

## Title: 36<sup>th</sup> Annual Petroleum Cleanup Fund (PCF) Report

Year: 2024

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Committee: Vermont General Assembly

Authorizing Law #: 10 V.S.A.

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

## Executive Summary

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This is the 36th annual report of the [Petroleum Cleanup Fund \(PCF\) Advisory Committee](#) and will provide a review of receipts and disbursements for fiscal year 2023, in accordance with 10 V.S.A. § 1941 and will evaluate the effectiveness of the PCF in meeting its legislative intent. In fiscal year 2023 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 (3,343 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.

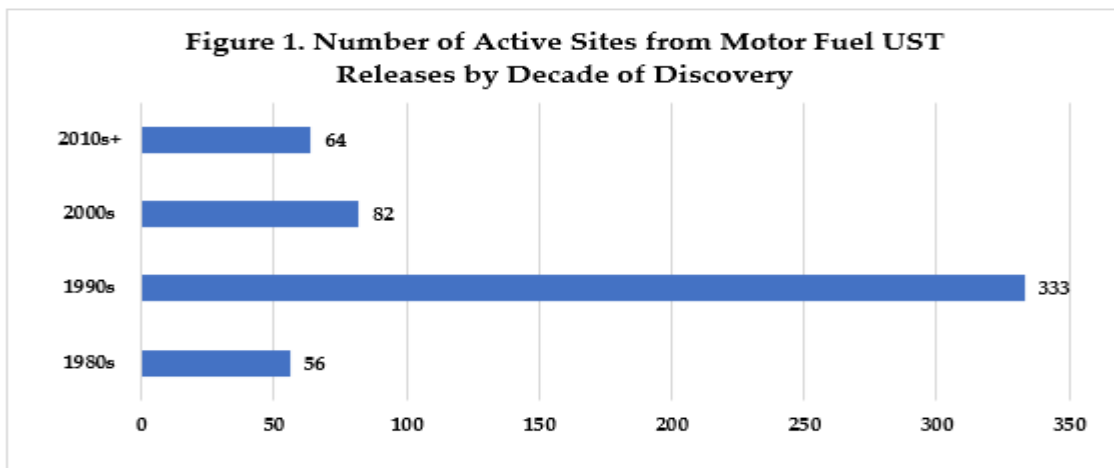
## Key Takeaways

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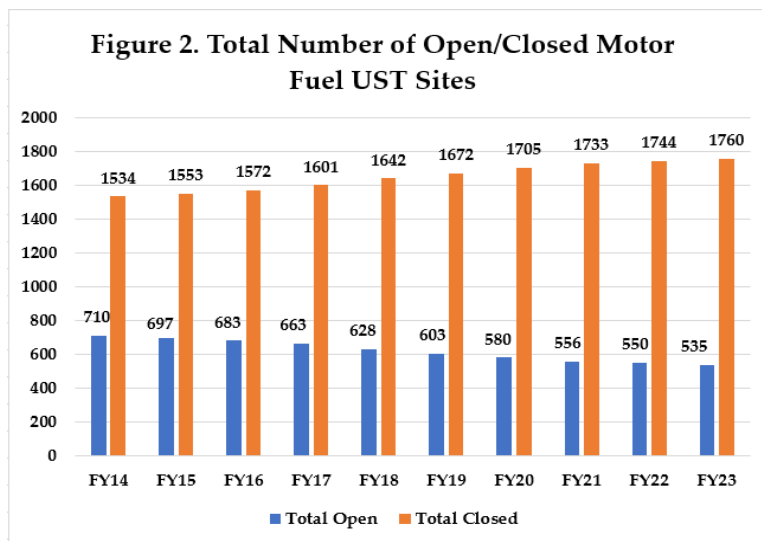
- The PCF is comprised of two accounts: a motor fuel, and a heating oil account. Each maintained a positive balance throughout the year, and the overall fund balance met the required financial assurance requirements for permitted motor fuel UST owners. The PCF's [Fund Balance Report](#) details receipts 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 32%.
- The [AST Rules](#) are working, though an amended rule is planned for 2024 to make improvements to inspection standards and add new requirements. In the six years since the inspection requirements went into effect in August 2017, releases and cleanup costs are down by 30% and 46% respectively, as compared to the six preceding years.

