



2023
DECEMBER

REPORT ON THE
UNDERGROUND STORAGE
TANK REVOLVING FUND



TABLE OF CONTENTS

OUR MISSION and VISION

To protect and enhance public health and the environment in Arizona.

Through consistent, science-based environmental regulation; and clear, equitable engagement and communication;

With integrity, respect, and the highest standards of effectiveness and efficiency;

Because Arizonans treasure the unique environment of our state and its essential role in sustaining well-being and economic vitality, today and for future generations.

Executive Summary	5
Major Accomplishments	6
Key Terms	7
Underground Storage Tank (UST) Program Legislative Summary	8
Overview	9
UST Program Updates	10
Noncorrective Action Financial Assistance Programs	11
Tank Site Improvement Program	12
State Lead NonCorrective Actions Program	15
Corrective Action Financial Assistance Programs	15
State Lead Corrective Action	18
Time-Barred Claims	19
General Program Information.....	20
Inspections and Compliance	21
Financial Responsibility and UST Insurance.....	21
Release Reporting and Closure	23
New Releases Reported and Closed	23
Remaining Number of Open Releases	24
UST Revolving Fund Financial Information	25
Financial Assistance Program Funding	25
Reimbursements Made Annually from the Fund	25
Liabilities Owed Through TSIP for Noncorrective Actions	26
Liabilities Owed To Small Owners And Non-Small Owners for the Corrective Action Preapproval Program	26
Projected Liabilities for the Fund Through the Termination of the Program.....	27
Projected Liabilities for State-Led Corrective Actions Program Through the Termination of the Program.....	27
Appendices	29
A - Statutory Requirements for the Report	30
B - Detailed Accounting of Tank Site Improvement Program	31
C - Detailed Accounting of Preapproval Program	31
D - List of State Lead Sites	32
E - Detailed Accounting of Time-Barred Claim Payments	32
F - List of Releases Reported	33
G - List of Releases Closed.....	33
H - List of Currently Open Releases.....	34

FOREWORD

The Arizona Department of Environmental Quality's (ADEQ) work is essential for ensuring healthy air to breathe, safe water to drink and safe places to live, work, and enjoy for Arizonans and visitors to our incredible state. These efforts make a difference in our communities every day and assure we are working toward a sustainable future.

Currently, there are approximately 2,000 regulated underground storage tank (UST) facilities located throughout Arizona. These facilities include retail gas stations, school bus yards and fleet vehicle fueling facilities, airports and emergency generators supporting hospitals, telecommunication systems, schools, and other vital services. UST facilities are a common part of our lives – as such, they are not often considered a potential threat to the environment; however, many are known to fail and release their contents into the environment. According to the U.S. Environmental Protection Agency's Semiannual Report of UST Performance Measures, End of Fiscal Year 2023 (October 1, 2022 – September 30, 2023), there are more than 57,000 releases from UST facilities that remain to be cleaned up nationwide.

ADEQ's UST Program conducts inspections and provides operator training to ensure the operational compliance of UST facilities and provides regulatory oversight for cleanup of UST releases. These efforts have resulted in many accomplishments, including:

- Conducted **4,116** total inspections from fiscal year 2021 through fiscal year 2023;
- Increased the percentage of leaking UST releases closed throughout the history of the program to **97** percent;
- Maintained a **97** percent compliance rate for financial responsibility;
- Provided **4,141** operator training certificates; and,
- Provided **\$88,549,870** in funding assistance for operator training, noncorrective actions (leak prevention) and corrective actions (cleanup) from fiscal year 2021 through fiscal year 2023.

ADEQ is committed to protecting and enhancing Arizona's unique environment and supporting environmentally responsible economic growth through clear communication and community engagement; improving Arizona's UST infrastructure to allow for use of new fuel blends statewide; focusing on timely cleanup of UST related contamination; and supporting diverse and potentially underserved communities through vital local redevelopment.

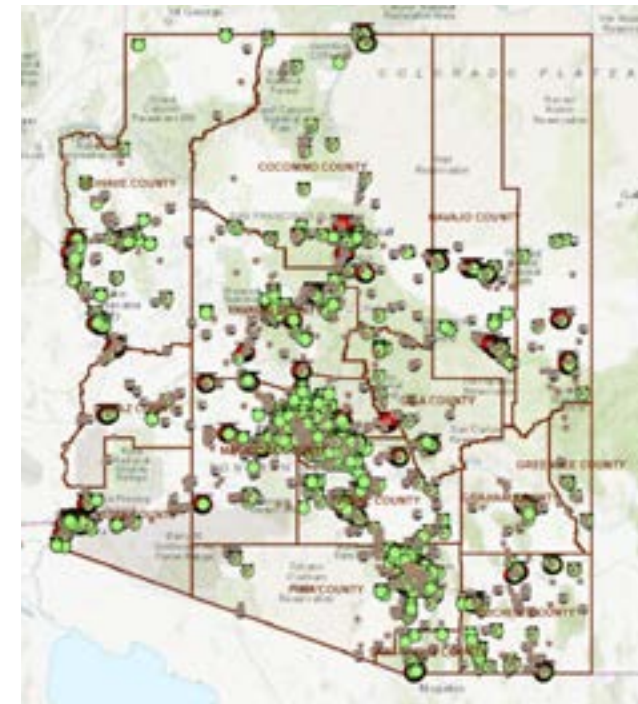
Karen Peters
Cabinet Executive Officer
Executive Deputy Director

EXECUTIVE SUMMARY

The Arizona Department of Environmental Quality (ADEQ) prepared this report for the underground storage tank (UST) revolving fund as directed in Arizona Revised Statutes (A.R.S.) § 49-1024 (see Appendix A for a checklist of requirements). **Data presented in this report are based on state Fiscal Years 2021, 2022 and 2023 (July 1, 2020, to June 30, 2023), unless otherwise noted.**

Why is the UST Program Important?

There are currently approximately 5,700 regulated USTs operating at 2,090 facilities in Arizona. Most UST facilities are gas stations located throughout Arizona communities.



ADEQ's UST Program is responsible for protection of public health and the environment by preventing, detecting, and cleaning up releases of petroleum and other regulated substances from USTs into groundwater, surface water or soils. The greatest potential threat from UST releases is contamination of groundwater, the source of approximately **40 percent of Arizona's water use, including drinking water.**

ADEQ is the implementing agency for ensuring compliance with UST regulations established by the Environmental Protection Agency (EPA) and with Arizona specific program requirements. ADEQ's UST program does this through processes that include:

- Conducting inspections to ensure facilities are in compliance with operational requirements, system testing, leak detection, and leak prevention measures designed to identify any existing or potential issues and to prevent future releases
- Providing inspection oversight during UST permanent closures and new system installations
- Ensuring that adequate financial assurance mechanisms are in place to address releases and third-party claims and provides assistance to UST owners and operators in their pursuit of coverage
- Providing required UST Operator training to UST owners and operators - at no cost to the UST owners and operators
- Providing regulatory oversight for corrective actions to address leaking UST releases to ensure appropriate cleanup standards are met
- Providing regulatory compliance assistance and pursuing enforcement as necessary to reach compliance goals

In addition, ADEQ's UST program has implemented financial assistance programs established by the legislature to help UST owners and operators with UST related costs.

The costs associated with removal of old UST systems, replacement with new systems, and cleanup of contamination that is not covered under financial assurance mechanisms, can negatively impact economic viability for small businesses, especially in smaller communities. Contaminated or abandoned UST sites can also stifle redevelopment and economic growth. Therefore, the financial assistance programs provided by ADEQ's UST program are providing valuable reinvestment opportunities for communities and businesses for the environmental and economic future of Arizona.

MAJOR ACCOMPLISHMENTS

Since Publication of December 2020 Report

UST Financial Assistance Programs

Reinvesting in communities and businesses for the environmental and economic future of Arizona

SUMMARY OF UST FUNDING ASSISTANCE PROGRAMS	FUNDING PROVIDED FY 2021 THROUGH FY 2023	TOTAL FUNDING PROVIDED SINCE HB 2636 (2015)
UST Operator Training	\$221,238	\$322,788
NONCORRECTIVE ACTION		
Tank Site Improvement Program (TSIP)	\$35,744,521	\$49,591,833
State Lead NonCorrective Action (NCA) Program	\$2,406,427	\$16,080,685
CORRECTIVE ACTION		
Time-Barred Claims (TBC) Program	\$348,720	\$15,614,974
Preapproval Program	\$27,208,660	\$36,547,347
Preapproval Program Funded State Lead Managed	\$6,919,347	\$9,215,433
State Lead Corrective Action Program	\$15,700,957	\$36,602,034
TOTAL AMOUNT	\$88,549,870	\$163,975,094

- Maintained financial responsibility compliance rate at **97** percent
- Increased operator training certification compliance to **92** percent
- Reduced the number of open leaking UST release sites to **184** (from 254 in the 2020 report)
- Permanently closed an additional **676** USTs, **76** percent of which were installed more than 30 years ago
- Approximately **60** percent of the **676** USTs were removed using funding from a noncorrective action financial assistance program
- Modified program processes as needed to adjust to COVID restrictions. These modifications included a transition to a predominantly remote workforce and temporary implementation of a virtual UST inspection process

KEY TERMS

Baseline Assessment

Investigation of likely release areas to identify contamination and determine whether the operating UST system may be leaking.

Corrective Actions

Those actions required to investigate, characterize and clean up releases from UST systems. Corrective actions are necessary to assure the protection of public health and the environment, and to provide for the control, management or cleanup of regulated substances allowing for maximum beneficial use of Arizona's water and soil.

Financial Responsibility

Financial responsibility regulations require UST owners and operators to demonstrate that they have the ability to pay for cleanup of releases from the UST system and to cover any third-party liability. There are several financial assurance mechanisms available to demonstrate compliance with financial responsibility requirements and the one used by most UST owners and operators is UST insurance. UST owners and operators were required to comply with financial responsibility requirements starting in 1989.

Noncorrective Actions

Unlike corrective actions, noncorrective actions are not associated with the investigation, characterization, and cleanup of a release from UST systems. Noncorrective actions include leak prevention activities such as tank removal and replacement, baseline assessment, and sampling to investigate a suspected release.

