Montana Petroleum Tank Release Compensation Board 2026 Biennial Report

7/1/2026

PETROLEUM TANK RELEASE COMPENSATION BOARD

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2025 through 2026

The Petroleum Tank Release Compensation Board (Board) and the Petroleum Tank Release Cleanup Fund (Fund) were established by the 1989 Montana Legislature to:

- Provide adequate financial resources and effective procedures through which tank owners and operators may undertake, and be reimbursed for, cleanup of petroleum contamination and payment to third parties for damages caused by releases from petroleum storage tanks;
- Provide adequate financial resources and effective procedures through which tank owners and operators may undertake, and be reimbursed for, cleanup of petroleum contamination and payment to third parties for damages caused by releases from petroleum storage tanks;
- Assist tank owners and operators in meeting financial assurance requirements under state and federal law governing operation of petroleum storage tanks;
- Assist in protecting public health and safety and the environment by providing assistance for cleanup of petroleum tank releases; and
- Provide tank owners with incentives to improve petroleum storage tank facilities in order to minimize the likelihood of accidental releases.

As statutorily required, this report includes the following list of topics that analyze:

- Trends in fund revenue and expenditure activity;
- Exposure to long-term liabilities;
- Impacts of changes in state and federal regulations relating to underground and aboveground storage tanks;
- Availability of petroleum storage tank liability insurance in the private sector and trends in provisions of the insurance; and
- The continuing need for collection of all or part of the petroleum tank release cleanup fee.

The Board is responsible for certain activities associated with a confirmed release. The responsibilities before the Board begin when and owner or operator applies for release eligibility. The following table outlines the duties that fall to the Board and those that are with the Department of Environmental Quality (Department). This table is provided to aid the reader’s understanding of the Board’s role in the release process and the statutory framework promulgated from 1989 through 2026 that defines the role.

Duties	DEQ’s Role	PTRCB’s Role	Legal Reference
Declare/Confirm Release	X		75-11-309
Request work plan	X		75-11-309(c)
Review work plan	X	X	75-11-309
Approve work plan	X		75-11-309(d)
Establish Guidance for Investigation and Cleanup	X		75-11-501et.
Establish Cost Control Measures		X	75-11-318
Determine Fund Eligibility of a Release		X	75-11-308
Obligate Funds for Proposed Corrective Action		X	75-11-309(5)
Ensure Fund is used in most cost-efficient manner		X	75-11-312
Reimburse Claims		X	75-11-307
Issue a No Further Corrective Action Letter	X		75-11-508
Close Releases	X		75-11-508
Re-Open a previously closed Release	X		75-11-307

Trends in Fund Revenue and Expenditure Activities

Revenue

A fitted line indicates that revenue from fuels sold in the state increased by approximately $70,000 each year over the last 32 years; 1995-2026*. This average increase, estimated from a linear regression of the fuel revenues from 1995 through 2026*, is holding steady with the last biennium's estimate of $71,000 and the coefficient of determination of 94%.

The State and other private employers have instituted remote work, which has resulted in less work-related traffic. There is still trucking and delivery activity but the revenue from gasoline, diesel, and aviation fuels has trended slightly upward over the past six-year period, from 2021 through 2026. A fitted line indicates that revenue from fuels sold in the state increased by approximately $53,000 each year of that six-year period. This shows a return to the pre-covid revenue increases seen in the earlier years of the program.

The fuel revenue comes from fees levied on gasoline, diesel, and aviation fuels, each of which exhibits a different trend. The data indicates that when comparing the three fuels, diesel fuel revenue still has the steepest incline from 1995 through 2026*. This incline is evident in the least-squares analysis used to calculate a straight line that best fits the revenue data for the thirty-year period, for each of the fuel categories. The slopes of the lines predicted from a linear regression are $23,500; $40,500; and $5,500 per year for gasoline, diesel, and aviation fuels, respectively. The slope provides an estimate of the annual increase in revenue for each category. Even though the slopes of the three trend lines are all positive, gasoline and aviation fuel revenues do not exhibit as significant a trend as diesel fuel. The addition of the numbers from the recent biennium to the linear regression line resulted in an increase in the slope for aviation fuel and gasoline with a decrease in slope for diesel fuel.

The linear trends for fuel revenues indicate that the Petroleum Tank Release Cleanup Fund (Fund) could expect combined fuel revenues to increase by approximately $70,000 each year, with diesel contributing $40,500 to the expected annual revenue increase, gasoline accounting for $23,500, and aviation fuel accounting for nearly $5,500. The revenue estimate predicts that fuel use will increase by about 1% per year. Although this indicates an increase in revenue, it probably is not significant enough to consider in a future estimate.

The slope of the linear regression line appears to still be the best predictor of future revenues. The slope of a least-squares regression would predict revenues at $8.0, $8.1, $8.15, and $8.2 million for 2027, 2028, 2029, and 2030 respectively. If revenues for the four years were predicted to remain nearly the same as they have for this biennium, the revenue predictions for 2027 through 2030 would be $8.1 million annually. The difference in the two prediction methods for the coming biennium averages less than 2%.

The Montana Department of Transportation's projected tax revenue was not available at the writing of this report*.

The U.S. Energy Information Administration's, (EIA), Short-Term Energy Outlook dated July 1, 2026 expects both increased production and increased net imports to contribute to greater availability of gasoline supplies, helping to stabilize inventories by the fourth quarter of this year, before reaching five-year averages early in 2027. This stabilization of inventory is enabled by refiners increasing gasoline yields in the second half of 2026 (2H26) and by greater gasoline supply from global markets.

Although EIA expects U.S. GDP to grow over the next 18 months, downward trends in transportation and manufacturing indicators contribute to EIA's lower U.S. diesel consumption forecast relative to 2022. EIA is uncertain about several factors in EIA's forecast including future GDP growth and employment. EIA's forecast assumes that the Federal Reserve's interest rate increases will slow inflation without causing major disruptions to U.S. employment or economic activity. If GDP growth does decline, EIA could see a further slowdown in U.S. diesel consumption. On the other hand, if the outlook for the manufacturing sector improves, EIA's diesel consumption forecast could be adjusted upward, even in the event of a deteriorating GDP forecast.

Expenditures

The expenses incurred by the Fund consist of expenses by the Petroleum Tank Release Compensation Board (Board) for fund administration and expenses by the Department of Environmental Quality (Department) for regulatory activities. The operating expenses for the Board through the years has comprised of proprietary contributions, office supplies, legal contracts, debt repayment, and equipment costs.

