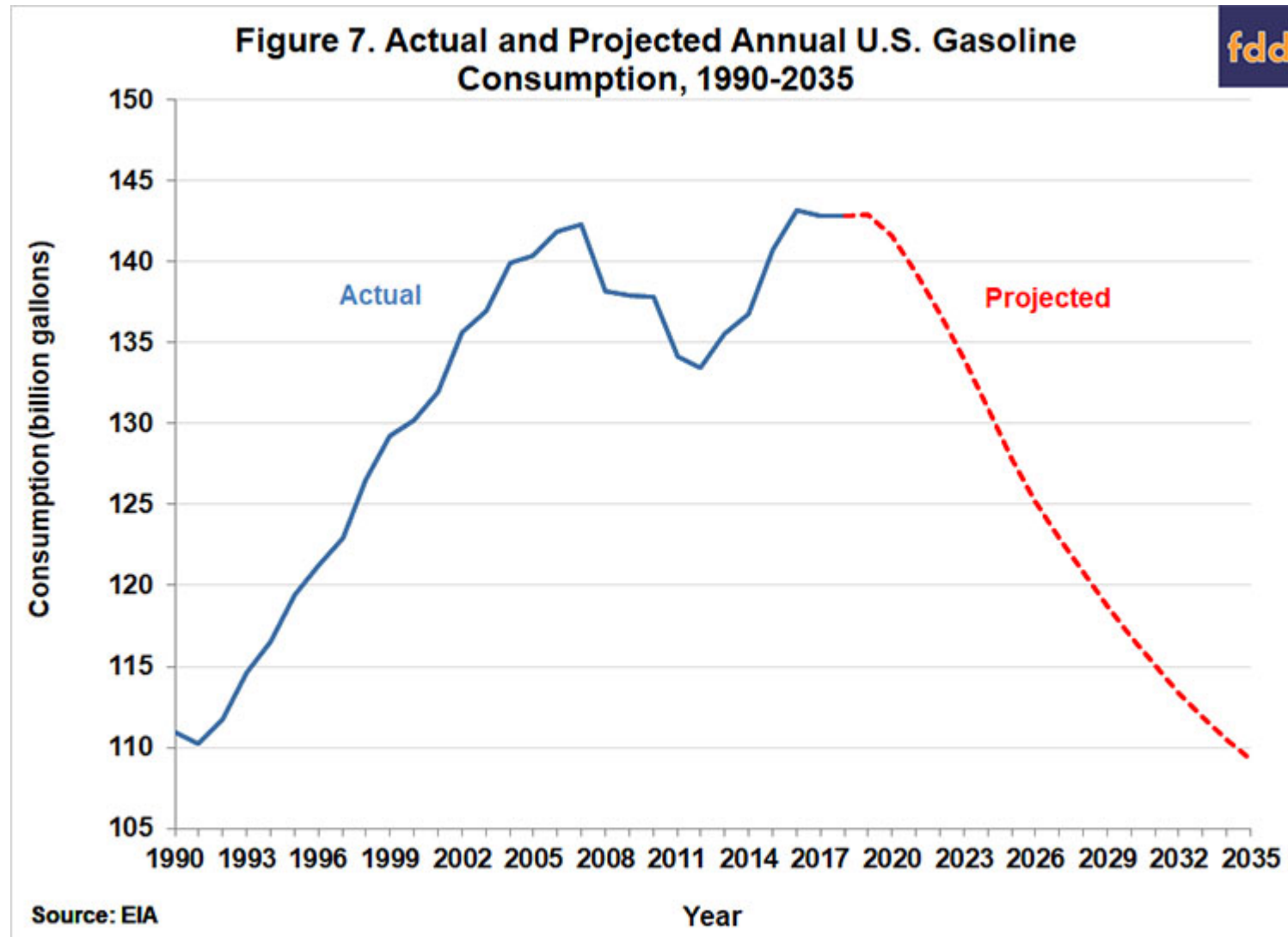
Hyliion hybrid electric truck by John Sommers II for Transport Topics



MULTI-STATE MEDIUM- AND HEAVY-DUTY ZERO EMISSION VEHICLE

MEMORANDUM OF UNDERSTANDING

# How will this trend affect your UST program?





# Policy Implications of Reduced Tax Revenue

What are societies funding priorities?

- Public services meet peoples needs

How much of a reduction can your program sustain without any change?

Who pays for cleanup?

- State Fund or Private Insurance

Who conducts inspections?

- State or 3<sup>rd</sup> party inspectors





# Looking Forward at Factors Impacting State Fund Revenue



UTAH DEPARTMENT *of*  
ENVIRONMENTAL QUALITY

**ENVIRONMENTAL RESPONSE  
& REMEDIATION**

Therron Blatter  
UST Branch Manager



---

# The Nexus Between Fuel Usage and State Fund Cash Flow

- Covid-19 may be giving us a snapshot of what could be coming in the next 10 to 20 years due to other economic factors.
- According to the 2019 State Fund Survey 39 of the states that responded receive revenue via a collection on petroleum sales.
- Less gallons of petroleum sold = Less \$ to State Funds
- What would happen to your Fund's ability to pay claims if the revenue was to decrease by 20% or more?

---

# Utah Petroleum Storage Tank Fund

## Actuarial Analysis

- Required to complete an actuarial analysis annually. This analysis includes a ten year projection for the fund balance and claim liability.
- In 2019 our contract ended and a new firm got the contract.
- Upon reviewing the initial draft report, there was a very large difference between the prior year report's projections and the draft report's projections.
- Upon investigation part of this difference was due to differing fuel usage projections.

---

# Key Factors Identified in Actuarial Analysis

- **Fund Balance:** Actual Cash Balance of the Fund at the end of the Fiscal Year.
- **Outstanding Liability:** The total of known claims that the fund has incurred and not yet paid and projected claims that will be incurred. Determining this number is the principal effort of the actuarial analysis.
- **Equity Balance:** The difference between the Cash Balance and the Outstanding Liability.

