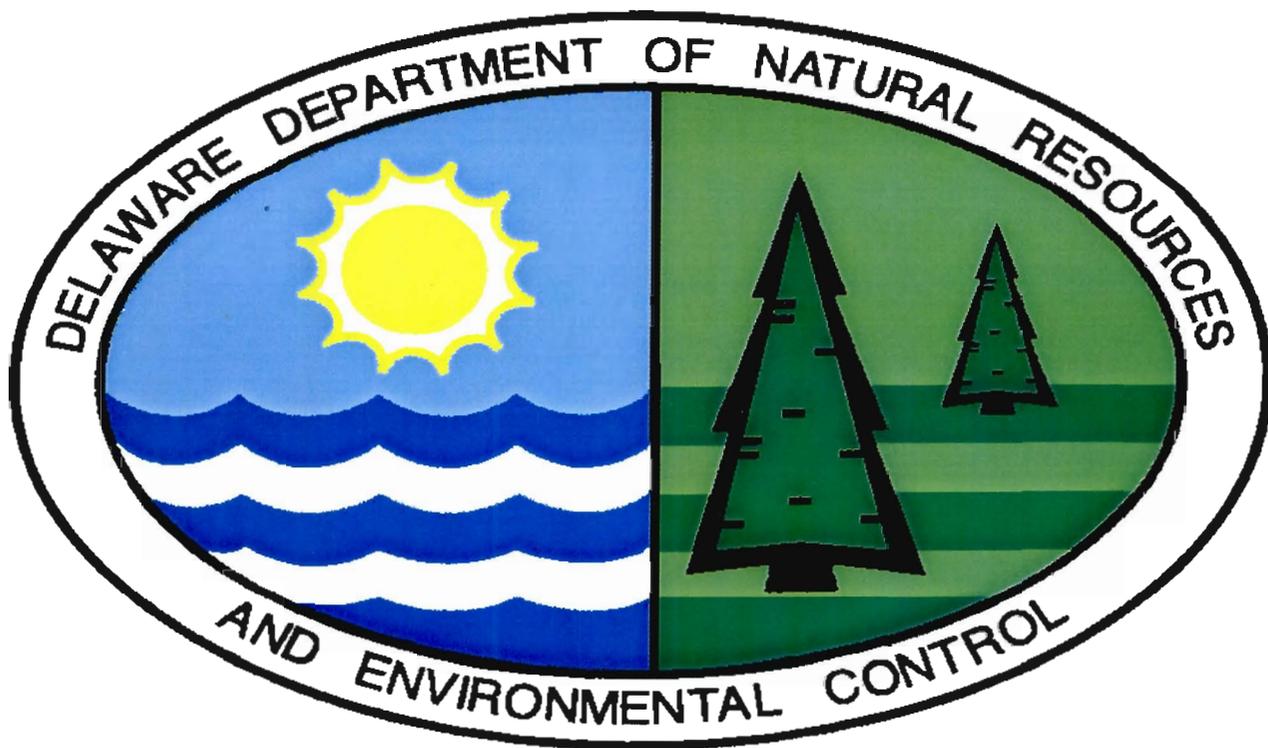


**DELAWARE HAZARDOUS SUBSTANCE CLEANUP ACT
EXPENDITURE PLAN**

FISCAL YEAR 2005



**STATE OF DELAWARE
DEPARTMENT OF NATURAL RESOURCES
AND ENVIRONMENTAL CONTROL
Division of Air and Waste Management
Site Investigation & Restoration Branch**

*John A. Hughes
Secretary*

JUNE 2004

A Message from the Secretary

The Department of Natural Resources and Environmental Control (DNREC or the Department) is committed to implementing Delaware's Hazardous Substance Cleanup Act (HSCA). The Department continues to be focused on highly contaminated sites that have a more immediate impact on public health and the environment such as the Metachem site in Delaware City. More recently, the Department's program has been expanded to address many idle or abandoned properties, known as Brownfields, which once cleaned up, serve as a benefit to their communities. Brownfields efforts result in the creation of new jobs as new industries establish themselves, revitalize surrounding communities, and help preserve Delaware's pristine open space or "greenfields."

Over the past year, the Department and the Delaware Economic and Development Office (DEDO) have offered Brownfields grants to numerous new businesses interested in redeveloping abandoned or underutilized property suspected to contain chemical contamination. In addition, both agencies have participated with various stakeholders in a Brownfields Redesign Implementation Work Group (Brownfields Work Group) which has laid the foundation for creating an effective and successful Brownfields Development Program in Delaware. This advisory group has defined a new Brownfields process which is already being implemented by the Department. The Brownfields Work Group has also drafted Brownfields legislation, which is being considered by the General Assembly, and is now in the process of drafting regulations to further support the program. The advisory group is also planning a Statewide Brownfields Conference for October 2004 which will supply valuable information to key stakeholders such as developers, lenders, and realtors involved in Delaware's Brownfields Development Program.

In addition to our Brownfields efforts, the Department has used HSCA funds to provide much needed funding assistance to non-profit agencies and municipal governments such as the City of Wilmington for the investigation and remediation of contaminated property. These efforts are the direct result of the Department's increased focus on leveraging resources from many different agencies and organizations to protect and enhance our natural resources, as well as promote economic growth in our state. These efforts, combined with existing financial incentives, will make it easier for interested parties to obtain the funding that they need to clean up contaminated property, resulting in land revitalization and job growth.

There have been several large Brownfields projects in the Wilmington area such as the cleanup of the former Delaware Oldsmobile site and the remediation of the northern end of Fox Point Park. Other efforts this year include the investigation and/or cleanup of the proposed AAA Mid-Atlantic headquarters site, and three municipal parks in the City of Wilmington; Cannery Village in Milton; the Doxsee/Soil and Water Conservation site, and Lewes Boatyard in Lewes; and Capital Scrap/Dover West Gateway in Dover. In addition, the Riverfront Development Corporation (RDC) and the Department continue to partner in enhancing Wilmington's Riverfront area. Current projects include the redevelopment of properties along A Street, which will be the first residential development project in the Riverfront area, as well as the first redevelopment project undertaken on the southern side of the Christina River.

Many properties in Delaware have been investigated and cleaned up using the HSCA program. HSCA funding has also been used for the continued support of the U.S. Environmental Protection Agency's (EPA's) removal action at the Metachem facility in Delaware City. The

Metachem site is also a Federal Superfund site in which the EPA has taken the lead. This means that the State of Delaware will be required to provide a ten percent match to the dollars EPA spends remediating the site as well as assume full responsibility for long term operation and maintenance of the facility. This will involve major expenditures out of HSCA in the future. The Department has been involved in other plant shutdowns as well this year including the General Chemical Plant in Claymont and the Kaneka Plant in Delaware City. Delaware is fortunate to have responsible corporate owners at these two sites that are committed to the costs of decontamination and remediation at these two facilities.

With all the positive work the Department has and will continue to undertake through HSCA, there is a note of caution. Our \$22,967,000 carryover from FY 04 to FY 05 will be reduced to just over \$8 million in FY 07. DNREC intends to hold \$6 million in the HSCA fund in reserve to address unexpected situations involving the cleanup of hazardous substances. Major projects, such as Metachem, and the implementation of the Mixed Funding Policy and the Brownfields Grants, have put a strain on the HSCA fund. Reduced carryover also means a reduction in interest on deposits, especially with continued low interest rates. The Department fully intends to take steps to prevent any unnecessary expenditures from HSCA, such as implementing the recommendations of the Governor's Task Force on Responsible Management of Facilities Handling Hazardous Products.

We would like take this opportunity to thank Governor Minner and the General Assembly for their continued leadership and support. We are aware of the challenges before us and will continue to strive for successful programs that improve the environment, protect public health, benefit Delaware's communities, and achieve Delaware's economic goals.

John A. Hughes, Secretary
Department of Natural Resources and Environmental Control

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Attachment A: Audit Report

Attachment B: Organizational Chart of the Site Investigation & Restoration Branch.

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1.0 INTRODUCTION

The Delaware Hazardous Substance Cleanup Program, also known as the State Superfund Program, is managed by the Department of Natural Resources and Environmental Control, Division of Air and Waste Management, Site Investigation & Restoration Branch.

7 Del. C. Section 9104 (c) (2) of the Delaware Hazardous Substance Cleanup Act requires the Secretary of DNREC to prepare an annual budget for the proposed use of the Hazardous Substance Cleanup Fund. The following report, prepared for the Governor and the Delaware General Assembly, represents DNREC's Hazardous Substance Cleanup Program expenditure plan for fiscal year 2005.

The goal of the Department in developing and updating this expenditure plan is to provide the legislature, other interested parties and agencies, as well as the general public, with a complete and accurate description of the Department's plans for investigating and remediating hazardous substance release sites in Delaware. The plan identifies hazardous substance release sites targeted for cleanup under State Cleanup Fund Lead, enforcement programs, and in the Voluntary Cleanup Program over the next five years.

It is important to note that during the course of a fiscal year, it becomes necessary to engage in activities which were unknown and difficult to predict at the time the annual expenditure plan was drafted (e.g., interim response actions, imminent danger abatements, etc.). Although these activities are difficult to forecast in the expenditure plan for a fiscal year, the Department accounts for such activities at the end of the fiscal year as represented in Section 3 (Accomplishments During Fiscal Year 2004) of this plan. The Department lists all activities conducted for the past year in accordance with 7 Del. C. Chapter 91, Section 9113(e), whereby the Secretary of the Department must seek approval from the Speaker of the House and the President Pro Tempore of the Senate for any expenditures from the Delaware Hazardous Substance Cleanup Fund not budgeted for in the annual expenditure plan. The Department assures that all expenditures are made in accordance with the expenditure plan budget and as necessary, to carry out the purposes of 7 Del. C. Chapter 91. The Department has never exceeded the expenditure budget in any of the years since the inception of HSCA. However, the number of sites addressed during a year may have varied from what was budgeted for that year.

