



**STATE WATER RESOURCES CONTROL BOARD**

**REPLACING, REMOVING, OR UPGRADING  
UNDERGROUND  
STORAGE TANKS PROGRAM**

**Fiscal Year 2011-12 ANNUAL REPORT**

*July 1, 2011 to June 30, 2012*

**JANUARY 2013**



STATE WATER RESOURCES CONTROL BOARD  
REGIONAL WATER QUALITY CONTROL BOARDS

## **Summary**

The Replacing, Removing, or Upgrading Underground Storage Tanks (RUST) Program has been effective in helping independent gas retailers, who cannot otherwise afford the expense associated with required Underground Storage Tank (UST) and component upgrades and/or removing and replacing older USTs, to remain in business. In Fiscal Year 2011-12, the RUST Program approved a total of 31 grants and 10 loans, totaling \$1,433,675 and \$2,100,232 respectively.

The RUST Program has successfully helped to:

- 1) protect California's drinking water from contaminants, including methyl tertiary-butyl ether (MTBE);
- 2) protect California's air, by assisting small gas station owners in complying with the Air Resources Board's (ARB's) Enhanced Vapor Recovery (EVR) Phase II requirements; and
- 3) ensure that necessary fuel supplies are maintained, particularly in rural areas.

## **Background**

The RUST Program was established at the Technology, Trade, and Commerce Agency in 1989 to provide low-interest loans (ranging from \$10,000 to \$750,000) to small businesses (fewer than 500 employees) for replacing, removing, and upgrading USTs to meet regulatory standards and to take corrective actions in response to unauthorized releases. In 1999, the Legislature expanded the RUST Program as part of legislation aimed at limiting the release of MTBE from leaking USTs into groundwater and surface water resources. The 1999 legislation enabled small and disadvantaged businesses (defined as businesses having fewer than 20 employees and selling less than 900,000 gallons of gasoline annually) to obtain grants (ranging from \$3,000 to \$50,000) for required UST and UST-related upgrades. The Fiscal Year 2003-04 Budget Act abolished the Technology, Trade, and Commerce Agency and transferred the RUST Program to the State Water Board Resources Control Board (State Water Board) for the collection of outstanding loans.

Chapter 624, Statutes of 2004, (AB 1068, Liu), reinstated the RUST Program in the State Water Board, with a sunset date for the program of January 1, 2011. Chapter 69, Statutes of 2009, (AB 96, Ruskin), approved a one-time appropriation of \$8 million to assist small gas station owners in complying with the ARB's EVR Phase II requirements, extended the sunset date of the RUST Program from January 1, 2011 to January 1, 2016, and revised the eligibility criteria for the RUST Program.

RUST loans and grants are funded from the PUSTFA. Repayments on RUST loans are deposited into the PUSTFA and made available for future loans and grants. The loan interest rate is based on the State Treasurer's Surplus Money Investment Fund (SMIF) rate at the time of loan approval. The SMIF rate is adjusted quarterly. The following table is the SMIF Interest Rate for Fiscal Year 2011-12:

**Table 1. Surplus Money Investment Fund (Apportionment Yield Rate)**

<b>Period Ending</b>	<b>Interest Rate</b>
June 30, 2011	0.480%
September 30, 2011	0.377%
December 30, 2011	0.378%
March 31, 2012	0.374%

The following information is based on RUST Program records through June 30, 2012.

### **Loans, Grants, and Results**

During Fiscal Year 2011-12, the RUST Program received 12 loan applications, totaling \$2,640,932. The RUST Program approved 10 loan applications, totaling \$2,100,232. The average loan amount awarded was \$210,023, which is an increase from an average loan amount of \$183,471 during Fiscal Year 2010-11. The loans that were not approved were either denied because they did not meet RUST program requirements or the applications were incomplete. The incomplete applications were carried over to Fiscal Year 2012-13 for funding consideration upon receipt of all required documents.

During Fiscal Year 2011-12, the RUST Program received 55 grant applications totaling \$2,707,251. The RUST Program approved 31 of those applications, totaling \$1,433,675, with an average grant amount of \$46,000. The grants that were not approved were either denied because they did not meet program requirements or carried over into FY 2012-13 for funding consideration.

