

# **Annual Report to the North Carolina General Assembly**

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## **Status of Leaking Petroleum Underground Storage Tanks State Cleanup Fund**

**Fiscal Year 2020 (July 1, 2019 to June 30, 2020)**

**N.C. Division of Waste Management  
Underground Storage Tank Section**

**November 1, 2020**



**NORTH CAROLINA DEPARTMENT OF  
ENVIRONMENTAL QUALITY**

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## Executive Summary

### North Carolina Leaking Petroleum Underground Storage Tanks Cleanup Fund Fiscal Year (FY) 2020 July 1, 2019 – June 30, 2020

North Carolina's underground storage tank program is administered by the Division of Waste Management's Underground Storage Tank (UST) Section in the North Carolina Department of Environmental Quality (DEQ). The section enforces UST regulations and manages funds used to perform cleanups of petroleum UST discharges or releases (UST incidents). The program was initiated in 1988 in response to growing reports of USTs leaking petroleum into soil and groundwater. Funding for the program is provided by the Commercial Leaking Petroleum Underground Storage Tanks Cleanup Fund (Commercial Fund), federal Leaking Underground Storage Tank (LUST) Cleanup Grant, and the federal LUST Prevention Grant.

North Carolina General Statute 143-215.94M(a) states: "The Secretary shall present an annual report to the Environmental Review Commission, the Joint Legislative Oversight Committee on Agriculture and Natural and Economic Resources, the Fiscal Research Division, the chairs of the Senate Appropriations Committee on Agriculture, Natural, and Economic Resources, and the chairs of the House of Representatives Appropriations Committee on Agriculture and Natural and Economic Resources that shall include at least the following:

- 1) A list of all discharges or releases of petroleum from underground storage tanks.
- 2) Repealed by Session Laws 2015-241, s. 14.16A(h), effective December 31, 2016.
- 3) A list of all cleanups undertaken by tank owners or operators and the status of these cleanups.
- 4) A statement of receipts and disbursements for the Commercial Fund.
- 5) A statement of all claims against the Commercial Fund, including claims paid, claims denied, pending claims, anticipated claims, and any other obligations.
- 6) The adequacy of the Commercial Fund to carry out the purposes of this Part together with any recommendations as to measures that may be necessary to assure the continued solvency of the Commercial Fund.
- 7) Repealed by Session Laws 2012-200, s. 23, effective August 1, 2012."

The report required by this section shall be made by the Secretary on or before November 1 of each year.

In FY 2019-2020, the UST program achieved closure for 643 commercial regulated UST release incidents and approved clean closure of an additional 35 commercial regulated USTs. Reimbursements to responsible parties for FY 2019-2020 totaled \$6,332,032. The state-lead program that assumes management of incidents for which no viable responsible party exists performed \$4,886,602 in assessment and cleanup through its state-lead contractors. In addition, the program also provided oversight and regulatory review for closure of 266 noncommercial USTs, 45 commercial non-regulated releases, and 245 non-UST petroleum releases.

The Commercial Fund is also used to provide safe alternatives to drinking water wells that have been contaminated by petroleum releases from USTs. In FY 2019-2020, the UST program provided alternative water supplies, including bottled water, point-of-entry filtration systems and waterline extensions, to replace 78 contaminated water supply wells serving 259 citizens.

The North Carolina Division of Waste Management (DWM) maintains lists of all known discharges or releases from underground storage tanks, all responsible party (RP) cleanups, and cleanup status updates. These are available at: <https://deq.nc.gov/about/divisions/waste-management/ust/databases>, specifically the Incident Management Database (Regional Underground Storage Tanks). These may be viewed in both Microsoft ACCESS and Microsoft EXCEL formats. Assistance is available by contacting Scott Bullock or Linda Smith at (919) 707-8200.

On October 1, 2018, the EPA Office of Underground Storage Tanks (OUST) launched an effort to reduce the national backlog of open, unresolved UST incidents. The OUST set "aspirational" cleanup goals for each EPA region who then evaluated the individual states and assigned state goals for the upcoming federal fiscal year (FFY). Based upon Region 4's evaluation, North Carolina's federal fiscal years goals were established at 720 total closures for 2018-19 and 596 total closures for 2019-20. Upon notification of this increased goal, Region 4 and North Carolina's UST Section management group worked jointly to explore means to meet OUST's requests. Region 4 agreed to provide approximately \$613,824 in additional federal grant funding to combine with the \$500,000 of annual state funding allowed for use in evaluating and closing low-risk sites. As of September 30, 2020, North Carolina has exceeded its OUST "aspirational" goals with 747 total closures for the FFY 2018-19 and 602 total closures for FFY 2019-20, as well as providing for reimbursement of associated with non-directed cleanup claims for these sites as appropriate. This initiative will be on-going through FY 2020-21 or until funding is exhausted.

