

Budget Unit Brief

FY 2017



Underground Storage Tank Fund

Purpose and History

The Iowa Comprehensive Petroleum Underground Storage Tank (UST) Fund was created in House File 447 (Petroleum Underground Storage Tank Act of 1989). The main purpose of the UST Program and UST Fund is to identify underground petroleum storage tanks that are leaking or that have leaked in the past and to address each situation through environmental remediation. The Program was also designed to provide an insurance mechanism to meet pending federal insurance requirements related to the operation of underground petroleum storage tanks.

As originally conceived, the remedial portion of the UST Program was to be financed through a combination of state funds and funds of the responsible party (owner and/or operator of the leaking UST). Over the years, the financial role of the state has increased and the role of the responsible parties has decreased. Also, as originally conceived, the cleanup would occur in a relatively short time frame after enactment (five to eight years), so bonds were sold to provide the up-front capital for the state's share of cleanup, with the annual tax revenue stream available to make bond principal and interest payments and to pay for Program administration. However, cleanup has not been as rapid as originally conceived. All bonds issued during the initial phase of the Program have been retired, and the Program now pays for remediation and administration from the annual revenue stream.

The "UST Fund" refers to a combination of several current and former state funds:

- UST Revenue Fund
- Unassigned Revenue Fund
- Insurance Fund (no longer active)
- Remedial Fund
- Innocent Landowner Fund
- UST Marketability Fund
- UST Loan Guarantee Fund
- Aboveground Storage Tank Fund (no longer active)

Over the years of Program operation, the UST Fund has evaluated almost 6,200 eligible UST claims for remediation, and as of June 30, 2016, a total of 396 UST claims remain open.

The Iowa Comprehensive Petroleum UST Fund Board oversees the operation of the UST Fund, and the program is administered under a private contract by the UST program administrator, Aon, Inc. The Department of Natural Resources is responsible for regulation and cleanup requirements for underground petroleum storage tanks.

Funding History

The original financing mechanism for the state share of the cleanup was a tax on petroleum diminution (the petroleum lost to the environment during the petroleum retail distribution process). This diminution tax is equal to one cent per gallon of gasoline sold at retail from USTs. After the initial Program year, the source of funds for the UST Program was changed to automobile use tax receipts, and the one cent per gallon diminution tax has since been deposited in the Road Use Tax Fund. When the automobile use tax was defined in the Iowa Code as a fee in [Senate File 2420](#) (Time-21 Transportation Funding Act of 2008), the main source of funding for the UST Program shifted to the Statutory Allocations Fund (driver's license revenue, trailer registration fees, etc.). After this change, the main source of funding for the UST Program has been a \$3.5 million quarterly allocation (\$14.0 million annually) from the Statutory Allocations Fund.

More Information

Iowa General Assembly: <http://www.legis.iowa.gov/index.aspx>

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Per Iowa Code section [424.19](#), the petroleum diminution tax sunsets December 31, 2016, and the quarterly allocations to the UST Program from the Statutory Allocations Fund also end on that date. After December 31, 2016, the UST Program will not have a significant ongoing revenue source. The UST Program receives, or in the past has received, funding from several other sources, including:

- Interest on the fund balance
- Annual tank management fees paid by UST owners/operators
- Settlement payments from large petroleum companies and other settlements and cost recoveries
- UST insurance premiums

According to estimates provided by the UST Program Administrator, the 396 remaining open claim sites will require approximately \$23.8 million in UST Funds to complete cleanup. At the current cleanup expenditure rate experienced over recent years (\$7.0 million per year), cleanup will continue past FY 2018. At that time, there will likely be some very difficult or impossible remediation sites remaining. Administrative, contract, and other nonremediation costs are estimated at more than \$1.0 million per year going forward. Once complete, total state expenditures across all years for site remediation will be approximately \$313.0 million. Administrative and bond interest costs will add to the total.

Related Statutes

Iowa Code chapter [455G](#) - Iowa Comprehensive Petroleum Underground Storage Tank Program

Iowa Code chapter [424](#) – Petroleum Diminution Charge

Iowa Code section [321.145](#) – Distribution of money from the Statutory Allocations Fund

Iowa Code section [455B.474](#) through [455B.479](#) - Department of Natural Resources and Environmental Protection Commission UST Duties and Powers

Revised September 5, 2016