Release (Confirmed Release/Leaking UST Release)

A spill, leak, emission, discharge, escape, leach or disposal of regulated petroleum or hazardous substances into groundwater, surface water, or soils. There may be multiple leaking UST releases at a single UST site that occur throughout the operational life of the UST systems.

Release Closure

A determination by the Department that the environmental contamination from a leaking UST release has been remediated to appropriate corrective action standards and no further actions are required.

Site or Facility

A property containing, or that previously contained, one or more USTs.

State Assurance Fund (SAF) Program (1990 - 2010)

Established by the Arizona legislature in 1990 to assist UST owners, operators and others with costs for corrective action required to leaking UST release investigations and cleanups, the SAF program operated as a partial financial assurance mechanism from 1992 through June 30, 2010. The SAF program terminated eligibility for releases in 2004 and stopped accepting reimbursement requests in 2010. The SAF application program processed approximately 17,500 submittals and paid out approximately \$335,206,500.

Suspected Release

The identification of conditions either environmental or based on the operation of UST equipment, that indicate a leak or release from the UST system may have occurred.

Time-Barred Claims (TBC)

Temporary program created to reimburse eligible UST owners and operators for corrective action costs incurred during the gap between the sunset of the SAF and the initiation of the HB 2636 programs (July 1, 2010 – Dec. 31, 2016).

Underground Storage Tank (UST)

A tank or any combination of tanks, including any connected piping, that has at least 10 percent of the combined volume underground and stores either petroleum or certain hazardous substances. UST owners and operators include marketers (e.g., gas station owners) and non-marketers (e.g., fleet owners, hospitals with emergency generator tanks, etc.).

UST Closure

When the UST system is either permanently closed through removal or filled with an inert solid material, or a change-in-service to storing a non-regulated substance has been completed.

UST Revolving Fund

In accordance with A.R.S. § 49-1015, the UST Revolving Fund consists of monies appropriated by the legislature, UST tax revenues (excise tax of \$0.01/gallon on regulated substances placed in regulated USTs), annual tank fees of \$100/tank, and monies reimbursed to the department.

UST PROGRAM LEGISLATIVE SUMMARY SINCE 2015

2015 — House Bill (HB) 2636

The bill established requirement for triennial UST fund reporting under A.R.S. § 49-1024 and:

- Established of specific requirements for ensuring that UST insurance policies provide adequate financial assurance and the option for UST owners and operators to request ADEQ assistance in pursuit of claims for coverage against their UST insurance
- Established of programs to provide funding assistance to UST owners, operators and property owners for the costs of noncorrective actions (State Lead Noncorrective Action Program and Tank Site Improvement Program). The maximum reimbursable amount per facility is \$100,000
- Established of programs to provide funding assistance to eligible UST owners, operators, and property owners for corrective action costs that are not covered by their financial assurance mechanism to address characterization and cleanup of UST releases (Preapproval Program and Time-Barred Claims Program)
- Eligibility for the Preapproval Program requires compliance with financial responsibility requirements and the maximum amount available for reimbursement is \$1,000,000 per facility
- The reimbursable amount available under the Time-Barred Claims Program is dependent upon the category of applicant and the amount of funding they previously received under the State Assurance Fund (this program terminated reimbursement in 2010)
- Established Preapproval Program eligibility deadlines including: releases must be reported by January 1, 2023, Preapproval applications must be submitted by December 31, 2029, and reimbursements for preapproved work and costs must be submitted by December 31, 2030

2018 — HB 2310

Expanded eligibility for UST owners and operators to receive funding assistance for corrective action costs through the Time-Barred Claims Program and the Preapproval Program.

2019 — HB 2704

- Increased the amount of funding assistance available through the noncorrective action Tank Site Improvement Program to \$300,000 per facility
- Expanded eligibility for reimbursement of corrective action costs through the Time-Barred Claims Program
- Expanded eligibility for use of Preapproval Program funding to qualifying sites managed by the State Lead program

2021 — HB 2671

- Extended the timeframe for work to be completed under the Tank Site Improvement Program to 545 days after funding approval
- Expanded eligibility for UST owners and operators to receive funding assistance for corrective action costs under the Preapproval and Time-Barred Claims Programs
- Revised Preapproval Program eligibility to limit funding access to UST owners and operators, excluding property owners and others from eligibility
- Expanded the operational timeframe for the Preapproval Program through 2040

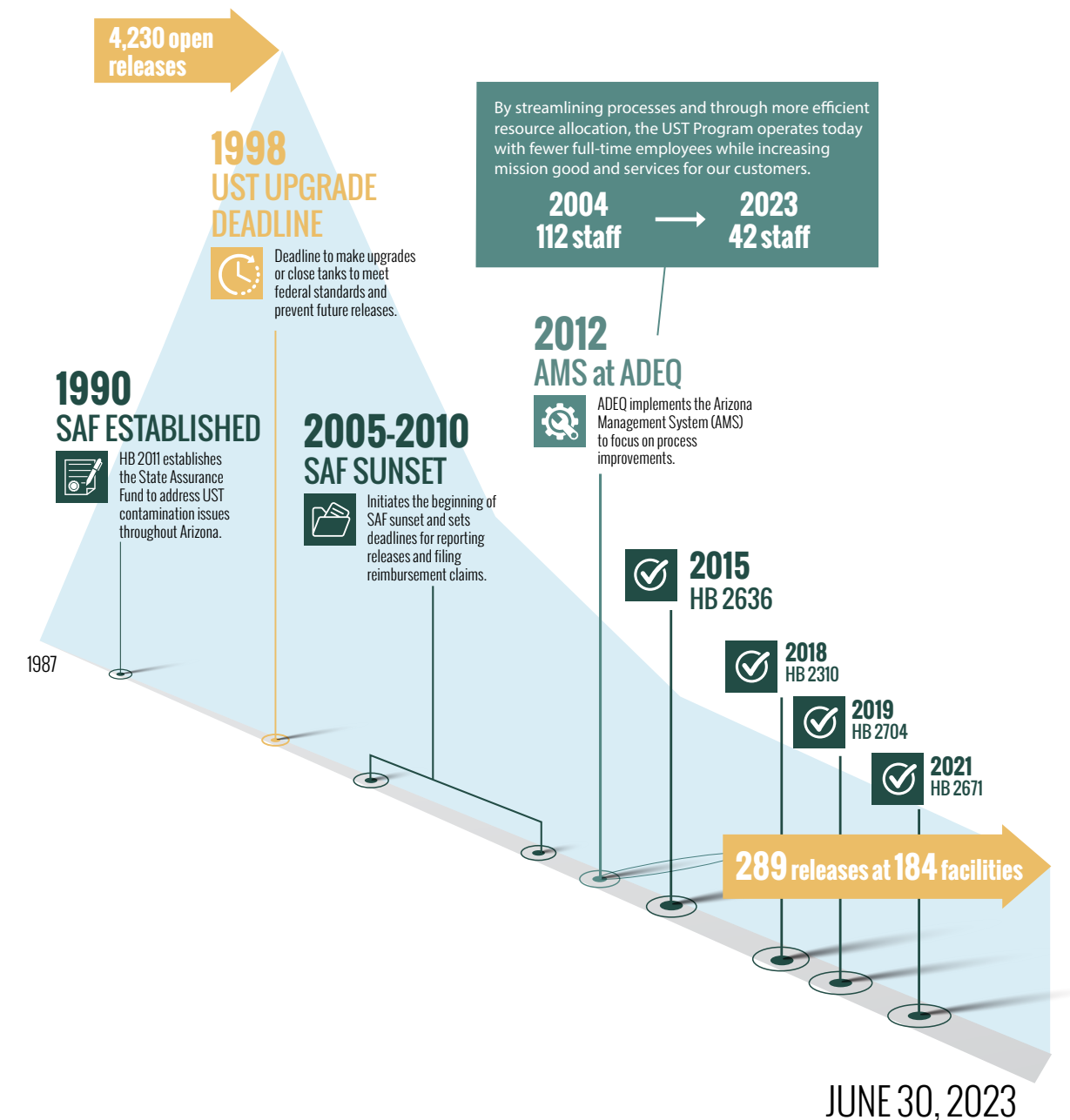
OVERVIEW

ADEQ's UST program conducts inspections to ensure facilities are in compliance with tank performance standards established by the EPA. Tank performance standards are proactive leak prevention measures designed to prevent future releases.

ADEQ also ensures that financial assurance mechanisms are in place to address releases and third-party claims, and provides mandated training at no cost to UST owners and operators.

In the event a release from an underground storage tank occurs, ADEQ oversees the cleanup work to ensure remediation standards are met to protect public health and the environment.

Over 30 Years of Progress, Over 30 Years of Protection



UST PROGRAM UPDATES

UST Program Status on June 30, 2023

2,090 facilities with **5,706** open or temporarily closed USTs

184 facilities have one or more open releases

97

facilities with open or temporarily closed USTs also have open releases

87

facilities without any operational USTs have open releases

Tank Age

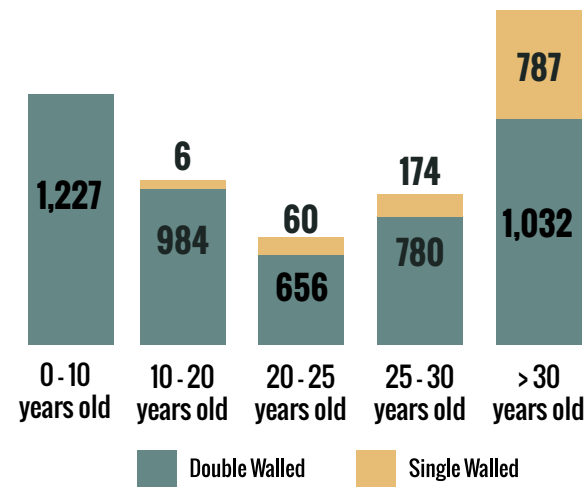
As of June 30, 2023, there are 1,819 tanks either operating or in temporary closure that were installed more than 30 years ago, which is approximately 32 percent of the operating USTs in Arizona. These UST systems were not designed for the storage of current fuel blends and may have an increased potential for equipment failure and degradation issues.