There appears to be a shift in the operating expenses in fiscal year 2011. The change is attributed to loan repayment and reduction of legal cases. A linear regression of operating expenses of the years of 1995 through 2011 indicates an annual increase of approximately $18,000 as contrasted to the period of 2012 to the present that exhibits an annual increase of approximately $15,000.

The Fund incurs personnel costs for 7 Board staff and 13 Petroleum Tank Cleanup Section Staff from the Department. For fiscal years 2025 and 2026 a total of $2.1 and $1.8 respectively was spent to cover staff wages for both programs. Predictions for personnel services is expected to increase to by 3% over the next two biennium which is consistent with the 3% average increase over the last 32 years.

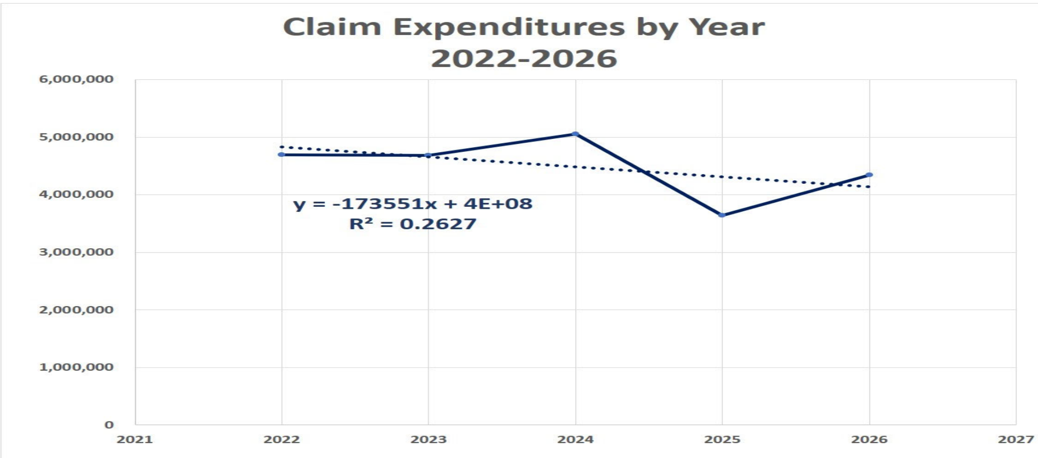
The slope of a linear regression analysis of the total combined expenses and operating costs from 1995 to 2026*, excluding the special allocations, indicates that the slope of the trend for total expenses exhibits an annual increase of 2%. A linear regression equation for the combined total expenses for fiscal years 1995 through 2026* estimates that the total costs will increase approximately $50,000 per year. Total expenditures in FY25 were $2.9 million and FY26 was $2.5 million. This indicates that the total program expenditures for FY2027 and FY2028 can be estimated at approximately $2.7 million per year.

Remediation Claim Expenditures

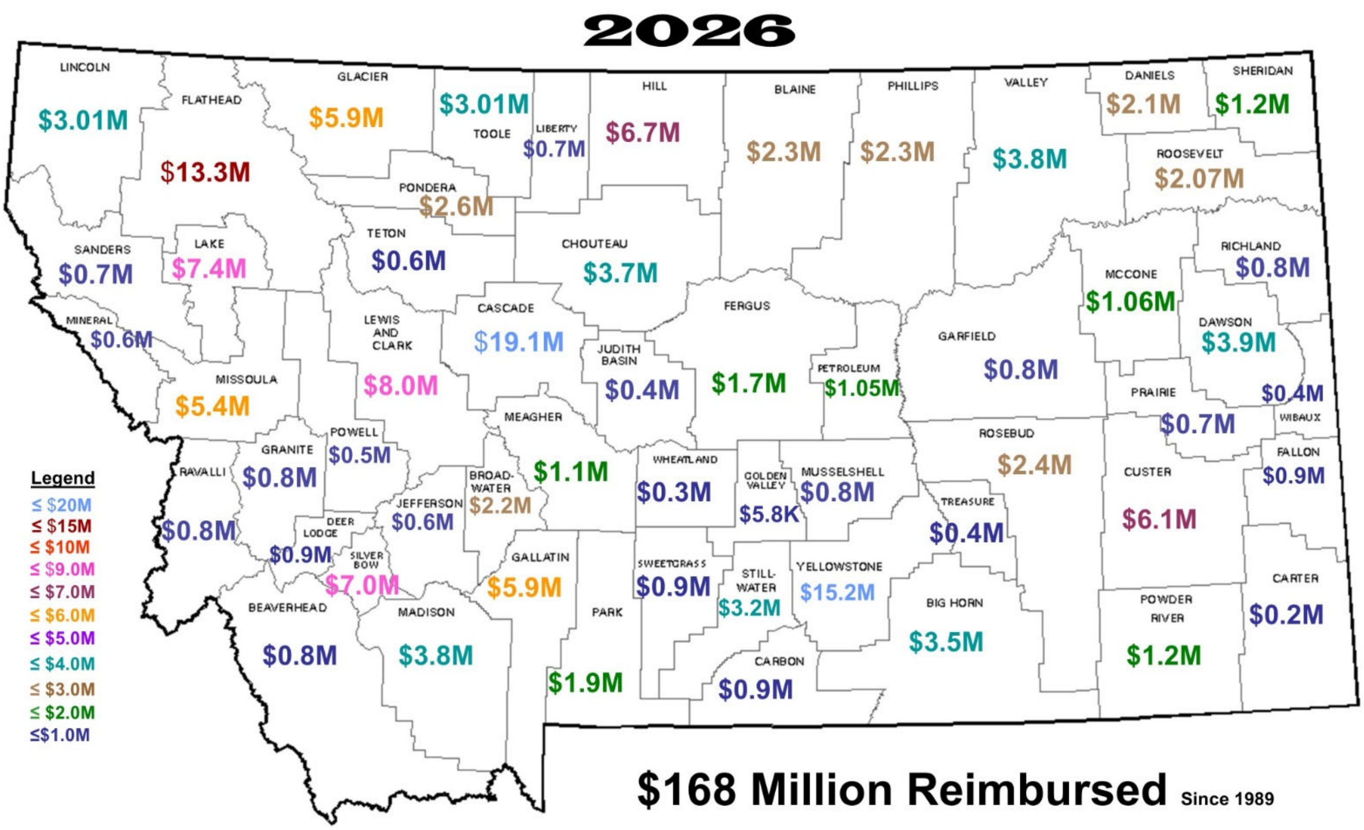
The annual claim expenditures for FY1995 through FY2026* reflects a decreasing trend. The claim data shows a range of variation in annual claim expenditures from FY1995 through FY2026* from about $3 million to $8 million. The claim expenditure data was analyzed using regression techniques from FY1995 through FY 2026*. Performing a least-squares linear regression analysis to calculate a straight line that best fits the claim expenditure data for FY1995 through FY2026* yields a decreasing regression line with a $35,000 per year rate of decline, about .08% per year. The regression estimates over the years continue to be erratic. Regression analysis for this data exhibits a low coefficient of determination, 0.08, and is therefore not likely the most reliable predictor of future claim expenditures.