This document has been divided into several sections. A detailed discussion of the Delaware Hazardous Substance Cleanup Program has been included in Section 2. Section 3 outlines the site-specific progress and program-related accomplishments of the program during FY 2004. Other program sites addressed during FY 2004 are discussed under Section 4. The projected goals and objectives for the next five years are discussed under Section 5.

The plan also includes a write-up on the Early Compliance Detection Incentive (ECDI) and First Fund Programs within our Tank Management Branch under Section 6. The ECDI Program provides reimbursements to responsible parties that have registered their petroleum tanks for inclusion in the program and have completed one or all of the remediation requirements at a given facility. In the FY 2000 appropriation act, the General Assembly authorized up to \$500,000 each fiscal year from the HSCA fund be used to address the removal and remediation

of orphaned and abandoned UST systems in the state. The Department named the program "FIRST Fund" and on March 15, 2000, the FIRST Fund policy and procedures were adopted.

Section 7 of this document lists the provisional expenditures for FY 2004 and a budget for FY 2005 through FY 2009.

Section 9104 (c) (2) of HSCA also requires an audit of the fiscal affairs to be conducted annually, and the submission of the audit report to the Governor and the Delaware General Assembly on an annual basis. Please refer to Attachment A (Audit Report) for audits conducted for the fiscal affairs of FY 2003.

2.0 THE SITE INVESTIGATION AND RESTORATION PROGRAM

2.1 The Delaware Hazardous Substance Cleanup Act (HSCA)

The Delaware Hazardous Substance Cleanup Act (HSCA), 7 Del. C. Chapter 91, was passed by the Delaware General Assembly in July of 1990; amendments have been added over the years to support the addition of the Voluntary Cleanup and Brownfields Programs. The HSCA statute gives DNREC the ability to ensure cleanup of facilities with a release or imminent threat of release of hazardous substances. The main objective of HSCA is to enable DNREC to address those sites not remediated under the federal Superfund program. DNREC has identified approximately 538 sites in Delaware as potential hazardous substance release sites.

The program is funded by levying a 0.9% tax on all taxable gross receipts from the sale of petroleum or petroleum products, with the exception of crude oil. The State Program requires potentially responsible parties to pay for the costs associated with investigating, and if necessary, cleaning up a site. If a potentially responsible party cannot be identified or is unable to pay for the cleanup, monies from the HSCA Fund are utilized to perform the cleanup at the site.

2.2 The Delaware Regulations Governing Hazardous Substance Cleanup

The HSCA requires the Secretary of DNREC to promulgate regulations in order to establish procedures governing site cleanups. The Delaware Regulations Governing Hazardous Substance Cleanup (Regulations) were promulgated by DNREC on January 12, 1993 and then amended as necessary as the programs developed. These regulations describe the entire cleanup process, from the identification of a site to its final cleanup, as well as provide a definition and criteria for Brownfields.

Any facility with a release or imminent threat of release may go through one or more of the following steps:

- Facility Identification:** Facilities will be identified through a variety of mechanisms, such as referrals from prospective purchasers, property owners, and developers interested in the Brownfields or Voluntary Cleanup Programs, complaints from the public, and reports from DNREC, other state agencies or parties.

- Scoping Meetings: The purpose of these initial meetings is to determine which program under HSCA the property should be addressed under. Participants at these meetings will share existing information regarding site conditions, and reach agreements concerning the schedule and content of future work that will be required at the site.
- Facility Evaluation: The Department or any person may conduct a facility evaluation to confirm the release or imminent threat of release of hazardous substances at a facility, and develop information to evaluate threat to public health or welfare or the environment.
- Identification and Notification of Potentially Responsible Parties (PRPs): The Department shall initiate actions to identify and notify the potentially responsible parties associated with a facility where a release or imminent threat of release of hazardous substances has been confirmed.
- Negotiations with Potentially Responsible Parties: The Department may require the potentially responsible parties to perform response actions by issuing a letter inviting negotiations towards preparation of a settlement agreement. If the potentially responsible parties and DNREC fail to reach a settlement agreement within 90 days, the Secretary may issue an administrative order after a hearing, or may initiate cleanup using the Hazardous Substance Cleanup Fund and pursue recovery of costs from the responsible parties. However, the Department may at any time carry out a response action at a facility, if the potentially responsible parties have not carried out the response action in a timely manner or if no potentially responsible parties can be identified.
- Remedial Investigation: A remedial investigation may be conducted at a facility to clearly describe the risks to public health, welfare or the environment, and to identify the specific problems requiring remediation. This is usually the first phase of a response action at a facility pursuant to a settlement agreement. This step involves extensive field sampling of the different media and analyses of the samples.
- Feasibility Study: A feasibility study follows a remedial investigation at a facility, and identifies the remedial alternatives appropriate to the site.
- Plan of Remedial Action: The Department shall prepare a proposed plan of remedial action outlining the alternative chosen by the Department, and provide for public notice and opportunity to comment. After review and consideration of the comments received, the Department shall issue a final plan of remedial action.
- Remediation: Based on the final plan of remedial action, the selected remedy is implemented at a facility. This process consists of distinct phases:

Remedial Design: This phase consists of preparation of engineering design reports and construction plans and specifications.

Remedial Action: This refers to the actual implementation of the remedy in accordance with the construction plans and specifications.

Operation and Maintenance (O&M) and Compliance Monitoring: O&M involves actions to maintain the effectiveness of the remedial action, whereas compliance monitoring verifies the attainment of cleanup levels and the long-term effectiveness of the remedial action.

- Interim Response Activity: The Department may require or conduct an interim action at any time before the selection of a remedy to prevent, minimize or mitigate harm to public health, welfare or the environment.

2.3 Voluntary Cleanup/Brownfields Program

The Delaware Voluntary Cleanup/Brownfields Program was developed in order to achieve the broad goal of wise land use throughout the State. It supports sound land use management with an emphasis toward sustainable economic redevelopment. Since 1993, the State of Delaware has been redirecting resources to support the rehabilitation and reuse of industrial and commercial properties, which have historically been abandoned or underutilized as a consequence of environmental contamination. In the past, the private sector's interest in purchasing and revitalizing these properties was often diminished due to the liability and cleanup costs associated with re-use of contaminated sites.

Delaware's Voluntary Cleanup Program began in August of 1993. While the developers' fear of liability could be allayed through their participation in this program, obtaining funds to cover the costs of property acquisition, cleanup and redevelopment, was still a challenge. This gave rise to the Brownfields Program in 1995 to promote the reuse of old and abandoned industrial sites. Under this program, the State provides incentives to the business community in the form of tax credits and financial assistance.

Brownfields legislation has recently been passed that will enable the Brownfields program to be more effective.

To date, DNREC has certified 23 sites as Brownfields which make them eligible for funding assistance under our new programs.

2.4 Ranking of Sites

Under the HSCA program, hazardous waste sites are ranked in the following order:

- (1) Sites which pose an imminent threat to public health, welfare and the environment.
- (2) Sites being addressed under the Brownfields or Voluntary Cleanup Program where the private parties volunteer to investigate and cleanup a site, and are willing to expend monies up front for the project.
- (3) Other HSCA sites which need attention but are not known to pose an imminent threat to public health, welfare and the environment.

2.5 Cleanup Assumptions, Complexities and Delays

The Department believes that this report is based on reasonable and sound assumptions, and that the cleanup projections indicated are the most accurate that can be made at this time, on the basis of the current information. However, a number of variables, which could cause significant differences in actual versus projected site cleanup activities exist. Sometimes site investigations and cleanup activities can take years to complete. Technical complexities arise during the investigation, design and final cleanup phases. This is particularly true of sites involving contaminated groundwater in geologically complex situations or when new treatment technologies are being applied. For example, hazardous substance release sites currently believed to be of moderate size and complexity could be discovered to be large and highly complex as a result of a more extensive study (remedial investigation/ feasibility study). Similarly, sites that are currently projected for responsible party-financed cleanup could become state-financed sites and vice versa.

Finally, with the growth of the Brownfields and Voluntary Cleanup Programs, it is difficult to predict the number of sites that will enter and be addressed under the program because a number of factors such as the economy, local land use decisions and intentions of the developer impact when the work will be performed.

2.6 Public Involvement

Another critical part of the HSCA Program is the public information process. HSCA mandates public notice at several times during the site investigation and cleanup process. The Department maintains an active community relations program for all sites under its jurisdiction. In addition to the provisions for public input in both the HSCA and the Delaware Regulations Governing Hazardous Substance Cleanup; local meetings, fact sheets, newsletters, as well as “door-to-door” canvassing are some of the other methods used by the Site Investigation & Restoration Branch to keep the public informed of site activities. The Branch strongly believes in maintaining close ties with all stakeholders in this process.

2.7 Organization of the Site Investigation and Restoration Program

As stated earlier, primary responsibility for implementation of the HSCA lies within DNREC’s Division of Air and Waste Management, Site Investigation & Restoration Branch (SIRB). There are currently 38 positions in SIRB. Of these, 23 are funded by EPA grants, 1 by the Department of Defense through Cooperative Agreements; 2 through General Funds; and the remaining 12 through the Hazardous Substance Cleanup Act (HSCA) Fund and from reimbursements by private parties for oversight of cleanup of their sites. Attachment B depicts the organization of the Branch.

Additionally, the HSCA fund is used to partially fund the services of a Deputy Attorney General position in the Department of Justice. Also, there are 3 positions within the Tank Management Branch funded by the HSCA Fund to cleanup leaking underground storage tank sites.

3.0 Progress Towards Completing Remedies

3.1 FY04 Sites Completed through Final Plan

In FY04, the Department completed investigations and issued final plans of remedial actions at the 21 sites listed below. Construction and remedial actions will continue at these sites until they are complete and then the sites will move into the operation and maintenance phase of the cleanup process.

