



## Division of Spill Prevention and Response (SPAR)

House Finance  
Subcommittee Overview  
Kristin Ryan, Director  
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1



### SPAR's Mission

Protect public safety, health, and the environment  
through prevention, preparedness, and cleanup of  
oil and hazardous substances



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2



## Division of Spill Prevention & Response

### **Component:**

- Spill Prevention & Response
  - Prevention, Preparedness, and Response
  - Contaminated Sites
  - Response Fund Administration

### **Challenges &**

### **Opportunities:**

- Prevention Account Sustainability
- Managing Risk Associated with New Natural Resource Development Activity and Marine Transportation

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3



## SPAR's Core Services

- Identify, oversee and conduct the cleanup, redevelopment, and management of contaminated sites in Alaska
- Ensure that producers, transporters, and distributors of crude oil and refined oil products prevent oil spills and are fully prepared materially and financially to clean up spills
- Prevent and mitigate the effects of oil and hazardous substance releases and ensure their cleanup through government planning, preparedness, and rapid response
- 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 initiatives



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4



## Prevention, Preparedness, and Response

- Ensure producers, transporters and distributors of oil and hazardous substances **prevent** spills and are **prepared** materially and Financially to respond and **clean them up**
- Exploration and Production Activities
- Pipelines
- Terminals and Tank Farms
- Marine Vessels
- Local response communities



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5



## Contaminated Sites



- Monitor existing sites to verify they aren't spreading
- Work with responsible parties to clean up contamination
- Partner with potential buyers to encourage reuse and redevelopment

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6



## Response Fund Administration

- AS 46.08.070 requires the Department attempt to recover 100% of costs incurred in the cleanup or containment of oil or a hazardous substance that has been released
- Budgeting, accounting (contracts, supplies, travel) and procurement
- Databases, tracking tools (information technology)



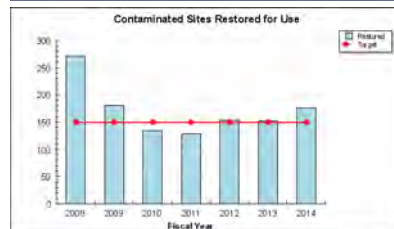
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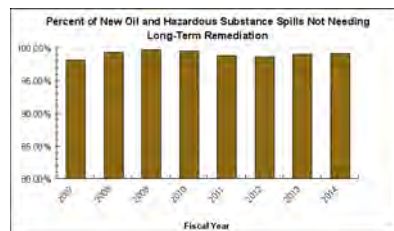
7



## SPAR Performance Measures



Sites with complex groundwater contamination challenge the technical and economic feasibility of completing site closures.



Rapid containment and cleanup of oil and hazardous substances minimizes the number of spills needing long term remediation.

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8

## What is Spilling?

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9

## FY2014 Volume Released by Product

Spills Reported: 2,028  
Total Gallons: 284,729

Product	Percentage
Produced Water	34%
Diesel	24%
Other	16%
Aviation Fuel	7%
Process Water	5%
Drilling Muds	5%
Gasoline	5%
Crude	4%

'Other' includes product categories comprising 3% or less of the total volume released

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10



## FY2014 Spill Summary – Top Five

### Top Five Products Spilled:

• Produced Water	41 spills	96,736 Gallons
• Diesel	427 spills	67,889 Gallons
• Aviation Fuel	68 spills	18,855 Gallons
• Process Water	21 spills	14,385 Gallons
• Drilling Muds	28 spills	14,209 Gallons

### Top Five Facility Types:

• Natural Gas Production	28 spills	85,037 Gallons
• Oil Production	335 spills	53,188 Gallons
• Air Transportation	65 spills	19,358 Gallons
• Vessel	166 spills	18,997 Gallons
• Mining Operation	305 spills	16,547 Gallons