The Consumer Price Index (CPI) has had a steady increase over the past 100 years but during COVID 19, the CPI has hit record highs of 8% due to disrupted supply chains and high consumer demand through 2021 before cooling down to normal historical levels in 2022. The CPI for the year 2025 averaged at 3.2 % over all categories and the data for calendar year 2026* is not available as of the date of this report.

The decline in claim activity is a contributing factor to the increase in the Fund balance. Given that the claim expenditures are declining, rather than keeping pace with CPI, the amount of remediation activity that is being submitted as claimed costs are declining by ~$174,000 each year, over the past 5 years, see image below. The Board has encourage additional cleanup activities to be conducted through the Departments work plan requests. The Board recognizes that the Department has been implementing process improvements that should drive up the number of work plan requests through the letters they are sending out. The Board is hopeful that the contact that the Department is making with the owners will result in work plan activity that would increase cleanup in the State and consume approximately $1M additional claim expenditures per year, over the next decade. Current claimed costs are ~$4.5 million per year. Increased work requested by the Department and conducted by the eligible owners and their consultants would leverage the Fund to bring down the cash balance and increase the number of release closures per year.



The following depicts the total reimbursement since the inception of the Fund, by county, to aid eligible owners.



Future Remediation Claim Projections

Using the average of claim expenditures for the past 30 years would project the expenditures for the next few years to be at approximately $4.8 million. As noted, the submitted claim costs are declining at an increased rate, causing the cash balance to rise. The Fund expends roughly $2.5 million per year in personnel services for both the Board and Department staff, plus another $4.5 million in claim activity. With higher revenues and decreased claims, that leaves a surplus of ~$1M a year, not including the cash balance already existing. The Board recognizes that the laws are predicated on the owner or responsible party. The Board understands that the Department has been conducting outreach to the owners of known releases to inform them of their release responsibility and to motivate corrective action to take place in remediation of the release. It is noted that this outreach will result in work plan requests, which will directly correlate to an expected increase in claim activity. The average annual claim expenditure is probably the best available predictor to provide an estimate for future claim expenditures, unless the number of work plan requests significantly increase.

This analysis focused on the data and did not take into consideration any impacts from potential influential outside actions, such as regulatory changes, or any long-term strategic plans. The biennial report for 2024 projected claim expenditures to be at approximately $4.5 million based on the average calculated from the prior 28 years. The average claim expenditure for FY2025 through FY2026* was $4 million. The claim expenditures are a function of requested cleanup activity, site condition factors and costs of goods and services, and therefore, the best predictor would be an average of the more recent years. Using the average of claim expenditures for the past 10 years would project the expenditures for the next few years to be at approximately $4.6 million per year.

Prevention and Compliance Claim Expenditures and Projections

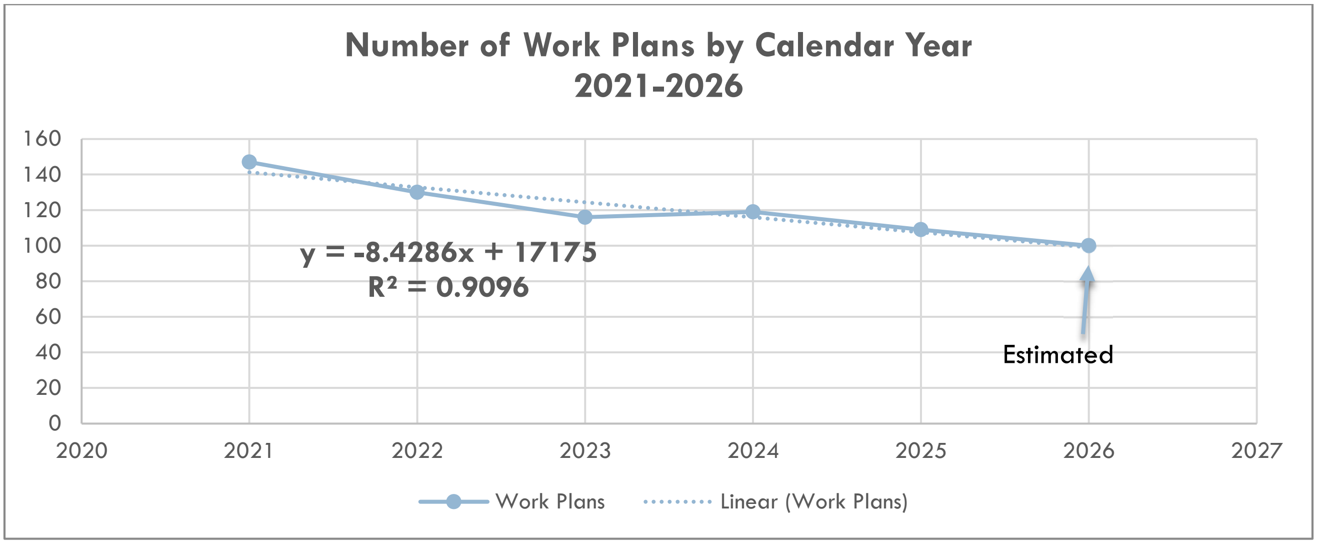
During the 2025 Legislative Session, statute was passed to allow money from the Fund to be spent on a defined list of prevention and compliance activities for actively dispensing_Montana facilities that are regulated by and in compliance with DEQ's UST Program, per 75-11-310, MCA. Rule was promulgated to flesh out how the statutory framework would be used and funding accessed, per ARM 17.58.336(9)(a)-(f). This resulted in a process, instructions, and a form for the owner to use in claim submittal to obtain reimbursement for eligible activities and costs not exceeding a maximum. The maximum set by law was $2,000.

