

# Fiscal Note

State of Alaska  
2018 Legislative Session

Bill Version: HB 322  
Fiscal Note Number:  
() Publish Date:

Identifier: HB322-DEC-SPAR-02-01-2018  
Title: OIL  
SPILLS/POLLUTION: PENALTIES; PREVENTION  
Sponsor: RESOURCES  
Requester: House Resources Committee

Department: Department of Environmental Conservation  
Appropriation: Spill Prevention and Response  
Allocation: Spill Prevention and Response  
OMB Component Number: 3094

## Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

|                               | FY2019<br>Appropriation<br>Requested | Included in<br>Governor's<br>FY2019<br>Request | Out-Year Cost Estimates |            |            |            |            |
|-------------------------------|--------------------------------------|--|-------------------------|------------|------------|------------|------------|
|                               |                                      |  | FY 2019                 | FY 2019    | FY 2020    | FY 2021    | FY 2022    |
| <b>OPERATING EXPENDITURES</b> | <b>FY 2019</b>                       |  |                         |            |            |            |            |
| Personal Services             |                                      |  |                         |            |            |            |            |
| Travel                        |                                      |  |                         |            |            |            |            |
| Services                      | 10.8                                 |  | 2.7                     | 2.7        | 2.7        | 2.7        | 2.7        |
| Commodities                   |                                      |  |                         |            |            |            |            |
| Capital Outlay                |                                      |  |                         |            |            |            |            |
| Grants & Benefits             |                                      |  |                         |            |            |            |            |
| Miscellaneous                 |                                      |  |                         |            |            |            |            |
| <b>Total Operating</b>        | <b>10.8</b>                          | <b>0.0</b>                                     | <b>2.7</b>              | <b>2.7</b> | <b>2.7</b> | <b>2.7</b> | <b>2.7</b> |

## Fund Source (Operating Only)

|                       |             |            |            |            |            |            |            |
|-----------------------|-------------|------------|------------|------------|------------|------------|------------|
| 1052 Oil/Haz Fd (DGF) | 10.8        | 2.7        | 2.7        | 2.7        | 2.7        | 2.7        | 2.7        |
| <b>Total</b>          | <b>10.8</b> | <b>0.0</b> | <b>2.7</b> | <b>2.7</b> | <b>2.7</b> | <b>2.7</b> | <b>2.7</b> |

## Positions

|           |  |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|--|
| Full-time |  |  |  |  |  |  |  |
| Part-time |  |  |  |  |  |  |  |
| Temporary |  |  |  |  |  |  |  |

## Change in Revenues

|                       |            |            |             |             |             |             |
|-----------------------|------------|------------|-------------|-------------|-------------|-------------|
| 1052 Oil/Haz Fd (DGF) |            | 74.7       | 76.0        | 77.3        | 78.7        | 80.1        |
| <b>Total</b>          | <b>0.0</b> | <b>0.0</b> | <b>74.7</b> | <b>76.0</b> | <b>77.3</b> | <b>78.7</b> |

**Estimated SUPPLEMENTAL (FY2018) cost:** 0.0 (separate supplemental appropriation required)

(discuss reasons and fund source(s) in analysis section)

**Estimated CAPITAL (FY2019) cost:** 0.0 (separate capital appropriation required)

(discuss reasons and fund source(s) in analysis section)

## ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency?

Yes

If yes, by what date are the regulations to be adopted, amended or repealed?

07/01/20

## Why this fiscal note differs from previous version/comments:

|                                  |
|----------------------------------|
| Not applicable; initial version. |
|----------------------------------|

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Division:

Spill Prevention and Response

Date: 02/01/2018

Approved By:

Alice Edwards, Deputy Commissioner

Date: 02/01/18

Agency:

Department of Environmental Conservation

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2018 LEGISLATIVE SESSION

BILL NO. HB 322

### Analysis

This bill would give the Department of Environmental Conservation authority to implement administrative penalties for violations of Alaska environmental laws. The bill increases release volume amounts and includes any produced water mixed with oil for consideration when calculating civil penalties in the event of a release of oil or hazardous substances. The bill would also require companies transporting crude oil by commercial vehicle to have an approved contingency plan that outlines measures taken to prevent spills and planned response actions if a spill occurs. The bill allows for the consideration of deterrence when calculating penalty amounts, creates administrative penalty authority for serious or repeat violations under a certain threshold, and establishes regular adjustments on maximum penalties based on inflation.

The Department of Environmental Conservation would need to update regulations related to civil penalties. The Department would also need to adopt regulations that set standards and requirements for the companies hauling crude oil, including the pre-deployment of response equipment and requirements for drills and exercises. The anticipated requirements and standards are similar to those already imposed on crude oil storage tanks and the requirement of contingency plans are already in effect in other industries that transport crude oil. The additional workload associated with enforcing and managing the requirements would be absorbed by existing program staff.

#### Contractual:

Contractual costs reflect estimated RSA with the Department of Law for consultation and legal review during the development of new regulations as well as required public notice in Anchorage, Juneau, and Fairbanks. Regulations would need to be reviewed annually to reflect inflation.

#### Change in Revenue:

The amount of revenue generated from existing civil penalty amounts varies significantly from year to year and is dependent on several factors including the number of releases that occur, specific details of the releases, as well as the status and length of civil actions/litigation. Over the past three fiscal years, the Department has received an average of approximately \$150.0 per year associated with civil penalties from releases of oil or hazardous substances. With the increases of penalty amounts provided in the bill and basing estimates on recent data, it is estimated an additional \$74.7 of revenue will be received into the Prevention Account of the Oil and Hazardous Substance Release Prevention and Response Fund, with an annual increase based on average inflation rates.