Additionally, most UST manufacturers' warranties expire after 30 years, and commercial UST insurance providers may either terminate coverage or modify their contracts to require higher premiums and/or deductibles for older systems.

Tank Construction

New UST installation standards require the use of secondary containment for tanks and piping; however, approximately 18 percent of Arizona's operating tanks are single walled systems, which are less protective of the environment.

Tank Age and Construction (as of June 30, 2023)



NONCORRECTIVE ACTION FINANCIAL ASSISTANCE PROGRAMS

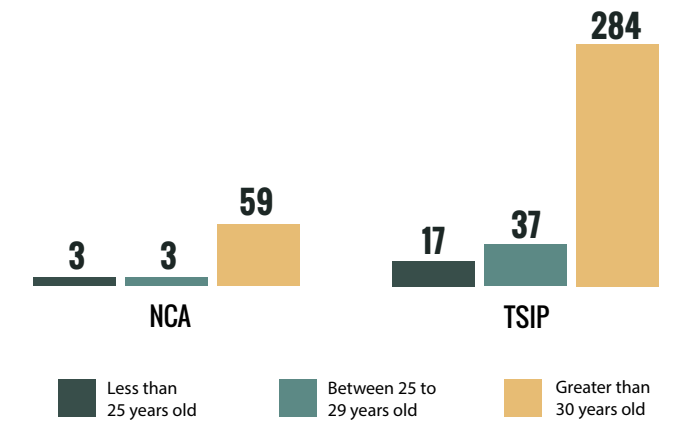
Many small businesses with older UST systems find that the costs associated with removing old UST systems either to end their business selling fuel products or to upgrade by replacing with new, modern UST systems are too costly for them to do on their own. This issue extends to being able to obtain UST insurance at a reasonable rate due to the age of their system and unknown site conditions, and to conducting environmental sampling and reporting to investigate a suspected release.

Noncorrective Action Program Successes

- Permanently closed an additional **403** USTs during fiscal years 2021 through 2023, 85 percent of which were installed more than 30 years ago
- The programs have been used to close cases associated with financial responsibility noncompliance

Quickly identifying, characterizing and cleaning up releases from USTs is important to prevent contamination from impacting soil and groundwater. Without prompt action, contamination can spread over time and become difficult and costly to clean up. Both the Tank Site Improvement Program (TSIP) and the State Lead Noncorrective Action (NCA) Program have identified releases that may have otherwise gone undetected.

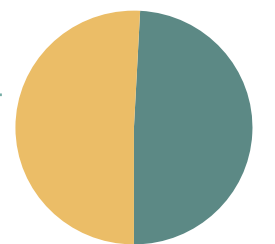
UST Closures by Tank Age Using Noncorrective Action Funding (403 Total)



Releases Identified and Resolved through Noncorrective Action Programs

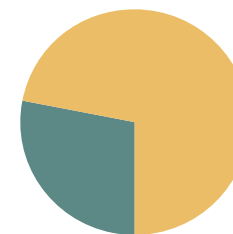
51% of TSIP field activities identified a confirmed release (88 of 173)

Of those, approximately 27% were able to be closed based on supplemental sampling conducted.



73% of State Lead NonCorrective Action Program field activities identified a confirmed a release (16 of 22)

Of those, 8 (50%) were able to be closed based on supplemental sampling conducted.



TANK SITE IMPROVEMENT PROGRAM (TSIP)

ADEQ provides UST owners, operators and property owners the opportunity to qualify for financial assistance through reimbursement for pre-approved activities, such as conducting a baseline assessment; conducting environmental sampling to confirm a suspected release; removing aging, uninsurable USTs; and, replacement or modification to ensure their UST system meets new tank performance standards. This supports not only the early identification of releases from USTs, but also promotes critical improvements to Arizona's fuel delivery infrastructure.

Due to a lack of available funding, TSIP began prioritizing applications in Fall 2021. ADEQ has been holding two prioritization periods per year, one in the fall and one in the spring. To be considered for funding approval, applications must be received during the prioritization period.

All categories of work are subject to prioritization except for suspected release confirmation.

Applicants are not required to go through the application process to get work and funding preapproved for suspected release confirmation, and reimbursements may be submitted after the work is completed.

Reimbursement funding for qualifying applicants is available for up to an overall limit of \$300,000 per facility and includes the following maximum values per category of work:

- Up to **\$200,000** per site for UST system replacement or modification
- Up to **\$40,000** per event for baseline assessments
- Up to **\$25,000** per tank for UST removal and up to **\$15,000** per site for over-excavation of petroleum contamination, if required
- Up to **\$20,000** per event for suspected release confirmation sampling

CATEGORY OF WORK	NUMBER OF FACILITIES REIMBURSED TO DATE
Baseline Assessments	8
Suspected Release Confirmation	55
UST Removals	181
UST Replacements or Modifications	209

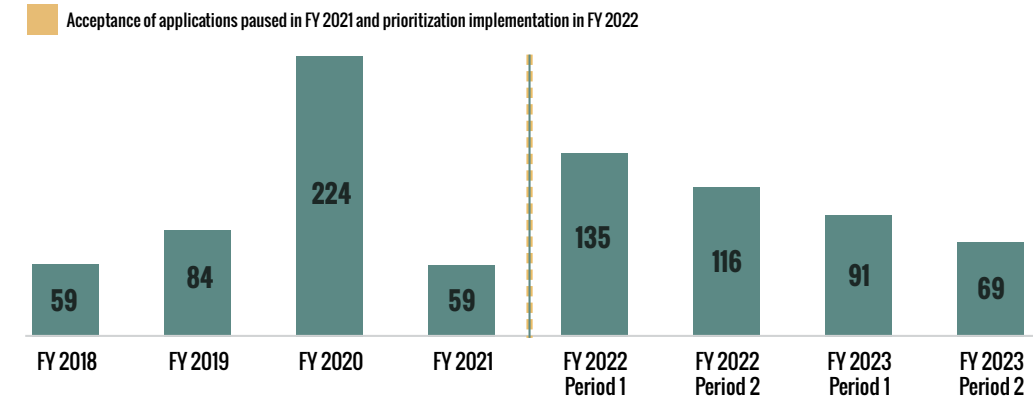
Note: Facilities may have been reimbursed for more than one category of work.

To apply for funding under TSIP, the UST owner, UST operator, or property owner submits the TSIP application during prioritization period. ADEQ reviews and prioritizes the applications for funding approval. Those applicants who do not receive funding approval during the prioritization period may apply in a future period.

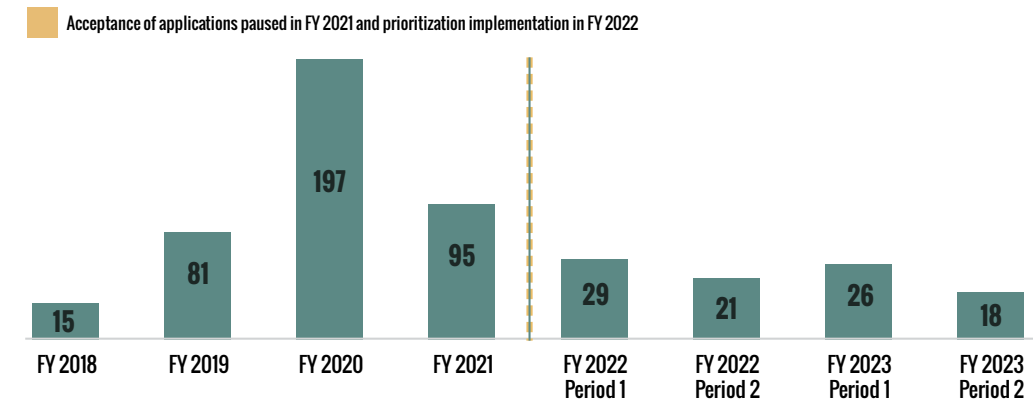
To receive reimbursement, the approved work must be completed within 545 days of receiving the funding approval letter. After completing the work, including any required reporting, the UST owner, UST operator, or property owner submits a request for reimbursement for ADEQ's review.

TANK SITE IMPROVEMENT PROGRAM (TSIP) CONT.

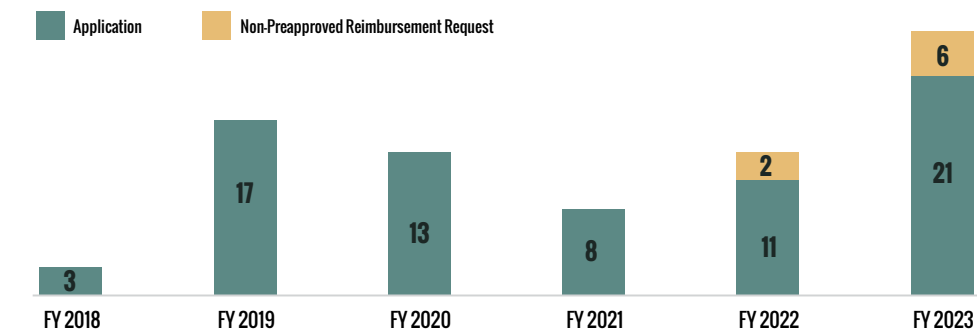
TSIP Applications Received (Does not include Suspected Release Confirmation)



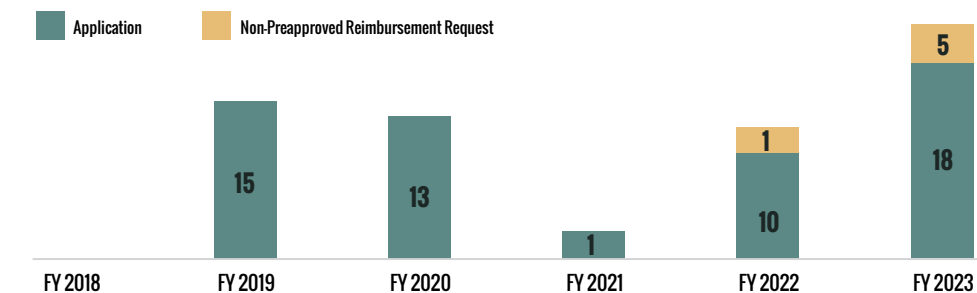
TSIP Applications Approved for Funding (Does not include Suspected Release Confirmation)



TSIP Suspected Release Confirmation Reimbursement Requests Received (Not subject to Prioritization)



TSIP Suspected Release Confirmation Reimbursement Requests Approved for Funding



TANK SITE IMPROVEMENT PROGRAM (TSIP) CONT.

