



AMENDMENT #1

Gara, Crawford

OFFERED IN THE HOUSE

TO: CSHB 238(FIN)

1 Page 1, line 2, following "fund": (title amendment)

2 Insert "and to the surcharge on oil production available for appropriation to the
3 oil and hazardous substance release prevention account of the oil and hazardous
4 substance release prevention and response fund"

5

6 Page 2, following line 8:

7 Insert a new bill section to read:

8 "* Sec. 2. AS 43.55.300(a) is amended to read:

9 (a) Every producer of oil shall pay a surcharge of \$06 [\$.04] per barrel of oil
10 produced from each lease or property in the state, less any oil the ownership or right to
11 which is exempt from taxation."

12

13 Renumber the following bill sections accordingly.

14

15 Page 2, line 31:

16 Delete "sec. 3"

17 Insert "sec. 4"

STATE OF ALASKA

DEPT. OF ENVIRONMENTAL CONSERVATION
DIVISION OF INFORMATION & ADMIN SERVICES

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April 26, 2007

The Honorable Les Gara
House of Representatives
State Capitol, Room 500
Juneau, Alaska 99801

Dear Representative Gara:

The purpose of this letter is to respond to your recent verbal request for information regarding the Department's Response Fund Projections.

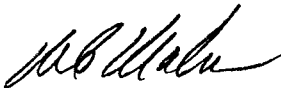
Projections of the revenue and expenditures for the Prevention Account of the Response Fund through FY 2011 were provided to the House Finance Subcommittee as part of the review of the Department's FY 2008 Budget Request. A copy of those projections is enclosed.

At the time these projections were developed, they were considered to be conservative and showed that a \$.02 increase in the Prevention Account surcharge was the minimum amount needed to balance revenues with expenditures over the long term. Please note that since development of these projections, many changes to agency budgets have been proposed which may impact that outcome.

The Department appreciates your interest in protecting the environment and ensuring adequate funding for Alaska's spill prevention and response programs.

Please contact Mike Maher at 465-5256 if you have any additional questions.

Sincerely,



Mike Maher
Director

Enclosure

cc: Linda Hay, Legislative Liaison, DEC



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DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Overview - Response Fund Projections

2/12/2007

General Assumptions:

- There is no change to the 1¢/barrel surcharge funding **Response Account** activities.
- Revenue = \$2.4 million for each 1¢ per barrel increase;
- Increase is effective for FY2008, making Revenue available by FY2009
- Direct Appropriations continue to other Agencies.
- Personal Services salary & benefit costs continue to increase.
- Continued program commitment to find \$.5 million in savings each year.

NOTE: Surcharge revenue is not available for spending until the year after it is collected.

1¢ Increase - Projected Impacts

- ▶ Changes the surcharge funding **Prevention Account** activities from 4¢ to 5¢;
- ▶ Revenue increase = \$2.4 million per year.
- ▶ Fee revenues are added for potential FY2008 Legislation.
- ▶ No additional appropriations for Pipeline Corrosion issues.
- ▶ No additional Capital appropriations for Contaminated Sites cleanup.
- ▶ Program savings of \$500.0 per year is still required.

Impacts:

- a. Projected depletion of fund is extended 1 year to FY2010;
- b. Expenditures continue to exceed Revenues in all years;

2¢ Increase - Projected Impacts

- ▶ Changes the surcharge funding **Prevention Account** activities from 4¢ to 6¢;
- ▶ Revenue increase = \$4.8 million per year.
- ▶ Fee revenues are added for potential FY2008 Legislation.
- ▶ No additional appropriations for Pipeline Corrosion issues.
- ▶ No additional Capital appropriations for Contaminated Sites cleanup.
- ▶ Program savings of \$500.0 per year is still required.

Impacts:

- a. Projected depletion of fund is extended past FY2011;
- b. Expenditures begin to exceed Revenues again in FY2012;
- c. Small increase in fund balance, captured in FY2009 & FY2010, will help sustain the fund a bit past FY2011, **if** there are no increases in appropriations for pipeline integrity, contaminated sites cleanup, or other issues.

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Overview - Response Fund Projections

2/12/2007

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- Revenue = \$2.4 million for each 1¢ per barrel increase;
- Increase is effective for FY2008, making Revenue available by FY2009
- Direct Appropriations continue to other Agencies.
- Personal Services salary & benefit costs continue to increase.
- Continued program commitment to find \$.5 million in savings each year.

NOTE: Surcharge revenue is not available for spending until the year after it is collected.

3¢ Increase - Projected Impacts

- ▶ Changes the surcharge funding **Prevention Account** activities from 4¢ to 7¢;
- ▶ Revenue increase = \$7.2 million per year.
- ▶ Fee revenues are added for potential FY2008 Legislation.
- ▶ Appropriations for Pipeline Integrity are possible.
- ▶ Capital appropriations for Contaminated Sites are possible.
- ▶ Program savings of \$500.0 per year is still required.

Impacts:

- a. Funding is available for Pipeline issues.
- b. Some Contaminated Site cleanups are funded through Capital Budgets.
- c. A fund balance exists well after FY2011;
- d. Expenditures do not exceed Revenues after FY2009;
- e. Small increases in fund balance continue through FY2012, providing a small cushion within the fund.

