



Highlights of [GAO-07-152](#), a report to congressional requesters

## Why GAO Did This Study

Underground storage tanks that leak hazardous substances can contaminate nearby groundwater and soil. Under the Resource Conservation and Recovery Act (RCRA), tank owners and operators are primarily responsible for paying to clean up releases from their tanks. They can demonstrate their financial responsibility by using, among other options, publicly funded state financial assurance funds. Such funds function like insurance and are intended to ensure timely cleanup. These funds also pay to clean up releases from tanks without a viable owner, as does the federal Leaking Underground Storage Tank (LUST) Trust Fund.

GAO was asked to report on (1) states' estimates of the public costs to clean up known releases, (2) states' primary sources of cleanups funding and their viability, and (3) federal sources to address these releases. GAO surveyed all states and discussed key issues with EPA and selected state officials.

## What GAO Recommends

GAO recommends actions for EPA to ensure that (1) tank owners maintain adequate financial responsibility coverage and (2) state assurance funds provide reliable coverage, among other things. In commenting on a draft of this report, EPA agreed with GAO's recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-07-152](http://www.gao.gov/cgi-bin/getrpt?GAO-07-152).

To view the full product, including the scope and methodology, click on the link above. For more information, contact John B. Stephenson at (202) 512-3841 or [stephensonj@gao.gov](mailto:stephensonj@gao.gov).

# LEAKING UNDERGROUND STORAGE TANKS

## EPA Should Take Steps to Better Ensure the Effective Use of Public Funding for Cleanups

### What GAO Found

States estimated that fully cleaning up about 54,000 of the approximately 117,000 releases (leaks) known to them as of September 30, 2005, will cost about \$12 billion in public funds. The Environmental Protection Agency (EPA) estimates that it costs an average of about \$125,000 to fully clean up a release. State officials said that tank owners or operators will pay to clean up most of the remaining 63,000 releases. However, an unknown number of releases lack a viable owner, and the full extent of the cost to clean them up is unknown. A tank owner may not be viable because the owner fails to maintain adequate financial responsibility coverage, which is intended to provide some assurance that the owner has access to funds to pay for cleanups. While 16 states require annual proof of coverage, 25 states check owners' coverage less often or not at all. Furthermore, 43 states expect to confirm about 16,700 new releases in the next 5 years that will require at least some public funds for cleanup.

States reported that they primarily use financial assurance funds to pay the costs of cleaning up leaks. States reported that they spent an estimated \$1.032 billion from financial assurance funds to clean up tank releases in 2005. Overall, fund revenues totaled about \$1.4 billion in 2005, of which about \$1.3 billion came from state gasoline taxes. The assurance funds in the 39 states for which GAO has information held an estimated \$1.3 billion as of September 30, 2005, according to state officials. However, many states also use these funds to clean up releases from sources other than underground tanks. Several state assurance funds may lack sufficient resources to ensure timely cleanups. While EPA monitors the status of state funds, its method of monitoring the soundness of these funds has limitations. Furthermore, there are concerns that, by paying the bulk of the cleanup costs, state financial assurance funds may provide disincentives for tank owners—who pay only a relatively small deductible—to prevent releases.

In addition to their own funds, states employ resources from the LUST Trust Fund, the primary federal source of funds for cleaning up releases from underground storage tanks. As of September 30, 2005, the fund balance was about \$2.5 billion. For fiscal year 2005, the Congress appropriated about \$70 million from the fund to help EPA and the states clean up releases and to oversee cleanup activities. EPA distributed about \$58 million of this amount to the states to investigate and clean up releases and conduct enforcement efforts, among other actions. To distribute LUST Trust Fund money among the states, EPA uses a formula that includes a base amount for each state and factors to recognize states' needs and past cleanup performance. However, although the LUST Trust Fund provides funds to states to assist in addressing releases from tanks without a viable owner, EPA has not incorporated this factor into its formula. Furthermore, EPA's information on states' performance comes from state reports; however, GAO found that some of the information in these reports is inaccurate and inconsistent.