TSIP Reimbursements by Category of Work for this Reporting Period (FY 2021 through FY 2023)

CATEGORY OF WORK	NUMBER OF FACILITIES REIMBURSED	AMOUNT REIMBURSED
Baseline Assessments	3	\$89,607
Suspected Release Confirmation	39	\$638,110
UST Removals	131	\$9,335,248
UST Replacements or Modifications	145	\$25,681,556

TSIP Reimbursements by County for this Reporting Period (FY 2021 through FY 2023)

COUNTY	NUMBER OF FACILITIES REIMBURSED	AMOUNT REIMBURSED
Cochise	7	\$1,529,243
Coconino	13	\$2,666,242
Gila	3	\$850,000
Maricopa	119	\$18,828,112
Mohave	16	\$2,879,371
Navajo	6	\$1,110,873
Pima	18	\$2,434,091
Pinal	10	\$1,520,065
Santa Cruz	2	\$250,000
Yavapai	13	\$2,320,550
Yuma	8	\$1,355,974

TSIP Application and Reimbursement Denials and Appeals

CATEGORY	NOT PRIORITIZED FOR FUNDING	DENIAL/REJECTION*	APPEALS**
Applications	79	77	3
Reimbursement Requests	Not Applicable	4	4
Total	79	81	7

*Denial/Rejection: Applications not accepted due to unresolved issues with being complete and correct, submittal outside of the prioritization period, or submittal for work that was already done (prior to funding approval); Reimbursement requested for work that was previously completed, work that did not meet regulatory standards, work that was approved under a different applicant.

**Appeals: Application prioritization scoring, insufficient documentation to support costs, work not completed within statutory timeframe.

STATE LEAD NCA PROGRAM

If funding is available, UST owners, operators and property owners may request that ADEQ's State Lead program manage their projects for UST permanent closure, suspected release confirmation, and baseline assessments. The associated costs are paid by the state and the applications are prioritized based on potential environmental risk and the applicants' available financial resources.

Due to limited available funding, the State Lead NCA program suspended acceptance of new sites in FY 2021.

Projects Completed by Category

CATEGORY OF WORK	FY 2021 THROUGH FY 2023	TOTAL SINCE HB 2636 (2015)
Baseline Assessments	1	6
Suspected Release Confirmation	0	1
UST Removals	21	84

CORRECTIVE ACTION FINANCIAL ASSISTANCE PROGRAMS

Preapproval Program

The Preapproval Program is intended to provide financial assistance for corrective actions for UST owners and operators that are able to demonstrate compliance with financial responsibility requirements including use of an approved financial assurance mechanism or combination of approved mechanisms. The Preapproval Program is not intended to take the place of financial assurance and it cannot be used to demonstrate compliance with financial responsibility requirements.

ADEQ may provide up to \$1 million per site to eligible UST owners and operators for the characterization and cleanup of UST releases where the corrective action work and costs are not covered by their financial assurance mechanism (financial responsibility).

To be considered for funding, potential applicants are screened for eligibility. All work and costs are required to be preapproved by ADEQ prior to work being conducted. After completing the preapproved work and submitting required documentation, applicants may submit a reimbursement request for ADEQ's review.

HB 2704 allowed Preapproval Program eligible sites to be managed by the state at the request of the UST owners and operators. The information provided in this section does not include sites where the work was managed by the State Lead Program using Preapproval Program funding.

As of June 30, 2023, ADEQ has 106 facilities active in the Preapproval Program. See Appendix C.

Facilities with Approved Preapproval Program Funding

FISCAL YEAR	NUMBER OF FACILITIES WITH SMALL OWNERS*	NUMBER OF FACILITIES WITH NON-SMALL OWNERS	TOTAL
2021	36	14	50
2022	6	12	18
2023	21	8	29
Total	63	34	97**

*Small owner is defined by A.R.S. § 49-1053(P) as owners with fewer than 20 UST facilities in the state.

**Nine (9) additional facilities were accepted into the program prior to FY 2021 and are still active.

CORRECTIVE ACTION FINANCIAL ASSISTANCE PROGRAMS CONT.

Preapproval Reimbursements by County for this Reporting Period (FY 2021 through FY 2023)

COUNTY	NUMBER OF FACILITIES REIMBURSED	AMOUNT REIMBURSED
Apache	1	\$422,758
Cochise	3	\$1,040,092
Coconino	6	\$433,429
Gila	4	\$155,715
Graham	2	\$207,763
La Paz	2	\$332,216
Maricopa	59	\$9,923,927
Mohave	11	\$2,470,641
Navajo	10	\$1,709,334
Pima	28	\$4,283,816
Pinal	7	\$775,300
Santa Cruz	2	\$251,161
Yavapai	11	\$3,019,179
Yuma	12	\$2,183,329

Most of the UST owners and operators in Arizona rely on UST insurance to demonstrate compliance with financial responsibility requirements. For small owners, their insurance deductible amount is typically under \$50,000. If their UST insurance is not providing coverage, they may apply to the preapproval program under A.R.S. § 49-1006.02(A), which requires them to demonstrate making a timely claim for corrective action costs against their UST insurance, and pursuit of that claim through acceptance or denial. When the UST insurance provider determines to accept coverage for a release that has already been accepted into the Preapproval Program, the program limits reimbursement to the UST owner/operator's deductible amount, requiring UST insurance to pay for required corrective actions.

- Approximately **42** percent of current Preapproval Program applications were submitted under A.R.S. § 49-1006.02(A).

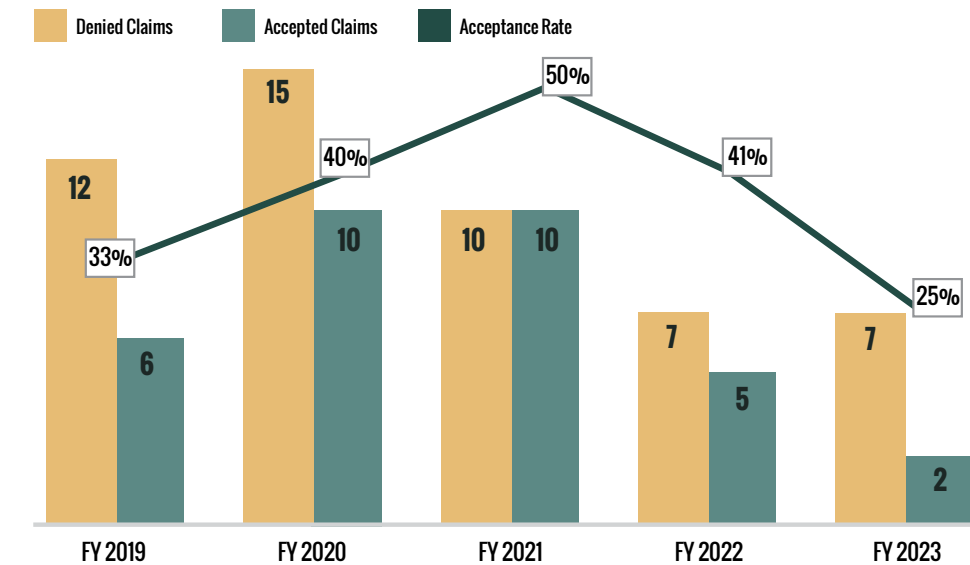
UST owners and operators may also rely on UST insurance with a deductible at or above \$50,000 or may use a different financial assurance mechanism to demonstrate financial responsibility compliance. UST owners and operators who do not rely on UST insurance to demonstrate compliance with financial responsibility requirements, and those with an insurance deductible in excess of \$50,000, must first pay a \$50,000 cost share obligation before qualifying for preapproval funding under A.R.S. § 49-1006.02(B). Most of the applications using this path to eligibility are non-small owners, though there have been a few occurrences where a small owner may have UST insurance with a high deductible due to the age of their tank system.

- Approximately **50** percent of current Preapproval Program applications were submitted under A.R.S. § 49-1006.02(B) requiring a \$50,000 cost share obligation.

Approximately 8 percent of current Preapproval Program applications were submitted through other pathways based on the time of their release and other demonstrations of eligibility.

CORRECTIVE ACTION FINANCIAL ASSISTANCE PROGRAMS CONT.

Insurance Claim Acceptance Rate by Fiscal Year (Information provided during Preapproval Program eligibility screening)



Number of Preapproval Program Denials and Appeals

PREAPPROVAL PROGRAM	RECEIVED	DENIALS/REJECTIONS	APPEALS
Applications	336	1	1
Reimbursement Requests	845	1	3*

*The additional appeals were associated with partial approvals where the applicant appealed specific denied work and costs.