Final Plans Issued FY04

<i>Site Name</i>	<i>Date Final Plan Issued</i>	<i>Type of Site</i>
Kenton Landfill	July 2003	VCP
210 Greenhill 2 nd Amended	July 2003	VCP
Syntech	July 2003	HSCA Fund Lead
200 S. Market	August 2003	VCP
201/205 A Street	August 2003	Brownfields
207 A Street	August 2003	Brownfields
Delaware Olds	August 2003	VCP
Route 4 Orchard	August 2003	VCP
Jackson Pit	August 2003	VCP
Wilmington Transit	October 2003	VCP
Petrillo Property	October 2003	VCP
Berger Brothers	December 2003	VCP
Kaneka	January 2004	VCP
Holly Oak	January 2004	VCP
Denton	January 2004	VCP
Cobra Machine	June 2004	Brownfields
320 A Street	April 2004	Brownfields
Diamond Oil	May 2004	VCP
Skull Property	May 2004	VCP
Dover Ice Corp	June 2004	VCP
Christina Lab	June 2004	VCP

3.2 FY04 Site-Specific Status and Projections for FY05

Current Status and Projections for Certified Brownfields Sites

The following is a list of DNREC Certified Brownfields sites that describes the progress of the remedy at each site to date and the site's projected status through June 30, 2005.

Site Name	Site ID #	Current Status of Remediation	Projected Status for FY 05
320 A Street	DE-1291	Remedial Action Complete	O & M
Atlantic Coast Environmental	DE-0066	On-going RI	Complete through Final Plan
900 French Street	DE-1206	Remedial Action Complete	Certificate of Completion of Remedy Issued. O&M if necessary.
920 French Street	DE-1206	Remedial Action Complete	Certificate of Completion of Remedy Issued. O&M if necessary.
Basher Lane	DE-1310	On-going RI	BI Completed
Capitol Scrap	DE-1171	BPA Complete	On-going RI
Cannery Village (King Cole)	DE-1252	On-going RA	Certificate of Completion of Remedy Issued. O&M if necessary.
Christina Landing Site	DE-1224,1228,1247	On-going RA	Certificate of Completion of Remedy Issued. O&M if necessary.
Cobra Machine	DE-1181	Remedial Action Complete	Certificate of Completion of Remedy Issued. O&M if necessary.
Deemer's Beach	DE-0078	On-going BI	Complete through Final Plan
Deemer Steel	DE-1087	On-going RA	Certificate of Completion of Remedy Issued. O&M if necessary.
Del Chapel OU-4	DE-1221	On-going FS	On-going FS
Delaware Compressed Steel	DE-1068	On-going RI	Complete through Final Plan
Eastern Disposal Rubble Pit	DE-0066	FE On-going	Complete through Final Plan
State of William Ward	DE-1272	BPA Complete	On-going RI
Former Amoco Polymer Plant	DE-0084	On-going RA	On-going RA

Site Name	Site ID #	Current Status of Remediation	Projected Status for FY 05
Former BABS Real Estate Property	DE-1277	On-going RI	Complete through Final Plan
Former Municipal Incinerator	DE-1273	BPA Complete	On-going RI
Harper Thiel	DE-0197	On-going RI	Complete through Final Plan
Hessler Property	DE-1169	BPA Complete	On-going RI
Hollingsworth Property	DE-1154	RI Negotiations On-going	On-going RI
Ion Power	DE-1322	BI On-going	Complete through Final Plan
Lamplugh Property	DE-0319	On-going RI	On-going FS
Lewes Boat Yard	DE-1167	On-going RD	On-going RA
NVF Newark	DE-0199	O & M	O & M
Peninsula Park LLP OU-2	DE-1147	On-going RA	On-going RA
Peninsula Ventures	DE-1294	On-going RI	On-going RI
Penn Del	DE-1057	On-going RI	Complete through Final Plan
Petrillo Property	DE-1281	Complete through Final Plan	Certificate of Completion of Remedy Issued. O&M if necessary.
Proposed Wilmington Skate park Site	DE-1262	BPA Complete	On-going RI
Riverfront Development Corporation	DE-1309	On-going FS	Remedial Action Complete
Riverfront Office Building	DE-1237	On-going RI	Complete through Final Plan
Stadium Site	DE-0004	On-going RI	On-going RI
Wilmington Rolling Mill	DE-1198	On-going RI	Complete through Final Plan
Wilmington Piece Dye	DE-1304	On-going FE	Complete through Final Plan

See Attachment C: Glossary of Terms for definitions relating to the cleanup process.

Current Status and Projections for Voluntary Cleanup Sites

The following is a list of Voluntary Cleanup sites that describes the progress of the remedy at each site to date and the site's projected status through June 30, 2005.

Site Name	Site ID #	Current Status of Remediation	Projected Status for FY 05
100 North Walnut Street	DE-1114	On-going RI	Complete through Final Plan
101 N. Poplar Street	DE-1134	On-going RI	On-going RI
210 Greenhill Avenue	DE-1080	O & M	O & M
400 South Madison Street	DE-1040	O & M	O & M
415-427 Tatnall Street	DE-1248	On-going Interim Action	Complete through Proposed Plan
503 South Walnut Street	DE-1068	On-going RI	Complete through Final Plan
1121 Thatcher Street	DE-1097	O & M	O & M
5th & DuPont	DE-1236	On-going FE	On-going FE
12 th Street Drum	DE-0294	On-going RI	On-going-RI
A-1 Auto Salvage	DE-1172	On-going RI	On-going RI
A.M. Domino Salvage	DE-1173	On-going RI	On-going RI
Amer Industrial Technologies	DE-1268	On-going RI	Proposed Plan
American Tank	DE-1180	On-going RI	On-going RI
Amp	DE-0248	On-going FS	On-going FS
Amtrak Wilmington Former Refueling	DE-0266	Phase II RI	On-going FS
Archives Building	DE-1133	O & M	O & M
Barcroft	DE-0037	On-going FE	Complete through Proposed Plan
Berger Brothers	DE-0131	O & M	O & M
Blue Ball Dairy Barn	DE-1307	On-going RI	On-Going RA
Brandywine Fibers	DE-1109	On-going FE	On-going FE
Brandywine Soil Pile	DE-1305	NFA	
Budd Metal	DE-0270	On-going RA	O & M
Casper Auto	DE-1185	On-going RI	On-going RI
Centerville Road PCE	DE-1290	On-going FE	On-going RI
Christina Lab	DE-1219	Complete through Final Plan	O & M

Site Name	Site ID #	Current Status of Remediation	Projected Status for FY 05
City of Newark Bikeway	DE-1194	Complete through Final Plan	O & M
Clayville Dump	DE-0095	On-going RA	O & M
Delaware Olds	DE-1289	On-going RA	On-going RA
Delaware Job Corps	DE-1241	Complete through Final Plan	O & M
Diamond Oil	DE-1229	On-going RA	O & M
Don Wilson	DE-1174	On-going RI	On-going RI
Dravo Shipyard - Amer Industrial Technologies	DE-1092	O & M	O & M
Dravo Shipyard - Harbor Associates	DE-1096	O & M	O & M
Eagle Run	DE-1039	On-going FS	O & M
Electric Hose & Rubber	DE-0174	On-going RI	On-going RI
Fifth and Church Streets	DE-1082	O & M	O & M
Former Dagsboro Substation	DE-1287	On-going RI	Complete through Final Plan
Former Dover Ice Plant	DE-1110	Complete through Final Plan	O & M
Former Georgetown Substation	DE-1286	On-going RI	Complete through Final Plan
Former Gildea Nursery	DE-1251	Complete Through Proposed Plan	Certificate of Completion of Remedy Issued. O&M if necessary.
Former Sunoco Tank Farm	DE-1238	On-going RI	Complete through Final Plan
Frazier's Pit	DE-0154	O & M	O & M
GM Wilmington	DE-1149	On-going RII/Interim Actions	Complete through Final Plan
George Gray Elementary School	DE-1138	On-going RI	On-going RI
Georgetown Coal Gas	DE-0188	Complete through Final Plan	O & M
Hay Street Sludge	DE-0024	On-going RI	Complete through Final Plan
ICI Americas, Atlas Pt	DE-0049	On-going FS/Interim Action	Complete through Proposed Plan
International Petroleum Corp.	DE-1278	On-going FS/Interim Action	O & M

Site Name	Site ID #	Current Status of Remediation	Projected Status for FY 05
JG Townsend Cannery	DE-0208	On-going FS	O & M
Jackson Pit	DE-0149	Complete through Final Plan	O & M
Junior Auto	DE-1176	On-going RI	On-going RI
Kaneka Corporation	DE-1292	On-going RI	O & M
Krieger-Finger Property	DE-1067	On-going RI	Complete through Proposed Plan
Maffett Property	DE-1299	On-going RI	On-going RI
May B. Leasure Elementary School	DE-1088	O & M	O & M
Merkin Auto	DE-1175	On-going RI	On-going RI
Moore Dump	DE-0202	O & M	O & M
Morris Work Release Center	DE-1143	O & M	O & M
Nanticoke Homes	DE-0235	Remedial Action Completed	On-going FS
Newark Landfill	DE-0039	On-going Remedial Action	O & M
Peninsula Park Parcel #3 OU-1	DE-1254	On-going RA	On-going RA
Philadelphia Pike	DE-1296	Complete through Proposed Plan	Certificate of Completion of Remedy Issued. O&M if necessary.
Port of Wilmington	DE-0230	O & M	O & M
Red Lion Property	DE-1100	On-going Remedial Action	O & M
Riverfront Parking Deck	DE-	On-going Remedial Actions	O & M
Rodney Village Shopping Center	DE-1288	On-going RI	Complete through Final Plan
Route 4 Orchard	DE-1205	Remedial Actions Complete	O & M
Sardo & Sons Warehouse	DE-1105	On-going Remedial Actions	Remedial Actions Complete
Schmalbach Pumphouse	DE-1297	On-going FE	Complete through Proposed Plan
Schuster Auto	DE-1178	On-going RI	On-going RI
Scull Property	DE-0153	Complete through Final Plan	On-going RA
St. Georges Bridge	DE-1193	On-going RI	Complete through Final Plan On-going RA

Site Name	Site ID #	Current Status of Remediation	Projected Status for FY 05
Sussex Lumber	DE-0118	O & M	O & M
Two Guys Auto	DE-1177	On-going RI	On-going RI
West Street Connector Extension	DE-1157	Complete through Final Plan	Complete through Final Plan
Wilmington Coal Gas North	DE-1146	On-going FS	Complete through Final Plan
Wilmington Coal Gas South	DE-0114	O & M	O & M

See Attachment C: Glossary of Terms for definitions relating to the cleanup process.

