

Alaska State Legislature

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SENATE BILL 137 *Refined Fuel Surcharge*

SPONSOR STATEMENT

In 1990, the Alaska State Legislature passed the Oil and Hazardous Substance Release Prevention and Response Act, which established the Department of Environmental Conservation's Spill, Prevention, and Response (SPAR) division. The Act requires the oil and gas industry operating in Alaska to pay a tax on oil and gas production to fund the program's spill prevention and response activities.

SPAR is responsible for developing and enforcing regulations related to the prevention, preparedness, and response to oil spills and other hazardous substance releases in Alaska's waters. The program also provides training and technical assistance to local communities, businesses, and agencies to help them prepare for and respond to spills.

SPAR has two primary funding accounts: the Prevention Account and the Response Account. The funds from the Response Account are used to respond to spills or threats of spills that pose an imminent and substantial threat. The Prevention Account is used to respond, contain, clean up, and monitor spills; address existing contamination; and pay for the operating costs of the divisions. Unfortunately, the Prevention Account has a revenue shortfall.

The Prevention Account is funded by \$0.04 per barrel of crude oil produced and \$0.0095 per gallon of refined fuel. The refined fuel surcharge was implemented in 2015 but since then the annual expenditures exceed the annual revenue. The balance has been decreasing for years and its solvency has been extended by the addition of General Funds. Currently, the Prevention Account is projected to run a deficit.

In hopes of keeping the Prevention Account solvent, SB 137 would increase the refined fuel surcharge from \$0.0095 to \$0.015. Keeping the account solvent will help SPAR's ability to carry out its mission of protecting Alaska's waters from oil spills and other hazardous substance releases. SPAR plays a critical role in ensuring that the state's oil and gas industry operates safely and responsibly.