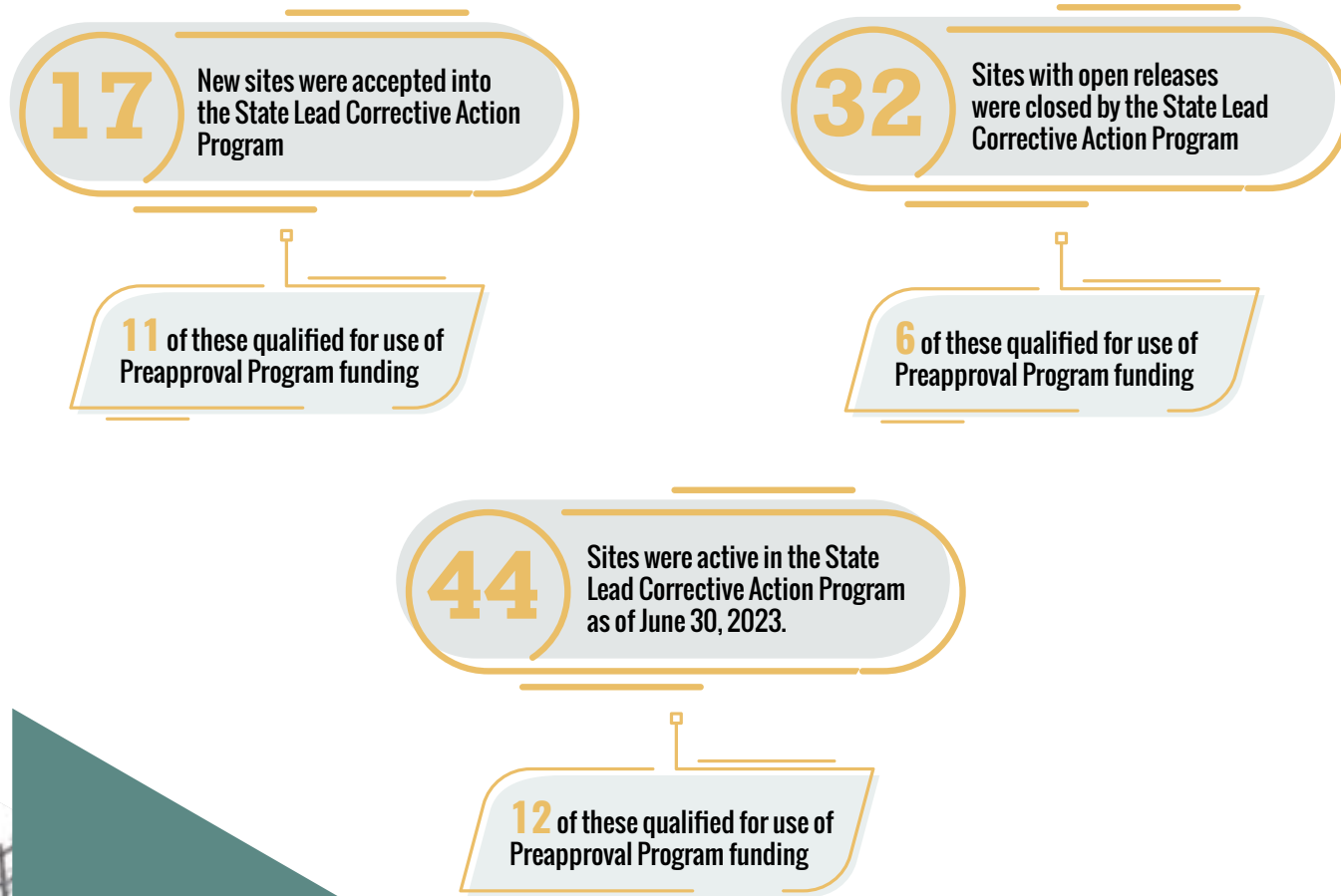
Note: Five (5) potential applicants were determined to be ineligible for the program at the screening stage, prior to application submittal.

STATE LEAD CORRECTIVE ACTION

The State Lead Corrective Action Program is available to manage characterization and cleanup for eligible UST sites that have contamination due to UST releases. Program eligibility is focused on sites where the UST owner and operator (responsible party) is unknown or unable to manage the work themselves. This work includes contracting with state-approved UST Corrective Action contractors.

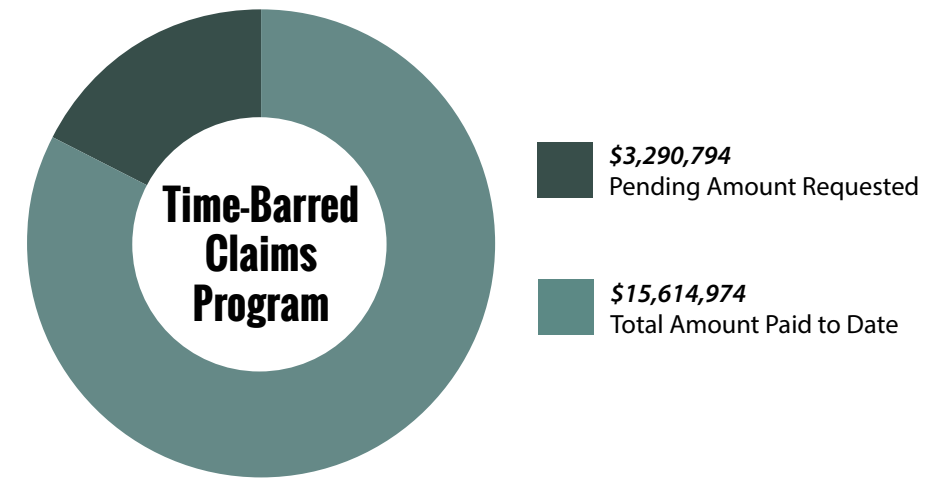
Funding for work managed by the State Lead Program is provided by the UST Revolving Fund, federal grants, and financial settlements. HB 2704 expanded eligibility for use of Preapproval Program funding to qualifying sites managed by the State Lead program.

During the reporting period between July 1, 2020, and June 30, 2023 (See Appendix D):



TIME-BARRED CLAIMS

This temporary program created an opportunity for UST owners and operators, in compliance with financial responsibility requirements, to request reimbursement of eligible corrective action costs incurred during the gap between the SAF and HB 2636. Reimbursement is limited to work that was not covered by their financial assurance mechanism(s). Eligibility for UST owners and operators to receive reimbursement under this program has been expanded several times.



Remaining Unpaid Time-Barred Claims

As of June 30, 2023, all applications have undergone initial review and 21 applications are pending. See Appendix E.

Number of Time-Barred Claims Denials and Appeals

During the reporting period from FY 2021 to FY 2023:

PROGRAM	PENDING	PARTIAL DENIAL	APPEALS
Time-Barred Claims	21	1	1

Note: A Partial Denial means eligible costs were paid and ineligible costs were denied

GENERAL PROGRAM INFORMATION

UST Owner and Distribution

Most UST owners are also the operators of those USTs. Below is a summary of UST ownership in Arizona (data as of September 2023):

- The average UST facility has three (3) tanks
- One (1) UST owner has more than 500 facilities

OWNER SIZE (NUMBER OF TANKS)	NUMBER OF OWNERS	NUMBER OF FACILITIES	NUMBER OF TANKS	PERCENT OF TOTAL TANKS
Owens 1,000+	1	556	1,640	29%
Owens 100-999	3	311	921	16%
Owens 13-99	33	392	1,182	21%
Owens 5-12	58	149	428	8%
Owens 1-4	649	684	1,490	26%
Total	744	2,092	5,704	

Note: 43 USTs are either orphan or do not have UST owner information entered

Agency-Sponsored Operator Training

The ADEQ UST Program offers operator training at no cost to UST owners and operators, helping them meet regulatory requirements for current operator training certification. Training modules cover UST regulatory requirements, including operational and testing requirements, identification and reporting of suspected and confirmed releases, release response actions, and financial responsibility requirements. Training also includes discussion on how to avoid commonly cited violations.

FISCAL YEAR	NUMBER OF CERTIFICATIONS	
	CLASS A & B	CLASS C
2023	474	1,192
2022	329	903
2021	420	823
2018 through 2020	677	N/A
Total	1,900	2,918

OPERATOR TRAINING COSTS SINCE HB 2636 (2015)	Class A & B	CLASS C	Total
Number of certifications	1,900	2,918	4,818
Total estimated costs	\$285,000	\$37,788	\$322,788

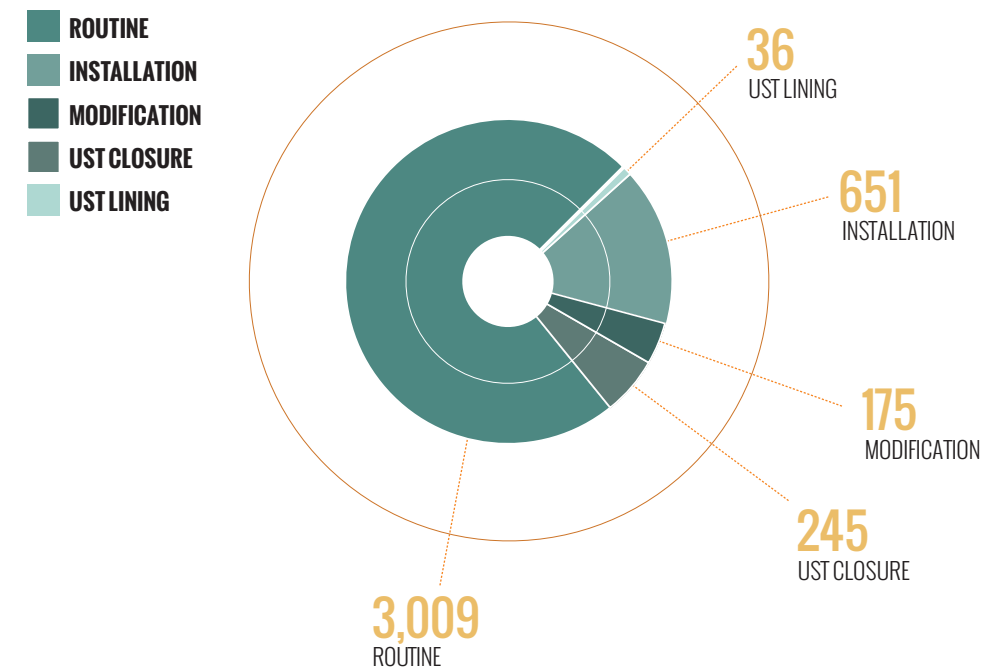
Comparable training costs are estimated at \$150 per person for Class A & B training and \$12.95 for Class C training. Based on this value, ADEQ's operator training saved the regulated community more than \$221,000 during the reporting period.

Inspections and Compliance

ADEQ is required to conduct inspections at UST facilities in Arizona at least once every three years in accordance with the Energy Policy Act of 2005 (EPAAct).

In addition to the triennial routine inspection schedule required by EPA, ADEQ staff also conducts inspections of UST installations, system modifications, UST lining, and UST closures.