Status and Projection for HSCA Enforcement and Fund Lead Sites

The following is a list of HSCA sites that describes the progress of the remedy at each site to date and the site's projected status through June 30, 2005.

Site Name	Site ID #	Current Status of Remediation	Projected Status for FY 05
1200 Walnut	DE-1220	Complete through Proposed Plan	Complete through Final Plan
Allied Chemical Drum	DE-0249	On-going FE	On-going FE
American Scrap and Waste Company	DE-1131	On-going RI	On-going RI
Ametek	DE-0176	On-going RI	On-going RI
Bell Disposal Pit	DE-0215	NFA	NFA
CBI OU-2	DE-1038	O & M	O & M
Capital Cleaners	DE-1018	On-going FS	On-going FS
Christiana Mall Dump	DE-0186	NFA	NFA
Christina Park	DE-0300	On-going RI	Interim Actions Complete
Cress Collision Services	DE-0282	On-going FE	On-going RI
DCI Property	DE-1104	On-going RI	On-going RI
Delaware Correctional Center	DE-0134	FE Complete	NFA
Delaware State College Dump	DE-0164	FE Complete	NFA
Donovan Site	DE-0151	FE Complete	NFA
Drinking Water Protection Project	DE-1225	Implementation of Recommendations On-going	Implementation of Recommendations On-going
Fairfax Valet Cleaners	DE-1283	On-going RI	On-going RI
Fawcett Property	DE-1189	Complete through Final Plan	On-going interim actions
Five Points Fire Company	DE-1064	O & M	O & M
Former DP & L Elsmere Substation	DE-1186	Complete through Final Plan	Complete through Final Plan
Former Holly Oak DP & L Substation	DE-1200	O & M	O & M
Former Tannery Sites	DE-1256	On-going FE	On-going FE
Fox Point Park Phase I	DE-1001	O & M	O & M
Fox Point Park Phase II		Complete through Final Plan	On-going RA

Site Name	Site ID #	Current Status of Remediation	Projected Status for FY 05
Fox Run Caplem (Ridings)	DE-1013	O & M	NFA
Fox Run Double S (Rosewood)	DE-1012	O & M	NFA
Fox Run Lemley Brothers	DE-1006	O & M	NFA
Fox Run Rosewood	DE-1024	O & M	NFA
Fox Run White Oak (Hunter's)	DE-1014	O & M	NFA
Georgetown Cleaners	DE-0113	On-going FS	Complete through Proposed Plan
Governor Printz Industrial Park	DE-1025	On-going FE	On-going FE
Greene's Dump	DE-0183	FE Completed	NFA
Gumboro Dump	DE-0198	FE Completed	NFA
Halby NRDA	DE-1191	Under Settlement Negotiations	Settlement Negotiations Completed
Hamilton Park	DE-1284	On-going RI	Complete through Proposed Plan
Harry Wood Landfill	DE-0013	RI Negotiations	On-going RI
Hastings Dry Cleaners	DE-1010	O & M	O & M
Healthways OU-2	DE-1318	On-going RI	Complete through Proposed Plan
Helen Chambers Park	DE-1145	O & M	O & M
Joe White Memorial Ballfield	DE-0299	On-going FS	Interim Actions Completed
Kent Huston Landfill	DE-0029	O & M	O & M
Kenton Landfill - OU I	DE-0108	O & M	O & M
Krewatch Farm Site	DE-0109	Complete through Final Plan	NFA
Kruse Playground Site	DE-0111	On-going FS	Interim Actions Completed
Laurel St. Highway Borrow Pit	DE-0182	FE Complete	NFA
Lebanon Road	DE-0132	On-going FE	On-going FE
Lewes Boat Ramp	DE-1319	BPA	On-going RI
Makin Farms	DE-1253	FE	NFA
Meko Drive/Wayman Fire Protection Site	DE-1103	On-going Interim Actions	On-going Interim Actions
Metachem (removal)	DE-1279	On-going interim actions	On-going interim actions
Milford Mosquito Control	DE-1156	On-going interim actions	Interim Actions Completed
Millsboro Dump	DE-1056	On-going interim actions	Complete through Final Plan

Site Name	Site ID #	Current Status of Remediation	Projected Status for FY 05
Milton Dump	DE-0180	FE Completed	NFA
Milton Maintenance Yard	DE-0255	FE Completed	NFA
Mount Pleasant Church Dump	DE-0179	FE Completed	NFA
Necastro Auto Salvage	DE-0283	On-going RI	On-going RI
New Market Trailer Park	DE-1075	On-going RA	On-going RA
Newark Housing Authority Landfill	DE-0052	On-going RI	On-going RI
NVF Yorklyn	DE-0071	On-going RI/FS and interim actions	On-going RI/FS and interim actions
Old Incinerator Ash LF	DE-1179	On-going RI	On-going RI
Pigeon Point Landfill	DE-0027	On-going FE	On-going FE
Potts Property	DE-0169	On-going RA	On-going RA
Prime Hook Refuge Lead Removal	DE-1192	Interim Actions Completed	Complete through Final Plan
Raintree Village	DE-0171	O & M	O & M
Reichhold Chemical	DE-0245	O & M	O & M
S & W Conservation (Formerly Doxsee)	DE-1295	On-going RI	Complete through Final Plan
Seaboard Lumber	DE-0251	On-going RI/FS	On-going RI/FS
Sealand Mt. Pleasant	DE-0092	O & M	O & M
Southwood Farms	DE-1306	RI Negotiations On-going	On-going RI
Summit Landfill	DE-0074	On-going RI	Complete through Final Plan
Sussex County Landfill #1 – Bridgeville	DE-0122	Remedial Investigation Completed	O & M
Sussex County Landfill #2 – Stockley	DE-0129	Remedial Investigation Completed	O & M
Sussex County Landfill #3 – Angola	DE-0130	Remedial Investigation Completed	O & M
Sussex County Landfill #4	DE-0106	Site Inspection Completed	O & M
Sussex County Landfill #5	DE-0013	O & M	O & M
Sussex County Landfill #6 – Omar	DE-0123	Remedial Investigation Completed	O & M

Site Name	Site ID #	Current Status of Remediation	Projected Status for FY 05
Syntech	DE-0173	On-going RA	On-going RA
Toni Dry Cleaners	DE-1005	On-going RA	On-going RA
Townsend Dump/Gears Corner	DE-0142	FE Completed	NFA
Townsend Ingram Pond	DE-0201	FE Completed	NFA
Townsend Processing Plant	DE-0200	FE Completed	NFA
Truitt Landfill	DE-0178	FE Completed	NFA
W.B. Clerk Co. Morocco Manufacturer	DE-1234	On-going RI	Complete through Final Plan

See Attachment C: Glossary of Terms for definitions relating to the cleanup process.

Status and Projections of National Priorities List (NPL) Sites

The following is a list of NPL sites that describes the progress of the remedy at each site to date and the site's projected status through June 30, 2005.

Site Name	Site ID #	Current Status of Remediation	Projected Status for FY 05
Army Creek Landfill	DE-0001	On-going RA	On-going RA
Chem-Solv, Inc.	DE-0063	On-going RA/RD	On-going RD/RA
Cokers Landfill #1 & #2	DE-0004	O & M	O & M
Delaware PVC	DE-0007	O & M	O & M
Delaware Sand & Gravel Landfill	DE-0017	O & M	O & M
Dover Air Force Base	DE-0031	Record of Decision	On-going RA
Dover Gas Light Co.	DE-0057	On-going RA and Continued Investigation	On-going RA
Halby Chemical	DE-0067	On-going RA	O & M
Harvey & Knotts Drum Site	DE-0040	O & M	O & M
Koppers Co Facilities Site	DE-0019	Complete through Proposed Plan	On-going RA
Metachem/Standard Chlorine	DE-1279	On-going Remedial Design	On-going Remedial Design
NCR Corp	DE-0040	On-going RA	On-going RA
Tybouts Corner Landfill	DE-0028	On-going RA	On-going RA
Wildcat Landfill	DE-0011	O & M	O & M
Metal Masters	DE-0043	O & M	O & M
New Castle Spill Site	DE-0033	O & M	O & M

See Attachment C: Glossary of Terms for definitions relating to the cleanup process.

Status and Projections for Federal Funded Projects Such as Pre-remedial, Formerly Used Defense Sites, and Active Department of Defense Cleanup Sites

The following is a list of Pre-remedial, Formerly Used Defense Sites (FUDS), and Active Department of Defense (DOD) Sites that describes the progress of the remedy at each site to date and the site's projected status through June 30, 2005.

