

Title: 34th Annual Petroleum Cleanup Fund (PCF) Report

Year: 2022

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Committee: Vermont General Assembly

Authorizing Law #: 10 V.S.A.

Section #: §§ 1941(e), 1942(a), & 1942(b)

Executive Summary

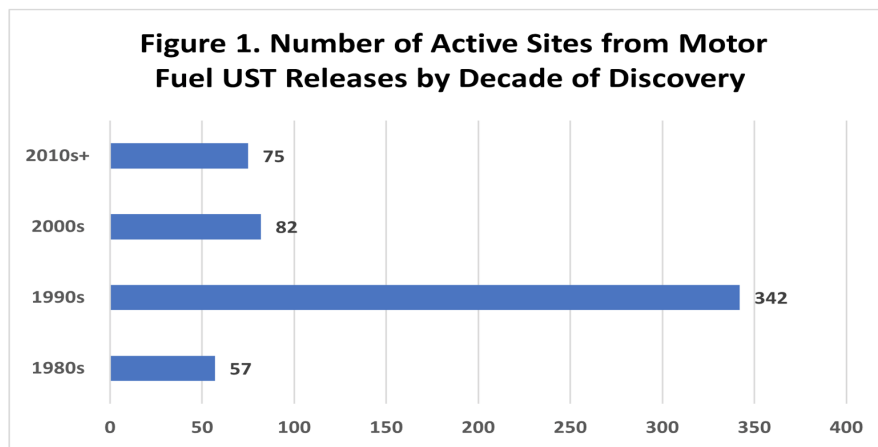
This is the 34th annual report of the [Petroleum Cleanup Fund \(PCF\) Advisory Committee](#) and will provide a review of receipts and disbursements for fiscal year 2021, in accordance with 10 V.S.A. § 1941 and will evaluate the effectiveness of the PCF in meeting its legislative intent. In fiscal year 2021 the PCF continued to be the primary financial responsibility mechanism for Vermont underground storage tank (UST) owners, which is required by state and federal law. The PCF also provided financial resources to remediate petroleum contamination at schools, homes, businesses, farms, churches, public works facilities and in [233 towns throughout Vermont](#). The PCF funds remediation of releases that threaten public health and the environment. Since the inception of the fund, petroleum releases have been discovered at more than 4,000 properties (3,226 of these have PCF payments – [see details](#)) with contamination discovered in drinking water wells, in the indoor air of homes and businesses, seeping into surface water and at dangerous levels in public utility lines. Without the PCF many Vermont businesses, homeowners and public entities would struggle to pay for expensive cleanups. Critical site cleanup work remains at nearly 1,000 properties contaminated by releases from petroleum USTs and aboveground storage tanks (ASTs). The continued success of the PCF depends upon the continued solvency of the fund.

Key Takeaways

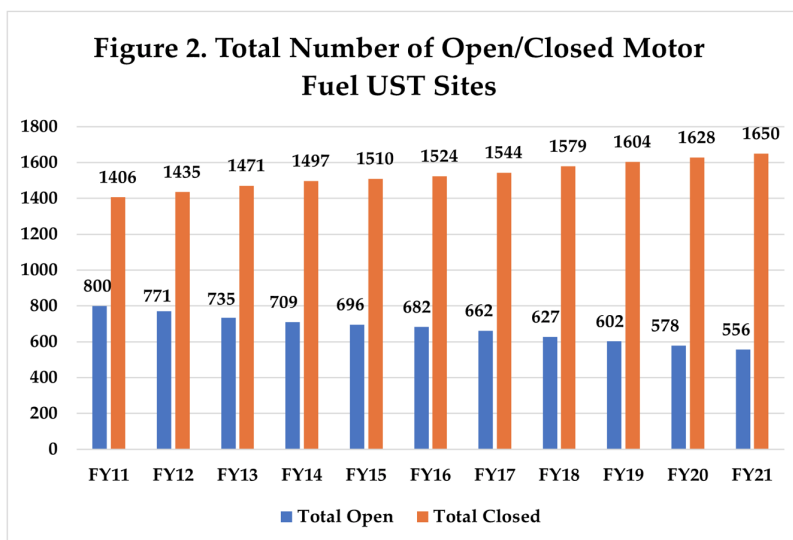
- The PCF is comprised of two accounts: a motor fuel, and a heating oil account. Each maintained a positive balance throughout the year, and the overall fund balance met the required financial assurance requirements for permitted motor fuel UST owners. The PCF's [Fund Balance Report](#) details receipts and disbursements and ending balances. Though the fund has a healthy balance, actuarial studies completed in 2005 and 2016 each found that the fund was “*technically insolvent*” since “*projected liabilities exceeded assets of the fund.*”
- The motor fuel UST site backlog continues to pose a significant risk to fund solvency. However, prevention and cleanup efforts continue to outstrip new releases and over the past decade the total backlog of open contaminated sites has been reduced by over 30%.
- The [AST Rules](#) are working. In the four years since the inspection requirements went into effect in August 2017, releases and cleanup costs are down by 18% and 47% respectively, as compared to the four preceding years. See Figure 3 and discussion on page 3.

