

Division seeks funds for spill-prevention account

By Becky Bohrer
Associated Press

February 13, 2014 Updated 2 hours ago

JUNEAU, Alaska — An account used for the cleanup of contaminated sites, non-emergency spill response and other activities soon will not have enough money to keep up with costs, the director of the state's Division of Spill Prevention and Response told lawmakers Thursday.

Kristin Ryan told a House subcommittee the shortfall in the prevention account is projected to happen in fiscal year 2016, and the account will likely need an appropriation from the general fund.

The account gets its money from a four-cent surcharge on each barrel of oil. But the surcharge hasn't been increased to keep pace with inflation, Ryan said, and declining oil production means less money generated by the fee.

In 2010, the surcharge generated \$8.9 million. It's estimated the surcharge will produce \$7 million this year. Money from fines, penalties and settlements also go into the fund, which helps pay for inspections, readiness activities and other costs.

The account will likely need anywhere from \$6.6 million in 2016 to \$8.3 million in 2022 from the general fund.

If the surcharge were raised to nine cents a barrel, it would largely sustain the account through 2020, assuming a 1.5 percent annual growth in expenses, though the account would still need money from the general fund, Ryan said.

The Legislature last year passed a cut in oil-production taxes in the hope it would lead to more production.

In a recent report, the Department of Environmental Conservation, under which the Division of Spill Prevention and Response falls, said oil production would have to top 1 million barrels a day for the current surcharge to generate enough money to cover the division's costs.

For the year so far, oil flowing through the trans-Alaska pipeline is averaging just over 560,000 barrels per day.

The account evolved from a response fund created by the Legislature in the wake of the Exxon Valdez oil spill in 1989.

A five-cent-per-barrel surcharge on production was levied for prevention, preparedness and response programs after the disaster, according to the department. That was changed in 1994, with the creation of separate response and prevention accounts, and the five-cent surcharge divided so three-cents a barrel went to the prevention account and the rest toward building and maintaining a \$50-million response account for emergencies and major events.

In 2006, amid concerns with the prevention account being able to meet the division's costs, the allocation was changed again, resulting in the current allocation of four cents a barrel to the prevention account and one cent a barrel to the response account, the department said.

At the end of 2013, the balance for the response account was \$48 million.

Steps have been taken to slow the draw on the prevention account, such as eliminating a grant and loan program for the removal of underground storage tanks and requesting general funds to clean up state-owned contaminated sites rather than drawing that money from the account, the report says.

Ryan said she also wants to see more efforts to recover the costs of cleanup from the parties responsible for spills.

The department, in its report, said other possible ways to increase the amount going into the prevention account include expanding the surcharge to apply it to refined products produced, stored or moved within the state; imposing fees on services funded through the account; and raising the surcharge on oil, something that Rep. Peggy Wilson noted the industry has resisted.

Ryan told the subcommittee the division is working to get better numbers on where it spends its time and money in response efforts.

Douglas Mertz, an attorney who serves legislative monitor for the Prince William Sound Regional Citizens' Advisory Council, told the subcommittee it is risky to rely on general-fund money for the prevention account in the current state budget climate. He said two options would be raising the surcharge to what he called a sustainable level of nine cents or 10 cents a barrel or considering some way in which the burden could be spread to transporters, refiners and users of refined petroleum products.

Mertz also said the response account should be protected from the effects of inflation.

Proposal would raise prevention account surcharge

By Becky Bohrer

Associated Press

February 21, 2014 Updated 18 hours ago

JUNEAU, Alaska — A bill introduced in the Alaska House on Friday would raise the per-barrel surcharge on oil from four cents to seven cents to help bolster a state account used for the cleanup of contaminated sites, non-emergency spill response and other activities.

The bill, from Rep. Cathy Munoz, R-Juneau, also would keep in place a one-cent-per-barrel surcharge for a separate emergency response account until that account hits \$75 million.

The one-cent surcharge is currently suspended when the account hits \$50 million.

As to why she proposed raising the cap, she said what was considered a feasible amount for a response fund in the 1990s might not be the right amount today.

Last week, Kristin Ryan, director of the state's Division of Spill Prevention and Response, told a subcommittee chaired by Munoz that the prevention account would soon not have enough money to keep up with costs and would likely need a general fund appropriation as early as fiscal year 2016.

The account gets its money from the four-cents-per-barrel-of-oil surcharge, but declining oil production means less money generated by the fee.

Money from fines, penalties and settlements also go into the fund, which helps pay for inspections, readiness activities and other costs.

Munoz said increasing the surcharge to seven cents is a good starting point.

She said she and her co-sponsors looked at the possibility of a refined products tax but said that idea required further debate and analysis.

She said she hoped the House Resources Committee would be able to look at that issue.

She said she decided to introduce the bill because prevention account funding has been a continuing concern.

On her subcommittee, she said there's a "broader awareness and an acceptance that we have to make the operations sustainable, and that this is one option to do that. It might not be what ultimately gets through the process, but it's a good starting point."