



REPRESENTATIVE CATHY MUÑOZ

SPONSOR STATEMENT HOUSE BILL 325

"An Act increasing the balance of the oil and hazardous substance release prevention and response fund required to suspend the surcharge levied on oil produced in the state; increasing the amount of the surcharge levied on oil produced in the state that may be appropriated to the oil and hazardous substance release prevention account; and providing for an effective date."

House Bill 325 would raise the per-barrel surcharge on oil from four cents to seven cents to help replenish the state spill prevention account. This funding source pays for the Division of Spill Prevention and Response to investigate the release of oil and other hazardous contaminants; review discharge prevention and contingency plans; conduct training, response drills, inspections, and tests; and, verify an organization's proof of financial responsibility to clean up spills.

Besides money from the per-barrel surcharge, the prevention account also has funds from fines, penalties, settlements, and investment earnings. For the current budget year, Fiscal Year 2014, it has enough revenue to pay for the division's \$17 million annual expenses. However, it is expected to run out by the end of Fiscal Year 2015, according to the Department of Environmental Conservation. Tapping unrestricted general funds will be needed as soon as Fiscal Year 2016 – some \$6.6 million. By Fiscal Year 2022, that amount is expected to grow to \$8.3 million – and these figures do not even include inflation.

Today, the four-cent surcharge generates nearly \$7 million a year. If it were raised to seven cents and if oil production were to remain at current levels, it could generate approximately \$12 million – still short of the \$17 million needed to run the division; however, the additional revenue would lead to a smaller draw on unrestricted general funds during a time of expected deficits.

HB 325 also would increase the size of the spill response account from \$50 million to \$75 million. This funding source is used for emergency responses and is supported by a one-cent per-barrel surcharge on oil. Under current law, the surcharge stops when the account reaches \$50 million – a cap that was set 20 years ago in 1994. It has not kept up with inflation since then.

HB 325 is intended to help start a discussion on how best to protect the public good of having funds available to prevent and respond to a spill of oil or other toxic pollutants and assure Alaskans that measures are in place to keep their water and land pristine.