# 2018 Fund Equity Balance 10 Year Projection

## 2018 Estimated Fund and Equity Balances (Deloitte)

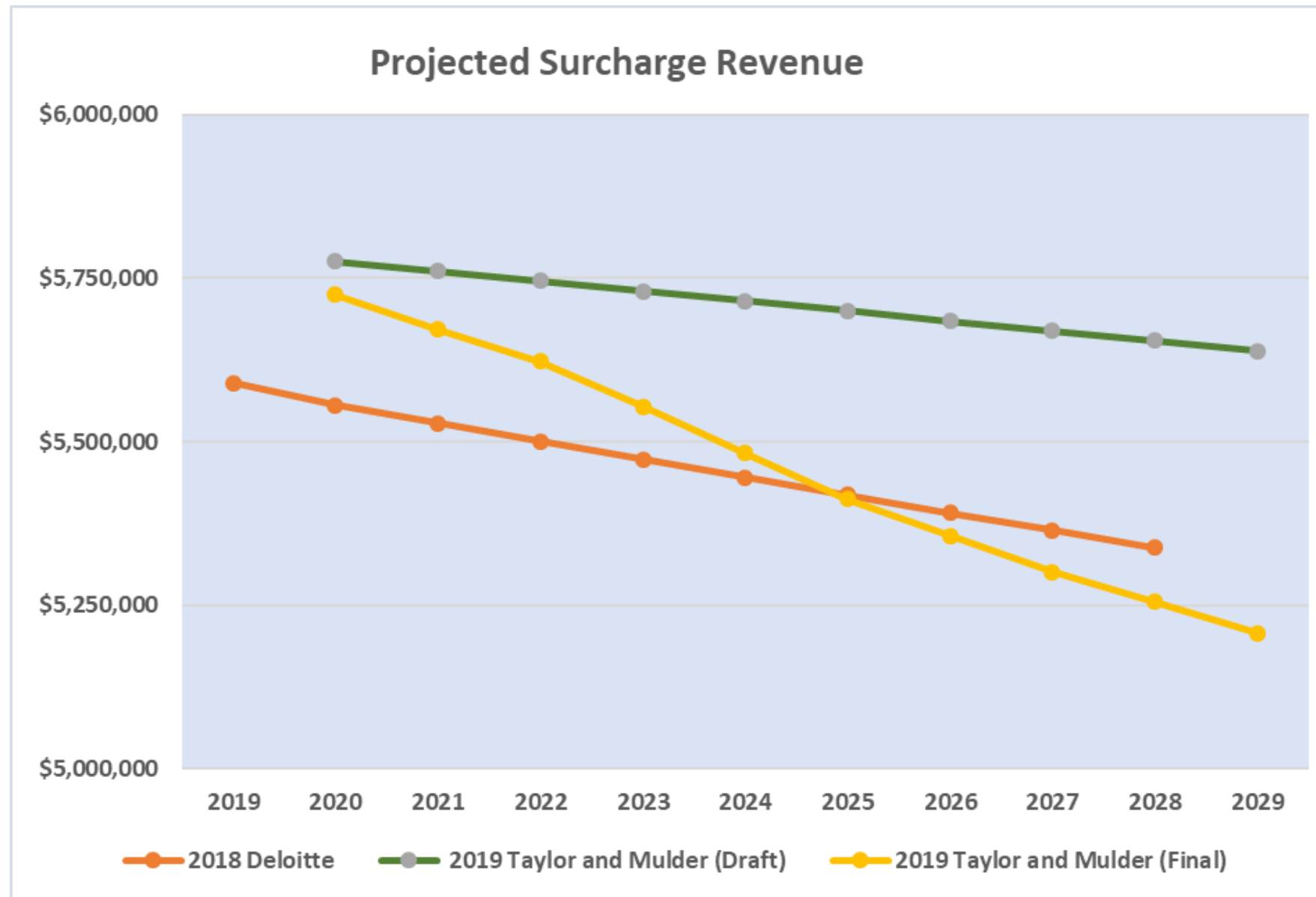
Fiscal Year	Fund Balance	Equity Balance
2018	\$ 13,640,165	\$ (12,497,846)
2019	14,240,565	(11,561,226)
2020	14,919,161	(10,788,774)
2021	15,342,146	(10,178,259)
2022	15,901,246	(9,734,019)
2023	16,335,473	(9,459,488)
2024	16,921,955	(9,358,046)
2025	17,551,276	(9,431,895)
2026	18,065,804	(9,685,284)
2027	18,550,709	(10,123,061)
2028	18,950,978	(10,749,916)

# 2019 Draft Fund Equity Balance 10 Year Projection

## Draft 2019 Loss and Loss Adjustment Expense Reserve Analysis

Fiscal Year	Fund Balance	Outstanding Liability	Equity Balance
2019	14,228,089	26,118,280	(11,890,191)
2020	15,329,211	25,395,043	(10,065,832)
2021	16,547,620	24,853,033	(8,305,413)
2022	17,670,210	24,271,528	(6,601,318)
2023	18,923,637	23,877,787	(4,954,151)
2024	20,357,491	23,721,835	(3,364,344)
2025	21,794,098	23,622,709	(1,828,611)
2026	23,229,506	23,574,911	(345,405)
2027	24,530,522	23,446,158	1,084,364
2028	25,874,291	23,416,362	2,457,929
2029	27,235,296	23,462,194	3,773,102

# Fuel Use Numbers Used in Reports



Net Impact over the  
10 year Projection:

\$4.63 million

Or

20% Decrease in  
Cash the Balance of  
Fund



---

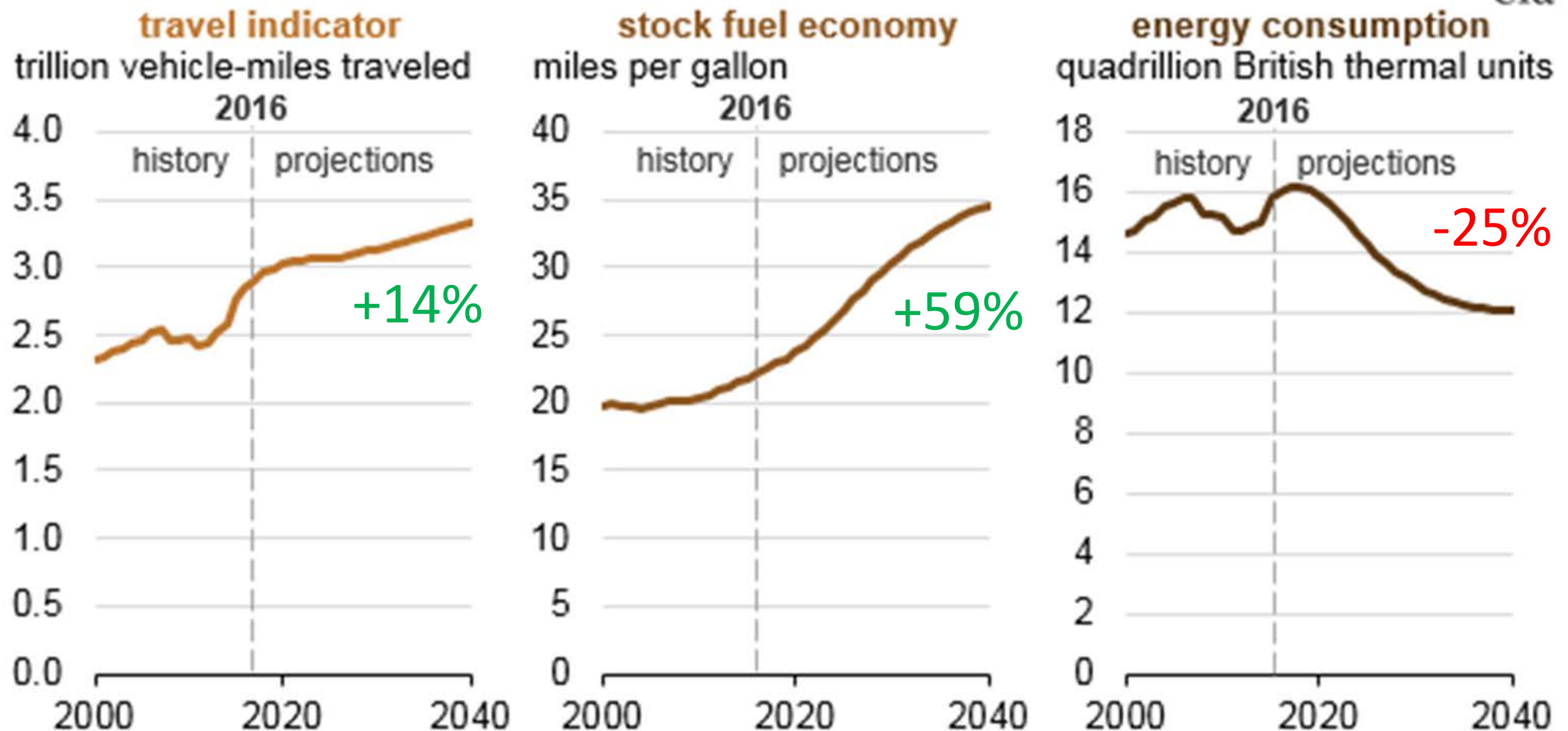
# Factors that Will Impact Petroleum Usage in the Transportation Sector

1. Increasing Fuel Efficiency Standard
2. Growth in Alternative Fuel Vehicle Usage
3. Telework Becoming More Widely Practiced
4. Population Growth or Decline
5. Others?