The UST program has also actively participated in storm recovery efforts for Hurricanes Florence, Michael, Dorian and Isaias providing pre-storm directions to at-risk UST facilities, post-storm evaluation of damages, and financial assistance for recovery to approximately 50 entities through available state and federal disaster relief funds.

**Commercial UST Cleanup Fund Management**

In FY 2019-20, the Division of Waste Management’s (DWM) Underground Storage Tank (UST) Section managed reimbursement funds for cleanup of environmental contamination from petroleum UST releases. The Commercial Cleanup Fund reimbursed the costs of cleanups of petroleum releases from commercial USTs, which are typically regulated gasoline station tanks or heating oil tanks greater than 1,100-gallons capacity. The owners of commercial USTs pay an annual registration fee of \$420 per tank into the Commercial Cleanup Fund, and also pay deductible amounts toward the costs of assessments and cleanups of petroleum releases.

In FY 2019-20, the UST Section managed the cleanup funds in accordance with the requirements of N.C.G.S 143-215.94E, which directs the N.C. Department of Environmental Quality (DEQ) to give priority to cleanup of releases in emergency situations, and to those that pose the greatest risks to human health and the environment. The statute also directs the DWM to order non-emergency work only if the costs could be reimbursed by the appropriate cleanup fund within 90 days of claim approval. To meet these legislative requirements, the UST Section uses a risk, rank and abatement (RRA) scoring system that quantifies the relative risks of all releases, allowing the Section to direct work at the highest risk incidents for which costs can be reimbursed within 90 days. Each month, the UST Section staff reviews balances, expenditures and obligations of the Commercial Fund, and periodically adjusts the RRA score threshold to direct as much cleanup work as resources will allow. In FY 2015-16, as a result of implementing more intensive oversight and cost control measures, the UST Section was able to lower the RRA score threshold for the Commercial Fund for the first time since FY 2012-13. During FY 2020-21, the program could direct cleanup activities to all high-risk commercial UST releases and all but 214 intermediate-risk releases.

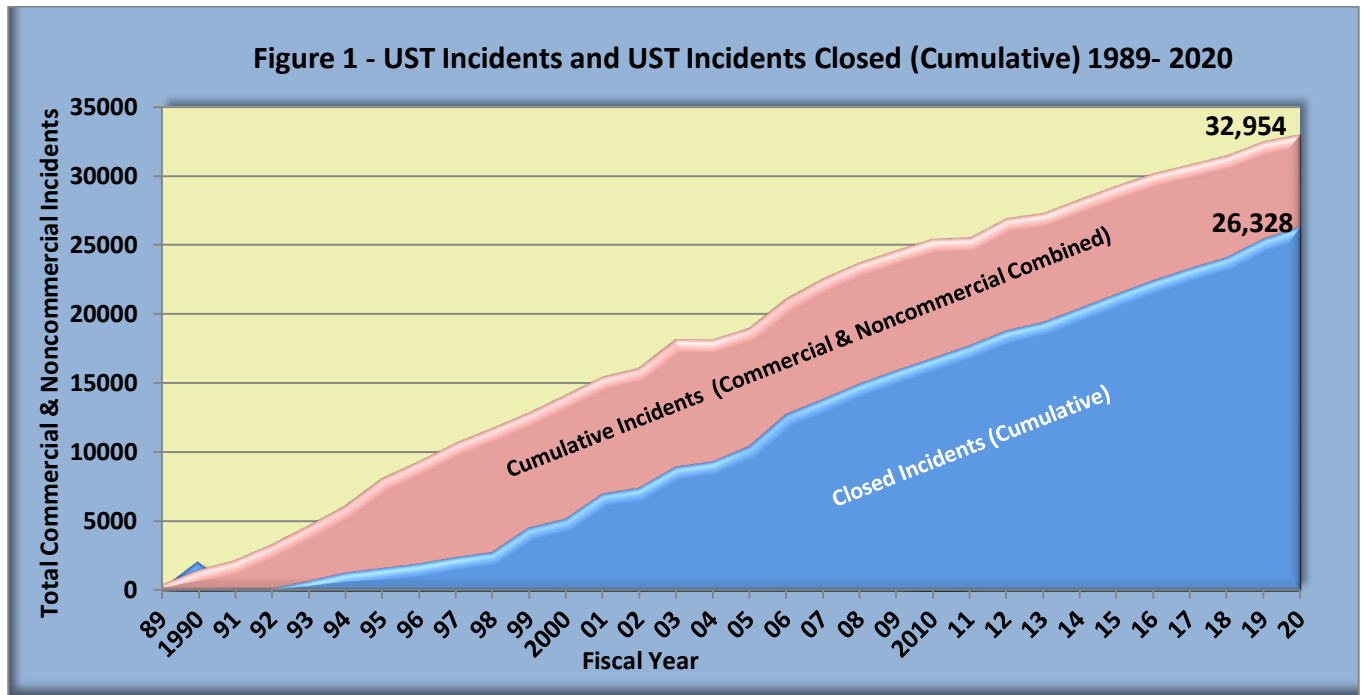
The two tables below summarize historic and FY 2019-20 Commercial Fund activities and accomplishments.