Site Name	Site ID #	Type of Site	Current Status of Remediation	Projected Status for FY 05
Bethany Beach	DE-1161	DOD	Decision Document	Site Closure
Delaware Air National Guard	DE-1003	DOD	RA/RD and RI	O & M
New Castle Army Airfield	DE-1118	FUDS	FE - Low Priority	FUD Site
Carpenter Borrow Pit	DE-0233	Pre-remedial	On-going SI	SI Complete
Chapman Road	DE-0034	Pre-remedial	SI Completed	NFA
Delacote	DE-0290	Pre-remedial	SI Completed	NFA
Donaho Paint Manufacturing	DE-1312	Pre-remedial	On-going PA	PA Complete
Dover Machine Works	DE-1314	Pre-remedial	On-going PA	PA Complete
Dover West	DE-1240	Pre-Remedial	On-going PA	PA Complete
Herbicide Spill Site	DE-0263	Pre-remedial	SI Completed	NFA
Hockessin GW	DE-1317	Pre-remedial	On-going PA	PA Complete
Homalite, Inc.	DE-0256	Pre-Remedial	SI Completed	NFA
JB Dry Cleaners	DE-1280	Subtilte C	BI On-going	BI Complete
Mt. Pleasant Landfill RR Dump	DE-0179	Pre-remedial	On-going SI	SI Complete
Newark Concrete	DE-0035	Pre-remedial	SI Completed	NFA
Reevis and Reevis Clay Pit	DE-0072	Pre-remedial	On-going SI	SI Complete
Penn Del Corner Lot	DE-0317	Subtitle C	On-going BPA	On-going RI
Penn Del Wooded Parcel	DE-0318	Subtitle C	On-going BPA	On-going RI
Wilmington Skate Park	DE-1262	Pre-remedial	BPA II Completed	On-going RI

See Attachment C: Glossary of Terms for definitions relating to the cleanup process.

4.0 OTHER PROGRAM-RELATED ACCOMPLISHMENTS

- Brownfields

In FY04, the Department and the Delaware Economic and Development Office (DEDO) have offered Brownfields grants to numerous new businesses interested in redeveloping abandoned or underutilized property suspected to contain chemical contamination. In addition, both agencies have participated with various stakeholders in a Brownfields Redesign Implementation Work Group which has laid the foundation for creating an effective and successful Brownfields Development Program in Delaware. This Work Group has defined a new Brownfields process which is already being implemented by the Department. The Work Group has also drafted Brownfields legislation which has recently been passed, and is now in the process of drafting regulations to further support the program. The advisory group is also planning a Statewide Brownfields Conference for October 2004 which will supply valuable information to key stakeholders such as developers, lenders, and realtors involved in Delaware's Brownfields Development Program.

- EQuIS Computer System:

DNREC has continued to invest in new technology to aid in speeding up the review time of environmental clean-up work plans and reports, which reduces the cost of oversight of clean-up activities associated with the Brownfields, VCP and HSCA enforcement programs. DNREC is now capable of receiving analytical and geological information in an electronic format using customized software for data storage and management. The data management tool used by DNREC is known as the Environmental Quality Information System, or EQuIS. Over the last year, DNREC has been consistently importing laboratory analytical data known as Electronic Data Deliverables ("EDDs) into EQuIS. During the next year, DNREC will offer refresher training on how to put together an EDD submittal that adheres to DNREC protocols. DNREC will continue to require all of the environmental reports that we receive to be submitted electronically. By using this system, DNREC will aid the public by making this information available through our web site.

- Public Outreach Efforts:

The Site Investigation & Restoration Branch has continued its effort to educate the public on the Brownfields Revitalization and Superfund process. Much of this effort over the past year has been in providing information to schools, students, local residents, and public officials. The Branch provided technical support at a University of Delaware Brownfields and Environmental Justice certificate program in February 2004. This program is aimed at urban community leaders, in an effort to educate them about Brownfields and local economic development issues. In October 2003, SIRB participated in a symposium relating to creating an inventory of Brownfields sites located in the Southbridge area of South Wilmington.

In FY04, SIRB staff participated in Career Day and Science Alliance activities at various schools throughout the State. The Branch also participated in DNREC's annual Water Festival held at Pea Patch Island, Coast Day, and Delaware State Fair celebrations.

DNREC continued to have a good working relationship with the City of Wilmington, as expressed in the Memorandum of Understanding (MOU) between DNREC and the City.

5.0 PROGRAM-RELATED GOALS AND OBJECTIVES FOR FY 2005

The following represents the program-related goals and objectives for FY 2005:

- Complete Phase II of the removal action at St. Georges.
- Continue to work on the National Priorities List (NPL) sites.
- Complete regulations for improving Brownfields Development Program.
- Conduct a State of Delaware Brownfields Conference
- Continue implementation of an electronic data management system using EQUIS.
- Publish outreach materials.
- Publish the HSCA expenditure plan for FY 2006.
- Publish the SIRB Annual Report.
- Revitalize and put back into reuse 20 acres of Brownfields sites.
- Certify 20 sites as Brownfields.
- Improve and redesign Brownfields/VCP Program.
- Establish formal Operation and Maintenance (O&M) and Institutional/Land Use Control Programs for completed sites using Miss Utility and O&M/Land Use Controls Inspection Programs.
- Develop a pay for performance contract for FIRST Fund.
- Provide technical assistance to address contamination issues associated with other programs.
- Promote innovative technologies in site investigation and remediation.
- Conduct background and bioavailability studies supporting arsenic cleanup standards.
- Conduct baseline assessments and other activities to support the Natural Resource Damage Assessment Program.
- Upgrade Cost Recovery Program.

6.0 THE EARLY COMPLIANCE DETECTION INCENTIVE PROGRAM (ECDI)

The Early Compliance Detection Incentive Program is managed by DNREC's Division of Air and Waste Management, Tanks Management Branch (TMB). It provides reimbursement to responsible parties who have conducted cleanup activities of leaking underground storage tanks on their own. Reimbursement is provided as the applications are received and reviewed under the provisions of the Program. In the event that the requests for reimbursement exceed the funding level, the approved requests will be reimbursed the following year.

To date in ECDI, 617 reimbursements have been made from the Fund, for a total expenditure of \$15,284,023.50. The reimbursements cover 127 sites, 70 of which have received a "No Further

Action” (NFA) letter from the Department. The 70 sites that received NFA letters were reimbursed a total of \$6,678,207.85 at an average cost per site of \$95,402.97.

The following is the amount reimbursed through ECDI:

<u>YEAR</u>	<u>AMOUNT (\$)/CALENDAR YEAR</u>	<u>AMOUNT (\$) /FISCAL YEAR</u>
1991	222,997.22	140,801.83
1992	810,668.66	310,819.39
1993	679,816.48	845,071.64
1994	740,576.58	850,000.00
1995	1,622,330.81	1,300,751.69
1996	1,075,020.68	1,267,703.86
1997	1,578,966.93	1,360,025.62
1998	1,158,735.31	1,350,000.00
1999	1,579,723.01	1,350,000.00
2000	996,604.04	1,277,250.76
2001	1,185,883.65	1,175,521.03
2002	1,465,134.63	1,230,998.34
2003	1,233,716.12	1,598,808.00
2004	933,849.38	1,226,271.34
TOTAL TO DATE (6/1/2004)	\$15,284,023.50	\$15,284,023.50

6.1 FIRST Fund

In addition to the ECDI program, HSCA money is used to fund the orphaned and abandoned UST program activities. In the FY 2000 appropriation act, the General Assembly authorized up to \$500,000 each fiscal year from the HSCA fund to be used to address the removal and remediation of orphaned and abandoned UST systems in the state. The Department named the program "FIRST Fund" and on March 15, 2000 the FIRST Fund policy and procedures were adopted. Since March 2000, the TMB conducted remedial work including tank removals at a total of 30 sites. Of the 30 sites, nine (9) of these sites have received a "no further action" determination. FIRST funds spent through June 30, 2004 total \$336,546.46. A total of \$207,324 was spent during 2004. The TMB is currently investigating the eligibility of two (2) additional sites for entrance into the FIRST Fund. The TMB will also investigate additional sites as they are discovered.

<u>SITE NAME</u>	<u>SITE ID. NO.</u>	<u>STATUS</u>	<u>DETERMINATION</u>
Charles Wagner Property	5-000849	Complete	No Further Action
Cochran Residence	3-002091	Complete	No Further Action
Reynolds Property	1-000527	Complete	No Further Action
Lobozzo Residence	3-002096	Complete	No Further Action
Former Houston Mini Mart	1-000628	Complete	No Further Action

SITE NAME	SITE ID. NO.	STATUS	DETERMINATION
Mohawk Electric, Milford	5-000952	On-going	Corrective Action
3630 Old Capitol Trail	3-002168	On-going	Corrective Action
Trexler Towing and Repair	1-000112	On-going	Corrective Action
Rosies Place, Frankfurt	5-000335	Complete	No Further Action
Uncle Ted's Trading Post, Millsboro	5-000341	On-going	Corrective Action
City of Delaware City Orphaned Tank Site	3-001572	On-going	Corrective Action
Punjab/Hi-Tech, Inc.	3-001159	On-going	Corrective Action
Paradise Nursery	1-000538	On-going	Corrective Action
Jones Atlantic	3-000288	Complete	No Further Action
Earl's Mini Mart	1-000113	On-going	Corrective Action
Former Kirkwood Arco	3-001826	On-going	Corrective Action
Meredith Property	1-000574	On-going	Corrective Action
Stevens Property	5-000974	On-going	Corrective Action
Freedom Motors	5-000447	Complete	No Further Action
Former Farmer's Supply	5-000824	On-going	Corrective Action
Barnacle Bob's	5-000901	On-going	Corrective Action
Ken's Tire Center	3-001827	On-going	Corrective Action
Wilson's Radiator Shop	3-001123	Complete	No Further Action
R. L. Ewing	1-000695	On-going	Corrective Action
Former Everett Rust Service Station	5-000931	On-going	Corrective action
1510 Forrest Ave Residence	1-000681	On-going	Corrective Action
Ken Meredith & Son	1-000574	On-going	Corrective Action
E V Adkins	5-000570	On-going	Corrective Action
E V Adkins Oil Company	5-000730	On-going	Corrective Action
Dave's Auto Body	5-000970	On-going	Corrective Action

7.0 EXPENDITURES & FIVE YEAR BUDGET PROJECTIONS

The HSCA Fund generates an estimated \$6.0 million in revenue annually. The table on the following page represents provisional expenditures during FY 2004 and a detailed budget projection for FY 2005 through FY 2009.