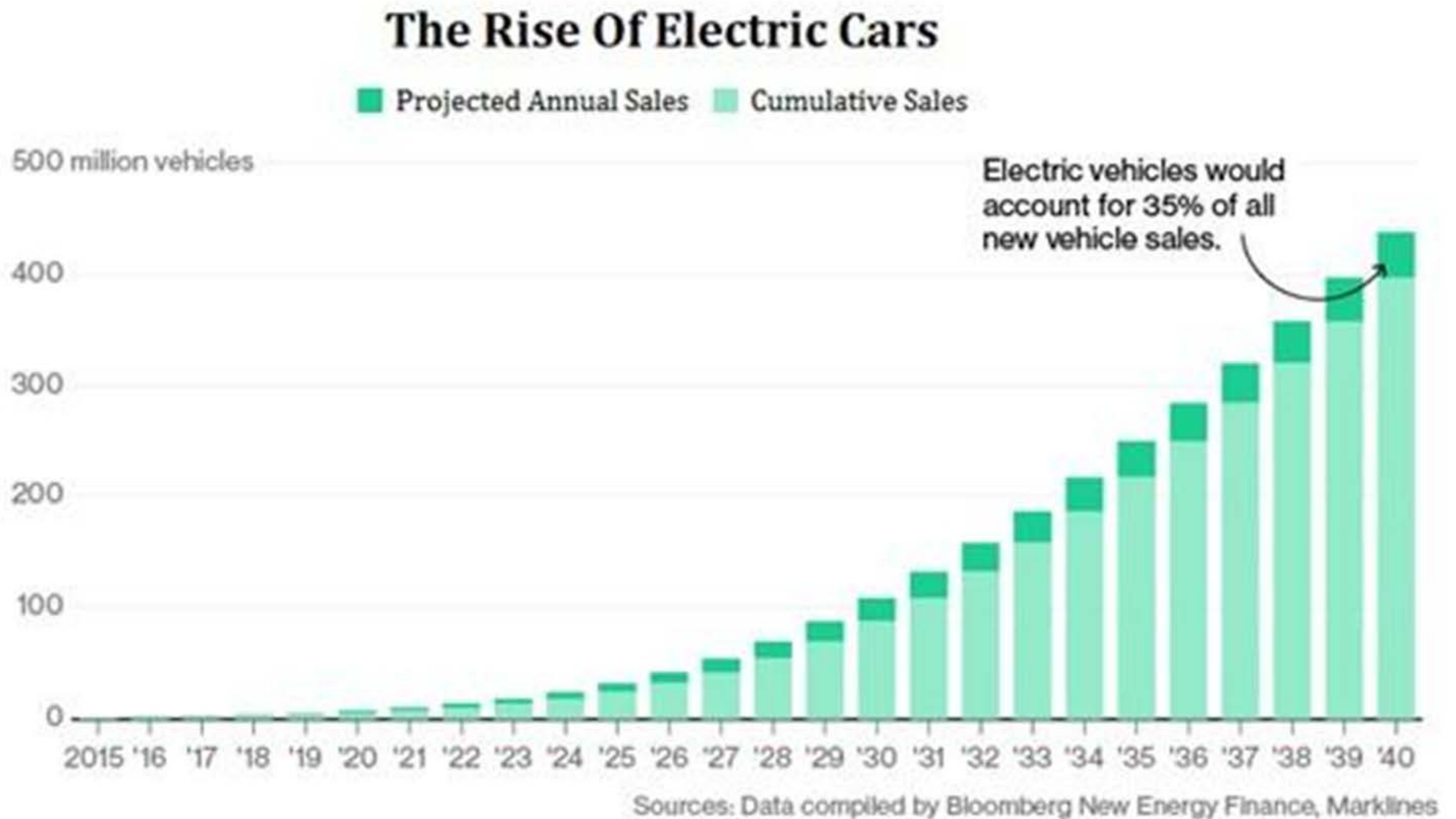
# Increasing Fuel Efficiency Standard

## 2017 U.S Energy Information Association Report

Light-duty vehicle metrics in the Annual Energy Outlook 2017 Reference case



