

# STATE OF ALASKA

## OFFICE OF THE GOVERNOR

OFFICE OF MANAGEMENT AND BUDGET

SEAN PARNELL, GOVERNOR

P.O. BOX 110020  
JUNEAU, ALASKA 99811-0020  
TELEPHONE: (907) 465-4660  
FAX: (907) 465-3640

December 3, 2012

Ms. Amanda Ryder  
Senior Fiscal Analyst/Operating Budget  
Division of Legislative Finance  
P.O. Box 113200  
Juneau, AK 99811-3200

Re: FY2013 Legislative Intent

Dear Ms. Ryder,

This is in response to your November 5, 2012, email requesting a written response to statements of legislative intent in the FY2013 operating, mental health, capital, and supplemental appropriation bills. Our response follows:

### Operating Budget (CH 15, SLA 2012 (CCSHB 284))

#### EXECUTIVE OPERATIONS

Ch 15, SLA 12, Page 16, line 25

#### *Domestic Violence and Sexual Assault*

*It is the intent of the Legislature that that the Office of the Governor delivers a report on the results of the domestic violence and sexual assault initiative through December 31, 2012, along with effectiveness and efficiency performance measures that are developed with a numerator and denominator format, to the Legislature by February 18, 2013.*

**Office of the Governor Response:** The Office of the Governor intends to deliver a report on the results of the domestic violence and sexual assault initiative through December 31, 2012, along with effectiveness and efficiency performance measures that are developed with a numerator and denominator format, to the Legislature by February 18, 2013.

**OFFICE OF MANAGEMENT & BUDGET (OMB)**  
**Ch 15, SLA 12, Page 17, line 5**

*It is the intent of the Legislature that the Office of Management and Budget develop a plan to address the declining balance of the oil and hazardous substance release prevention and response fund. The plan should include an analysis of prior expenditures from the fund for the remediation of state owned contaminated sites and a proposal to expeditiously remediate state owned contaminated sites.*

**OMB Response:**

The Office of Management and Budget worked with the Department of Environmental Conservation (DEC) to explore options to address the declining balance of the oil and hazardous substance release prevention and response fund (Fund). With declining oil production, funding available for deposit into the fund will continue to decrease. The options to address the declining balance of the Fund are clear: increase production, and utilize general funds to address the shortfall in the interim.

As you are aware, in 2012, the State of Alaska won a multi-million dollar arbitration award against BP Exploration (Alaska) Inc., for royalty income damages and compensation for environmental violations and harm caused by the 2006 spills and accompanying shut-down of the pipeline. The State received \$245.7 million for the 2006 spills and pipeline shutdowns that was deposited to the following funds in accordance with Article IX, sections 15 and 17a of the Alaska Constitution: \$63.6 million to the Alaska Permanent Fund as royalty oil proceeds; \$180.9 million into the Constitutional Budget Reserve Fund; and \$1.2 million in to the public school trust fund. An additional \$10 million for settlement of the environmental assessment and penalties claims was deposited into the prevention mitigation account of the Oil and Hazardous Substance Release Prevention and Response Fund (AS 46.08.020(b)).

The \$10 million deposit into the prevention mitigation account from the BP settlement will be available for FY2014. In FY2015 and beyond, additional general funds, estimated to be \$6 million, will be needed on an annual basis for spill prevention and response until such time as there are increases in oil production that will offset the general fund requirements. The \$6 million estimated to be needed annually, beginning in FY2015, is based on projections of expected revenues such as cost recovery, interest, fines, and penalties, which can be subject to significant fluctuations.

Since 1999, the fund has also provided \$17.09 million for remediation of state-owned contaminated sites. The DEC estimates a backlog of state-owned contaminated sites of over \$50 million. Expeditious remediation of these sites will require significant general fund investment over the next several years. With the current decline in production and state revenue, the administration's budget will include a modest general fund request for state-owned/state-lead contaminated site assessment and clean-up in FY2014.

The DEC will provide the Legislature with the updated analysis of the balance and expenditures from the oil and hazardous substance release prevention and response fund during the upcoming legislative session.

Ms. Amanda Ryder  
December 3, 2012  
Page 3

The administration looks forward to working with the Legislature on the level of general fund appropriations to address spill prevention and response and remediation of state-owned/state-lead contaminated sites.

**Ch 15, SLA 12, Page 71, line 1**

*\* Sec. 5. LEGISLATIVE INTENT. It is the intent of the Legislature that the amounts appropriated by this Act are the full amounts that will be appropriated for those purposes for the fiscal year ending June 30, 2013.*

**OMB Response:** Departments are informed of the Legislature's intent and instructed to comply.

**Ch 15 SLA 12, Page 71, line 7**

*\* Sec. 7. PERSONAL SERVICES TRANSFERS. It is the intent of the Legislature that agencies restrict transfers to and from the personal services line. It is the intent of the Legislature that the office of management and budget submit a report to the Legislature on January 15, 2013, that describes and justifies all transfers to and from the personal services line by executive branch agencies during the first half of the fiscal year ending June 30, 2013. It is the intent of the Legislature that the office of management and budget submit a report to the Legislature on October 1, 2013, that describes and justifies all transfers to and from the personal services line by executive branch agencies during the second half of the fiscal year ending June 30, 2013.*

**OMB Response:** OMB will prepare and submit personal services transfer reports to the Legislature in accordance with the statement of legislative intent.

**Ch 15, SLA 12, Page 80, line 13**

*\* Sec. 20. OFFICE OF THE GOVERNOR. (d) It is the intent of the Legislature that a payment under (a) or (b) of this section be used to offset the effects of higher fuel and utility costs for the fiscal year ending June 30, 2013.*

**OMB Response:** The Office of the Governor, Office of Management and Budget, prepares the allocation and distribution of the funds made available to state agencies in this section for fuel and utility costs in accordance with the appropriation language.

Thank you for the opportunity to respond.

Sincerely,



Karen J. Rehfeld  
Director