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ATTACHMENT C: GLOSSARY

Brownfield Preliminary Assessment (BPA)

A baseline environmental investigation conducted on underutilized potentially contaminated property/properties to characterize the site in order to encourage redevelopment of the property.

Brownfields Investigation (BI)

This is an extensive investigative study conducted at a facility to define the risks to public health, welfare and the environment.

DNREC

The Department of Natural Resources and Environmental Control.

ECDI Program

The Early Compliance and Detection Incentive Program, which provides reimbursements to responsible parties who have conducted cleanup activities of leaking, underground storage tanks.

Facility Evaluation (FE)

This involves a limited scope of investigation to confirm the release or a threat of release of hazardous substances, to develop information to evaluate the risk to public health, welfare and the environment, to determine the relative priority of a facility and to determine what further action is needed at the site.

Facility Identification

The process of identifying facilities with a release of hazardous substances, based on complaints from the public, reports from other agencies or parties, etc.

Feasibility Study (FS)

This process follows the remedial investigation and identifies the remedial alternatives appropriate to the site.

HSCA

The Delaware Hazardous Substance Cleanup Act first enacted in July of 1990, and later amended in June of 1993 and July of 1995 respectively. It is also known as the State Superfund Program.

HSCA Fund

A fund created for the purpose of addressing hazardous substance release sites in Delaware. The Fund consists of revenues from a 0.9% tax on gross receipts from petroleum products, penalty monies, and monies obtained through recovery of costs from potentially responsible parties.

Identification and Notification of Potentially Responsible Parties (PRPs)/PRP Search

The process whereby the Department will initiate actions to identify and notify the PRPs associated with the facility where a release or a threat of release has been confirmed.

Initial Investigation

The process of determining if a release or imminent threat of release of hazardous substances may have occurred that warrants further action. This can include a field visit and an examination of existing records.

Interim Action

An action at a site to prevent, minimize or mitigate harm to public health, welfare and the environment while the investigation and the study are On-going.

Operable Unit (OU)

A portion of a Superfund site that is addressed separately from the rest of the site to allow for easier management or a more timely response.

Operation and Maintenance (O & M)

Actions to ascertain the effectiveness of the remedial action.

Potentially Responsible Parties (PRPs)

Parties, including owners, and operators, who may have contributed to the contamination at a site, and may be liable for costs related to response actions at that site.

PRP Lead

This refers to a site where the PRP(s) performs investigative and remedial actions, and bears the costs of those activities.

Remediation

The implementation of a selected remedy that may consist of phases such as design, construction, operation and maintenance, and compliance monitoring.

Remedial Action (RA)

This is a response action at a site that involves the containment, treatment, isolation, and removal of hazardous substances in order to prevent, minimize, or mitigate harm to public health, welfare and the environment.

Remedial Investigation (RI)

This is an extensive investigative study conducted at a facility to define the risks to public health, welfare and the environment.

Site Inspection (SI)

A baseline environmental investigation conducted on underutilized potentially contaminated property/properties to characterize the site in order to encourage redevelopment of the property.

State/Fund Lead

This refers to a site where a PRP: (1) cannot be identified; (2) is unwilling to perform investigative or remedial activities; and (3) is unable to pay for cleanup. In such instances, the Department may carry out the investigative and remedial activities at the site using monies from the HSCA Fund.

Voluntary Cleanup Program (VCP)

A program established by the Site Investigation & Restoration Branch in order to promote voluntary remediation of contaminated sites. It is hoped that this will also promote the economic development of brownfields, thereby conserving greenfield areas.

HAZARDOUS SUBSTANCE CLEANUP ACT
EXPENDITURE PLAN
FY2004 - FY2009
(in thousands)

	FY2004*	FY2005	FY2006	FY2007	FY2008	FY2009
Revenue Total	6353.80	6250.00	6250.00	6250.00	6250.00	6250.00
Revenue Sources						
Tax Receipts	5808.10	5500.00	5500.00	5500.00	5500.00	5500.00
Private Party Cleanup Reimbursement	295.20	500.00	500.00	500.00	500.00	500.00
Interest on Deposits	250.50	250.00	250.00	250.00	250.00	250.00
Prior Year Carry Over	24364.00	22967.47	12278.51	8669.19	7431.42	6211.08
Expenditure Total	7750.33	16938.96	9859.32	7487.77	7470.34	7500.07
Program						
Superfund	5983.75	14796.27	7697.35	5305.94	5268.06	5276.72
Underground Storage Tank	1766.58	2142.69	2161.97	2181.83	2202.28	2223.35
Administrative Cost	977.17	1185.95	1219.73	1254.53	1290.36	1327.27
Superfund	610.19	629.27	646.35	663.94	682.06	700.72
Underground	366.98	556.68	573.38	590.59	608.30	626.55
Remediation Cost	6773.16	15753.01	8639.59	6233.24	6179.98	6172.80
Superfund	5373.56	14167.00	7051.00	4642.00	4586.00	4576.00
Underground Storage Tank	1399.60	1586.01	1588.59	1591.24	1593.98	1596.80
Expenditure Detail						
Total Superfund	5983.75	14796.27	7697.35	5305.94	5268.06	5276.72
Administrative Cost	610.19	629.27	646.35	663.94	682.06	700.72
Salaries	263.49	271.39	279.54	287.92	296.56	305.46
Operating Costs	289.20	297.88	306.81	316.02	325.50	335.26
Division of Revenue Expenses	57.50	60.00	60.00	60.00	60.00	60.00
Remediation Cost	5373.56	14167.00	7051.00	4642.00	4586.00	4576.00
Site Discovery/Site Assessment		375.00	375.00	325.00	325.00	325.00
Facility Evaluation Oversight		125.00	125.00	125.00	125.00	125.00
Facility Evaluations		100.00	100.00	100.00	100.00	100.00
Analytical		100.00	100.00	100.00	100.00	100.00
Drilling		50.00	50.00	50.00	50.00	50.00
Well Abandonment		15.00	15.00	15.00	15.00	15.00
Responsible Party Searches		50.00	50.00	50.00	50.00	50.00
NRDA Baseline Assessments		100.00	100.00	50.00	50.00	50.00
Capital Outlay		55.00	55.00	55.00	55.00	55.00
Instruments						
Deionized Water System		5.00	5.00	5.00	5.00	5.00
GC/MS		15.00	15.00	15.00	15.00	15.00
FID/PID		5.00	5.00	5.00	5.00	5.00
X-ray Fluorescence Spectrometer		15.00	15.00	15.00	15.00	15.00
Global Positioning Equipment		5.00	5.00	5.00	5.00	5.00
Mobile Lab		10.00	10.00	10.00	10.00	10.00
Data Integration		50.00	10.00	10.00	10.00	10.00
Private Party Cleanup		50.00	50.00	50.00	50.00	50.00
Remedial Oversight		50.00	50.00	50.00	50.00	50.00
Fund-Financed Cleanup		13687.00	6571.00	4212.00	4156.00	4146.00
Site Remediation						
7th Street Drum		5.00	5.00	3.00	2.00	2.00
12th Street Drum		5.00	5.00	3.00	2.00	2.00
American Scrap & Waste Company		10.00	10.00	10.00	10.00	10.00
Army Creek Marsh		5.00	5.00	5.00	5.00	5.00
Arsenic Background and Bioavailability Studies		100.00	20.00	0.00	0.00	0.00
Berger Brothers		5.00	5.00	5.00	5.00	5.00
Butler Well		1.00	1.00	1.00	1.00	1.00
Capitol Cleaners		40.00	20.00	10.00	10.00	10.00
Christina Landing		100.00	50.00	50.00	50.00	50.00
Christina Marina		100.00	50.00	20.00	20.00	10.00
Christina Park - Mixed Funding		200.00	50.00	10.00	10.00	10.00
Diamond State Salvage (EPA Removal)		1.00	1.00	1.00	5.00	5.00
Doxsee Property		100.00	10.00	10.00	10.00	10.00
Dravo Marsh		500.00	20.00	10.00	5.00	5.00
Dry Cleaners Vapor Intrusion Survey		50.00	5.00	1.00	1.00	1.00
Fawcett Property		10.00	1.00	1.00	1.00	1.00

HAZARDOUS SUBSTANCE CLEANUP ACT
EXPENDITURE PLAN
FY2004 - FY2009
(in thousands)