**Table 1**  
**Summary of Key Statistics since UST Program Inception**  
**(July 1, 1988 to June 30, 2020)**

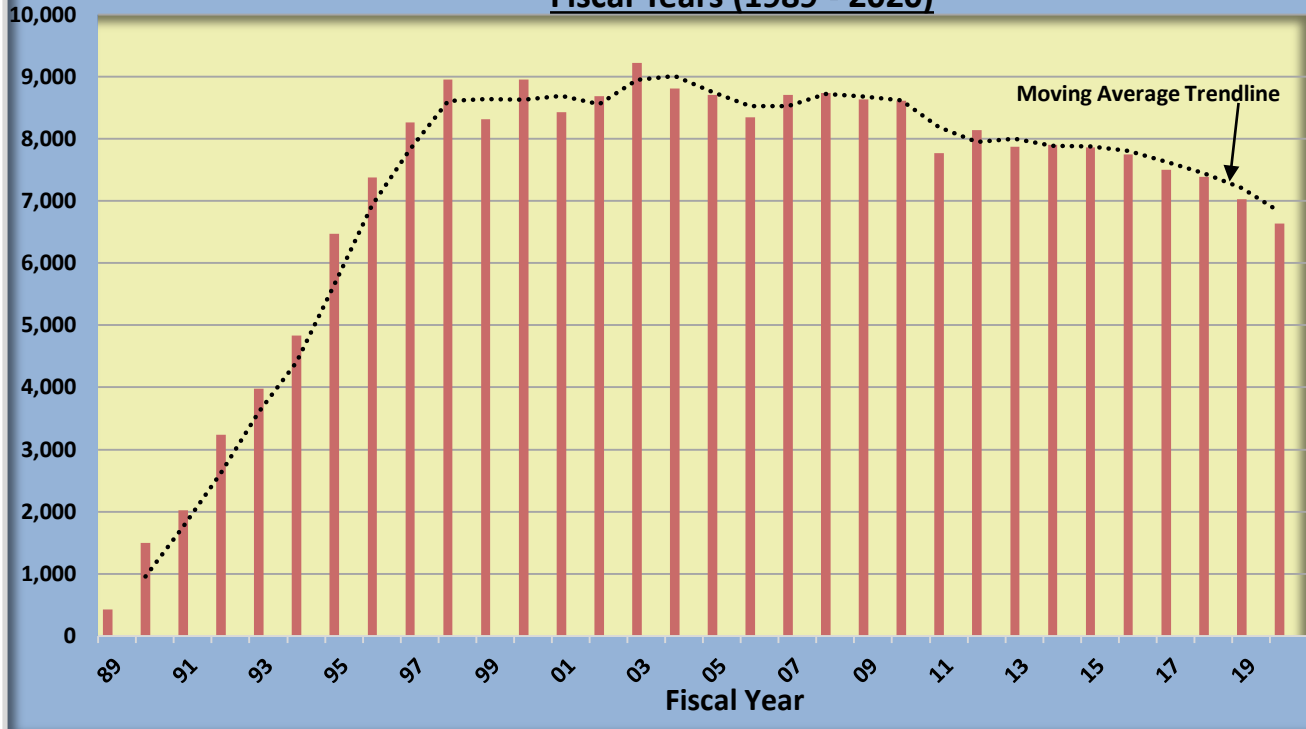
<b>Revenues and Expenditures</b>	
Commercial Fund Revenues	\$ 811,171,490
Commercial Fund Expenditures	\$ 764,138,023
<b>Releases</b>	
Petroleum UST Releases – Reported	
Commercial	20,903
Noncommercial	12,051
<b>Total</b>	<b>32,954</b>
Petroleum UST Releases - Closed Out	
Commercial	16,526
Noncommercial	9,802
<b>Total</b>	<b>26,328</b>
<b><u>FY 2020 Activity</u></b>	
Petroleum UST Releases Reported	
Commercial	240
Noncommercial	262
<b>Total</b>	<b>502</b>
Petroleum UST Releases Closed Out	
Commercial	643
Noncommercial	266
<b>Total</b>	<b>909</b>

<b>Table 2 - UST Releases Since Program Inception (FY 1989 - FY 2020)</b>			
<b>Commercial UST Releases</b>		<b>Noncommercial UST Releases</b>	
<b>Releases Reported</b>	<b>20,903</b>	<b>Releases Reported</b>	<b>12,051</b>
RP-Lead	19,136	RP-Lead	11,845
State-Lead	1,767	State-Lead	306
<b>Cleaned Up to No Further Action</b>	<b>16,526</b>	<b>Cleaned Up to No Further Action</b>	<b>9,802</b>
RP-Lead	15,256	RP-Lead	9,620
State-Lead	1,270	State-Lead	182
<b>Ongoing Cleanups</b>	<b>4,110</b>	<b>Ongoing Cleanups</b>	<b>2,141</b>
RP-Lead	3,355	RP-Lead	2,141
State-Lead	755	State-Lead	0
<b>No Action Currently Being Taken</b>	<b>267</b>	<b>No Action Currently Being Taken</b>	<b>108</b>
RP-Lead	214	RP-Lead	0
State-Lead	53	State-Lead	108

Figures 1 and 2 below present a graphical representation of historic Commercial and Noncommercial cleanup activities and progress.