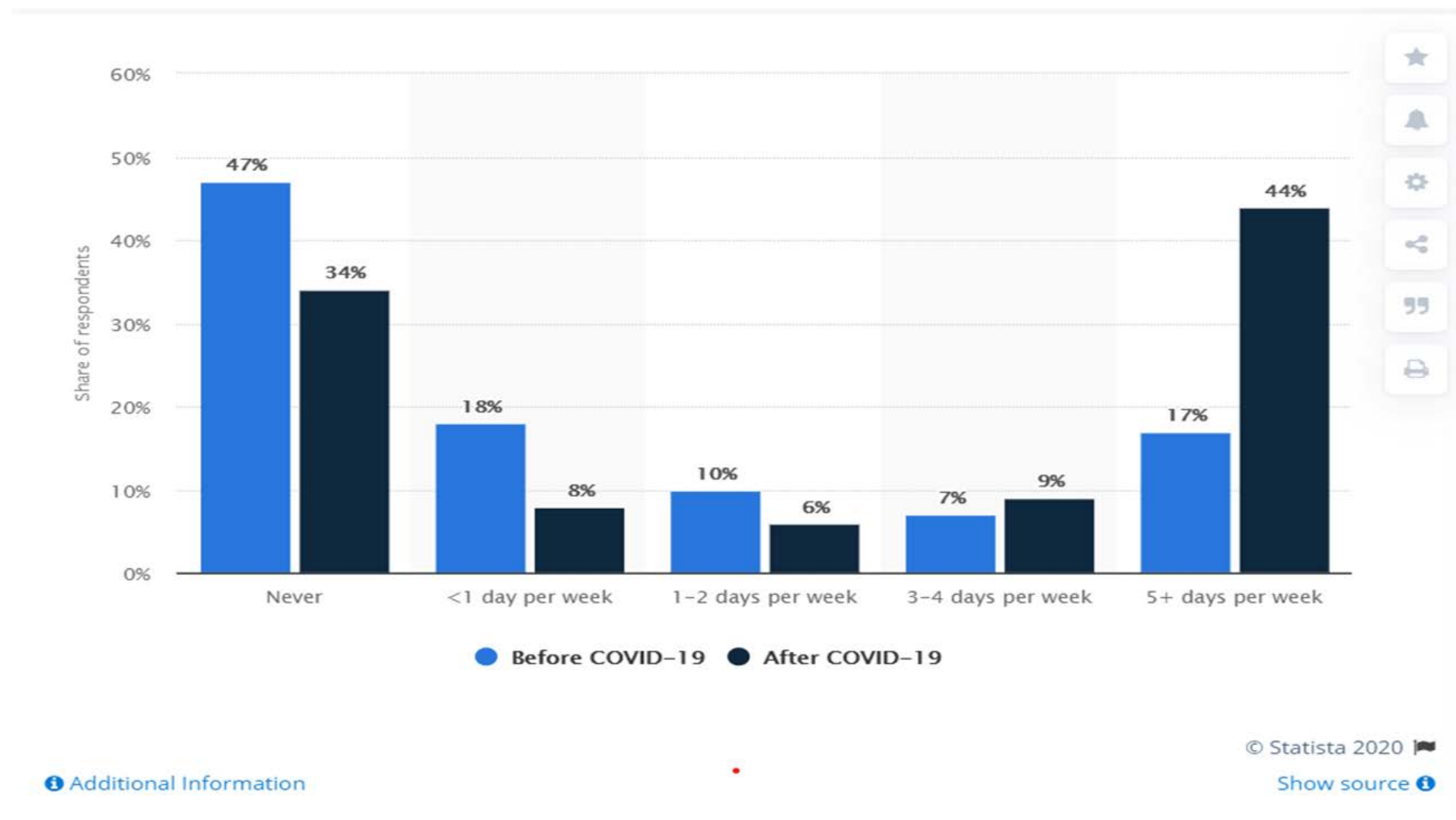
# Growth in Electric Vehicle Usage



# Rise of Telework

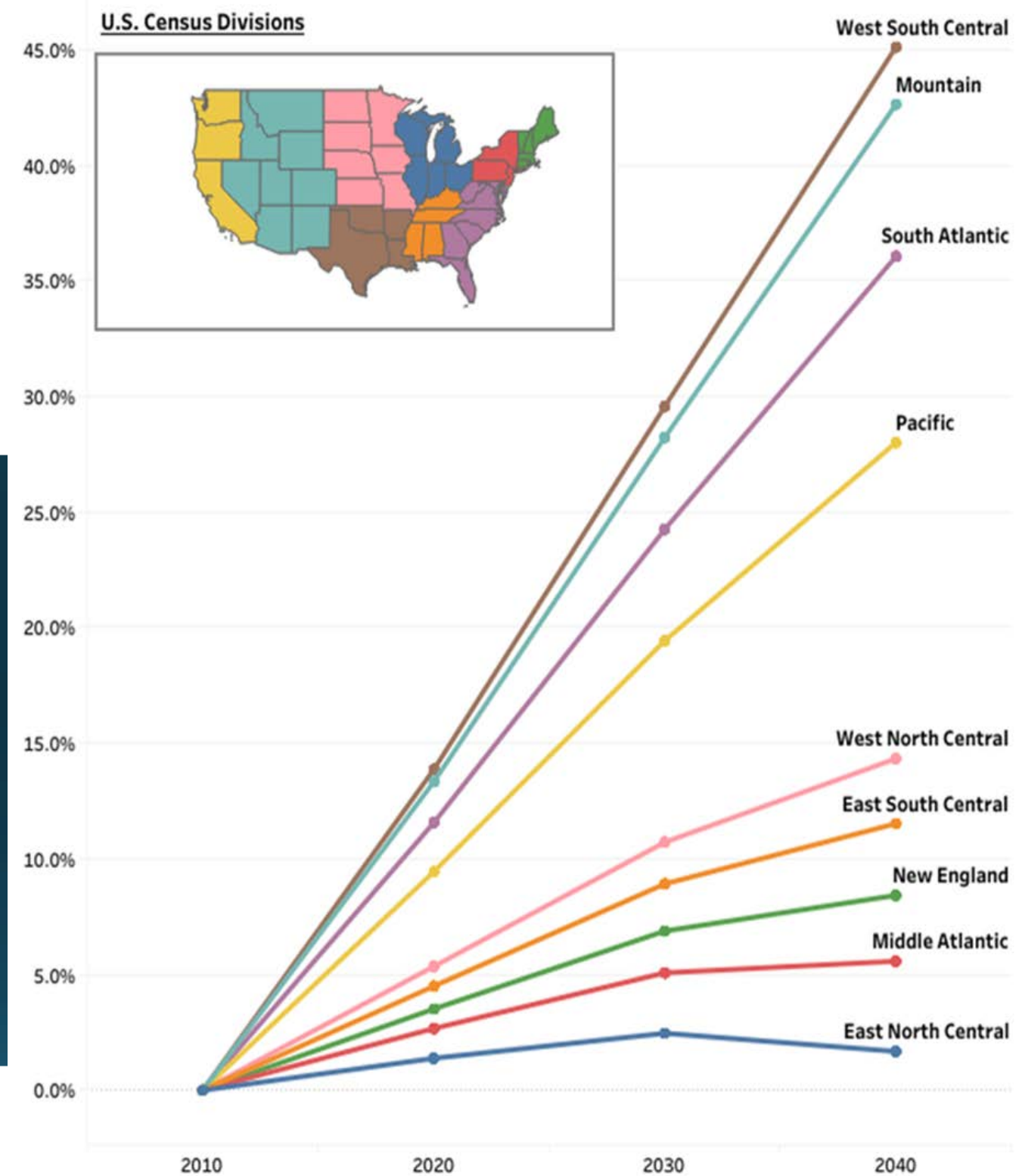
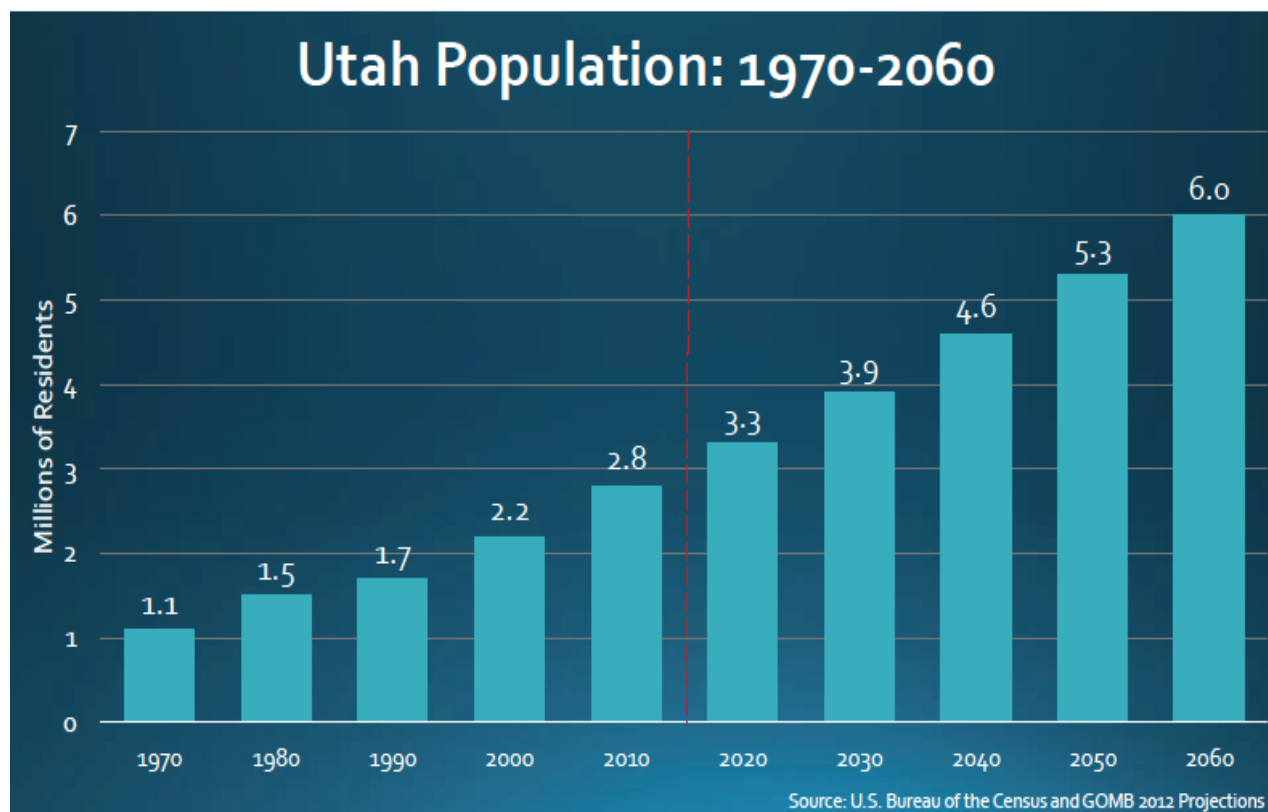
In 2017:

- 30% of vehicle-miles traveled was from commuting to and from work .
- 85.3% of workers drove to work and 5.2% worked from home.



“Our best estimate is that 25-30% of the workforce will be working-from-home multiple days a week by the end of 2021.” Global Workplace Analytics

# Net Population Change



# You Do the Math!

Current Revenue

-

Fuel Efficiency (25%)

-

Alternative Fuel Vehicle Usage (35%)

-

Telework (5 to 10%?)

+/-

Population (?)

=

Less Revenue

# Q&A



Please address all questions to  
a specific speaker or the panel



# INSURANCE DISCUSSION

NEIWPCC – November 2020



## SIMILAR OBJECTIVES - SUBTLE DIFFERENCES

- Funding
- Underwriting
- Loss Control
- Compatibility
- Catastrophic Exposures



## Idaho Fund & Private Insurance Comparison

Questions	PSTF	PRIVATE
<b>Does it meet Financial Assurance?</b>	<b>X</b>	<b>X</b>
<b>Provides third party defense?</b>	<b>X</b>	<b>X</b>
<b>Funding through fee and tax?</b>	<b>X</b>	
<b>Premium determined by actuarial analysis?</b>		<b>X</b>
<b>On site loss control / pre-insurance site assessments?</b>	<b>X</b>	
<b>Claims reviewed for coverage – Accepted or Denied?</b>	<b>X</b>	<b>X</b>

## PSTF FUNDING SOURCES








- **Transfer Fee – Fuel Tax \$0.002 Per Gallon**
- **Investments – 100% Conservative Bonds**
- **Application Fees – \$5/\$25 Per Tank**

TANK TYPE	TANK FEE	DEDUCTIBLE	OCCURRENCE LIMIT	AGGREGATE LIMIT
Heating Oil Tank(s)	\$5	\$100	\$100,000	\$100,000
Residential Tank(s)/Farm Tank(s)	\$25	\$2,000	\$100,000	\$100,000
UST(s)/AST(s) Non-Marketer Consuming < 10,000 Gallons Per Month	\$25	\$10,000	\$500,000	\$1,000,000
UST(s)/AST(s) Marketer with 1-100 UST(s)	\$25	\$10,000	\$1,000,000	\$1,000,000
UST(s)/AST(s) Marketer with 101+ UST(s)	\$25	\$10,000	\$1,000,000	\$2,000,000

# IMPACT OF COVID

## IDAHO PSTF

### Gallons of Fuel Product Received in Idaho YOY Change from 2019 to 2020 (through July 2020)

Gasoline	Undyed Diesel	Dyed Diesel	Aviation Fuel	Jet Fuel	Gaseous Fuels	Monthly Totals
 -6.09%	 1.62%	 -3.49%	 -0.37%	 -29.99%	 9.24%	 -4.46%

SOURCE: STC Fuel Distributor Reporting System

*DOES FUEL CONSUMPTION IMPACT PRIVATE INSURERS?*



# PRIVATE INSURANCE

- Premiums Driven by Actuarial Analysis
- Premium Adjustment Factors:
  - Tank Age
  - Tank Capacity
  - Tank Material
  - Deductible
  - Policy Limits



## UNDERWRITING AND LOSS CONTROL

DESCRIPTION	PSTF	PRIVATE
Applications (New Business/Renewal)	X	X
Document Review	X	X
Verification of Compliance Testing	X	X
Engineering Questionnaire	X	X
Prior Contamination Exclusions	X	X
Tank Removal Oversight	X	X
Phone Surveys		X
Renewal/Loss Control Site Assessments	X	



## IDAHO PSTF - IMPACT OF LOSS CONTROL EFFORTS

- **PSTF Loss Control Visits**
  - Renewal Site Assessments
  - Loss Control Visits (Mid-Year)
  - Quarterly Loss Control Visits (Problem Sites)
  - Over 2,700 Site Visits Per Year
- **Measuring Impact on Claims**
  - PSTF Average Claim Cost = \$161,138 (2009-2019)
  - Not Discovered by Field Rep = \$187,166
  - Discovered by Field Rep = \$23,557