Inspections Conducted (FY 2021 through FY 2023)

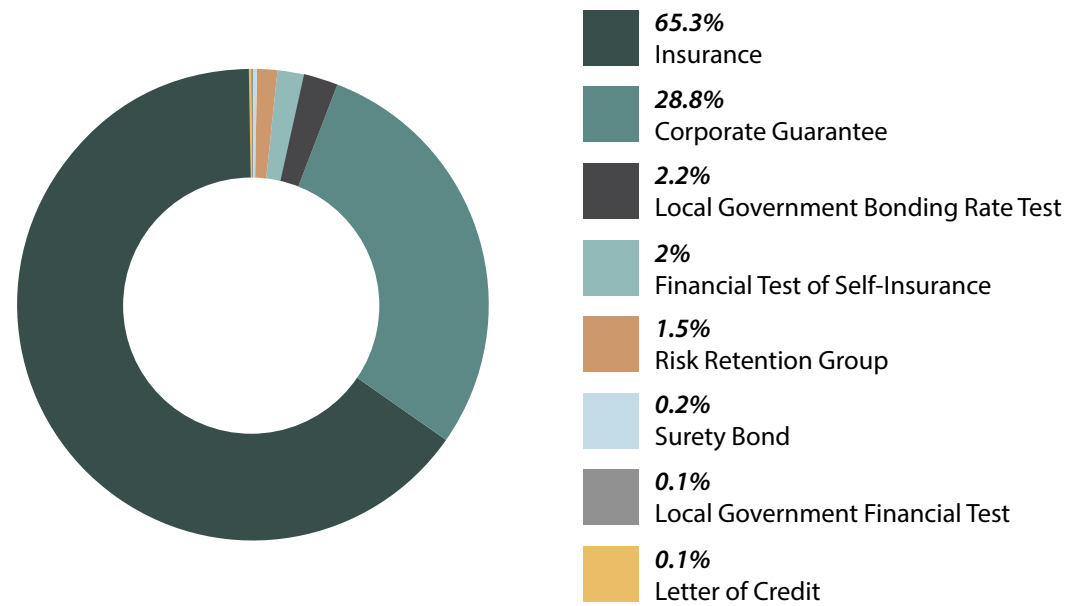


Financial Responsibility and UST Insurance

Starting in 1989, federal and state regulations require UST owners and operators to have financial responsibility. This requirement was designed to protect both the environment and UST owners and operators by ensuring adequate and readily available funding for prompt cleanup of releases from USTs; as well as, compensate third parties for any injuries or damages associated with the releases. There are several mechanisms available to demonstrate compliance with financial responsibility; however, in Arizona, approximately 65 percent of UST owners and operators rely on commercial UST insurance as of September 26, 2023.

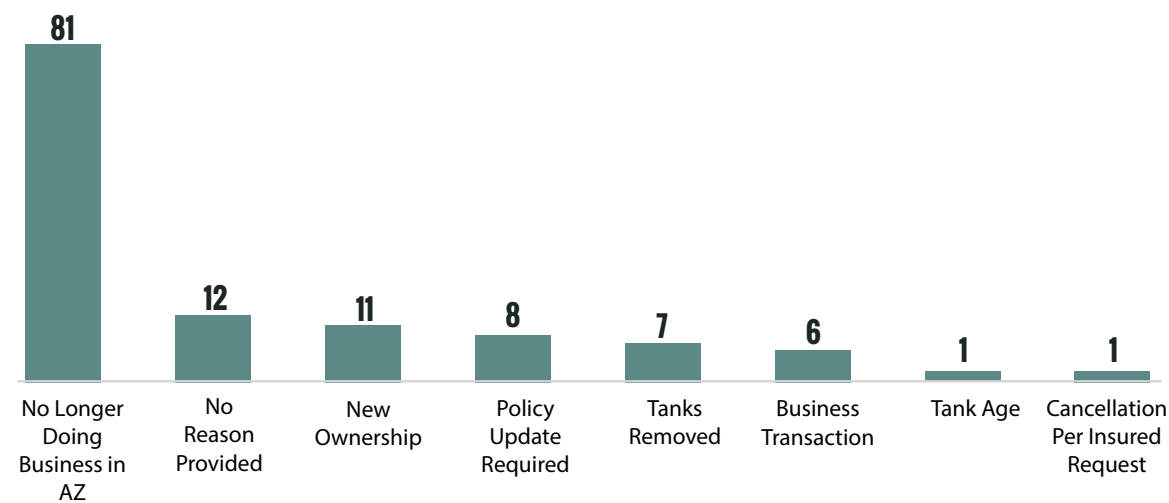
ADEQ's financial responsibility compliance rates reflect the efforts the program has undertaken to improve outreach and to assist UST owners and operators with understanding compliance requirements and their UST insurance policies. In addition, ADEQ notifies UST owners and operators about the pending expiration of their financial assurance mechanism and reviews all financial assurance documentation. Compliance rates have been maintained at 97 percent through June 30, 2023.

UST Financial Assurance Mechanisms Utilized in Arizona



HB 2636 included provisions to evaluate the insurability of Arizona’s UST infrastructure. Specifically, it created requirements for UST owners and operators to report to ADEQ if their insurance provider denied a claim for coverage. It also requires UST insurance providers to notify ADEQ of coverage termination or non-renewal. During the reporting period, the UST insurance policies for 127 facilities were canceled or not renewed.

Reasons for Insurance Cancellations/ Nonrenewals from FY 2021 through FY 2023 (127 Facilities)



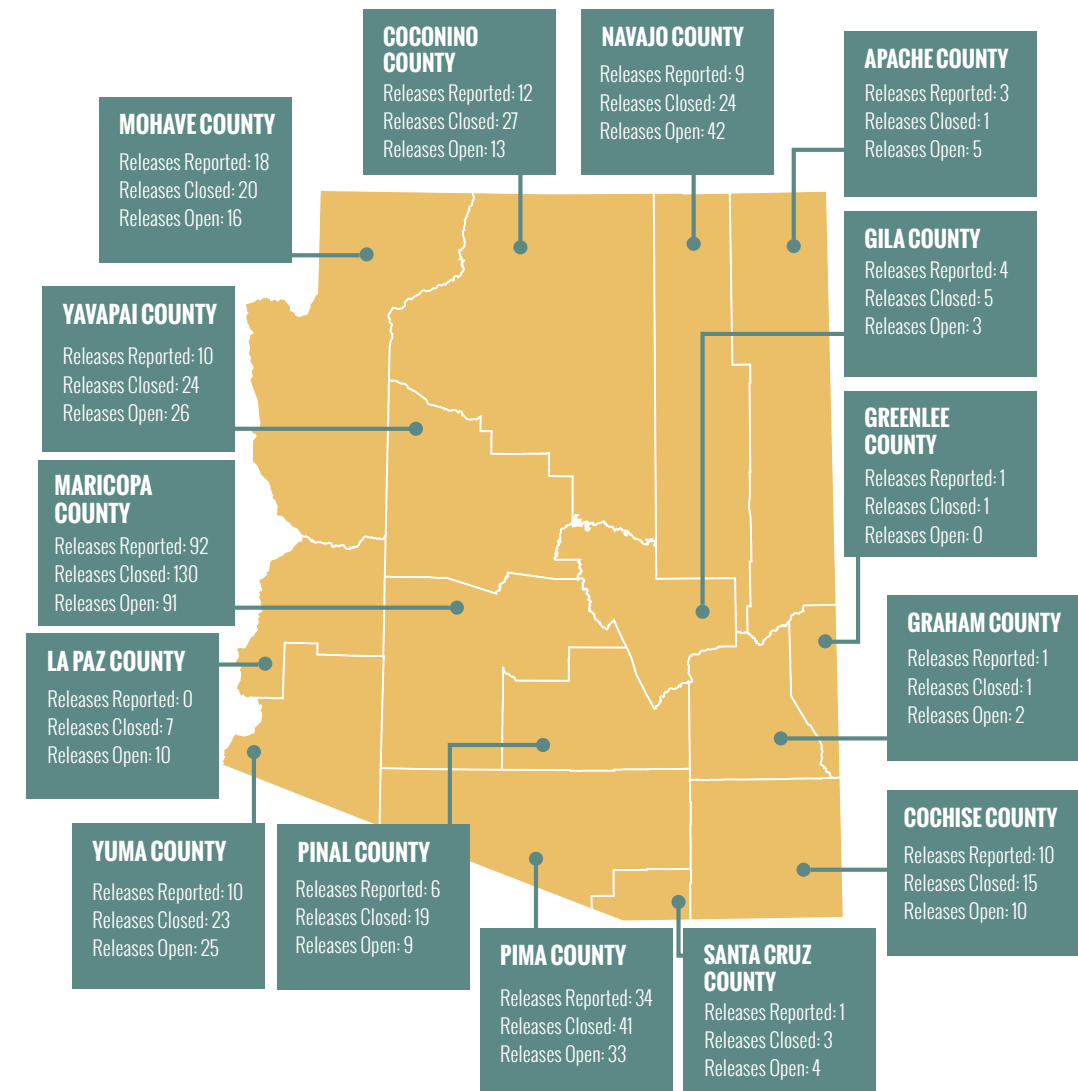
RELEASE REPORTING AND CLOSURE

NEW UST RELEASES REPORTED AND CLOSED

The UST Program continues to close more releases than reported, which is steadily decreasing the overall inventory of open releases. For details on the releases opened and closed between July 1, 2020, and June 30, 2023, see Appendices F and G.

Release Inventory by County

Contamination from releases at UST sites is a statewide issue that ADEQ continues to address using state and federal funding. See Appendix H for listing of open releases as of June 30, 2023.