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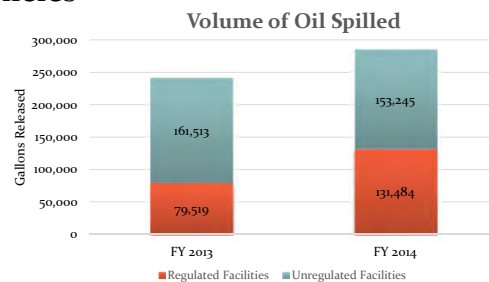
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11



## Unregulated Facility Spills

- Air transportation
- Vessels
- Residences
- Vehicles



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12

## How much does Spill Prevention and Response cost the State?

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13

## SPAR FY2016 Operating Budget by Fund Source

**Operating Request: \$20,694.1**

- Unrestricted GF \$686.7
- Designated GF
  - DGF \$429.6
  - Response Fund \$13,081.3
- Other State Funds \$1,092.8
- Federal Receipts \$5,403.7

Fund Source	Percentage
Oil/Hazardous Release Prevention & Response Fund (RF)	63%
Federal Receipts (FED)	26%
Other (CIP, I/A)	5%
UGF	3%
DGF (CPVF)	2%

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14





## The Response Fund



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15



## Statutory Authorities

It is the intent of the Legislature and declared to be the public policy of the State that funds for the abatement of a release of oil or a hazardous substance will always be available (A.S. 46.08.030)




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16



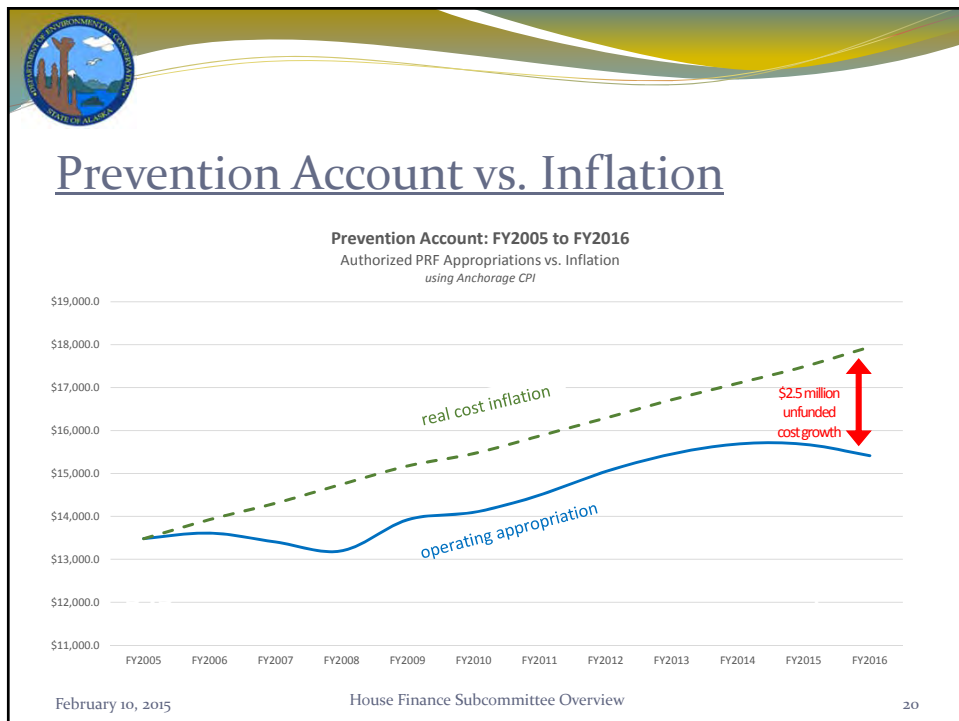
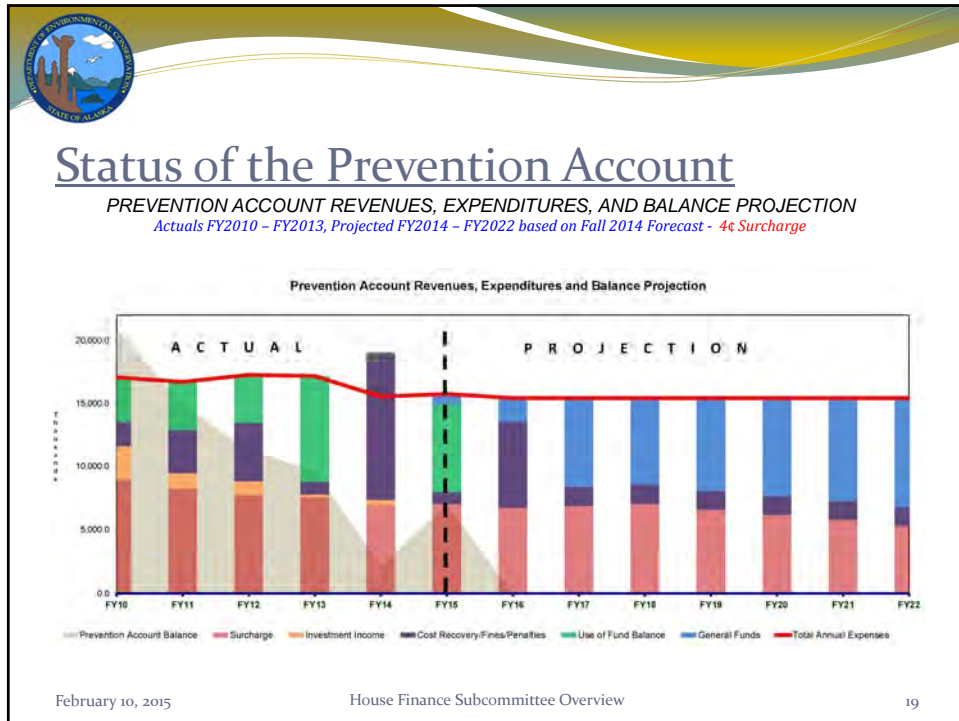