***Proactive loss control can extend fund dollars.***

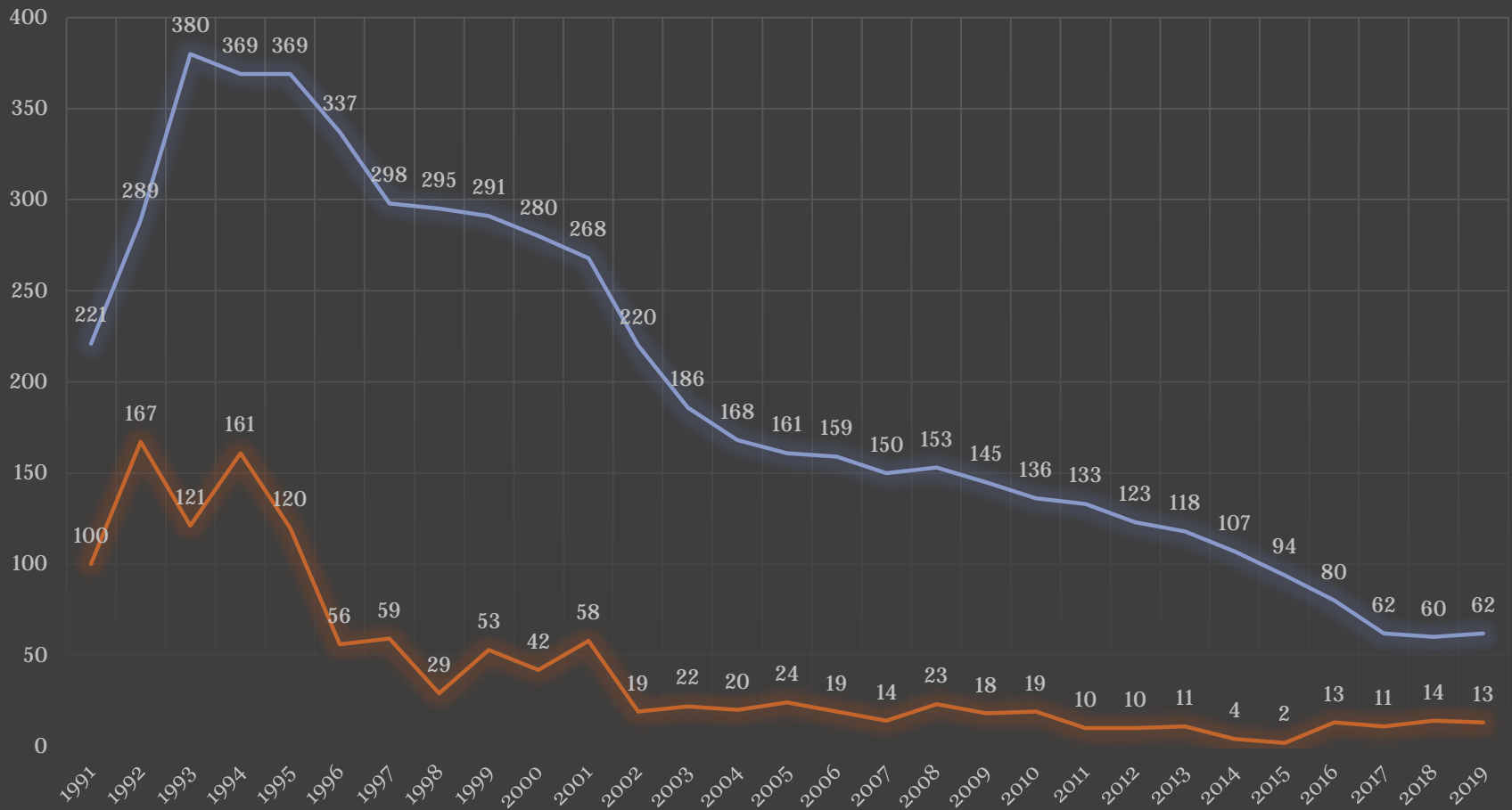
***Monthly self-inspections are improving site conditions.***



