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State Water Resources Control Board
Division of Financial Assistance

**REPLACEMENT OF UNDERGROUND
STORAGE TANKS PROGRAM**

**LEGISLATIVE
ANNUAL
REPORT**

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Arnold Schwarzenegger
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PREFACE

Pursuant to Chapter 6.76, Section 25299.112 of the Health and Safety Code, the State Water Resources Control Board is mandated to prepare an annual report to the Legislature describing the status and recent program activity of the Replacement of Underground Storage Tanks Program.

f Allan Patton, Manager
Underground Storage Tank Cleanup Fund

Summary

The Replacement of Underground Storage Tanks Program (Program), which was originally part of the Technology, Trade and Commerce Agency (TTCA) beginning in 1989, provides low-interest loans (ranging from \$10,000 to \$750,000) to small businesses to help replace, remove, and repair underground storage tanks (UST) in order to meet regulatory standards and to take corrective actions. In 1999, new legislation expanded the Program by imposing additional requirements to limit the release of MTBE from leaking USTs into groundwater and surface water resources. This new legislation also enabled small and disadvantaged businesses to obtain grants (ranging from \$3,000 to \$50,000) for required UST and UST related upgrades. The Program ended on December 31, 2003. The 2003/04-Budget Act abolished the TTCA and transferred the Program to the State Water Resources Control Board (SWRCB) for the collection of outstanding loans. The following information is based on TTCA's Program records through December 31, 2003.

Loans, Grants, and Resultant Tanks Removed/Upgraded

The Program has cumulatively issued: (1) 516 loans totaling \$88,805,500, with an average loan amount of \$172,100; and (2) 87 grants totaling \$4,115,670, with an average grant amount of \$47,275. The Program has facilitated the removal/upgrade of 1,753 USTs. As a result, small businesses remained in operation, preserving 3,440 jobs.

During fiscal year 2003-2004, the Program issued: (1) 33 loans totaling \$6,680,884, with an average loan amount of \$202,450; and (2) 47 grants totaling \$2,210,064, with an average grant amount of \$47,000. These loans and grants enabled recipients to remove/upgrade 215 USTs and preserve 454 jobs.

Characteristics of Grant and Loan Recipients

The loan and grant applications include questions that identify the gender, ethnicity, business type, and legal business structure of the applicant. The following charts summarize these characteristics:

Chart 1. Applicants' Gender*

GENDER OF APPLICANT	PROGRAM TOTAL	2003 - 04 TOTAL
Male	429	54
Female	32	12
Joint filings	82	14

* This question was optional and all applicants did not respond.

Chart 2. Applicants' Ethnicity*

ETHNICITY	PROGRAM TOTAL	2003 - 04 TOTAL
White	339	41
Asian or Pacific Islander	93	6
Hispanic	34	6
African-American	1	0
Other	64	26
Not Reported	72	1

* This question was optional and all applicants did not respond.

Chart 3. Business Types

BUSINESS TYPES	PROGRAM TOTAL	2003-04 TOTAL
Gas Sales & Mini-Mart	374	70
Wholesale Petroleum Bulk Sales	41	0
Gas Sales & Auto Repair	89	7
Real Property Lessors	27	0
Gas Sales & Car Wash	19	1
Individual Owners	20	1
Maintenance & Manufacturing	6	1
Grocery Stores	5	0
Other (property converted: no longer in a related industry)	22	0

Chart 4. Applicant Legal Business Structure

LEGAL STRUCTURE	PROGRAM TOTAL	2003- 04 TOTAL
Sole Proprietorship	297	34
Corporation	173	25
Partnership	64	15
Individual	58	6
Trust	11	0

Administrative Costs

The state operating expenditures for the Program totaled \$375,300 in FY 2003/2004. These expenditures include the servicing and collection costs for the Program. 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.

Legislation (Urgency Measures)

AB 1068 (Liu) Chapter 6.76 (commencing with section 25299.100) of Division 20 of the Health & Safety Code, was approved by the Governor on September 21, 2004, reinstating the Program with the SWRCB and extending the sunset date to January 1, 2011.

AB 2955 (McCarthy) Chapter 6.77 (commencing with section 25299.200) of Division 20 of the Health & Safety Code, was approved by the Governor on September 21, 2004, creating a new grant program to provide funding for certain small businesses that install USTs after July 1, 2004. The grants can be used to test the UST during and after installation and to purchase equipment needed for long-term leak detection monitoring.

Conclusion

The Program has helped, in the past, and will continue to help in the future, small, independent gas retailers remain in business that cannot otherwise afford the expense associated with required UST upgrades and/or removal. These efforts help protect California's drinking water from contaminants, including MTBE, and ensure that necessary fuel supplies, particularly in rural areas, are maintained.