

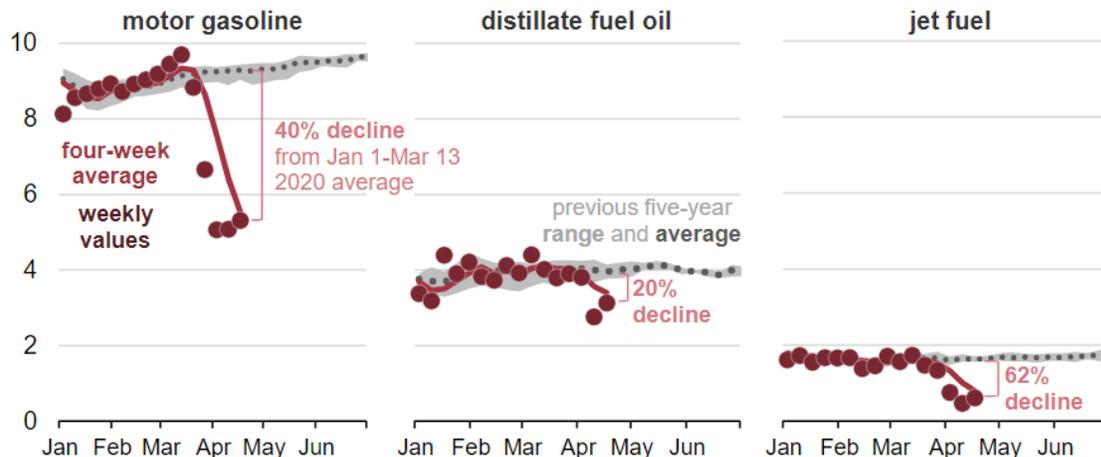
## COVID-19 Impact to State UST Cleanup Funds

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.

**U.S. product supplied of selected petroleum products (Jan 2020-Apr 2020)**

million barrels per day



Source: U.S. Energy Information Administration, [Weekly Petroleum Status Report](#)

Motor gasoline consumption has declined the most in absolute terms. Before many businesses were shut down and stay-at-home orders were issued, motor gasoline product supplied averaged 8.9 million b/d, based on 2020 data through March 13. Since then, motor gasoline product supplied has fallen 40% to 5.3 million b/d as of the week ending April 17. This decrease in motor gasoline product supplied accounts for 54% of the total change in product supplied. U.S. consumption of jet fuel experienced the largest drop in relative terms, declining 62% from a pre-shutdown average of 1.6 million b/d to just 612,000 b/d on April 17.

The decline in distillate fuel oil consumption so far has been less severe than the changes in motor gasoline and jet fuel. Through March 13, distillate product supplied averaged 3.9 million b/d in 2020. By the week ending April 17, distillate product supplied was 20% lower, at 3.1 million b/d. Distillate fuel oil is primarily consumed as diesel fuel, the predominant fuel of the trucking, locomotive, and agricultural sectors. Continued demand for distribution of necessities such as food and medical supplies and increased home deliveries for goods likely contributed to relatively stable demand for distillate fuel in the initial weeks following the shutdown.

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 Mahesh Albuquerque at [mahesh.albuquerque@state.co.us](mailto:mahesh.albuquerque@state.co.us).