## Statutory Authorities

- Funds from the **Response Account** are used to:
  - investigate and evaluate the release or threatened release of oil or a hazardous substance, and contain, clean up, and take other necessary action, such as monitoring and assessing, to address a release or threatened release of oil or a hazardous substance that poses an imminent and substantial threat to the public health or welfare, or to the environment -- AS 46.08.040(1)(A)
  - recover the costs to the state, a municipality, a village, or a school district of a containment and cleanup resulting from the release or the threatened release of oil or a hazardous substance for which money was expended from the response account; -- AS 46.08.040(1)(C)
- Funds from the **Prevention Account** are used to:
  - investigate and evaluate the release or threatened release of oil or a hazardous substance... and contain, clean up, and take other necessary action, such as monitoring and assessing, to address a release or threatened release of oil or a hazardous substance-- AS 46.08.040(2)(A)
  - pay all costs incurred to establish and maintain the oil and hazardous substance response office; to review oil discharge prevention and contingency plans; to conduct training, response exercises, inspections, and tests; and to verify or establish proof of financial responsibility-- AS 46.08.040(2)(B)
  - recover the costs to the state, a municipality, a village, or a school district of a containment and cleanup resulting from the release or threatened release of oil or a hazardous substance for which money was expended from the prevention account -- AS 46.08.040(2)(I)
  - restore the environment by addressing the effects of an oil or hazardous substance release. -- AS 46.08.040(2)(K)

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## Previous Measures to Sustain the Fund

- Restraining growth of SPAR
  - From FY2005-FY2015, SPAR grew on average at a rate of just 1.6% annually, and increased by only 2 PCNs
  - Maintained the same level of service while at the same time taking on new responsibilities (e.g. railroad and non-tank vessels)
- Cutting back on uses of the Prevention Account
  - Eliminated funding to Local Emergency Planning Committees, DMVA, and DOTPF
  - Eliminated a grant and loan program for removal of underground storage tanks
  - Withdrew efforts to fund a statewide hazmat team
  - Stopped requesting capital appropriations from the Prevention Account for the cleanup of State-owned contaminated sites
  - These activities were all allowable uses of the Prevention Account, but were eliminated to preserve more critical services as funding declined

