COVID-19 Impact to State UST Cleanup Funds

In efforts to slow down the spread of the COVID-19 pandemic in March 2020, many states across the US issued “Stay at Home” orders and other travel restrictions. As a result, demand for transportation fuels declined significantly in March and April. It is likely that many states will see 50 to 70% reductions in gasoline fuel consumption during this time.

According to the US Energy Information Administration reports released on April 23, 2020, the COVID-19 mitigation efforts resulted in the lowest U.S. petroleum consumption in decades. The most significant declines in the last four weeks (March 13 through April 17) were in motor gasoline and jet fuel.

The financial impact to state and federal revenues collected on fuel taxes will be devastating. UST programs in many states are also dependent on a
fraction of the fuel tax revenues to fund their UST cleanup reimbursement
programs and in some cases even their programs operational expenses.

In late March and early April, with assistance from ASTSWMO and EPA-
OUST, all State UST Fund managers received the COVID-19 Impact to State
UST Cleanup Fund Survey (see attached survey responses). Of the thirty-
three states that responded to this survey, almost 80% rely significantly on
fuel tax revenue to fund their State Fund programs. The seven states that did
not rely on fuel tax revenues, rely on other revenue sources such as
registration and permit fees, or do not have a fund and/or rely on financial
assurance by UST owners.

While every state program has unique subtleties in operating their state funds,
from funding mechanisms, reserve balances, and approaches to paying for
cleanup, the following are some observations that stood out.

1. Every state fund will be impacted in some manner by the COVID-19
pandemic crisis, for some recovery will take longer than others will.

2. Programs heavily reliant on fuel tax revenue will need to be prepared for
reductions of 33% and 66% in March and April respectively.

3. State funds with large cash balances may be in a better position to
weather the COVID-19 economic impacts, but are at a much higher risk
of being the target of cash fund transfers (raided) by their legislature.

4. Agility related to financial impacts will ensure a State UST Funds ability
to successfully weather this COVID-19 crisis.

It is likely that the biggest impact to fuel tax revenue is almost behind us. As
states begin lifting “Stay at Home” orders and other travel restrictions in the
coming weeks, the economy will slowly recover over the next several months.

If you have any questions related to this survey feel free to reach out to
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