## Discussion

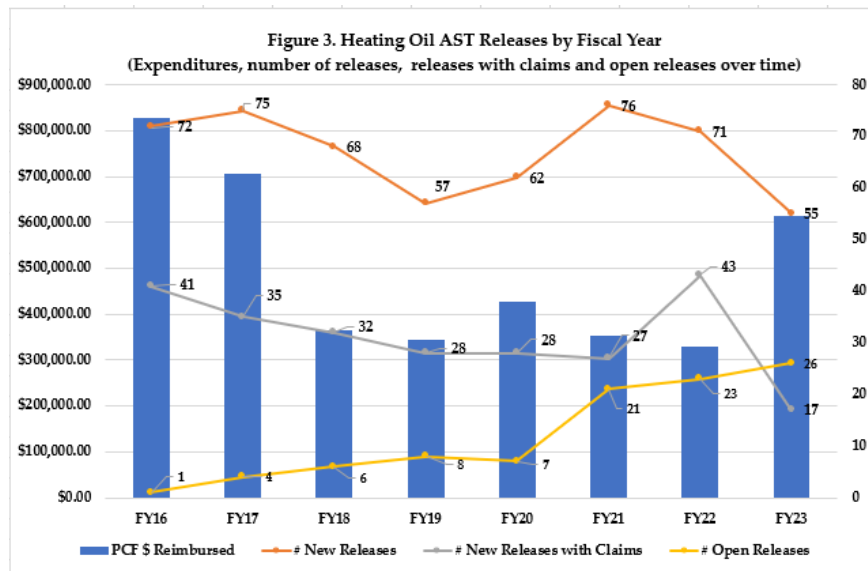
- Motor fuel UST backlog risk to solvency:** The motor fuel account has significant financial risk associated with the backlog of 535 open motor fuel UST sites. As shown in Figure 1, over 73% of these sites are over 20 years old, are from unprotected tanks, and are the most challenging and costly to 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 226 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.