Discussion

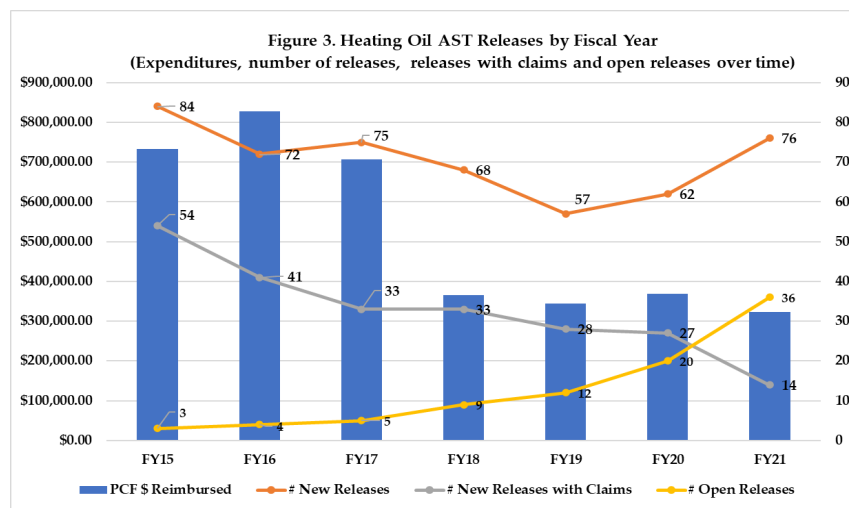
- Motor fuel UST backlog risk to solvency:** The motor fuel account has significant financial risk associated with the backlog of 556 open motor fuel UST sites. As shown in Figure 1, over 70% of these sites are over 20 years old, are from unprotected tanks, and are the most challenging and costly to cleanup. The legacy of these sites is that we have an estimated motor fuel tank liability of nearly \$50M based on the 2016 actuarial study. Many of these older sites now require groundwater reclassification and active cleanup under the amended [Groundwater Protection Rule and Strategy](#) that became effective Jul. 6, 2019.



- Motor fuel UST backlog progress:** In the past decade, this backlog has been reduced by 244 sites. Leak prevention efforts have considerably slowed new releases from motor fuel USTs, allowing site cleanups to outpace new contaminated sites as shown in Figure 2.