**Figure 2 - Total Open Commercial and Noncommercial UST Incidents**  
**Fiscal Years (1989 - 2020)**



**Unfunded Noncommercial Release Response**

Session Law 2015-241 directed the phase-out of the Noncommercial UST reimbursement program to end on Dec. 31, 2016, and limited eligibility for the remaining funds to only those releases reported prior to Oct. 1, 2015. It further modified the necessary response to noncommercial UST releases based on DEQ risk determination. Initial Abatement Requirements were eliminated, and all actions at eligible sites were required to be re-authorized to ensure compliance with the new law. Session Law 2017-57 required the Environmental Management Commission (EMC) to adopt temporary rules to implement Section 14.16B of Session Law 2015-241 by Oct. 1, 2017. The necessary changes to 15A NCAC 02L Section .0400 were submitted by the DEQ and reviewed by the EMC for approval on Sept. 29, 2017. No further cleanup of noncommercial releases was required for low-risk sites or reimbursed for any sites.

However, UST Section staff are still required to review and oversee responsible party actions at all reported noncommercial incidents to ensure proper closure and documentation. Two hundred sixty-six noncommercial UST incidents were reported during FY 2019-20. In addition, UST Section staff were also required to respond to 245 releases from aboveground petroleum storage tanks (ASTs), roadside spills, and other spills greater than 25 gallons. These responses are unfunded through current mechanisms; they result in the diversion of approximately 25 percent (10.5 full-time equivalents) of regional office personnel resources and funding to manage non-commercial and non-UST releases.

**Commercial Fund Status**

For the 12-month period from July 1, 2019 through June 30, 2020, the unobligated Commercial Fund balance increased for the fourth consecutive year. On June 30, 2020, the unobligated Commercial Fund balance was \$41,642,474 – an increase of \$13,123,949 from the FY 2018-19 unobligated end-of-year balance. Estimated Commercial Fund obligations as of June 30, 2020 are \$31,614,218, including pending state-led cleanup contracts managed by the UST Section.

Beginning in late FY 2013-14 and continuing through FY 2019-20, the UST Section undertook an intensive re-evaluation of its risk-based closure process and instituted a more rigorous review of pre-approvals for site work. Concurrently, UST Section staff implemented an administrative review of all pending task authorizations with regard to statute of limitations requirements. Implementation of these measures reversed the \$4.6 million per year average decline in Fund balance experienced between FY



2010-11 and FY 2015-16. Both of these cost-control measures are ongoing, with the goal of the Commercial Fund eventually being able to direct work on all high- and intermediate-risk incidents.