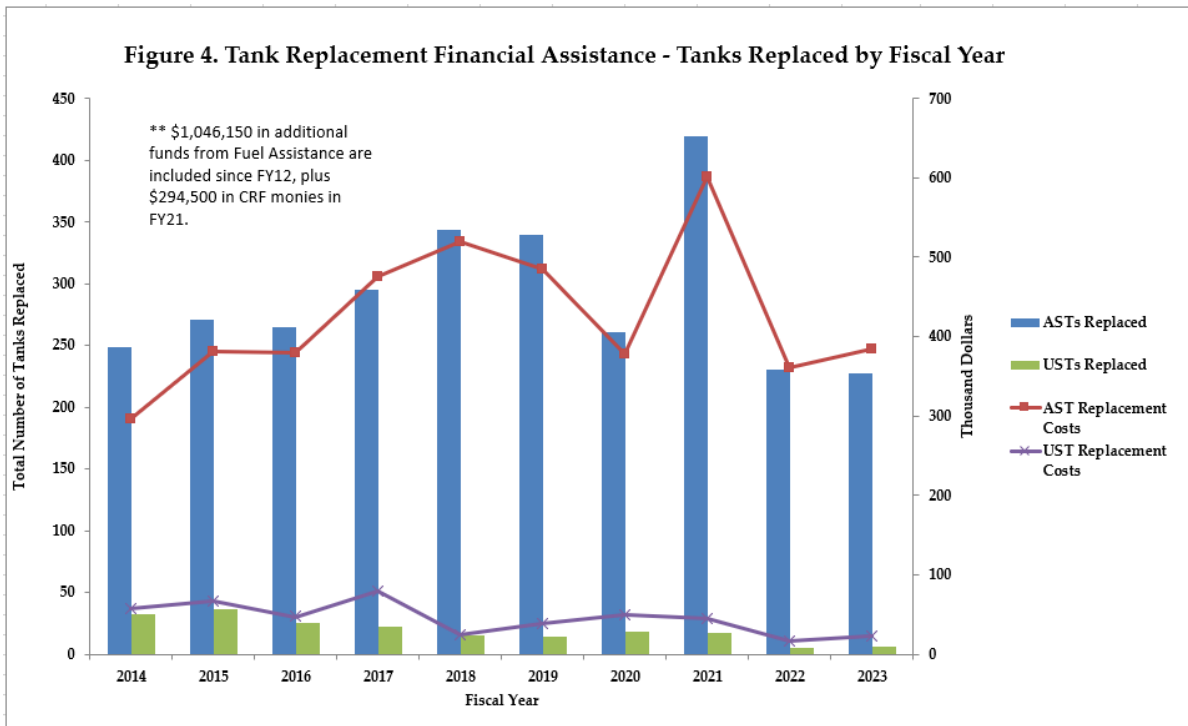
- The heating oil account:** For the first time in six years, this account experienced a negative fiscal year balance, though the overall account balance remained positive. Revenue was down 10% over the prior fiscal year and cleanup costs were up for both ASTs and USTs over the prior year. Historically, this account has been unsustainable. Recent 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. In fiscal year 2023, 244 reported, red-tagged tanks were repaired or replaced, and over 3,194 since the rules were implemented in 2017; many of these received financial assistance. Figure 3 depicts a reduction in cleanup costs beginning in fiscal year 2018. AST cleanup expenditures did increase in FY23, with over 75% of those costs associated with releases discovered in fiscal year 2021 and 2022. Due to the large flood in early fiscal year 2024, increased expenditures for AST releases are anticipated though efforts are underway to recover costs through FEMA.



- 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 4,723 ASTs and removed 757 single-walled home heating oil USTs. Figure 4 shows data from the last decade.

**AST Assistance:** In fiscal year 2023, the PCF assisted lower income Vermonters by paying \$308,907 to replace 205 red-tagged ASTs; 54 awards totaling \$58,000 were unused. In addition, Federal LIHEAP monies totaling \$75,000 were used to replace 22 red-tagged ASTs; these monies were transferred to ANR from the Vermont Department of Children and Families.

**UST Assistance:** In fiscal year 2023, the PCF assisted lower income Vermonters by paying \$22,674 to remove 6 heating oil USTs; two replaced with ASTs, three had existing ASTs, and one switched to a wood pellet stove. One additional motor fuel UST loan was executed in fiscal year 2023 totaling \$150,00. There are now 31 active UST loans, 2 for heating oil tanks and 29 for motor fuel tanks, with a balance of \$1,342,858.61 on Nov. 30, 2023.



- COVID-19/Motor Fuel Price Impacts:** Revenue from motor fuel distributor licensing fees in fiscal year 2023 continued to recover from lows during the pandemic and were up 9.7% (approximately \$308,000) over fiscal year 2022, though still down 9% (approximately \$344,000) versus the pre-pandemic norm. We do not anticipate a return to pre-pandemic revenue levels due to reduced vehicle travel, primarily commuting, due to many sectors adopting liberal telework policies and growth in the adoption of electric vehicles. At least part of the revenue increase in fiscal year 2023 over 2022 can be attributed to retail gasoline prices staying below the \$4.00 per gallon level experienced in fiscal year 2022.
- Recommended Statutory Changes to Chapter 59:** The PCF Advisory Committee has no recommended statutory changes at this time. A housekeeping amendment will be needed once the last of the lined single-walled motor fuel USTs are removed within the next two years.