# IDAHO LUST TRENDS

## Open vs Reported

— Open — Reported



## PSTF - ADDRESSING COMPATIBILITY

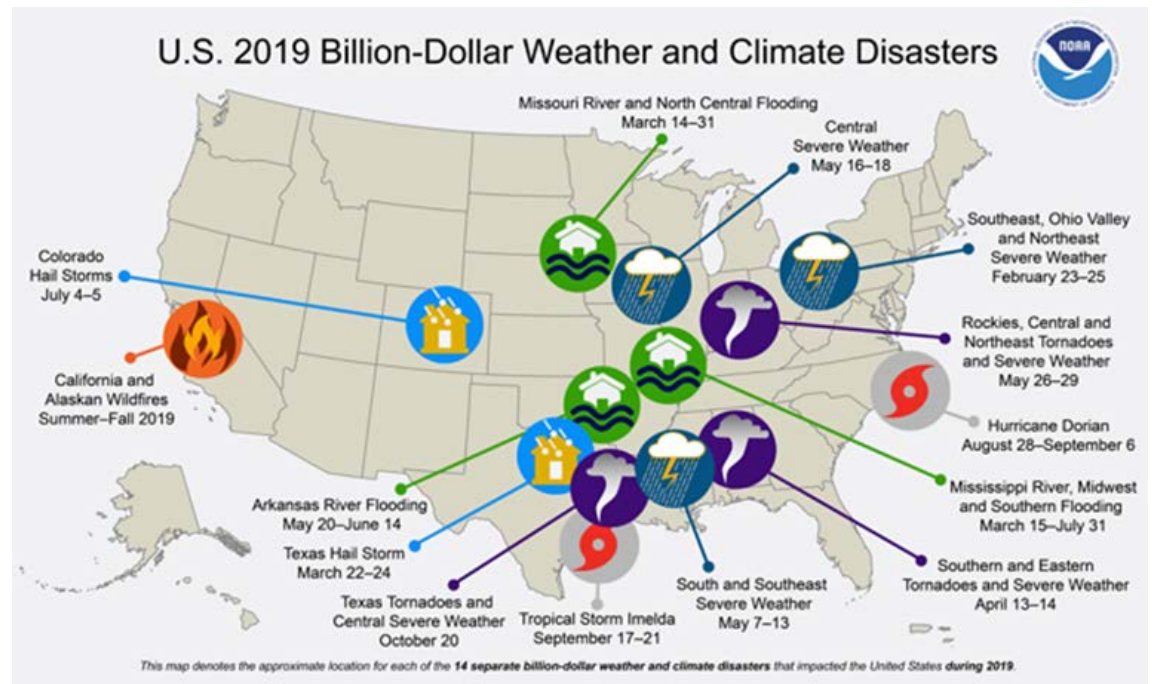
- **Formal Notice to Policy Holders**
  - **Representation of Regulatory Compliance**
    - New Applications
    - Renewal Applications
  - **Relevant Policy Language**
    - Conditions
    - Exclusions
  - **Potential Loss of Coverage**



# Catastrophic Exposures

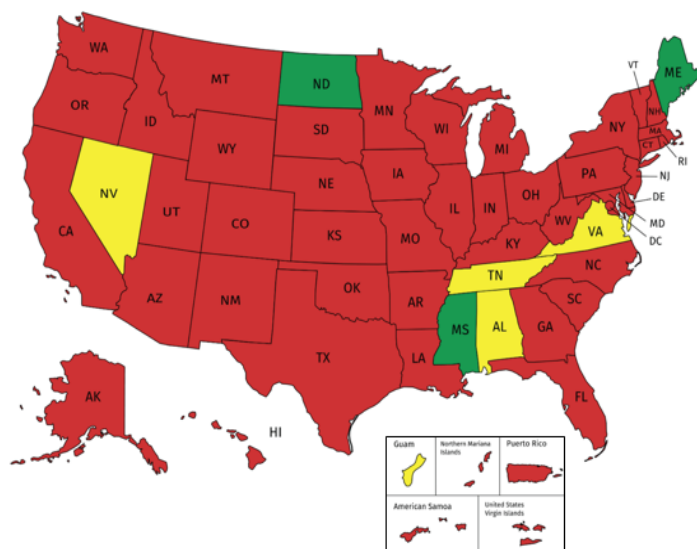
Impacting tank underwriting:

- Fire
- Flood
- Hurricane
- Tornado
- Earthquake



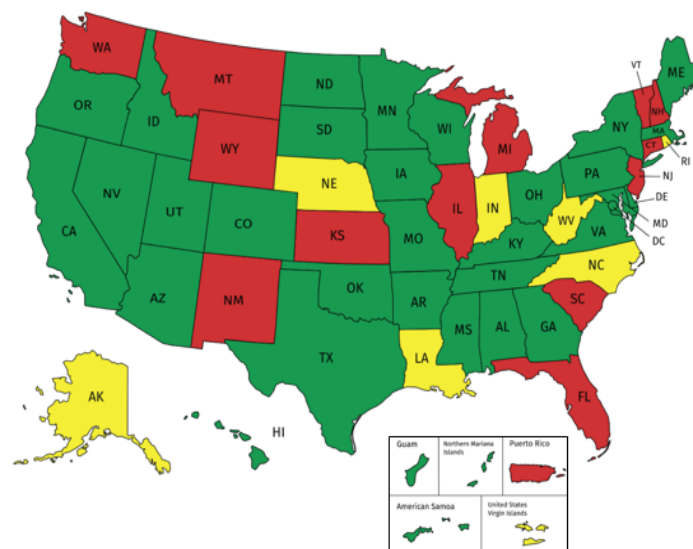
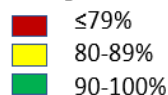
# SUCCESS OF INTERDEPENDENCE

## 20 Years Of Progress



1999

% Backlog Reduction



2019

EPA Office of Underground Storage Tanks, March 2020

# Q&A



Please address all questions to  
a specific speaker or the panel

# THANK YOU, SPEAKERS!



**Will Anderson** – Director, Cleanup and Revitalization Division | *EPA OUST*

**Emma Krulick** – Environmental Protection Specialist | *EPA OUST*

**Mahesh Albuquerque** – Director | *Colorado OPS*

**Therron Blatter** – UST Branch Manager | *Utah DEQ*

**Greg Travis** – AVP - Environmental | *Berkley Environmental*

**David Wattles** – Chief Operating Officer | *Idaho PSTF*

**Robert Winterburn** – VP - Product Line Manager - Storage Tanks | *Chubb Environmental*



UST Inspector Training Series: <https://neiwpc.org/our-programs/underground-storage-tanks/ust-training-resources-inspection-leak-prevention/webinar-archive-inspector-training/>

LUST Corrective Action Series: <https://neiwpc.org/our-programs/underground-storage-tanks/lust-training-resources-corrective-action/webinar-archive-corrective-action/>

LUST Line: <https://neiwpc.org/our-programs/underground-storage-tanks/l-u-s-t-line/>

Thank you for your participation!

***NTC WEBINAR SERIES:***

***CHANGING FUEL CONSUMPTION,  
COVID-19, AND OTHER  
CHALLENGES – PERSPECTIVES  
ON THE STATE OF STATE FUNDS  
AND ENVIRONMENTAL  
INSURANCE***



**11/10/2020**