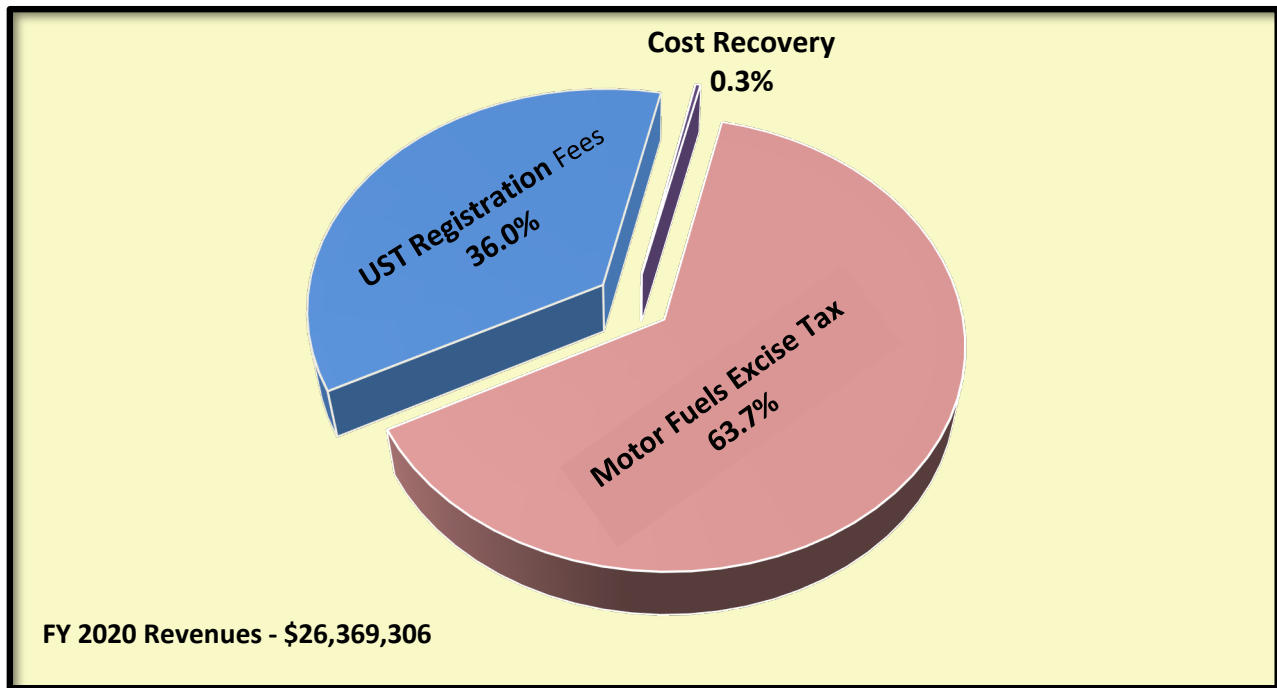
Availability of funding is still subject to a site’s risk score, and the inability to reimburse work on all releases, regardless of risk ranking, has both short-term and long-term impacts. In the near-term, the lack of funding means that owners of those properties may find it difficult to move forward with property transactions. In the long-term, conditions (i.e. residential/commercial development, new water supply wells) around a lower-risk release may change with time and result in an increase in the threat to public health. As of June 30, 2020, the Section was pausing work at approximately 214 marginally intermediate-risk sites. Based upon the increasing fund balance and solvency, the UST Section will be undertaking an aggressive approach toward directing and re-initiating cleanup of these sites during FY 2020-21.

**Table 3**  
**FY 2020 Commercial Fund Activity**  
(July 1, 2019 through June 30, 2020)

	<b>Amount</b>	<b>Totals</b>
<b>Fund Balance on 7/1/2019</b>	\$62,628,498	<b>\$62,628,498</b>
<b>Revenues (7/1/18 – 6/30/19)</b>		<b>\$26,369,306</b>
Motor Fuel & Gasoline Excise Tax	\$16,791,473	
UST Operating Fees	\$9,499,842	
State Lead Cost Recovery	\$ 77,991	
Interest	\$ 0	
Loan Fund Collection and Interest	\$ 0	
Transfer - Bernard Allen Trust Fund	\$ 0	
<b>Expenditures</b>		<b>\$15,714,111</b>
Reimbursements	\$6,332,032	
State-Lead Contracting and Laboratory	\$4,886,602	
Program Administration	\$4,495,477	
<b>Transfers from Fund</b>		
Transfer to Department of Agriculture	\$ 0	
Transfer to Federal LUST Program (cost recovery)	\$ 0	
<b>Fund Cash Balance on 6/30/2020</b>		<b>\$73,283,693</b>
<b>Estimated Obligations<sup>1</sup></b>		<b>\$31,614,218</b>
RP-lead cleanup	\$3,614,185	
State-lead cleanup – authorized work	\$3,951,712	
Pre-approved non-directed actions	\$1,921,554	
Pending State Lead Contracts	\$18,000,000	
Program Administration	\$4,153,167	
<b>Estimated Unobligated Balance 06/30/2020</b>		<b>\$41,642,474</b>

1. Estimated obligations include estimates of non-reimbursed costs for tasks not requiring pre-approval that were incurred prior to implementation of Session Law 2004-124; outstanding non-reimbursed costs for pre-approved directed tasks; requested reimbursement costs for claims under review; approved costs for claims awaiting reimbursement; non-reimbursed costs for approved non-directed tasks; and any remaining program expenses.

**Figure 3**  
**Commercial Fund Revenue Sources – FY 2019-20**



**Table 4**  
**Claims Processed for the Commercial Cleanup Fund**  
**July 1, 1989 through June 30, 2020**

Claim Action	Number
Claims Paid	50,056
Incidents Denied Totally <sup>1</sup>	42
Claims Denied Partially <sup>2</sup>	18,367
Claims Pending	27
Contracted Cleanups <sup>3</sup>	2,765