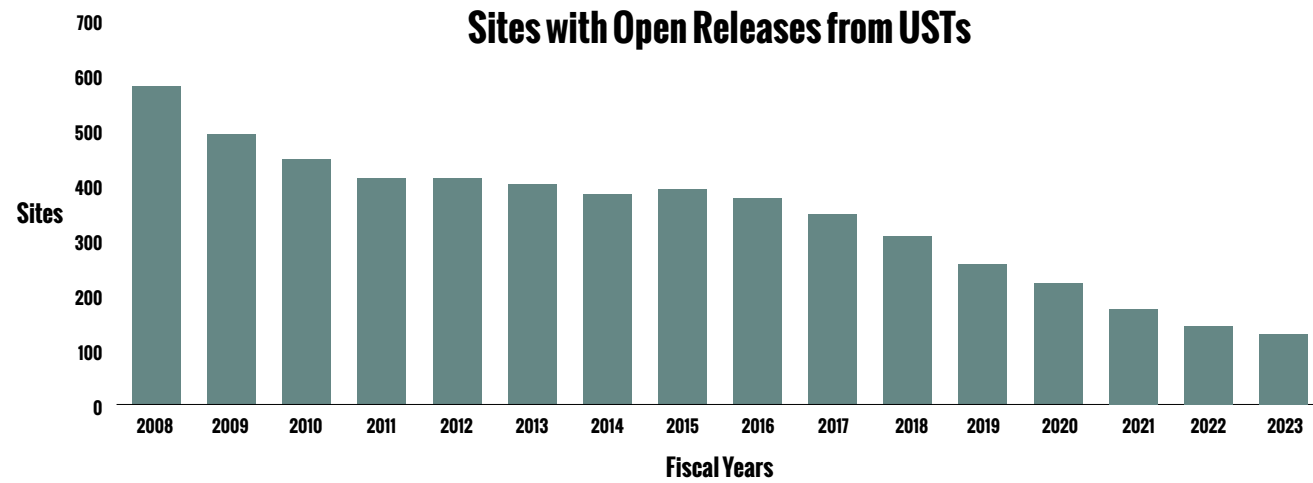


TOTAL RELEASES REPORTED FY 2021 – FY 2023	TOTAL RELEASES CLOSED FY 2021 – FY 2023	TOTAL RELEASES OPEN FY 2021 – FY 2023
211	341	289*

* The number of open leaking UST release sites is 184 (some facilities have more than one open release).

Remaining Number of Open Releases

Over the history of the UST program, 9,496 releases have been reported and 9,207 of these have been closed. **97 percent of all reported confirmed releases have been closed.**



UST REVOLVING FUND FINANCIAL INFORMATION

REVENUES, EXPENDITURES AND CURRENT ACCOUNT BALANCES

The following table shows a summary of cash flows to and from the UST Revolving Fund. State fiscal years begin on July 1 and end on June 30.

UST REVOLVING FUND FINANCIAL SUMMARY AS OF JUNE 30, 2023 (DOLLARS IN MILLIONS)			
TIME FRAME	FY 2021	FY 2022	FY 2023
Beginning FY Balance	\$57.2	\$31.2	\$30.3
Revenue	\$34.9	\$36.5	\$38.9
Total Available	\$92.1	\$67.7	\$69.2
Total Appropriated Disbursements	\$0.0	\$0.0	\$0.0
Total Non-Appropriated Disbursements	\$61.0	\$37.3	\$40.6

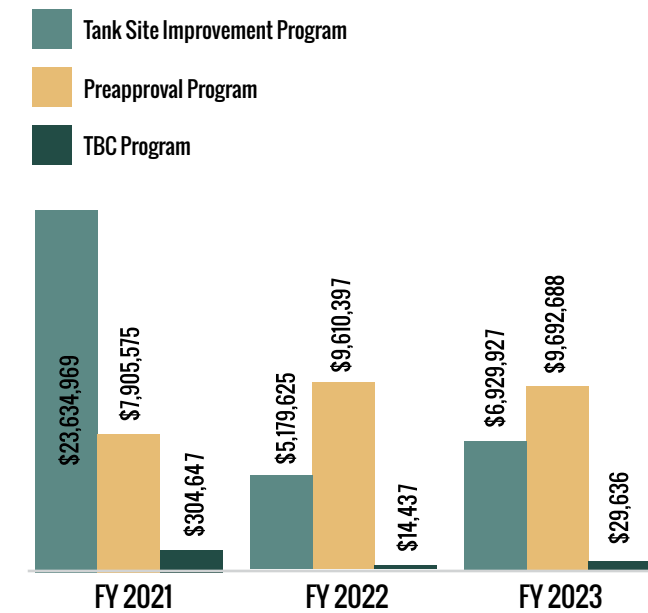
FINANCIAL ASSISTANCE PROGRAM FUNDING

REIMBURSEMENTS MADE ANNUALLY	
Noncorrective Action	Corrective Action
TSIP (Appendix B)	Preapproval Program (Appendix C), Time-Barred Claims Program (Appendix E)

STATE LEAD PROGRAMS	
Noncorrective Action	Corrective Action
TSIP (Appendix B)	State Lead Managed/Preapproval Funding, State Lead Corrective Action Program

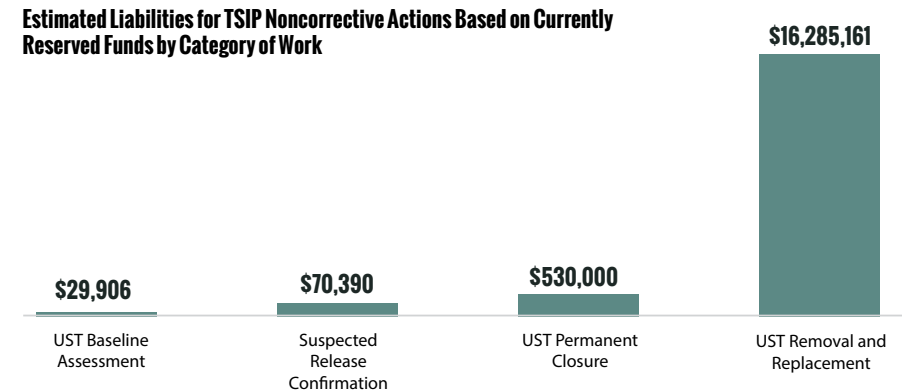
Noncorrective Action costs paid under the State Lead Noncorrective Action Program and Corrective Action costs paid under the State Lead Corrective Action Program do not require the applicant to pay first and submit a request for reimbursement.

Reimbursements Made Annually From the Fund



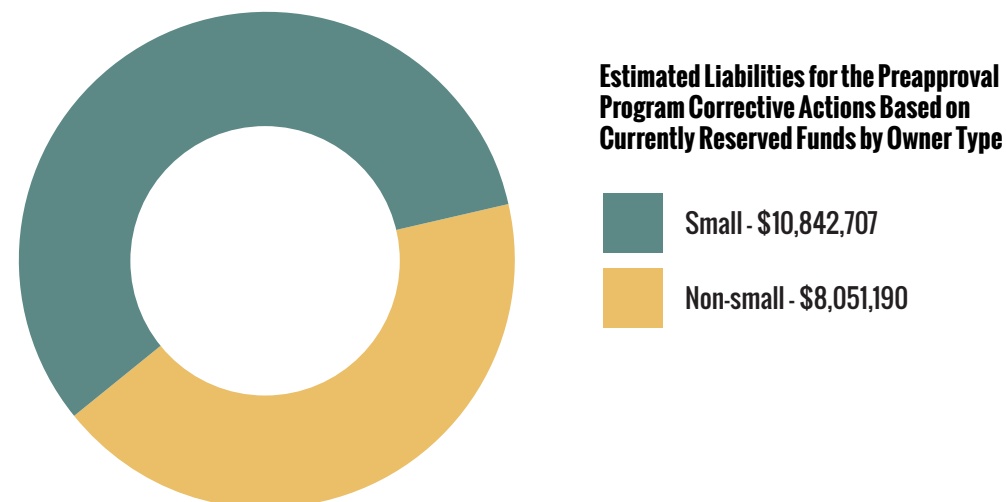
LISTING OF LIABILITIES OWED THROUGH TSIP FOR NONCORRECTIVE ACTIONS

Funding for TSIP is subject to the availability of monies in the UST Revolving Fund. The liabilities owed for TSIP are estimated by the amount of funds that are reserved for approved applications but not yet reimbursed. Once an application is approved, the associated funds are encumbered for the leak prevention project, and reimbursement is made after the work is completed. See Appendix B.



LISTING OF LIABILITIES OWED TO SMALL OWNERS AND NON-SMALL OWNERS FOR THE CORRECTIVE ACTION PREAPPROVAL PROGRAM

The liabilities owed for the Preapproval Program are estimated by the amount of funds that are reserved for approved applications but not yet reimbursed. Once an application is approved, the associated funds are encumbered for each specific site, and reimbursements are deducted as claims are submitted and reviewed. See Appendix C.



PROJECTED LIABILITIES FOR THE FUND THROUGH THE TERMINATION OF THE PROGRAM

HB 2671 extended eligibility for reimbursement for the Preapproval Program to include releases reported before January 1, 2033, with a deadline of December 31, 2040 for filing a reimbursement request. ADEQ estimates that it may require up to an additional 18 months to resolve the applications submitted.

From FY 2021 through FY 2023, Preapproval Program expenditures have averaged approximately \$9.1 million per year through the application process and \$2.3 million per year through State Lead managed projects using Preapproval Program funding.

From FY 2024 through December 31, 2040:

- The total projected amount based on current average costs is estimated at approximately \$199 million
 - The projected amount through the Preapproval Program application process, based on current average costs, is estimated at approximately **\$159 million**
 - The projected amount through State Lead managed projects using Preapproval Program funding, based on current average costs, is estimated at approximately **\$40 million**

PROJECTED LIABILITIES FOR THE STATE-LED CORRECTIVE ACTIONS PROGRAM THROUGH THE TERMINATION OF THE PROGRAM

The State Lead Corrective Action Program tends to receive applications for UST with older releases where contamination has not been adequately addressed and the current property owner is not the responsible party (UST owner/operator) associated with the release(s). Estimated liabilities in this program accrue as applications are accepted. While we are unable to accurately project how many new project sites will be coming into the program, ADEQ anticipates that the total number of sites will increase.