Because prevention and compliance costs were only allowed to be submitted as of January 1, 2026, there have only been 19 claims received through June 30, 2026. The total reimbursement for those claims was $21,715.00. While remediation claim activity is projected to be on the decline, prevention and compliance claim activity will be on the rise.

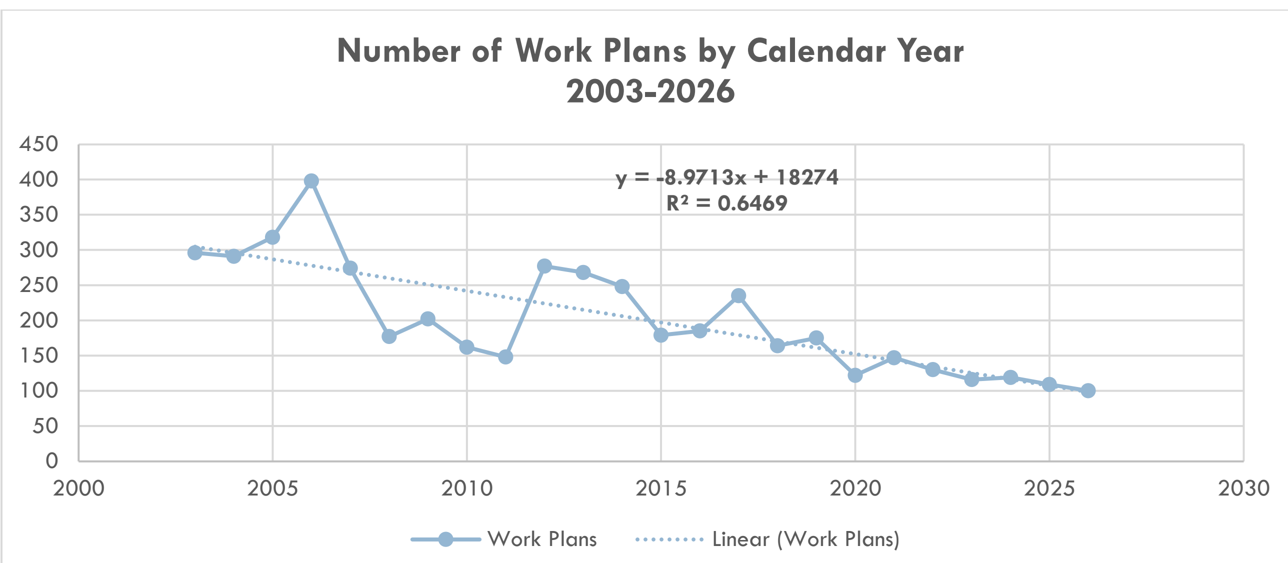
This additional coverage of eligible costs to the Fund was predicted to have an estimate of around 400 facilities per year that would be eligible to submit claims for these types of costs. Although there is a slow start, it is projected that in 2027 there will be 125 prevention and compliance claims submitted with a predicted average total value of $143,000. In 2028 it is projected that there will be 200 prevention and compliance claims submitted with a predicted average total value of $229,000.

Cash Balance

As revenue has risen and work plan and claim activity has declined, there is a cash balance that has been building. From 2012 through 2026*, the Fund's cash balance has been building on average by $500,000 each year. A fitted line on the last six years, 2021 – 2026*, shows the cash balance has been building by approximately $1M each year. The balance is increasing because there is less work being required and approved through work plan activity which results in less claim activity and direct expense allocated to the Fund. The following graph shows the decline in work plans for Fund eligible releases, by calendar year. This includes a prediction of 100 work plans being requested in the calendar of year of 2026. There is a decline of ~8 work plans per year with a 90% correlation coefficient.

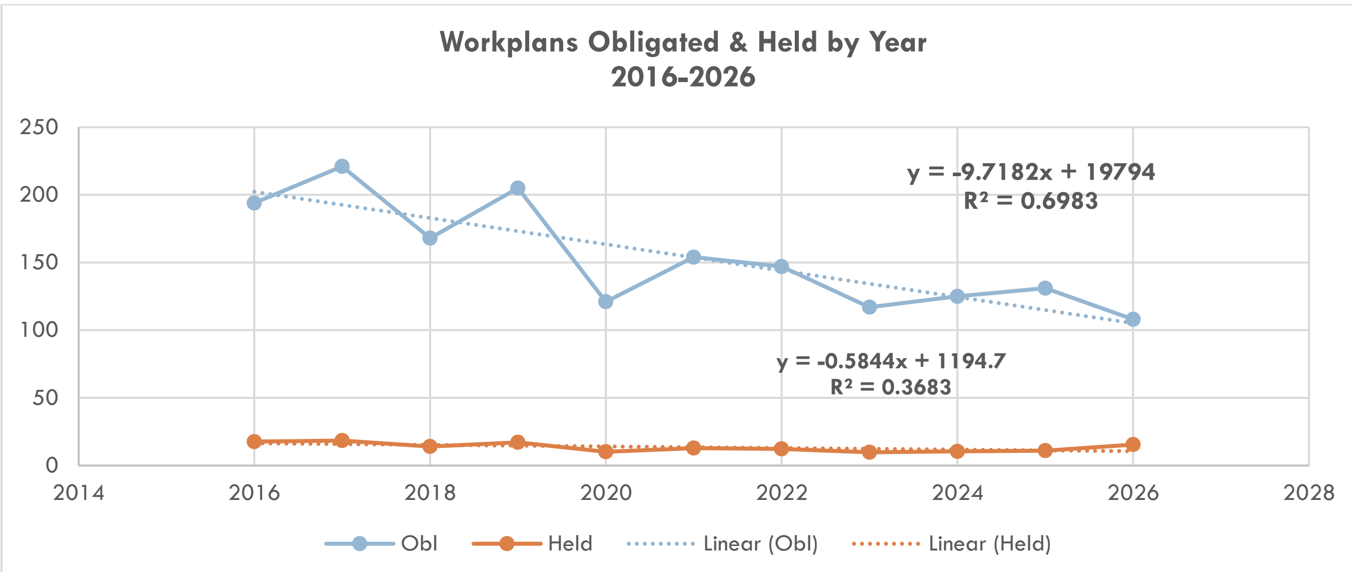


The following image depicts the decline in work plan activity for eligible releases since the Board started tracking work plans, from 2003, with calendar year 2026 estimated. There is a decline of about 9 work plans per year over this time period. The data depicts that in 2003 the Board received about 300 work plans. The volume of work plans being approved by the Department for eligible releases has declined to roughly 100 in 2026. This has a large impact on the growing cash balance.