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21



## Previous Measures to Sustain the Fund

- 2006 Legislature re-split the \$.05 surcharge to increase the portion going to the Prevention Account from \$.03 to \$.04
- Appropriations to the Prevention Account from other sources:
  - FY2006: \$655,500 underground storage tank revolving loan funds
  - FY2007: \$1,800,000 commercial passenger vessel funds
  - FY2008: of \$2,000,000 general funds
- FY2013 SPAR overhauled and automated much of the cost recovery process
  - More timely and accurate billing
  - Better data to pursue aged receivables



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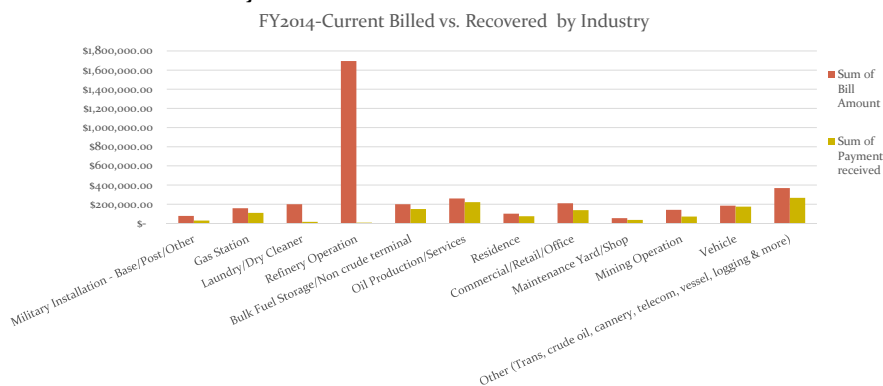
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22



## Cost Recovery

- SPAR billed \$3,651,958 in FY2014-2015 and recovered \$1,298,676
- The large spike in refinery operations is Flint Hills which has not paid our bills for 1 ½ year



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23



## Current Year Shortfall

- Not the result of overspending
- Due to lower than anticipated surcharge collected, cost recovery, and interest earnings
- Full amount appropriated by the 2014 Legislature was not available in the Prevention Account
- Steps taken by the Department:
  - \$520.0 current year spending reductions
    - Retained vacancies
    - Closed Bethel field office
    - Reduced RSAs with DNR, DF&G, and Law
  - Terminated and lapsed \$750.0 of capital appropriations from the Prevention Account for State-owned contaminated site cleanup
- Remaining shortfall in FY2015 is \$800.0

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24



## FY2016 Projected Shortfall

- \$1.9 million projected shortfall in FY2016
- Assumes receipt of a \$5 million settlement related to a site in Aniak
- FY2016 Budget Request includes a \$520.0 reduction in SPAR that will be achieved by
  - Deleting four PCNs
  - Combine SPAR's five components into one
  - Redefine how we plan, prepare for, and respond to spills



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25



## FY2015 Supplemental Reappropriation

- 27 completed Municipal Matching Grant projects that were 100% general funds
- Appropriations set to otherwise lapse into general funds this year
- Request they be reappropriated into the Prevention Account instead
- This will not increase SPAR's operating appropriation
- Covers the \$800.0 FY2015 revenue shortfall and the \$1.9 million FY2016 revenue shortfall
- Estimated amount available \$3,179,058 UGF

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26



## Considerations in Addressing the Shortfall

- Do not increase the risk from spills
- Recognize declining production and the impacts of this to the sustainability of the Response Fund
- Collaborate with existing and potential payees into the Response Fund to identify the correct amount and allocation
- Look to other sources to identify fair and reasonable alternatives to help sustain the fund
- Continue to look for efficiencies in SPAR, partnerships, new technologies, better assessment of risks, and improvement to cost recovery

February 10, 2015

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27



## Questions?



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28