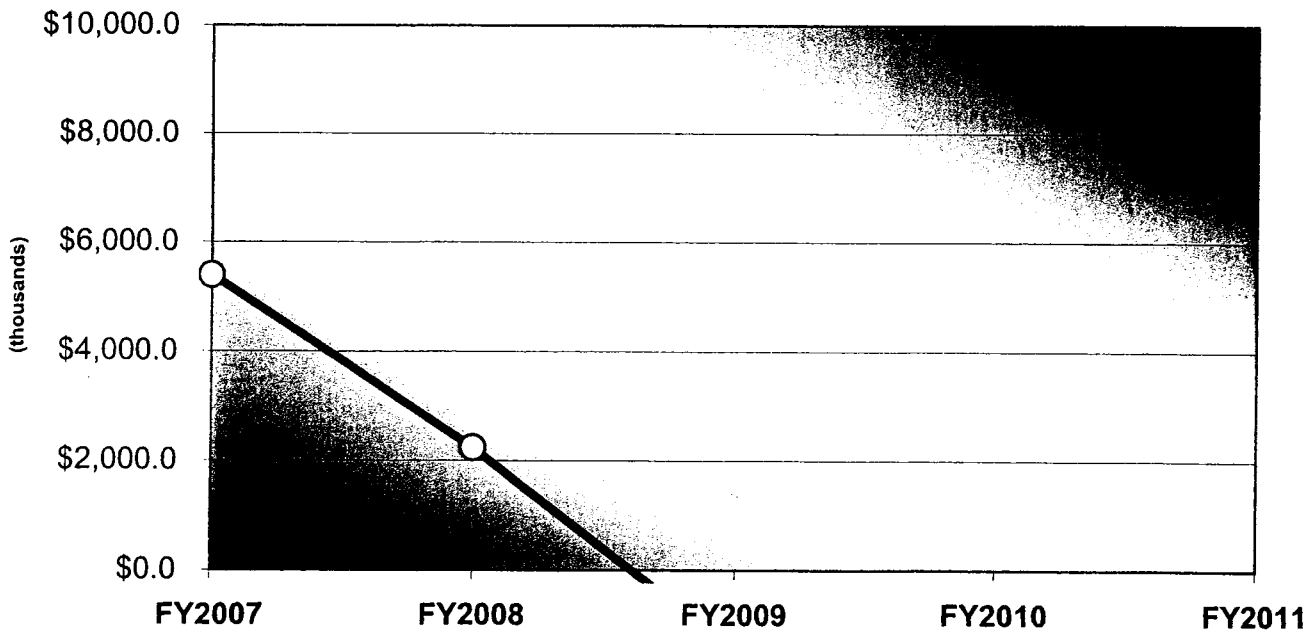
**DEPARTMENT OF ENVIRONMENTAL CONSERVATION
RESPONSE FUND**

*PREVENTION ACCOUNT - BALANCE PROJECTION
1¢ - 4¢ PROJECTION*

2/12/2007

	FY2006 FUND BALANCE	7,166.6				
	FY2007	FY2008	FY2009	FY2010	FY2011	
REVENUE to PREVENTION ACCOUNT	12,952.5	12,477.5	12,550.0	12,550.0	12,550.0	
4 Cent Surcharge (Fall 2006 Revenue Sources Book)	7,758.7	9,700.0	9,800.0	9,800.0	9,800.0	
Cost Recovery/Fines/Penalties	2,143.8	1,527.5	1,500.0	1,500.0	1,500.0	
Interest	1,250.0	1,250.0	1,250.0	1,250.0	1,250.0	
Transfers to the RF from other Funds	1,800.0					
TOTAL EXPENDITURES	14,725.0	15,637.5	16,237.5	16,837.5	17,437.5	
BUDGETED OPERATING EXPENDITURES	14,725.0	15,637.5	16,237.5	16,837.5	17,437.5	
DEC + Annual Salary Increases - FY2009 and Out Yrs	13,402.4	14,814.9	15,414.9	16,014.9	16,614.9	
DMVA -	497.6	497.6	497.6	497.6	497.6	
DOT - Continue Annual Approp from RF	825.0	825.0	825.0	825.0	825.0	
UNEXPENDED (estimated for 2008-2010)		(500.0)	(500.0)	(500.0)	(500.0)	
Proposed Changes	0.0	0.0	0.0	0.0	0.0	
DEC OPERATING						
DOT OPERATING						
DMVA OPERATING						
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	
ESTIMATED PREVENTION ACCOUNT BALANCE	5,394.1	2,234.1	(1,453.4)	(5,740.9)	(10,628.4)	
EXPENDITURES IN EXCESS OF REVENUE	(1,772.5)	(3,160.0)	(3,687.5)	(4,287.5)	(4,887.5)	