The Board generally has work plans that have been held up for the following reasons; insurance is paying out costs through their coverage, eligibility has not been determined, the source of the release has not been confirmed to be from an eligible tank system, legal case, verification of ownership, suspended for Administrative Order from enforcement, awaiting competitive bids as required by law, and awaiting a revised work plan. From 2016 to date, there are on average 18 work plans held up at any given time for the previously stated reasons. These currently held up work plans total $395,000 that has not been obligated yet. The reasons for these work plans not being obligated is outlined in statute and prohibits us from encumbering the Fund to bear the costs until the issues are resolved.

From 2016 through 2026 to date the Board processed a total of 1,637 department approved work plans totaling roughly $68 million. This means that over a ten-year period, only 1% of work plans that are approved by the Department for eligible releases have been held. The following table depicts the Board's work plan review from 2016 through 2026 to date and the number of work plans on hold by year during the same period.



The Fund was created to aid eligible owners with remediation activities, thus there is a need for a positive fund balance. However, it is important to maintain a balance between work expenditures and revenue, helping to keep the Fund in balance. When there is not a balance between work expenditures and revenue it results in an increase in cash in the Fund. The Board would like to see a minimum balance maintained and the available cash in the Fund used for remediation or prevention activities that aid the eligible owners and facilities. There is a strong correlation between the increased cash balance of the Fund and the declining volume of Department approved work plans for Board eligible releases.

Exposure to Long-Term Liabilities

Remediation Long-Term Liabilities

Fund eligibility consists of release from active petroleum storage tanks, releases that are currently being remediated and have not applied for assistance, releases that have been discovered and no corrective action has been performed, and existing contamination yet to be discovered at old petroleum storage facilities (former gas stations). The potential liability for contested eligibilities is assess as applications for eligibility are received, recommendations of eligibility are made and then ratified or heard by the Board for final determination.

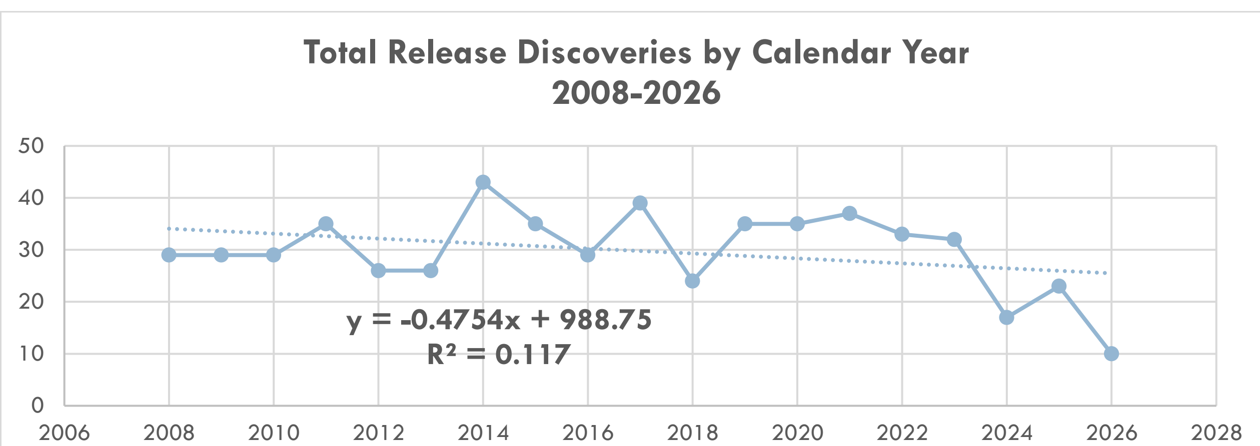
The sites that have active and current cleanup need to proceed through the remediation phases, which requires requests for work to be done, the implementation of that work and time required for implementation.

All open releases for which no work has been requested need to become part of the work process; starting with a work plan request, which results in the Board receiving an eligibility application. History has shown that former petroleum storage facilities have varying degrees of contamination yet to be discovered. It is known that there is a limited number of these facilities, and federal petroleum Brownfield's activities are assisting in finding and investigating these facilities. There will come a time when all historical storage facilities have been investigated and are working toward cleanup and closure. These liabilities can only be assessed based on rates of discovery, followed by application for assistance to the Fund, the estimated cleanup costs, followed by projected closure dates, and finally the resolution of those releases.

Fund liabilities for active tanks are positively impacted by prevention efforts, facility compliance, regulatory changes, and potential insurance coverage. The new regulations have prompted more preventative efforts and owners that stay in compliance, help releases avoid catastrophic levels and reduce the excess costs to the Fund. Over time, there will be new release discoveries because of Brownfields investigative activities, phase II environmental site assessments associated with property transfers, and monitoring of active tank systems.

There is a concern for those release discoveries for which there is no reasonable expectation of insurance coverage. These include discoveries of contamination that are found during a property transaction and usually involve sites that had petroleum tanks in the past, as well as releases that occur from heating oil tanks at residences or businesses. These types of releases currently have coverage provided by the Fund if they meet the criteria of compliance at the time of release discovery. The release from historical contamination will remain a Fund liability because insurance can only be obtained for sites with active tanks. Releases from heating oil tanks at residences or business will remain a liability until the Legislature creates a framework to mandate pollution coverage for homes and businesses. There will continue to be several discoveries in the future for releases that are not able to obtain insurance coverage.

Throughout time, there have been nearly 5,000 discovered releases, and of those about 900 remain open. An analysis of discovered releases from 2008 through 2026 indicates the number of releases being discovered each year averages 28, with no expected change. Further analysis shows an average of 27 release closures per year in that same time frame, with the amount doubled as an estimate for 2026 since data is only available for the first half of the year. As of 2026, the number of release discoveries appear to be higher than the closures. If this trend continues the number of open releases will never be appreciably diminished. There must be more releases being closed than discovered each year to reduce the backlog of historical releases currently open. A linear regression analysis of the release discoveries from 2008 through 2026 indicate a decline of 1 less release discovered every two years, see figure below. The totals for 2026* were estimated as double of what is reflected through the first half of the calendar year.



Of all open releases over time, there remain 207 releases that have never applied for eligibility to the Fund. These 207 releases represent an unknown liability to the Fund, the costs of bringing these to closure cannot be assessed until eligibility is applied for and potentially granted. If all known and open releases were in some phase of active remediation, the Fund's liability would be easier to define and other uses for the Fund could be predicted, such as additional assistance to fund prevention of releases.