	FY2004*	FY2005	FY2006	FY2007	FY2008	FY2009
Five Points Fire Company		5.00	0.00	0.00	0.00	0.00
Former DPL Elsmere		20.00	1.00	1.00	1.00	1.00
Former Solid Waste Sites (17 sites)		25.00	10.00	5.00	5.00	5.00
Former Tannery Sites in Wilmington		75.00	50.00	50.00	50.00	50.00
Fox Point Park Phase I Repairs		50.00	1.00	1.00	1.00	1.00
Fox Point Park Phase II		100.00	5.00	5.00	5.00	5.00
Governor Bacon		50.00	10.00	10.00	10.00	10.00
Georgetown Cleaners		80.00	25.00	10.00	10.00	10.00
Hamilton Park		250.00	50.00	50.00	50.00	50.00
Harper Thiel		100.00	5.00	5.00	5.00	5.00
Harry Wood Landfill		10.00	10.00	10.00	10.00	10.00
Heathways OU1		5.00	5.00	5.00	5.00	5.00
Heathways OU2		50.00	5.00	5.00	5.00	5.00
Hillside Road		100.00	25.00	25.00	25.00	25.00
Joe White Ballfield - Mixed Funding		200.00	10.00	10.00	10.00	10.00
Kruse Playground - Mixed Funding		10.00	10.00	10.00	10.00	10.00
Lamplough Property		50.00	10.00	0.00	0.00	0.00
Meco Drive Site		50.00	10.00	10.00	10.00	10.00
Metachem		2500.00	2000.00	500.00	500.00	500.00
Milford Mosquito Control Shop		100.00	75.00	50.00	25.00	25.00
Millsboro Dump Site		50.00	1.00	1.00	1.00	1.00
Nanticoke Homes		80.00	20.00	20.00	10.00	10.00
NVF Yorklyn		100.00	100.00	50.00	50.00	50.00
Public Drinking Water Wells		50.00	25.00	25.00	25.00	25.00
Seaboard Lumber		100.00	50.00	25.00	25.00	25.00
St. George's Bridge		375.00	20.00	20.00	20.00	20.00
Stadium Site		40.00	10.00	10.00	10.00	10.00
Syntech		700.00	100.00	50.00	50.00	50.00
Technical Assistance for Requested Sites		20.00	20.00	0.00	0.00	0.00
Toni Dry Cleaners		200.00	25.00	25.00	25.00	25.00
Town of Elsmere Property		25.00	10.00	5.00	5.00	5.00
Sites Referred from Other Waste Programs		25.00	25.00	25.00	25.00	25.00
W.B. Clerk Former Tannery Site		200.00	25.00	10.00	5.00	5.00
Wilmington Public Works		100.00	50.00	25.00	10.00	10.00
Orphan Sites		25.00	25.00	25.00	25.00	25.00
O&M General Costs		50.00	50.00	50.00	50.00	50.00
Emergency Response***		300.00	300.00	300.00	300.00	300.00
Miss Utility		30.00	30.00	30.00	30.00	30.00
Vapor Intrusion at HSCA Sites		50.00	10.00	10.00	10.00	10.00
Mixed Funding/Brownfields Grants (City of Newark, City of Wilmington, RDC and others **		3000.00	1500.00	1500.00	1500.00	1500.00
Delaware Estuary Watershed (NRDA) Project		5.00	0.00	0.00	0.00	0.00
HSCA Loan Program		100.00	100.00	100.00	100.00	100.00
NPL Cost Share						
Metachem		3000.00	1500.00	1000.00	1000.00	1000.00
Tybouts Corner Landfill		10.00	10.00	10.00	10.00	10.00
Total Underground Tanks	1766.58	2142.69	2161.97	2181.83	2202.28	2223.35
Administration Cost	366.98	556.66	573.38	590.59	608.30	626.55
Salaries - Underground Tanks	159.13	163.90	168.82	173.89	179.10	184.48
Operating Costs	207.85	392.78	404.56	416.70	429.20	442.08
Remediation Cost	1399.60	1586.01	1588.59	1591.24	1593.98	1596.80
Salaries - Underground Tanks	83.50	86.01	88.59	91.24	93.98	96.80
Orphan Site/HSCA FIRST/ECDI	1316.10	1500.00	1500.00	1500.00	1500.00	1500.00

* The actual receipts and expenditures provided for FY 2004 are through May 26, 2004 and are provisional. Expenditures include encumbrances also. Salaries have been project through year end.

** Mixed Funding/Brownfields grant funding in FY2005 - FY2009 will be awarded only if sustainable by the HSCA fund.

*** Includes \$20,000 earmarked each year for administrative expenditures related to emergency response.

**ATTACHMENT A:
AUDIT REPORT**

STATE OF DELAWARE
DEPARTMENT OF NATURAL RESOURCES AND
ENVIRONMENTAL CONTROL
HAZARDOUS SUBSTANCE CLEANUP FUND
JUNE 30, 2003

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Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Audit Standards</u>	10-11

INDEPENDENT AUDITORS' REPORT

Hon. John A. Hughes
Secretary, Department of Natural Resources
and Environmental Control
89 King's Highway
Dover, Delaware 19901

We have audited the accompanying statements of assets and fund balance – cash basis - of the Hazardous Substance Cleanup Fund as of June 30, 2003 and 2002, and the related statements of revenue collected and expenses paid – cash basis – for the years then ended. These financial statements are the responsibility of the Department of Natural Resources and Environmental Control's (Department) management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2, the Department prepares the Hazardous Substance Cleanup Fund's financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the Hazardous Substance Cleanup Fund, as of June 30, 2003 and 2002, and the revenues it collected and expenditures it paid for the years then ended on the basis of accounting described in Note 2.

Thomas John Shopa, CPA, CFP
Charles H. Elter, CPA, CFP
Robert S. Smith, CPA
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Certified Public Accountants
A Professional Association
270 Presidential Drive
Wilmington, Delaware 19807
(302) 656-5500
(302) 656-8024 Fax
www.mcbrideshopa.com

INDEPENDENT AUDITORS' REPORT (Cont'd.)

In accordance with Government Auditing Standards, we have issued our report dated December 17, 2003, on our consideration of the Department's internal control over financial reporting for the Hazardous Substance Cleanup Fund and on its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

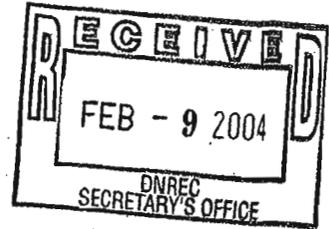
McBride, Shopa & Co

Wilmington, Delaware
December 17, 2003



STATE OF DELAWARE

OFFICE OF AUDITOR OF ACCOUNTS



R. THOMAS WAGNER, JR., CGFM, CFE
AUDITOR OF ACCOUNTS

PHONE: (302) 739-4241
FAX: (302) 739-2723

February 5, 2004

The Honorable John Hughes
Secretary
Department of Natural Resources and
Environmental Control
89 Kings Highway
Dover, DE 19901

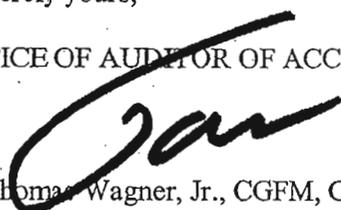
Dear Secretary Hughes:

Enclosed are the management letter and Fiscal Year 2003 audited financial statements for the Department of Natural Resources and Environmental Control's Hazardous Substance Cleanup Fund. The audit was conducted by the certified public accounting firm of McBride, Shopa & Company, P.A.

This audit was conducted in compliance with 29 Del. C. §2906, as amended, and was initiated under the direction of my Office. I trust the information contained herein will be helpful and informative.

Sincerely yours,

OFFICE OF AUDITOR OF ACCOUNTS


R. Thomas Wagner, Jr., CGFM, CFE
Auditor of Accounts

RTW:CMC:TLB

Enclosures

cc: The Honorable Ruth Ann Minner, Governor, State of Delaware
The Honorable M. Jane Brady, Attorney General, Department of Justice
The Honorable Russell T. Larson, Controller General, Office of Controller General
The Honorable Jennifer W. Davis, Director, Office of the Budget
Mr. Steven R. Karlsen, Department Financial Officer, Department of Natural Resources and Environmental Control
Ms. Jan Sunde, Fiscal Administrative Officer, Division of Air and Waste Management, Department of Natural Resources and Environmental Control
Ms. Trisha Neely, Director, Division of Accounting, Department of Finance
Ms. Becki Surguy, FMS Specialist, Division of Accounting, Department of Finance
Ms. Hannah Padilla, Senior Manager, KPMG LLP

401 FEDERAL STREET • TOWNSEND BUILDING • SUITE ONE • DOVER, DE 19901

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<http://www.state.de.us/auditor>

To the Management
Hazardous Substance Cleanup Fund
Wilmington, DE

In planning and performing our audit of the financial statements of the Hazardous Substance Cleanup Fund (the Fund) for the year ended June 30, 2003, we considered the Fund's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. This memorandum gives our comment and suggestion regarding this matter. We previously reported on the Fund's internal control in our report dated December 17, 2003. This letter does not affect our report dated December 17, 2003, on the financial statements of the Hazardous Substance Cleanup Fund.

We will review the status of the comment during our next audit engagement. We have already discussed the comment and suggestion with State personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendation.

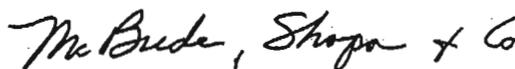
Condition

The Fund maintains a listing of all companies who obtain a business license and deal in petroleum, either as a wholesale or retail operation. Every month, the Fund collects the gross receipts returns and remittances, and summarizes the information on a Super Fund report. Currently, there is no reconciliation being done between the businesses holding a license and those who are actually filing.

Recommendation

We recommend that a reconciliation be prepared and checked monthly to ensure that those businesses holding an active license are appropriately filing a gross receipts return.

Sincerely,



Wilmington, Delaware
December 17, 2003

Thomas John Shopa, CPA, CFP
Charles H. Eiter, CPA, CFP
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www.mcbriideshopa.com

STATE OF DELAWARE
DEPARTMENT OF NATURAL RESOURCES AND
ENVIRONMENTAL CONTROL
HAZARDOUS SUBSTANCE CLEANUP FUND
STATEMENTS OF REVENUE COLLECTED AND EXPENSES PAID
(CASH BASIS)
YEAR ENDED JUNE 30, 2003

	<u>Administrative Account</u>	<u>Cleanup Fund</u>	<u>Holding Account</u>	<u>Total</u>
REVENUE				
Tax Assessments	\$ -	\$ -	\$ 6,257,462	\$ 6,257,462
Interest	-	26,998	453,238	480,236
Other	<u>1,801</u>	<u>61,671</u>	<u>37,372</u>	<u>100,844</u>
TOTAL REVENUE	1,801	88,669	6,748,072	6,838,542
EXPENDITURES				
Cleanup Program	<u>849,511</u>	<u>5,906,729</u>	<u>-</u>	<u>6,756,240</u>
TOTAL EXPENDITURES	<u>849,511</u>	<u>5,906,729</u>	<u>-</u>	<u>6,756,240</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES BEFORE TRANSFERS				
	(847,710)	(5,818,060)	6,748,072	82,302
TRANSFERS				
Transfers in	903,500	6,771,000	-	7,674,500
Transfers out	<u>(4,387)</u>	<u>(82,116)</u>	<u>(7,587,997)</u>	<u>(7,674,500)</u>
TOTAL TRANSFERS	<u>899,113</u>	<u>6,688,884</u>	<u>(7,587,997)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES				
	<u>\$ 51,403</u>	<u>\$ 870,824</u>	<u>\$ (839,925)</u>	<u>\$ 82,302</u>

The accompanying notes are an integral part of these statements.

