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The co-chairman of a task force charged with monitoring petroleum clean-up efforts for the Association of State and Territorial Solid Waste Management Officials said:

With claims on the rise, all 46 states with government-controlled UST funds must be concerned with the possibility of claims outstripping revenues, Rounds added.

"The long-term projections can be pretty scary," he said.

Should golf course operators be concerned if the state funds they believed would insure them against spill problems are in financial trouble?

"Definitely," said Sammy Ng, branch chief in the U.S. Environmental Protection Agency's UST Division. "First, tank owners must be in compliance with federal financial requirements. If they can't get the $1 million liability coverage through the state, then they must get private insurance. And that could be much more expensive."

"Second, if a state fund becomes insolvent and doesn't release the course owner from financial liability for clean-up or third-party compensation. The golf course would likely be able, even if the state fund folded."

A 1989 federal law required all tanks be closed, replaced or upgraded to meet leak prevention guidelines within 10 years. Private insurers said they were willing to insure structurally sound tanks or those that would eventually meet the new federal standards. But insurers shied away from existing problems.

"Insurance companies don't insure burning buildings," Rounds noted.

With many privately-insurable older tanks already leaking fuel into the ground, a mechanism to finance clean-up and compensation to third parties was needed. State funds were established to fill the void.

Those state programs have typically been financed by a few-cents-per-gallon surcharge on fuel sales and/or an annual per-tank charge to tank owners. While some programs were adequately financed, others soon realized that the cost of claims was outstripping revenues, leaving those funds in a financial bind.

To avoid financial problems, EPA has encouraged states to require their funds to have larger cash reserves, higher deductibles and the authority to raise levies if revenues begin to fall behind claims, Ng said.

Pennsylvania has managed to avoid the financial pitfalls experienced elsewhere. In fact, the state's mandatory program is running a healthy surplus, according to George Chapman, claims manager with the state UST Identification Fund. The key to Pennsylvania's success is that it closely scrutinizes all claims and performed detailed actuarial studies regarding projected funding and costs before implementation, Chapman said.

"We control remediation costs by requiring that tank owners make serious efforts to have their tanks in compliance with federal and state laws," Chapman said.

To help control the number of claims it accepts and how much is paid, EPA encourages states to adopt risk-based contingent action processes. This method calls for a ranking so that those spills posing the greatest threat are cleaned first. Additionally, only those areas needing cleaning within the spill area are actually cleaned, thereby avoiding unnecessary costs.

Still several state programs are in trouble and could disappear in the near future unless their financial picture brighten. Additionally, many of the healthy funds will likely be phased out as existing problems are taken care of. That means private insurance will be used more frequently in the future to cover tank owners, Ng said.

"That would be a good trend," Ng said. "Why should a state provide coverage if affordable, private insurance is available?"

But tank owners frequently complain private insurance is too expensive. Not so, said David Brixen, an environmental scientist with the Delaware Division of Air and Water Management's UST Branch.

Delaware began enforcing financial responsibility requirements in December 1993 but soon suspended any enforcement actions when it realized many tank owners were failing to comply. The department established a special advisory committee to determine whether private insurance was indeed available and affordable, or if a state fund should be established.

The committee decided that private insurance was both easy to find and fairly inexpensive, making a state-operated program unnecessary.

"The average cost for a three-tank site [which includes most courses] is $500 to $600 a year. That's less than the 2 to 3 cents-per-gallon surcharge often used to finance state funds," Brixen said.

Beginning July 1, all Delaware tank owners/operators not in compliance will be subject to penalties ranging up to $2,500 per day, Brixen said.