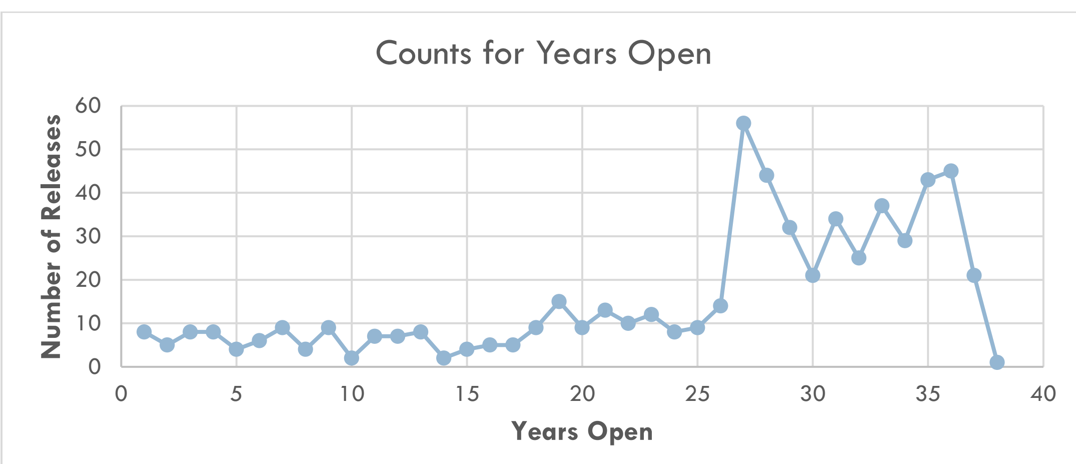
The best estimate of liability to the fund would be the total remaining costs for each of the open eligible releases plus any expected future liability. The categories of liability are shown in the table below for open release.

	2026
Never Applied for eligibility	207
Those applied to the Fund and granted eligibility	585
Those applied and determined ineligible	85
Those that have applied and are in process of eligibility determination	12
Those that have applied and are suspended awaiting additional information, or suspended at request of owner	6
Those that have applied and have requested the application withdrawn	4
Total	905
Total Overall Number of Releases	4921
Number of Remaining Open Releases	905

The Fund cannot currently assess its projected full liability because the information to do so does not exist. To understand full liability, the Fund needs to have an expected time of closure for each of the currently open and eligible releases, per 75-11-521(2), MCA.

> *"The department shall develop a list of open release sites prioritized by danger to the health and safety of the public and anticipated date of categorizing the sites as resolved."*

The list of open releases with an anticipated date of categorizing the site as resolved is not available. If the maximum allowed coverage is assumed to be necessary for each of the 585 open and eligible releases to reach closure, the total remaining liability to the Fund for these known releases would be $443,663,563.00. Of the 585 open and eligible releases 499 have been open more than 15 years. This translates into 85% of the currently open and eligible releases falling into the category of being discovered more than 15 years ago.



The Board and the Department are engaged in a process, Moving Sites to Closure (MStC), developed in conjunction with EPA, that assesses risk at release sites. This process entails a detailed risk assessment based on several criteria developed with EPA and State entities. This may provide a path forward to address these old releases that have not had any recent work or evaluation of next steps in the remediation process. The Board has engaged in file review to find data that would help assess long-term fund liability. What was found is that the older the files are, the less quality data exists. As the Department works on these old sites, the Fund has an expectation that more testing will be required to formulate a baseline of the contamination remaining. The average costs to bring a release to closure in the last 15 years is $71,000.00, this does not take into account the number of releases in the last 15 years that remain open and have cumulative reimbursements well over $150,000.00.

The Board has a challenge assessing long term liabilities when there is no estimated date of closure for the known and open releases. With the decline in release closures and the lack of a defined closure rate creates a data set that is outside of the predictive tools the Board could apply to determining long term liability. This becomes even more difficult to assess for what is unknown. The costs for release closure will continue to increase over time and so will the Fund's liability. The relationship between release discovery, closure, time, and costs remains outside of the Board's predictive ability.

The Board remains concerned that the number of AST releases may become most of the long-term liabilities. Many ASTs do not comply with current storage tank requirements established by the State Fire Marshal. A checklist has been established by the Board to aid owners in determining compliance requirements that affect Fund eligibility. The current AST Fund eligibility requirements can be found on the Board's web site at:

https://deq.mt.gov/files/DEQAdmin/PET/Documents/Forms/StorageTankChecklist.pdf

Over the long term, compliance by AST owners with current State standards, specifically the AST check list, will help to reduce the number of releases from ASTs. Since this is a voluntary compliance, there are many AST owners that have tank systems that don't meet these State standards. The Legislature should consider establishing required inspections to help owners minimize potential releases.

Prevention and Compliance Long Term Liabilities

There are roughly 400 facilities per year that can apply for the assistance offered under this new funding. The maximum reimbursement allowed per claim is $2,000 and the current average claimed is $1,145. This translates into a currently projected yearly liability of $458,000. If the average claim increases to the maximum allowed of $2,000, the projected yearly liability will be $800,000.

As more owners engage in this funding, the Board expects there to be increased interest in providing a higher maximum reimbursement. The Fund is being used for both reimbursement types and if remediation activities do not increase, there is a potential for more expenditures to be made for prevention and compliance activities.

Impacts of changes, in State and Federal Regulations, on Underground and Aboveground Storage Tanks

The overall lack of regulation for Aboveground Storage Tanks, (ASTs), is an ongoing concern for the Fund. There has not been any formal inspection or regulatory framework set in place for ongoing compliance for AST's. As previously discussed, the Board has established a checklist to provide a path to eligibility for AST's that may seek Fund coverage because coverage is based on compliance. Without any regulatory oversight, compliance is hard to determine or encourage.

Availability of Petroleum Storage Tank Insurance and Trends

Insurance and state petroleum assistance funds are the most common mechanisms used by owners and operators to comply with federal and state financial responsibility requirements. Montana's Petroleum Tank Release Cleanup Fund (Fund) requires that insurance be used for cleanup activities before costs are reimbursed from the Fund. The program does allow the owner to leverage any insurance, or other funding sources, to assist with the owner's copay requirements. This model allows the owner to cost effectively meet the financial responsibility requirements. The program has seen an increase in the use of storage tank insurance over the last decade for active storage tanks.