RUST loans and grants executed in Fiscal Year 2011-12 enabled recipients to replace, remove, or upgrade 95 USTs to comply with air and water quality regulatory requirements and preserved 173 jobs. The replacement, removal, or upgrading of these USTs also helped protect groundwater from releases of petroleum from USTs.

Charts 1 through 4 (attached) show the total number and amount of RUST loans and grants approved and the number of project tanks replaced, removed, or upgraded during Fiscal Years 2004-05 through 2011-12.

Chart 1 shows the number of grants approved and the number of project tanks upgraded. Chart 2 shows the amount of grant funding approved during Fiscal Years 2004-05 through 2011-12. Please note that the number of grants approved, the number of project tanks upgraded, and the amount of grant funding approved increased in Fiscal Year 2009-10 as a result of the additional funding made available for RUST grants by AB 96.

Chart 3 shows the number of loans funded and project tanks replaced, removed, or upgraded. Chart 4 shows the amount of loan funding approved during Fiscal Years 2004-05 through 2011-12. Due to increased interest in grants rather than loans during the last two Fiscal Years, and the recent downturn in the economy, the State Water Board received fewer loan applications than normal during Fiscal Year 2011-12.

## **Characteristics of Grant and Loan Recipients**

The loan and grant applications include questions that identify the characteristics of the applicant. The following tables summarize approved grants and loans characteristics:

**Table 2. Business Types**

<b>BUSINESS TYPES</b>	<b>FY 2011-12 TOTAL</b>
Gas Sales	0
Gas & Auto Repair	0
Gas & Mini Mart	41
Gas & Car Wash	0
Cardlock	0

**Table 3. Applicant's Legal Business Structure**

<b>LEGAL STRUCTURE</b>	<b>FY 2011-12 TOTAL</b>
Sole Proprietorship	15
Corporation	18
Partnership	3
Individual	4
Limited Liability Company	1
Trust	0

## **Administrative Costs**

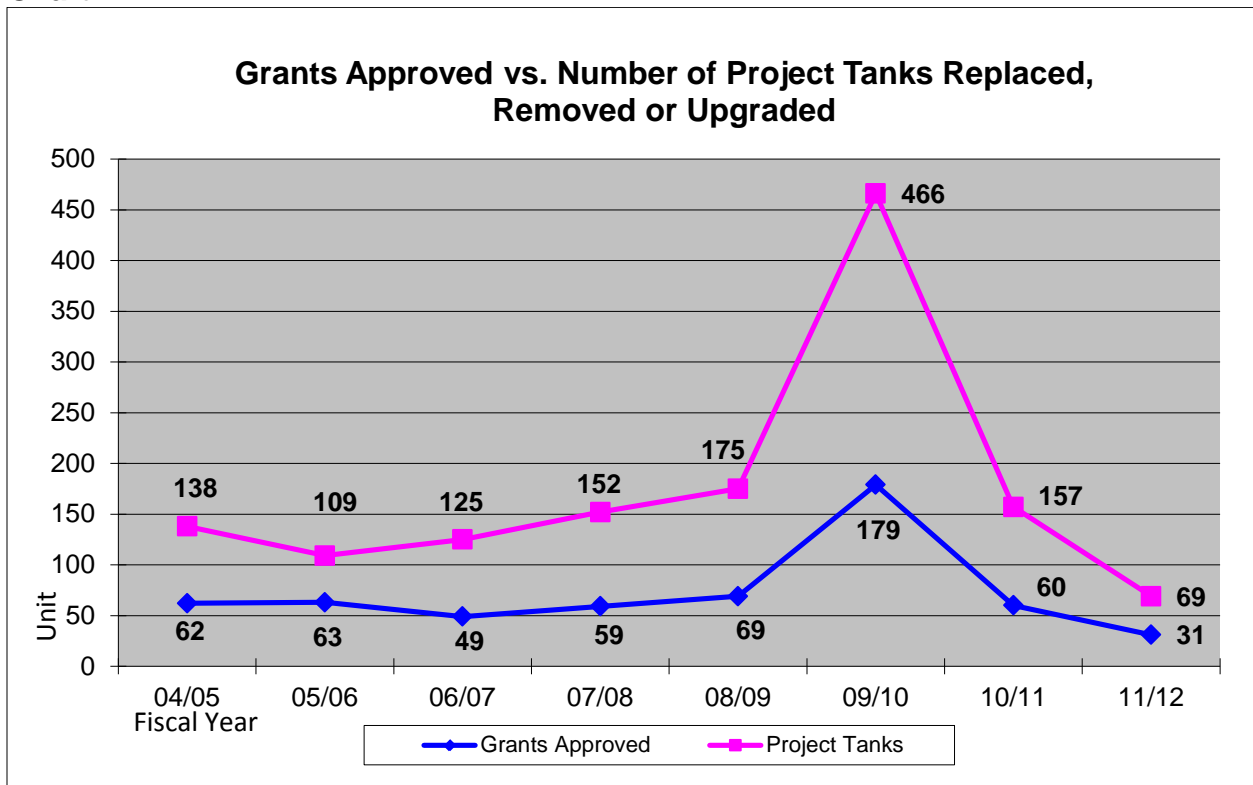
The state operating expenditures for the RUST Program totaled \$494,730, which was 85 percent of the amount appropriated in Fiscal Year 2011-12 for operating expenses. These expenditures were for loan and grant servicing and collection costs. Servicing costs include processing and accounting for new and existing loans and grants and depositing of monthly payments. Collection costs include pursuing delinquent borrowers and enforcement of contract provisions that ensure loan repayment.