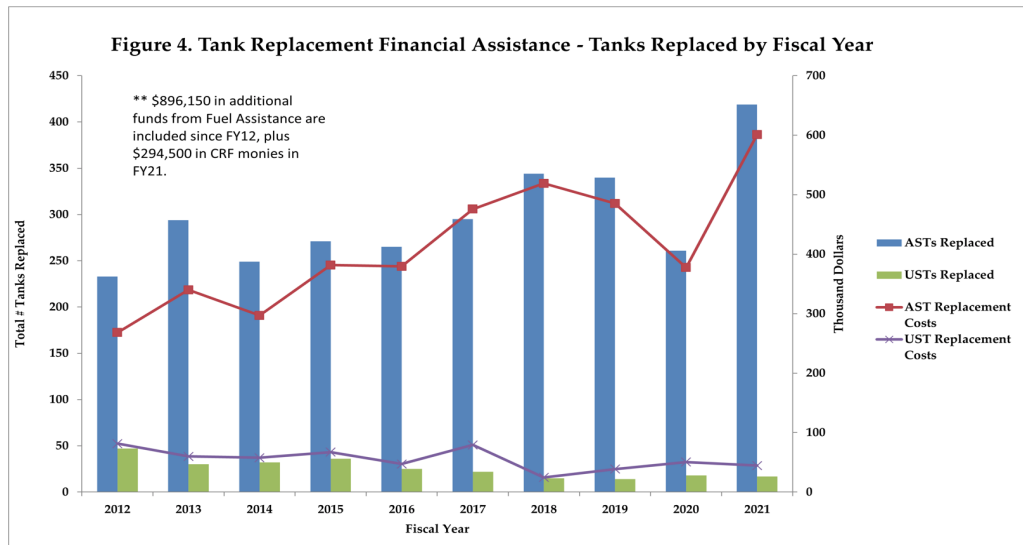
- The heating oil account:** For the fourth consecutive fiscal year, this account experienced significantly lower cleanup expenditures and a positive balance. Historically, this account has been unsustainable. This success appears attributable to increased prevention efforts through both new AST regulations and increased tank replacement financial assistance. The [AST Rules](#) were revised in August 2017 in response to [Act 76](#) and require tank inspections every three years and include a delivery prohibition to tanks that are “red-tagged” due to high risk of a fuel release. Over 570 reported, red-tagged tanks were repaired or replaced in 2021, and over 2,800 since the rules were implemented in 2017; many of these received financial assistance. Figure 3 depicts a clear reduction in cleanup costs beginning in fiscal year 2018.



- Tank Financial Assistance:** Providing financial assistance to vulnerable Vermonters is important to reduce risk to human health and the environment from releases and to prevent heating insecurity. Since inception, the PCF assistance program has funded the replacement or upgrade of 4,310 ASTs and removed 746 single-walled home heating oil USTs. Figure 4 shows data from the last decade – the spike in AST replacements last year is due primarily due to additional federal Coronavirus Relief Funding as discussed further below.

AST Assistance: In fiscal year 2021, the PCF assisted lower income Vermonters by paying \$285,584 to replace 209 red-tagged ASTs; 50 awards totaling \$56,500 were unused, partially due to COVID-19 recipient health concerns. Coronavirus Relief Funding (CRF) totaling \$294,500 was used to replace 199 red-tagged ASTs; 47 awards totaling \$61,000 were unused. Federal LIHEAP monies totaling \$20,650 were used to replace 11 red-tagged ASTs; 15 awards were unused totaling \$30,000. All told, ANR assisted with replacing 419 ASTs and reimbursed \$600,734 using Vermont PCF and federal CRF and LIHEAP monies.

UST Assistance: In fiscal year 2021, the PCF assisted lower income Vermonters by paying \$44,690 to replace 17 USTs. At 14 of these locations, a new AST was installed for fuel storage. Most AST replacements were at a Hyde Park manufactured home park.



- COVID-19 Impacts:** The pandemic has negatively impacted the PCF and will continue to do so in fiscal year 2021.

Motor Fuel: Revenue from motor fuel distributor licensing fees were down by 16.7% or nearly \$600,000 in fiscal year 2021 versus the pre-pandemic norm. This is an improvement over the 23% revenue drop experienced during the initial pandemic shutdown in the spring of 2020; that end of fiscal year impact resulted in a 7.8% reduction in distributor licensing fees in fiscal year 2020. The current reductions will likely continue due to less vehicle travel, primarily commuting, due to many sectors adopting liberal telework policies.

Heating Oil: Homeowner health concerns hindered the ability of technicians to enter numerous residences in fiscal year 2021. Thousands of tanks were not inspected by the August 15, 2020 deadline, precluding replacement of numerous high risk basement ASTs. In response, Vermont Agency of Natural Resources issued guidance on “virtual inspections” as well as “enforcement discretion” for these situations through May 1, 2021. With increased vaccinations, much of this concern has abated but some fuel dealers have still not inspected all customer tanks, due in part to pandemic related staffing shortages.

- Recommended Statutory Changes to Chapter 59:** The PCF Advisory Committee recommends that 10 V.S.A. §1941(b)(7) be amended to read, “*administrative and field supervision costs incurred by the Secretary in carrying out the provisions of this subchapter. Annual disbursements shall not exceed ~~six~~ 10 percent of annual receipts.*” The effective date would take effect on July 1, 2022.