List of Insurance Companies Meeting Financial Responsibility Requirements for Coverage

List of insurance providers from EPA is available online at: List Of Insurance Providers For UST Financial Responsibility Requirements | US EPA The current list shows a total of 16 insurance companies that write pollution coverage. There is a total of 13 companies listed that offer coverage for UST owners and operators that include Montana in that coverage, there are 3 companies that do not write coverage for Montana. The 2020 Biennial report indicated that a total of 64 insurance companies provided insurance coverage in the United States. Since that time, EPA has assessed the insurance companies that meet federal FR requirements, and the results greatly reduced the list that EPA published for available coverage to a much smaller list of providers.

The Board is participating in the State Funds and Financial Responsibility Quarterly Calls offered by our federal partners and is conducting research on issues with insurance. These efforts have identified several issues with tank insurance policies. There are a number of states that have phased out their state's petroleum coverage through an assurance fund. Some of them have retained a balance in their fund to provide for historic contamination that could not be covered by insurance. This still leaves newly discovered historic contamination in those states without coverage from either the state's assurance fund or insurance.
https://www.epa.gov/ust/state-financial-assurance-funds

There are many releases still being discovered because of property transactions, most are historic contamination that is found during the site assessment that is conducted as part of the sale of the property. There can be no reasonable expectation of an owner having insurance for historic contamination. Insurance coverage is usually written for a known likely liability, and it generally does not cover pre-existing liabilities. Until the backlog of open releases and newly discovered releases that are tied to historic contamination are closed, it would be very difficult to legislate a mandate for insurance coverage that would responsibly provide for protection of human health and the environment without providing a minimal insurance structure to reach that goal.

Insurance coverage as the only means of funding for potential petroleum releases presents unique challenges to the owner of that release. Those challenges are specific to the coverage being limited to a policy period, no retroactive coverage, no coverage during a voluntary investigation, no extended reporting period for a policy, temporarily closed tanks having no coverage, variability of coverage from year to year with changing policy exclusions, coverage for aging underground storage tanks, and most importantly the limited life span of an insurance claim when compared to the potential for a release to remain open for over 20 years in Montana.

Insurance companies only cover releases that occurred within the policy period. Which means insurance does not cover releases outside their policy period. So, discovery of contamination in 2023 of contamination that was released in 1993 is not covered by insurance because it did not occur during the policy period. The State does not have knowledge of policy expirations and active tank owners are often unaware that insurance policies require the release to be discovered withing the policy period. If insurance expires and the owner does not renew their policy, the release that is discovered may not be covered by insurance.

Many insurance policies do not have retroactive coverage. Policies can limit coverage to the time the release was discovered or when the release occurred. If the policy limits coverage to when the release occurred and has no retroactive coverage, the owner will not have coverage for a release that occurred in an earlier policy period. This problem is common when owners change insurance providers and transition from a release occurrence policy to a release discovery policy.

Certain insurance companies will not pay for cleanup if the release is discovered during a voluntary investigation, such as a Phase II site assessment for the sale of property. There continues to be a number of fueling station property sales occurring within the state of Montana. This policy exclusion makes it difficult for the property owner to sell the property to a potential buyer because the buyer wants an investigation and yet if a release is discovered during the investigation the release would be excluded from coverage due to the policy exclusion clause.

Most insurance policies do not provide coverage for an extended reporting period after the policy period and owners often don't investigate a site that is closing. Therefore, owners who allow the policy to end and discover a release after the business closes will be denied coverage.

Tanks in temporary closure presents a variety of issues regarding insurance. To meet the letter of the financial responsibility regulations, tank owners may be able to purchase insurance for out of service tanks, however typically the policy will include language that makes it clear that the policy is intended only to comply with FR regulations, and since a release cannot occur from an empty, out of service tank there is no actual coverage for cleanup of a release from an inactive tank.

It is important to note that insurance coverage changes from year to year and reimbursement or payment is based on a claim. The life of that claim is very short as insurance companies try to get those closed as quickly as possible. There is no translation of coverage between the Fund providing aid for 36 years on the same release and an insurance company paying out a claim, which would only cover a portion of the life of a release. The continuity of coverage is not even comparable between the Fund and insurance when factoring in the number of years a release can remain unresolved.

Another segment of UST's population for which insurance coverage is a concern is aging UST systems in the nation. Systems that are 30 years old and older continue to make up a larger segment of the UST population. Some owners of aging USTs report having trouble renewing or obtaining insurance, with smaller UST owners struggling the most. Montana, being a rural state, is made up of several struggling smaller UST owners. It is recognized that uninsured aging USTs expose the state to cleanup costs if owners don't have financial resources. The Fund bridges this financial gap, and the Board is mindful of the challenges and is seeking solutions.

While market conditions have hardened, the base federal financial responsibility requirements set by the EPA remain generally steady at a million per occurrence for petroleum marketers and others. Because of these limitations, the Fund provides better coverage for small owners and operators in Montana for environmental liabilities than the coverage provided by insurance.

Continuing Collection of Petroleum Tank Release Cleanup Fees

The Montana Petroleum Tank Release Cleanup Fund provides aid to tank owners who otherwise face prohibitively expensive cleanups. The Fund ensures that contaminated sites are quickly investigated and remediated and provides funding for releases that were not caused by current landowners but were discovered after purchase of a property. By the provision of funding for eligible costs, the Fund incentivizes owners to stay in compliance with rules and perform proper maintenance at actively dispensing sites. Another incentivization to stay in compliance is the newly enacted statues that provide owners of actively dispensing facilities reimbursement for eligible activities related to prevention and compliance. This additional use of the Fund for both remediation and prevention places more importance on its continuing existence to fulfill the overall objective of preserving a clean and healthful environment for current and future generations.

The Fund continues to protect public health and safety and the environment and allows UST owners to demonstrate financial responsibility as required by federal regulations. The Fund continues to provide financial resources for reimbursement of certain costs, expenses and other obligations incurred because of releases of petroleum products from active, inactive, and historical petroleum storage tank systems. The Board, the Department and the EPA continue to find ways to encourage owners to improve tank facilities in an effort to minimize the likelihood of accidental releases.

Given the expressed concerns with insurance at both the national and state level there is still a prevailing need for the Fund and the coverage it provides. There remains around 905 known releases that are yet to be resolved. Within the set of open releases there approximately 585 that are open and eligible sites and only 197 of those have a corrective action has been requested or is being performed, this means that 34% of the open and eligible sites have an active work plan. There are currently 277 open and eligible releases where no work is being performed. There are approximately 179 open releases that have been identified but have not applied for assistance from the Fund. Many of those sites will apply for assistance once a request for cleanup is made. There is still historic contamination yet to be found at former petroleum storage tank facilities most of these will be discovered during property transactions and will apply for assistance. Once these challenges are overcome, other models for funding cleanup, such as insurance, can be considered.

