



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

**Department of Environmental
Conservation**

DIVISION OF ADMINISTRATIVE SERVICES

410 Willoughby Ste 303
Juneau, Alaska 99801
Main: 907-465-5010
fax: 907-465-5097

March 17, 2014

The Honorable Dan Saddler
Co-Chair, House Resources Committee
State Capitol Room 104
Juneau AK, 99801

The Honorable Eric Feige
Co-Chair, House Resources Committee
State Capitol Room 126
Juneau AK, 99801

Dear Representatives Saddler and Feige:

During today's House Resources hearing of House Bill 325: Oil Spill Prevention Fund, several questions arose regarding the use of Prevention Account funds and the activities of the Division of Spill Prevention and Response. I will answer two fiscal questions, and a response regarding the other program-related questions will follow from Kristin Ryan, Director of the Division of Spill Prevention and Response.

First, please allow me to address the figures noted in the letter submitted by the Alaska State Chamber. The letter refers to a 2007 Special Audit of the use of funds from the Prevention Account. Specifically, the letter refers to figures in a table on page 12 of the report. The letter notes that 72% of expenditures for the Prevention and Emergency Response program and 53% of the expenditures for the Contaminated Sites program were used for "Program Administration." In this audit, "Program Administration" was a category used to capture all expenses that were not recorded to specific response events or sites, including all of the programs' prevention and preparedness activities, such as contingency plan reviews, response planning, drills, inspections, and training. This category also captures all response expenditures that were too minor to be accounted for by site. In sum, the "Program Administration" category used in the audit refers primarily to the prevention and preparedness activities of the division.

Second, members of the committee had some concern about the amount of funds from the Prevention Account used to pay expenditures in the Division of Administrative Services. The Division of Administrative Services is an administrative support unit that provides the majority of the finance, procurement, human resources, information technology, and budget services to the Department. It also pays the majority of the overhead expenses, including lease costs. This Division of Administrative Services is intentionally funded in direct proportion to the funding source breakdown of the Personal Services costs in the Department. This method complies with an approved federal indirect cost allocation plan.

	FY2013 Actual		FY2014 Authorized		
	DEC Personal Services		DAS Funding ¹		Difference
Federal Receipts	14,848,393.41	28.7%	3,649,234.00	35.7%	7.1%
Oil & Hazd Subst Resp & Prev Fund	11,303,004.36	21.8%	2,299,600.00	22.5%	0.7%
Commercial Passenger Vessel Fund	848,132.26	1.6%	54,800.00	0.5%	-1.1%
Ocean Ranger Fund	282,864.41	0.5%	105,400.00	1.0%	0.5%
Clean Air Protection Fund	2,904,278.85	5.6%	172,200.00	1.7%	-3.9%
General Funds (PR, I/A, CIP, and GF)	21,610,663.23	41.7%	3,934,846.00	38.5%	-3.2%
Total	51,797,336.51	100%	10,216,080.00	100%	

In the table above, you can see that the Division of Administrative Services is funded in close proportion to the Department's total Personal Services by funding source. You may note that Division is somewhat proportionally over-funded by Federal Receipts, and somewhat under-funded by Clean Air Protection Funds and General Funds. It is funded proportionally within a small margin of error from funds from the Prevention of Account of the Oil and Hazardous Substance Release and Prevention Fund.

If you would like any additional information, please let me know.

Sincerely,



Tom Cherian
Director, Division of Administrative Services

Enclosure:

Cc: Representative Cathy Muñoz
David Teal & Danith Watts, Legislative Finance Division
Trevor Fulton, Staff to Representative Saddler
Christopher Clark, Staff to Representative Muñoz

¹ FY2014 Actual Division of Administrative Services funding is the FY2014 Authorized budget adjusted for indirect federal and general fund receipts accounted for in Capital Improvement Projects.