1 Ineligible (operating fees not paid; release discovery pre-dates program)

2 Claims contain excessive or undocumented costs

3 State lead actions initiated

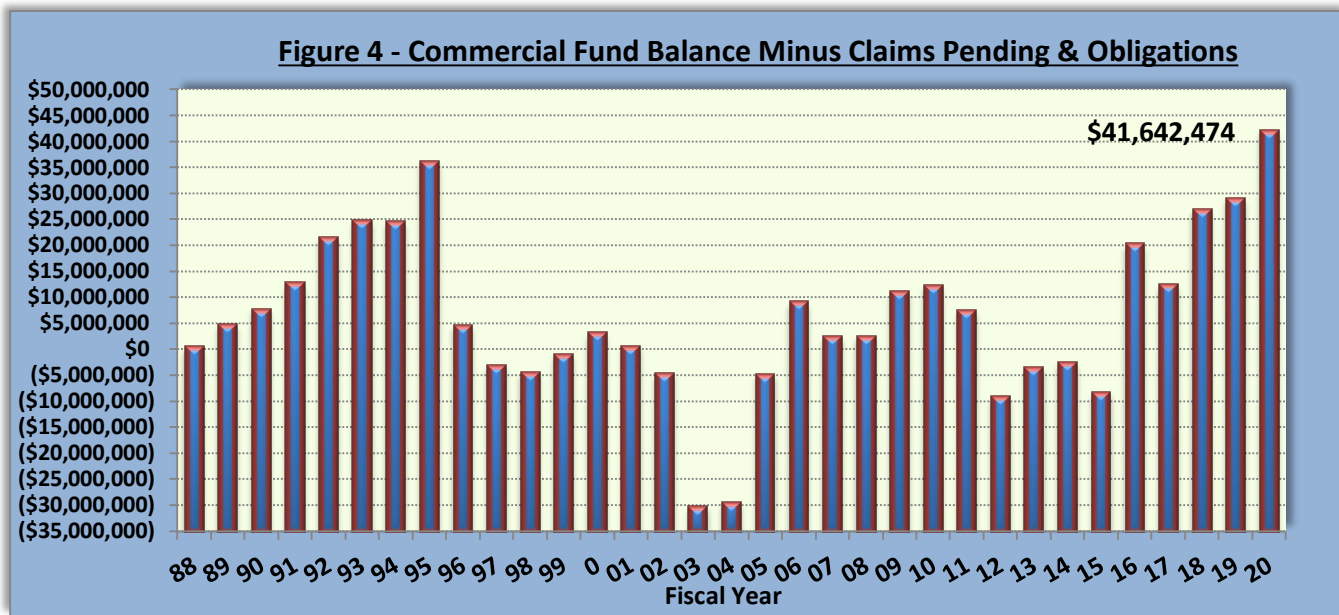
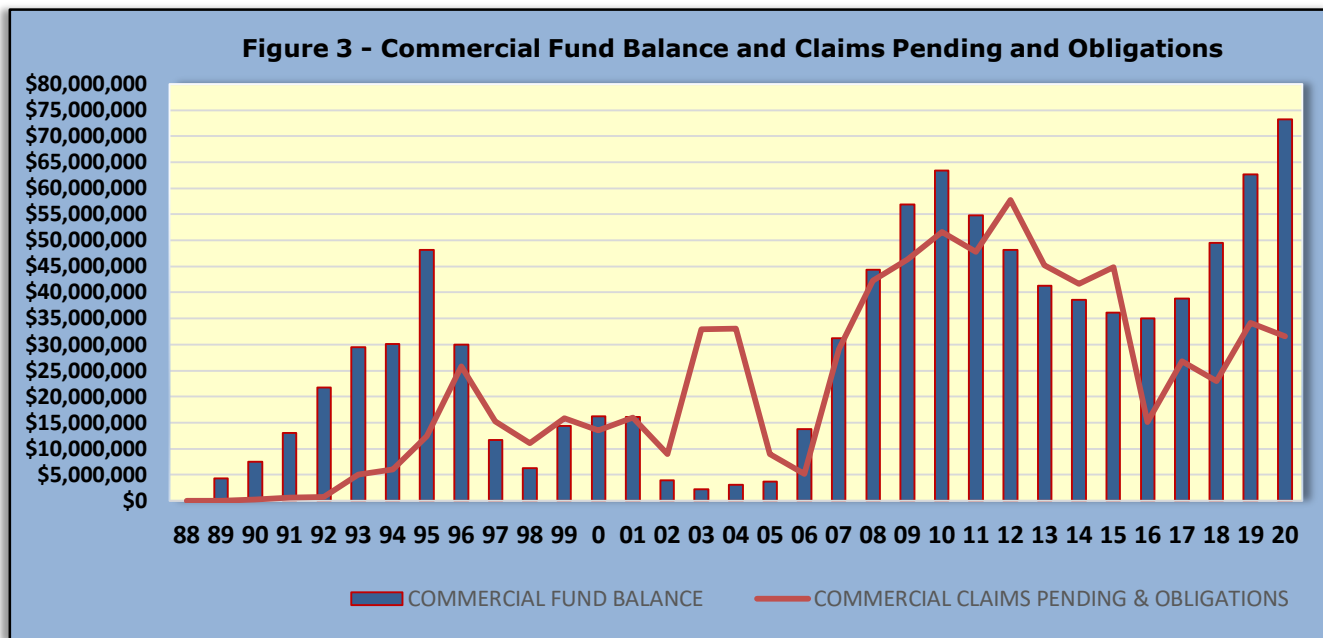
Table 5, on page 11, summarizes to receipts and expenditures from the Commercial Cleanup Fund since it was authorized by the North Carolina General Assembly.