## **Conclusion**

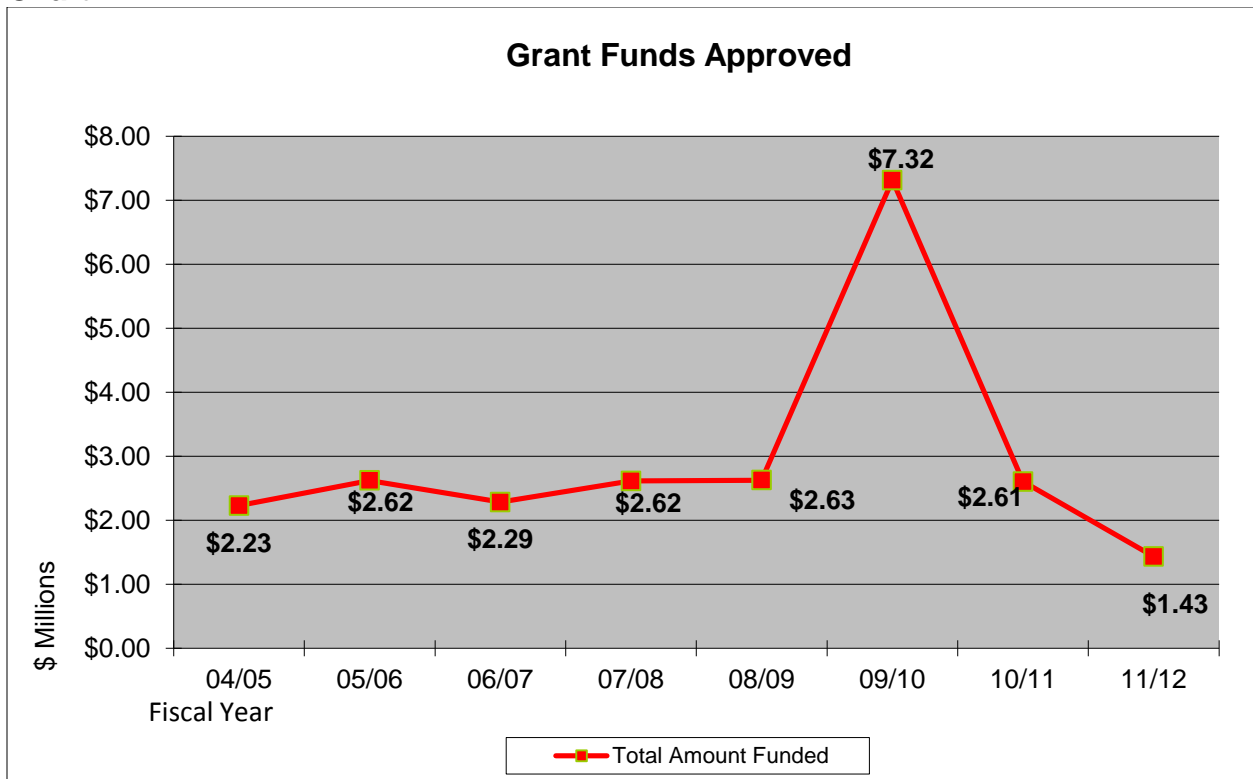
The RUST Program has helped independent gas retailers who cannot otherwise afford the expense associated with certain water quality and air quality regulatory requirements to remain in business. The RUST Program has helped protect California's drinking water from contaminants, including MTBE, and ensured that necessary fuel supplies, particularly in rural areas, are maintained.