Because of the challenges already noted for adequate insurance coverage to meet federal FR, exclusionary language in policies and the amount of historic contamination known and unknown, there will be an ongoing need from the Fund for assistance in petroleum remediation efforts and incentives for prevention and compliance. This need will continue on some level, for the foreseeable future, both due to the need for an insurance model that requires and sets minimal standards along with the portion of the population for which insurance may never be a coverage mechanism, like the farm and ranch owners and homeowners with heating oil tanks.

The Board feels the fee should remain imposed and collected to help owners and operators comply with UST obligations under federal requirements, to fund reimbursement of corrective action related to historical releases and assist certain petroleum storage tank owners with cleanup of petroleum releases to protect public health and safety and improve the condition of the environment through the coverage of eligible prevention and compliance activities at active facilities. The fund balance has not yet approached the ceiling established by law (§75-11-314 MCA) and continues to collect $0.0075 on each gallon of fuel sold.

The Fund continues to be a significant part of property transfers for petroleum contaminated sites. Petroleum impacted sites that have been granted eligibility to the Fund pose less risk to the buyer in a property transaction. Because eligibility can easily be transferred to the new owner, and the bulk of the environmental liability is carried by the Fund, property sales are more likely to occur. This results in more Montana business properties remaining a business that can continue to serve its community and contribute to the tax base.

The Board continues to research and seek feedback on ways to incentivize owners to pursue implementation of cleanup strategies that bring their releases to closure in a timely manner. The outcome of this research has resulted in the prevention and compliance funding passed in the 2025 Legislature as part of SB315. This additional use of the Fund can help prevent releases by incentivizing owners to remain in compliance and be protective of the environment. Once the backlog of open historic releases is addressed there can be further research and justification to allow for a different funding model. Although participation in the Fund is voluntary, the fee collected comes from all people who purchase aviation fuel, gasoline, diesel, and heating oil. Thus, any incentives provided from this Fund are focused for the benefit of the citizens at large and the state of Montana and for the foreseeable future the assurance provided by the Fund should part of the protection provided to Montana and its citizens.

References

All data used for creation of graphs and figures was obtained through the analysis of data from the Department's database and the Petroleum Tank Release Compensation Board's database.

***Fiscal Year End is June 30, 2026, full reporting information not available until after July 1, 2026**

EPA List of Insurance Providers that meet financial requirements for underground storage tanks
https://www.epa.gov/ust/list-insurance-providers-ust-financial-responsibility-requirements#list

EPA List and Information on All State's Assurance Funds
https://www.epa.gov/ust/state-financial-assurance-funds

EPA Short Term Energy Outlook, STEO Between the Lines: Uncoupling diesel consumption and economic growth https://www.eia.gov/outlooks/steo/report/BTL/2023/06-dieselmacro/article.php

Consumer Price Index – Urban https://www.minneapolisfed.org/about-us/monetary-policy/inflation-calculator/consumer-price-index-1913-

Consumer Price Index – 2025 https://www.bls.gov/opub/ted/2026/consumer-price-index-2025-in-review.htm

US Energy Information Administration – Annual Energy Outlook 2022, Consumption through 2050
https://www.eia.gov/outlooks/aeo/narrative/consumption/sub-topic-03.php

US Energy Information Administration – Reference Case Projections Tables, Table 49 Freight Transportation Energy Use https://www.eia.gov/outlooks/aeo/data/browser/#/?id=58-AEO2022&cases=ref2022&sourcekey=0
All Reference Case Tables - https://www.eia.gov/outlooks/aeo/tables_ref.php

Definitions

Claim – In an actuarial context, a "claim" is typically used to refer to a single event triggering coverage by an insurer. For the Fund, a claim is a request for reimbursement for a single work plan related to the remediation of a site. For the purposes of this report, the term "claim" will have the latter meaning, while "release" will be used to signify individual triggering events, per the terminology used by the Fund.

Corrective Action Plan or Work Plan – These terms are used synonymously but is defined in ARM 17.58.311(9) as a written plan approved by the department specifying all corrective actions necessary to respond to a release. Each corrective action plan must include the cost of each corrective action specified in the plan.

Corrective Action Plan Budget – This is the portion of a Corrective Action Plan that contains the costs of each corrective action specified in the plan. This budget is used by the Board to determine actual, reasonable, and necessary costs of responding to a release and letting the owner know about the scope of those costs before the owner incurs them. This process is part of encumbering or obligating the Fund as mandated by law.

Coefficient of Determination - Compares the fitted (estimated) curve and actual data, and ranges in value from 0 to 1. If it is 1, there is a perfect correlation between the fitted curve and the data — At the other extreme, if the coefficient of determination is 0, the fitted equation is not helpful in predicting values.

Correlation - Refers to the relationship between two variables during a period of time which indicates whether and how strongly pairs of variables are related.

Fiscal Year - The State of Montana Fiscal Year begins on July 1 of each year and ends on June 30 of the following year.

Frequency – Technically speaking, frequency is the average number of releases per insured exposure. For the Fund, an insured exposure is one tank insured for one year. For example, if 250 releases are reported in a year with 10,000 insured tanks, the frequency (average number of releases per insured exposure) is 250/10,000 insured tanks = 0.025 releases per tank. In spite of this, the term "frequency" is often used to simply describe the number of releases (rather than releases per exposure), such as in the "Frequency Times Severity Method". The term is clarified is the meaning is unclear from context, and the distinction is important.

Least-squares - The method of least-squares analysis assumes that the best-fit curve of a given type is the curve that has the minimal sum of the deviations squared (least square error) from a given set of data. The least-squares line method uses a straight line ($y=mX+b$) to approximate the given set of data (x_1,y_1), (x_2,y_2), ...(x_n,Y_n).

Linear Regression Formula - attempts to model the relationship between two variables by fitting a **linear equation** to observed data. A **linear regression** line has an **equation** of the form $Y = a + bX$, where X is the explanatory variable and Y is the dependent variable.

Severity – Severity is the average cleanup cost of a release for a given collection of release. For instance, if the total cost for three releases is $45,000, the severity (average size of a release) is $45,000 / 3 releases = $15,000 severity.