**Table 5**  
**Receipts, Disbursements and Program Expenses for the Commercial Fund – 7/1/88 – 6/30/20**

<b>Fiscal Year</b>	<b>Receipts</b>	<b>Disbursements<sup>1</sup></b>	<b>Legislatively Allowed Program Expenses</b>
FY 1989	\$ 2,337,685	\$ 14,768	
FY 1990	5,773,632	79,080	\$ 201,255
FY 1991	7,330,573	1,616,760	547,595
FY 1992	13,484,008	4,409,229	517,221
FY 1993	18,032,784	9,651,948	601,687
FY 1994	24,438,966	22,904,802	694,424
FY 1995	56,037,135 <sup>2</sup>	37,405,510	666,270
FY 1996	28,178,768	44,060,639	2,322,632
FY 1997	28,564,034	44,163,273	2,623,339
FY 1998	27,291,220	30,267,392	2,530,036
FY 1999	26,783,344	16,104,152	2,567,668
FY 2000	27,178,623	22,820,069 <sup>3</sup>	2,579,540
FY 2001	27,240,303	24,566,132 <sup>4</sup>	2,730,236
FY 2002	27,124,210	36,872,426	2,397,264
FY 2003	27,055,759	26,498,565	2,221,851
FY 2004	26,934,685	23,514,179 <sup>5</sup>	2,527,451
FY 2005	50,255,908 <sup>7</sup>	46,966,083 <sup>6</sup>	2,654,447
FY 2006	28,143,119	15,474,991 <sup>8</sup>	2,636,228
FY 2007	27,564,837	7,372,403 <sup>9</sup>	2,725,418
FY 2008	27,458,790	11,511,344 <sup>10</sup>	2,859,460
FY 2009	31,026,131	15,007,590 <sup>11</sup>	3,380,143
FY 2010	27,969,400	17,760,225 <sup>12</sup>	3,703,143
FY 2011	26,951,504	31,697,736 <sup>13</sup>	3,859,161
FY 2012	26,311,956	29,132,749 <sup>14</sup>	3,881,825
FY 2013	26,316,112	29,187,009 <sup>14</sup>	3,960,943
FY 2014	28,222,762	27,091,769 <sup>14</sup>	3,806,616
FY 2015	27,049,782	25,607,888 <sup>14</sup>	3,890,089
FY 2016	26,496,737	23,616,208 <sup>14</sup>	3,985,706
FY 2017	27,634,152	20,071,855 <sup>14,15</sup>	3,721,009
FY 2018	27,831,100	13,150,486 <sup>14</sup>	4,018,302
FY 2019	28,153,471	10,900,081	4,115,612
FY 2020	26,369,306	11,218,634	4,495,477
<b>TOTAL</b>	<b>\$ 837,540,796</b>	<b>\$ 680,715,975</b>	<b>\$ 83,422,048</b>

1. Does not include program expenses.
2. Commercial receipts for FY 1994-1995 included \$31,288,889 that was transferred from the Groundwater Protection Loan Fund.
3. Adjustment due to a transfer from the Commercial Fund to the Federal Trust Fund of \$288,117 as a clean-up expenditure rather than as a program expense.
4. Includes \$33,866 transferred to the Federal Trust Fund for clean-up expenditure.
5. Includes transfer of \$2,036,932 from Commercial to Noncommercial Trust Funds per GS 119.18(b); transfer of \$90,000 to N.C. Department of Agriculture and Consumer Services; and transfer of \$452,722 to the Federal Trust Fund for clean-up expenditure.
6. Includes transfer of \$43,150,730 from Commercial to Noncommercial Trust Fund per GS 119.18(b). Transfer from N.C. Department of Agriculture and Consumer Services of \$38,702 to Federal Trust Fund.
7. Includes additional revenue from the 1-year 1.1 cent per gallon excise tax or \$19 million to the Trust Fund.
8. Includes \$1,922,601 transfer to Noncommercial Fund, \$90,000 transfer to N.C. Department of Agriculture and Consumer Services, and \$30,016 transfer to repay Federal Trust Fund for State Lead program expenses.
9. Includes transfer to Noncommercial Fund of \$598,935 and disbursement from the Commercial Fund to the N.C. Department of Agriculture and Consumer Services (\$90,000) and Federal LUST Grant (\$108,904).
10. Includes transfer to Noncommercial Fund of \$1,381,848, and disbursement from the Commercial Fund to the N.C. Department of Agriculture and Consumer Services (\$90,000), and Federal LUST Grant (\$53,752).
11. Includes transfer to Noncommercial Fund of \$1,004,895, and disbursement from the Commercial Fund to the N.C. Department of Agriculture and Consumer Services (\$90,000).
12. Includes disbursement to N.C. Department of Agriculture and Consumer Services of \$90,000.
13. Includes disbursements to N.C. Department of Agriculture and Consumer Services (\$90,000) and legislatively mandated transfer of interest (\$614,239.29).
14. Includes disbursements to N.C. Department of Agriculture and Consumer Services (\$90,000).
15. Includes transfer of \$1,153,783 to close out the Noncommercial Fund.