Charts 1 - 4  
 RUST Program  
 Fiscal Years 2004-05 through 2011-12

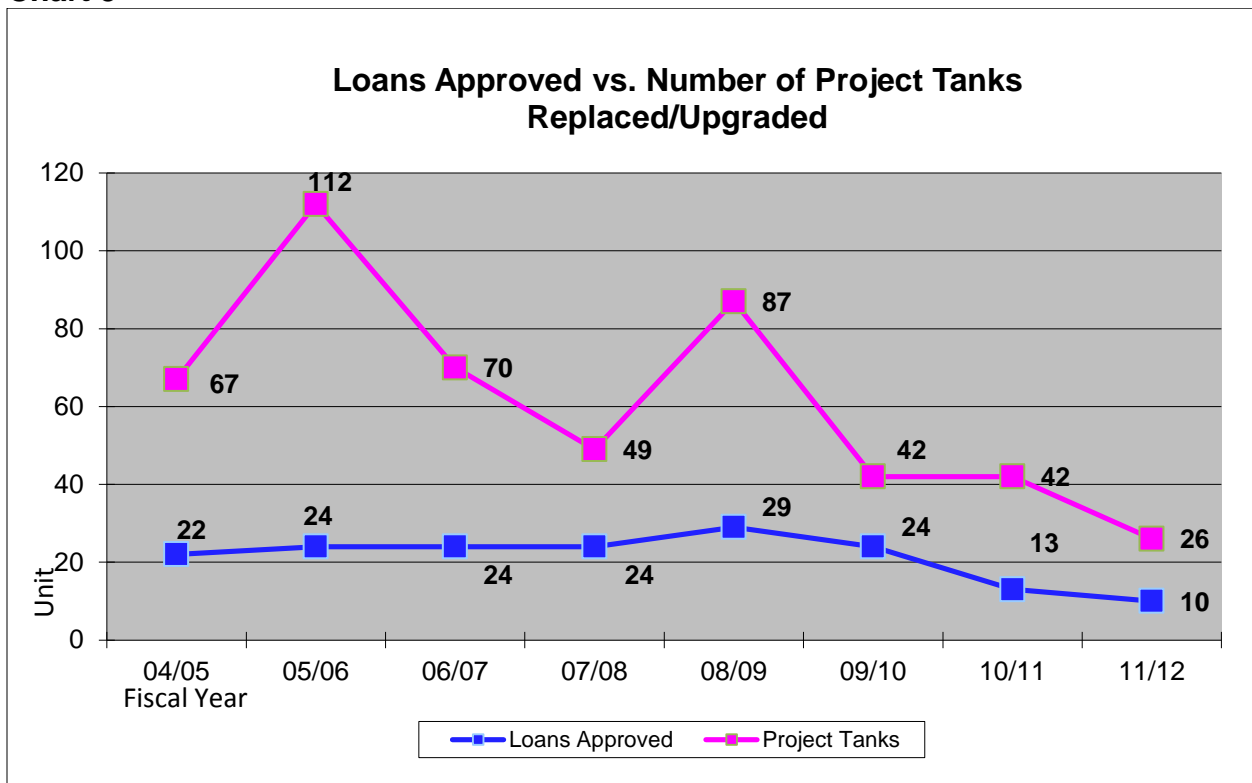
**Chart 1**



**Chart 2**



**Chart 3**



**Chart 4**

