



RHODE ISLAND
DEPARTMENT OF ENVIRONMENTAL MANAGEMENT

235 Promenade Street, Providence, RI 02908-5767

TDD 401-222-4462

December 11, 2007

The Honorable Donald L. Carcieri
Governor of the State of Rhode Island
Executive Chambers
State House
Providence, RI 02903

Re: 2007 RI Underground Storage Tank Financial Responsibility Fund Annual Report

Dear Governor Carcieri:

In accordance with the provisions of Section 46-12.9-8 of the Rhode Island General Laws, I am pleased to provide you with the 2007 Annual Report for the Rhode Island Underground Storage Tank Financial Responsibility Fund. On behalf of the Review Board and myself, I apologize for the lateness in filing this document.

The attached report, which was approved by the Review Board on December 6, 2007, provides summaries on the operational and financial activities of the fund for State Fiscal Year 2007. The report will be posted electronically as prescribed in § 42-20-8.2.

As you know, 2007 was a year of significant change for the Review Board as operation and administration of the fund were consolidated in the Department of Environmental Management. We were pleased to see significant operational efficiencies and financial savings in the first year following consolidation and expect those savings to continue in the future.

The attached document will be posted on the Department of Environmental Management's web site at: <http://www.dem.ri.gov/pubs/index.htm>

Sincerely,

Terrence D. Gray, P.E., Chairman
RI Underground Storage Tank Financial Responsibility Fund Review Board

cc: Speaker William J. Murphy
Senate President Joseph A. Montalbano
Senate Majority Leader M. Teresa Paiva-Weed
House Majority Leader Gordon. D. Fox
House Minority Leader Robert A. Watson
Senate Minority Leader Dennis L. Algieri
RI UST Financial Responsibility Fund Review Board Members

Rhode Island Underground Storage Tank Financial Responsibility Fund

Annual Report- Rhode Island FY 2007

The Rhode Island Underground Storage Tank Financial Responsibility Fund (UST Fund) is overseen by a Review Board comprised of 10 members. The Review Board is responsible for overseeing disbursements from the UST Fund by approving, modifying or denying claims to eligible parties. Additionally, the Board helps to insure that environmental and public health impacts of the underground storage tank (UST) leaks are addressed in an effective and timely manner. Pursuant to Rhode Island General Law 46-12.9-8(e) (3), this annual report was prepared for Rhode Island State fiscal year 2007 (July 1, 2006-June 30, 2007).

Owners and/or operators of certain underground storage tanks (USTs) are required to demonstrate "Financial Responsibility" to clean up any potential release from their USTs, as regulated by the Environmental Protection Agency and adopted by the State of Rhode Island. The UST Fund provides a cost effective mechanism for these owners/operators to meet these requirements. Claims for reimbursement are filed after costs have been incurred in the process of remediating a release from an eligible UST. Claims for reimbursement are filed with the Department of Environmental Management, reviewed, and then presented to the Review Board for decision.

Funding for these clean-ups is derived from a one cent (.01) per gallon surcharge on motor fuel to owners/operators of underground storage tanks and application fees. These monies are collected and managed by the State of Rhode Island and dispersed by the Review Board. Disbursement of monies is generally conducted on a quarterly basis after a thorough review of the eligibility of each release and of the specific costs contained in each application. Reimbursement of 100% of the eligible costs is made (after demonstrating expenditure of the \$20,000.00 deductible) based on regulations adopted by the State of Rhode Island and availability of funds.

The Review Board made its first payment in 1997 and has since reimbursed over \$50 million directly to the clean-up of Rhode Island's environment.

In FY 2007, the Review Board met three times, October 6th, 2006; December 29th, 2006; and March 13th, 2007. The main purpose of each meeting was to fulfill the statutory obligations of hearing and approving reimbursement recommendations. Meeting minutes for these meetings are attached. The agenda items for these three Board meetings are recapped in Table 1 below.

Table 1 ¹		
October 6, 2006	December 29, 2006	March 13, 2007
<ul style="list-style-type: none"> I. Approval of Previous Meeting minutes II. Chairman's report III. Transition Report IV. Audit V. Reimbursement recommendations VI. Disbursement Schedule 	<ul style="list-style-type: none"> I. Approval of Previous Meeting Minutes II. Chairman's Report III. Reimbursement Recommendations IV. Prudence Island Grant Recommendation 	<ul style="list-style-type: none"> I Approval of Previous Meeting Minutes II.Chairman's Report III.Reimbursement Recommendations IV.Nominating Committee Report V.Consideration of Lincoln Environmental claim on

¹ Rhode Island General Law 46-12.9-8 requires the Review Board to meet at least four (4) times annually when claims are pending. The Review Board met three times during State Fiscal Year 2007, but met four times during calendar year 2006.

VII. Old Business VIII. New Business	V. Transition Update VI. Nominating Committee Requirement Other Business	Speedy VI. Old Business VII. New Business
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Main action items, number of claims reviewed, total dollar amount of claims filed, and total dollar amount of disbursements are outlined in Table 2.

Table 2			
Meeting Date:	October 6, 2006	December 29, 2006	March 13, 2007
Main action items taken by Review Board:	Audit received and accepted, reimbursements	Reimbursements/support approved for Prudence Island Grant	Chairman, vice chair elected; Approval of Lincoln claim for Speedy; reimbursements
Number of claims reviewed:	45	55	37
Total dollar amount of claims filed:	\$1,038,629.93	\$1,269,432.54	\$409,832.06
Total dollar amount of disbursements	\$897,369.84	\$1,110,985.70	\$ 623,988.53 ²

Financial reporting for FY 07 (July 24 06 – May of 07) was that \$3,580,194.00 was collected in receipts from gasoline tax revenue. No fees were levied or collected during this fiscal year.

Claims paid in that period totaled \$2,632,354.07. Of the claims paid, one grant was issued to Prudence Variety on Prudence Island for the removal of USTs and transition to an aboveground system. This grant and the funded action eliminates the risk of a major future claim in the event of a leak over the island's sole source aquifer. To date \$10,000 of the \$50,000 grant has been issued.

Operating expenses for this period of time were \$296,105.81 – \$270,287.96 in personnel costs and an additional \$25,817.85 in other operating expenses (see outline of expenses below:)

Rent	\$13,331.28
D&O Insurance	\$1,852.20
Legal Services	\$6,000.00
Audit	\$2,562.50
Misc Operating Expenses (alarm, copier, post)	\$2,071.87

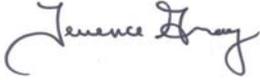
Effective July 1, 2006, the administration of the UST Fund was shifted from an independent quasi-public agency to a function within the Department of Environmental Management. Due to the late passage of the enabling legislation on this change, payroll and personnel costs were not transitioned over onto the State payroll system until July 24, 2006. In addition, one-time transitional costs related to office consolidation were incurred in FY07. Operating expenditures for FY2008 and beyond will be significantly lower.

² Payouts exceeded claims reviewed at the March 13, 2007 meeting due to the Review Board's decision to disburse a historical claim filed by the Department of Environmental Management. Prior to this decision, this historical claim had been paid off through \$50,000 quarterly installments at the agreement of both agencies to ensure adequate funding for other pending reimbursements.

No reconsideration hearings were requested in FY 2007 and no lawsuits were filed by, or against, the UST Fund or the Review Board. No new Review Board members were appointed and no Review Board member training was conducted pursuant to Rhode Island General Law 46-12.9-8(f) (15).

The Fund will continue to meet its statutory obligations of paying eligible claims in FY 2008.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Terrence D. Gray".

December 11, 2007

Terrence D. Gray, P.E., Chairman

Date