

SPAR PROGRAMS

Contaminated Sites
Industry Preparedness
Prevention and Emergency Response
Response Fund Administration

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ABOUT RFA AND THE RESPONSE FUND

Mission

The mission of the Response Fund Administration is to manage the Oil and Hazardous Substance Release Prevention and Response Fund as a viable, long-term funding source for the state's core spill prevention and response programs. The program manages the Prevention and Response Accounts of the Oil & Hazardous Substances Release Prevention and Response Fund, including the recovery of state costs for responding to spills from the responsible party or other sources of funding if recovery from the responsible party is not possible. The program also manages the Underground Storage Tank Revolving Loan Fund and issues fund grants and loans, is responsible for the receipt and expenditure of federal dollars for cleanup of federal facilities, and oversees the Division's professional services contracts.

Services Provided

- ▶ Provide accurate three-year projections of the Response Fund balance and accurate and timely expenditure and revenue reporting to support fund management strategy.
- ▶ Target budget requests to limit annual funding requests to revenue available from the prevention account surcharge.
- ▶ Develop a long-term strategy for maintaining core spill prevention and response program with available revenue.
- ▶ Process grants and loans for underground storage tank cleanup and manages CIP expenditures for cleanup at state owned facilities.
- ▶ Track all state spill response expenditures and initiates timely billings to responsible parties to ensure maximum recovery of state costs.
- ▶ Identify and pursue other cost recovery sources such as the Federal Oil Spill Liability Trust Fund and participates in the settlement of cost recovery claims with the Department of Law.
- ▶ Manages and maintains contracts with private firms engaged in cleanup and remediation work for the Department.
- ▶ Prepare biennial Response Fund and annual Underground Storage Tank Revolving Loan Fund reports.
- ▶ In the case of a major spill response, support the Finance Section within the Incident Command System.

History of the Response Fund

The Oil and Hazardous Substance Release Prevention and Response Fund was created by the legislature in 1986 to provide a readily available funding source to investigate, contain, clean up and take other necessary action to protect public health and welfare and the environment from the releases or threatened release of oil or a hazardous substance. Alaska Statute 46.08.030 states: "It is the intent of the legislature and declared to be the public policy of the state that the funds for the abatement of a release of oil or hazardous substance will always be available." (SLA 1986 Sec.1 Ch. 59)

Statutes governing the Response Fund were amended in 1989, 1990,1991, 1994, 1999, and 2006. Generally, these amendments added more purposes for which the Response Fund could be used and increased the Department of Environmental Conservation's reporting requirements. The 1994 amendment made major changes to the Response Fund structure by dividing it into two separate accounts: the "Response account" and the "Prevention account". The 1999 amendment changed the requirement for an annual fund status report to the legislature to a biennial status report. The 2006 amendment changed the surcharge levied on crude oil produced in the state. HB3001C amended Sec. 28 of AS 43.55.300 and imposed a prevention account surcharge of \$.04 (formerly \$.03) per barrel of oil produced from each lease or property in the state, less any oil the ownership or right to which is exempt from taxation. Sec. 26 of AS 43.55.201 was also amended to change the response account surcharge of \$.02 to a \$.01 per barrel of oil produced from each lease or property in the state.

Response Account

The Response account may be used to finance the state's response to an oil or hazardous substance release that is declared a disaster by the governor, or to respond to a release or threatened release that poses an imminent and substantial threat to the public health or welfare, or to the environment. If the Response account is accessed for any incident other than a declared disaster, within 120 hours the Commissioner of DEC must provide the Governor and the Legislative Budget and Audit Committee with a written report summarizing the release, the State's actions and associated costs, both taken and anticipated, and any other information deemed appropriate.

The Response Account receives funding from two different sources:

- I. A surcharge of two cents per barrel that is levied on each taxable barrel of oil produced in the state, which is deposited to the response surcharge account until March 31, 2006. Effective April 1, 2006, House Bill 3001C changed the surcharge tax of two cents to a one cent per barrel
- II. Money that is recovered from parties financially responsible for the release of oil or hazardous substance which is deposited in the response mitigation account.

The one cent per barrel surcharge is suspended when the combined balances of the surcharge account, the response mitigation account and the unreserved and unobligated balance in the Response Account itself reaches or exceeds \$50 million.

Prevention Account

The Prevention account may be used to investigate, evaluate, clean up, and take other necessary action to address oil and hazardous substance releases that have not been declared a disaster by the Governor, or do not pose an imminent and substantial threat to the public health or welfare of the environment. The Prevention Account may also be used to fund Alaska's oil and hazardous substance release prevention programs and to fund activities related to cost recovery.

The Prevention Account receives funding from three sources: 1) a surcharge of four cents per barrel that is levied on each taxable barrel of oil produced in the state which is deposited in the prevention surcharge account; 2) fines, settlements, penalties, and costs recovered from parties financially responsible for the release of oil or a hazardous substance deposited into the prevention mitigation account; and 3) interest earned on the balance of each of the following accounts deposited into the general fund and credited to the Prevention Account: (a) the prevention account; (b) the prevention mitigation account; (c) the response account; and (d) the response mitigation account.

The legislature appropriates money from the prevention surcharge and prevention mitigation accounts into the Prevention Account to support the State's oil and hazardous substance spill clean-up efforts and spill prevention and preparedness planning activities.

Related Files

[Response Fund Diagram](#)