STATE OF DELAWARE
DEPARTMENT OF NATURAL RESOURCES AND
ENVIRONMENTAL CONTROL
HAZARDOUS SUBSTANCE CLEANUP FUND
STATEMENTS OF REVENUE COLLECTED AND EXPENSES PAID
(CASH BASIS)
YEAR ENDED JUNE 30, 2002

	<u>Administrative Account</u>	<u>Cleanup Fund</u>	<u>Holding Account</u>	<u>Total</u>
REVENUE				
Tax Assessments	\$ -	\$ -	\$ 5,636,814	\$ 5,636,814
Interest	-	28,602	761,244	789,846
Other	<u>-</u>	<u>-</u>	<u>1,423</u>	<u>1,423</u>
TOTAL REVENUE	-	28,602	6,399,481	6,428,083
EXPENDITURES				
Cleanup Program	<u>948,461</u>	<u>3,784,380</u>	<u>-</u>	<u>4,732,841</u>
TOTAL EXPENDITURES	<u>948,461</u>	<u>3,784,380</u>	<u>-</u>	<u>4,732,841</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES BEFORE TRANSFERS				
	(948,461)	(3,755,778)	6,399,481	1,695,242
TRANSFERS				
Transfers in	816,800	3,497,750	-	4,314,550
Transfers out	<u>(4,799)</u>	<u>(409,865)</u>	<u>(3,899,886)</u>	<u>(4,314,550)</u>
TOTAL TRANSFERS	<u>812,001</u>	<u>3,087,885</u>	<u>(3,899,886)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES				
	<u>\$ (136,460)</u>	<u>\$ (667,893)</u>	<u>\$ 2,499,595</u>	<u>\$ 1,695,242</u>

The accompanying notes are an integral part of these statements.

STATE OF DELAWARE
DEPARTMENT OF NATURAL RESOURCES AND
ENVIRONMENTAL CONTROL
HAZARDOUS SUBSTANCE CLEANUP FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 1 SUMMARY OF OPERATIONS

In July of 1990, the State of Delaware (the State) legislature passed, and the Governor signed, legislation establishing the State's "Hazardous Substance Cleanup Act" (HSCA). This Act establishes standards to be followed to protect the public health and welfare of citizens and the environment of the State from releases of hazardous substances. The Act also provides a funding mechanism for the program.

The responsibility for administering the Act was vested in the Division of Air and Waste Management (the Division) within the Department of Natural Resources and Environmental Control (DNREC). Two branches were created within the Division: the Superfund Branch and the Underground Storage Tank Branch together which make up the Hazardous Substance Cleanup Fund. Both branches are funded primarily by a surtax on certain petroleum products sold in the State.

The State's Superfund Branch supplements the federal government's efforts in cleaning up hazardous sites. The most serious sites in the State become the responsibility of the federal government while those that meet lesser criteria become the responsibility of the State.

The Fund's activities are accounted for as a distinct operating unit within the Division. Accordingly, the financial statements of the Fund are intended to present the assets, fund balance, revenues collected and expenses paid – cash basis – of only that portion of the funds of the State of Delaware that are attributable to the transactions of the Hazardous Substance Cleanup Fund.

The Fund is divided into three subfunds: the "Holding Account" for the collection of tax assessments and other revenues, the "Clean-up Fund" for the remediation activities of the Fund, and the "Administrative Account" for the administrative activities of the Fund.

STATE OF DELAWARE
DEPARTMENT OF NATURAL RESOURCES AND
ENVIRONMENTAL CONTROL
HAZARDOUS SUBSTANCE CLEANUP FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting. The Hazardous Substance Cleanup Fund financial statements are prepared on the cash basis of accounting; consequently, revenues from all sources are recognized when received, rather than when earned; and expenditures are recognized when cash is disbursed, rather than when the obligation is incurred. The statement of assets and fund balance contains only cash and fund balances; the statement of revenue collected and expenses paid shows all cash receipts as revenues and all cash disbursements as expenses. Items included in other revenue are cost recoveries and permit fees.

Encumbrances. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of resources are recorded to reserve that portion of the applicable appropriation, is utilized in governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Cash and Investments. *The Cash Management Policy Board:* The State of Delaware's policy for the investment of State Funds is the responsibility of the Cash Management Policy Board (the "Board"). The Board, created by State law, establishes policies for and the terms, conditions, and other matters relating to, the investment of all money belonging to the State except money in any State pension fund and money held under the State deferred compensation program.

Investment Guidelines and Management: The investment guidelines adopted by the Board provide, among other things, that no more than 10% of the portfolio may be invested in obligations of any one issuer other than the U.S. Government. Investments may be made only in fixed income instruments with maturities of up to five years, in certain circumstances.

Collateralization Requirements: All State funds are required, by law, to be collateralized by direct obligations of, or obligations which are guaranteed by the United States of America, or other suitable obligations as determined by the Board, unless the Board shall find such collateralization not in the best interest of the State. The Board has determined that certificates of deposit and time deposits must be collateralized unless the bank issuing

STATE OF DELAWARE
DEPARTMENT OF NATURAL RESOURCES AND
ENVIRONMENTAL CONTROL
HAZARDOUS SUBSTANCE CLEANUP FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

the certificate has assets of not less than \$5 billion and is rated not lower than "B" by Keefe, Bruyette & Wood's Bank Watch Service. The Board has also determined that State demand deposits need not be collateralized provided that any bank that holds these funds has for the last two years, a return on average assets of 5% or greater and an average equity - capital ratio of at least 1:20.

If the bank does not meet the above criteria, collateral must consist of one or more of the following:

- (a) U.S. Government securities;
- (b) U.S. Government agency securities;
- (c) State of Delaware securities; or
- (d) Securities of a political subdivision of the State with a Moody's Investors Service rating of "A" or better.

Additionally, the bank must ensure that those securities pledged as collateral have a market value equal to or greater than 102% of the ledger balance(s) in the account(s) each day and ensure that securities pledged are identified as held in the State's name and are segregated on the bank's records.

"Cash" as reported on the Statement of Assets and Fund Balance represents the Fund's allocated share of cash, cash equivalents and investments under the control of the Treasurer of the State of Delaware. All cash deposited with the Treasurer by state agencies is maintained by the Treasurer in various pooled investment funds. The State Treasurer invests the deposited cash, including cash float, in short-term securities and other investments. Interest income is credited to the Fund based on the weighted average rate of return on the State's investments applied to the Fund's average daily cash balance. The classification of pooled cash and investments of the Fund is not determinable at the entity level. Pooled investments represent those investments in units of a pool, rather than specific securities. As a result, such investments are not categorized as to risk because they are not evidenced by securities that exist in a physical or book-entry form.

STATE OF DELAWARE
DEPARTMENT OF NATURAL RESOURCES AND
ENVIRONMENTAL CONTROL
HAZARDOUS SUBSTANCE CLEANUP FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2003

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd.)

Revenues. The Fund's primary source of revenue comes from the levy of a 0.9% tax on all taxable gross receipts from the sale of petroleum and petroleum products, with the exception of crude oil.

Although funding is adequate to meet DNREC's annual expenditure plans and carryover funds exist, the cost of the future clean up of orphaned sites exceeds the money available in the Fund.

NOTE 3 COMMITMENTS

DNREC has identified over 324 sites in Delaware as potential hazardous substance release sites, of which approximately 125 sites have been assigned a higher priority (identified as posing a risk to public health, welfare, and/or the environment). Of these 125 sites, 107 are being addressed under HSCA, with work complete at 84 sites. The remaining 18 sites are being addressed under the Federal Superfund Program (National Priority List) with work complete at 13 of those sites. Additionally, since the inception of Delaware's Voluntary Cleanup Program (begun in 1993) and the Brownfields Program (begun in 1995), 167 sites have entered the program; 98 sites are currently undergoing cleanup; and 69 sites have been cleaned up for reuse. This has resulted in the reuse of 1,400 acres of abandoned and/or underutilized properties. The cost of cleaning up the remaining sites exceeds the money currently available to the Fund.

AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Hon. John A. Hughes
Secretary, Department of Natural Resources
and Environmental Control
87 King's Highway
Dover, Delaware 19901

We have audited the financial statements – cash basis - of the Hazardous Substance Cleanup Fund as of and for the year ended June 30, 2003 and have issued our report thereon dated December 17, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Hazardous Substance Cleanup Fund's financial statements – cash basis - are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Thomas John Shopa, CPA, CFP
Charles H. Elter, CPA, CFP
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Ronald E. Derr, CPA

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270 Presidential Drive
Wilmington, Delaware 19807
(302) 656-5500
(302) 656-8024 Fax
www.mcbrideshopa.com

Internal Control Over Financial Reporting

In planning and performing our audit, we considered internal control over financial reporting for the Hazardous Substance Cleanup Fund in order to determine our auditing procedures for the purpose of expressing our opinion on

AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS (Cont'd.)

the financial statements – cash basis - and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements – cash basis -being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Hazardous Substance Cleanup Fund in a separate letter dated December 17, 2003.

This report is intended for the information and use of Department management, Office of the Governor, Office of Controller General, Office of Attorney General, Office of the Budget, and Office of Auditor of Accounts and is not intended to be and should not be used by anyone other than these specified parties. However, under 29 Del. C., Section 10002(d), this report is a public record and its distribution is not limited.

McBride, Shogan & Co

Wilmington, Delaware
December 17, 2003

ATTACHMENT B:
ORGANIZATIONAL CHART OF
THE SITE INVESTIGATION & RESTORATION BRANCH

**DIVISION OF AIR & WASTE MANAGEMENT
WASTE MANAGEMENT SECTION
with BROWNFIELDS POSITIONS 2004**