From FY 2021 through FY 2023, State Lead Corrective Action expenditures have averaged approximately \$5.2 million per year. HB 2671 does not set program termination dates for State-Led Corrective actions conducted outside of Preapproval Program funding; however, extrapolating an estimate of consistent costs from FY 2024 through December 31, 2040, approximately \$91 million in funding would be required.



APPENDICES



APPENDIX A

STATUTORY REQUIREMENTS FOR THE REPORT

49-1024. Report; underground storage tank revolving fund program

The department shall compile a report on the underground storage tank revolving fund program on or before December 31, 2017, and on or before December 31 every three years thereafter. The department shall submit the report to the governor, the president of the senate and the speaker of the house of representatives and provide a copy of each report to the secretary of state. The department shall post each report on an accessible, public web page on the department's website. The report shall contain the department's findings and shall include the following information:

[azleg.gov/viewdocument/?docName=https://www.azleg.gov/ars/49/01024.htm](https://www.azleg.gov/viewdocument/?docName=https://www.azleg.gov/ars/49/01024.htm)

STATUTORY CITATION	STATUTORY REQUIREMENT	WHERE TO FIND THE INFORMATION
ARS §49-1024(1)	Underground storage tank revolving fund financial information, including revenues, expenditures and current account balances	Page 25
ARS §49-1024(2)	The amount of any remaining unpaid time-barred claims	Page 19 and Appendix E
ARS §49-1024(3)	A description of the work completed for each program grant component	Pages 12 through 14 and Appendix B
ARS §49-1024(4)	The amount of reimbursements made annually from the fund	Page 25
ARS §49-1024(5)	A listing of new releases reported and sites closed	Appendices F and G
ARS §49-1024(5)	A listing of liabilities owed to small owners and other owners	Page 26 and Appendix C
ARS §49-1024(5)	The projected liabilities for the fund through the termination of the program	Page 27
ARS §49-1024(6)	A description of any state-led corrective actions, including the number of new sites, the number of new releases reported, the number of sites closed	Page 18 and Appendix D
ARS §49-1024(6)	The average cost of corrective action for state-led corrective actions through the termination of the program	Page 27
ARS §49-1024(6)	The projected liabilities for state-led corrective actions through the termination of the program	Page 27
ARS §49-1024(7)	The total number of open releases that are cleaned to closure	Pages 23 and 24
ARS §49-1024(7)	The remaining number of open releases	Page 23 and Appendix H
ARS §49-1024(7)	The number of application or reimbursement denials by the department	Pages 14, 17, 19
ARS §49-1024(7)	The number of preapproval appeals	Page 17

APPENDIX B

DETAILED ACCOUNTING OF TANK SITE IMPROVEMENT PROGRAM

For the full list, visit:

static.azdeq.gov/ust/report/23_appb.pdf



static.azdeq.gov/ust/report/23_appb.xlsx



APPENDIX C

DETAILED ACCOUNTING OF PREAPPROVAL PROGRAM

For the full list, visit:

static.azdeq.gov/ust/report/23_appc.pdf



static.azdeq.gov/ust/report/23_appc.xlsx



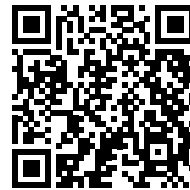
Note: Data presented in these appendices are based on state Fiscal Years 2021, 2022, and 2023 (July 1, 2020 to June 30, 2023).

APPENDIX D

LIST OF STATE LEAD SITES

For the full list, visit:

static.azdeq.gov/ust/report/23_appd.pdf



static.azdeq.gov/ust/report/23_appd.xlsx



APPENDIX F

LIST OF RELEASES REPORTED

For the full list, visit:

static.azdeq.gov/ust/report/23_appf.pdf



static.azdeq.gov/ust/report/23_appf.xlsx



APPENDIX E

DETAILED ACCOUNTING OF TIME-BARRED CLAIM PAYMENTS

For the full list, visit:

static.azdeq.gov/ust/report/23_apppe.pdf



Note: Data presented in these appendices are based on state Fiscal Years 2021, 2022, and 2023 (July 1, 2020 to June 30, 2023).

static.azdeq.gov/ust/report/23_apppe.xlsx



APPENDIX G

LIST OF RELEASES CLOSED

For the full list, visit:

static.azdeq.gov/ust/report/23_appg.pdf



Note: Data presented in these appendices are based on state Fiscal Years 2021, 2022, and 2023 (July 1, 2020 to June 30, 2023).

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APPENDIX H

LIST OF CURRENTLY OPEN RELEASES

For the full list, visit:

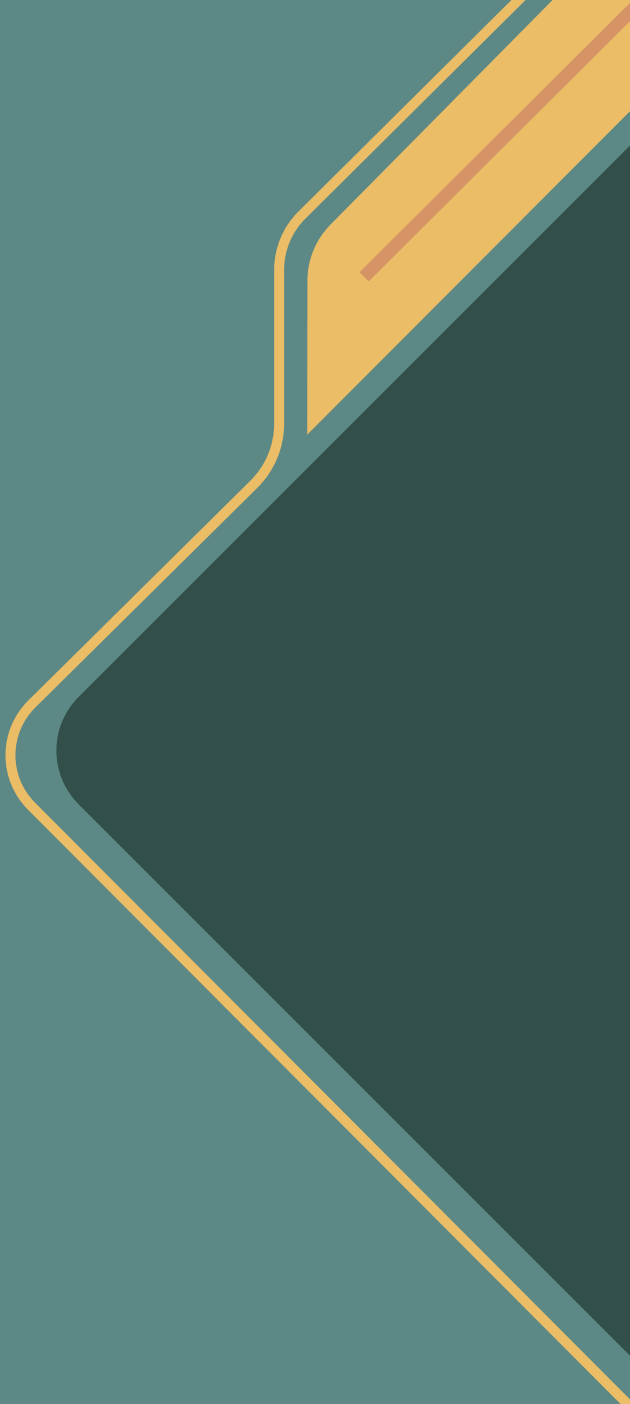
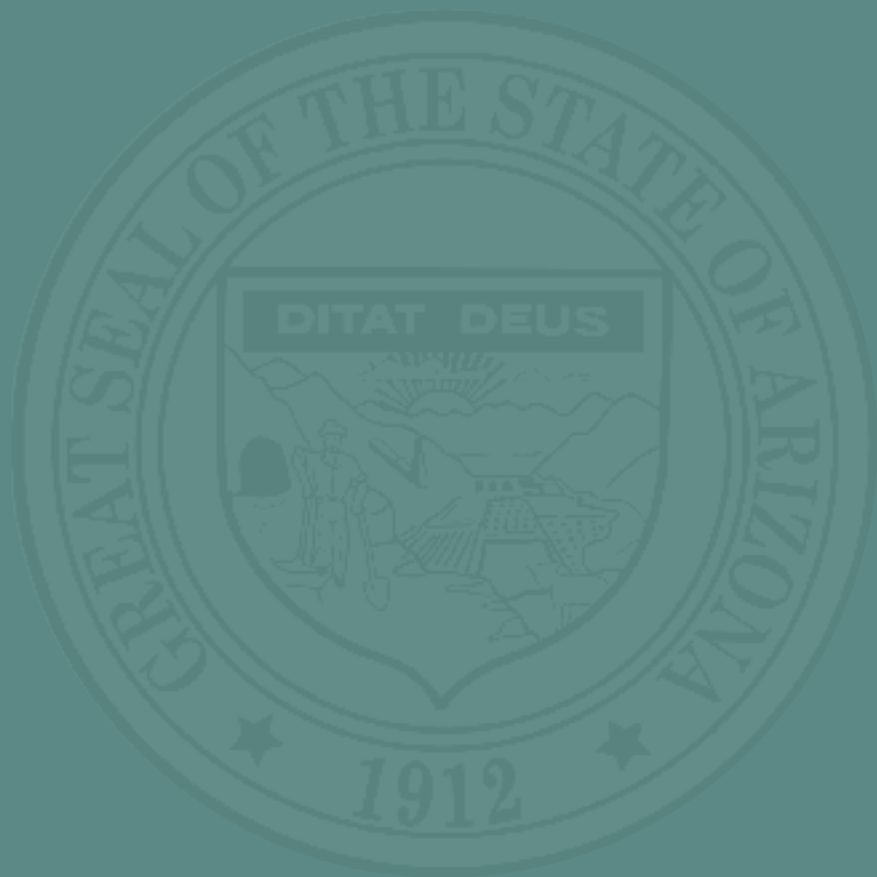
static.azdeq.gov/ust/report/23_apph.pdf



static.azdeq.gov/ust/report/23_apph.xlsx



*Data presented as of
June 30, 2023*



Clean Air, Safe Water,
Healthy Land for Everyone

Publication Number: EQR-23-13