Historical Commercial Cleanup Fund balances and obligations are presented graphically in Figures 3 and 4.



**Backlog Reduction Initiative**

On October 1, 2018, the EPA Office of Underground Storage Tanks (OUST) launched an effort to reduce the national backlog of open, unresolved UST incidents. The OUST set “aspirational” cleanup goals for each EPA region who then evaluated the individual states and assigned state goals for the upcoming federal fiscal year. Based upon Region 4’s evaluation, North Carolina’s federal fiscal years goals were established at 720 total closures for 2108-19 and 596 total closures for 2019-20. Upon notification of this increased goal, Region 4 and North Carolina’s UST Section management group worked jointly to explore means to meet OUST’s requests. Region 4 agreed to provide approximately \$467,000 in additional federal grant funding to combine with the \$500,000 of annual state funding allowed for use in evaluating and closing low-risk sites. As of September 30, 2020, North Carolina has exceeded its OUST “aspirational” goals with 753 total closures for the FFY 2018-19 and 602 total closures for FFY 2019-20. Eight hundred ninety-two of these closures were legacy low-risk sites (393 in FFY 2019-20 and 499 in FY 2018-19). The initiative also provided for

reimbursement of associated, non-directed cleanup claims for these sites as appropriate. This backlog reduction initiative will be on-going through FY 2020-21 or until funding is exhausted.

### **Estimated Costs of Clean Up**

Under new EPA criteria, the DEQ can estimate the maximum potential liabilities for cleaning up all known commercial UST releases by multiplying the median cost to the Fund per release (\$136,327) for FY 2015 – FY 2019 by the number of known commercial releases needing cleanup (4,110). The result is a total estimated future obligation of approximately \$560.3 million – an amount that includes about \$31.6 million obligated for cleanups already underway. Despite implementation of the more rigorous oversight and cost control measures, at current revenue levels (\$27.4 million per year on average), it will take the Fund approximately 19.3 years to generate the receipts necessary to pay existing projected obligations.

With a present balance of approximately \$73.3 million, the Fund will need an additional \$470.0 million to clean up all currently known commercial UST releases. This estimate does not account for the costs of cleaning up releases not yet reported (future releases). The number of reported new releases has decreased in recent years, due to increased inspection and prevention measures implemented in 2008. For FY 2010-11 through FY 2019-20, an average of 275 new, fund-eligible commercial UST releases per year were discovered and reported. This trend suggests an additional \$37.5 million per year will potentially be added to overall obligations. Given these projected obligations, in the absence of additional funding or changes in funding mechanisms, the long-term viability of the Commercial Fund as a primary financial responsibility mechanism, as currently structured, continues to be problematic.

**FY 2019-20**  
**Petroleum Underground Storage Tank Cleanup Funds**  
**Recommendations**

1. Provide additional funding and staff to address required oversight for releases from ASTs, noncommercial (home-heating oil) USTs and roadside incidents. This can be accomplished through an increase in allowable administrative costs from the Commercial Fund.
2. Provide additional funding and equipment for emergency response actions (i.e. storms, floods or releases from unknown sources), and for disaster resiliency activities to identify and mitigate at-risk facilities.
3. Continue ongoing cost control measures:
  - a. Evaluation and implementation of better, more systematic ways to apply risk-based closure criteria to incidents.
  - b. Continuation of intensive review process for pre-approvals for requested site work.
  - c. Continuation of intensive corrective action plan review with consensus of the selected method and technology by all stakeholders required prior to implementation.
4. Investigate possible revenue enhancement mechanisms to enable the Commercial Fund to better meet projected future obligations including:
  - a. an increase in the motor fuels excise tax contribution to one cent per gallon, or;
  - b. consider long-term transition from the Commercial Fund as the primary mechanism for owners of regulated USTs to meet federal financial responsibility requirements. In place of, or in conjunction with, a state-subsidized fund, owners and operators of newly installed or replaced or upgraded, regulated commercial UST systems could be required to use other financial responsibility mechanisms, such as private insurance, bonding, letters of credit or self-insurance.
5. Continue the successful backlog reduction initiative with the addition of an aggressive approach toward directing and re-initiating cleanup of marginally low-risk sites during FY 2020-21 to further reduce cleanup backlog.
6. Continue the successful programs previously implemented to reduce releases by maintaining a compliance inspection frequency of at least once every three years for USTs in North Carolina.
7. Continue the successful programs previously implemented to prevent and minimize releases by providing release prevention and detection training to UST owners and operators.