PREVENTION ACCOUNT BALANCE



**DEPARTMENT OF ENVIRONMENTAL CONSERVATION
RESPONSE FUND**

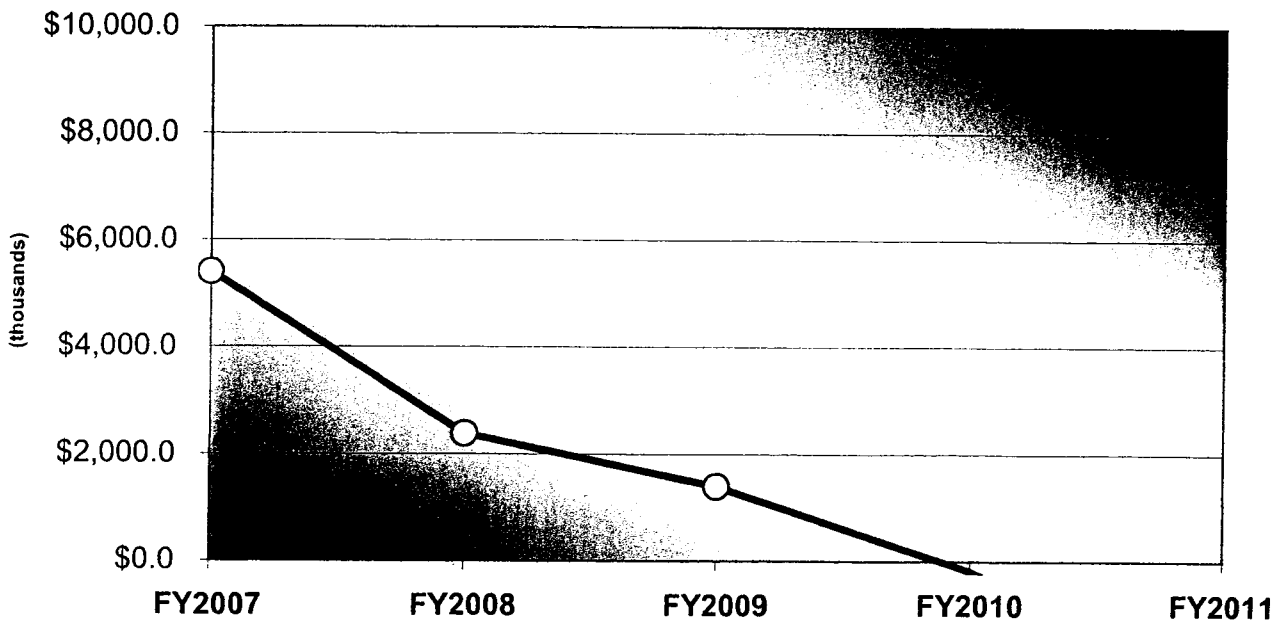
PREVENTION ACCOUNT - BALANCE PROJECTION
1¢ / 5¢ SPLIT - IMPACT OF 1¢ INCREASE IN PREVENTION ACCOUNT SURCHARGE

2/12/2007

	FY2006 FUND BALANCE	FY2007	FY2008	FY2009	FY2010	FY2011
REVENUE to PREVENTION ACCOUNT	7,166.6	12,952.5	12,627.5	15,250.0	15,250.0	15,250.0
4 Cent Surcharge (<i>Fall 2006 Revenue Sources Book</i>)		7,758.7	9,700.0	9,800.0	9,800.0	9,800.0
Increase Surcharge to 5¢ per barrel		0.0	0.0	2,400.0	2,400.0	2,400.0
*New Legislation FY2008: Fee Bill			150.0	300.0	300.0	300.0
Cost Recovery/Fines/Penalties		2,143.8	1,527.5	1,500.0	1,500.0	1,500.0
Interest		1,250.0	1,250.0	1,250.0	1,250.0	1,250.0
Transfers to the RF from other Funds		1,800.0				
TOTAL EXPENDITURES		14,725.0	15,637.5	16,237.5	16,837.5	17,437.5
BUDGETED OPERATING EXPENDITURES		14,725.0	15,637.5	16,237.5	16,837.5	17,437.5
DEC + Annual Salary Increases - FY2009 and Out Yrs		13,402.4	14,814.9	15,414.9	16,014.9	16,614.9
DMVA -		497.6	497.6	497.6	497.6	497.6
DOT - Continue Annual Approp from RF		825.0	825.0	825.0	825.0	825.0
UNEXPENDED (estimated for 2008-2010)			(500.0)	(500.0)	(500.0)	(500.0)
Proposed Changes		0.0	0.0	0.0	0.0	0.0
DEC OPERATING						
DOT OPERATING						
DMVA OPERATING						
CAPITAL EXPENDITURES		0.0	0.0	0.0	0.0	0.0
ESTIMATED PREVENTION ACCOUNT BALANCE		5,394.1	2,384.1	1,396.6	(190.9)	(2,378.4)
EXPENDITURES IN EXCESS OF REVENUE		(1,772.5)	(3,010.0)	(987.5)	(1,587.5)	(2,187.5)

**Estimated impacts of fee legislation, if proposed for FY2008*

PREVENTION ACCOUNT BALANCE



**DEPARTMENT OF ENVIRONMENTAL CONSERVATION
RESPONSE FUND**

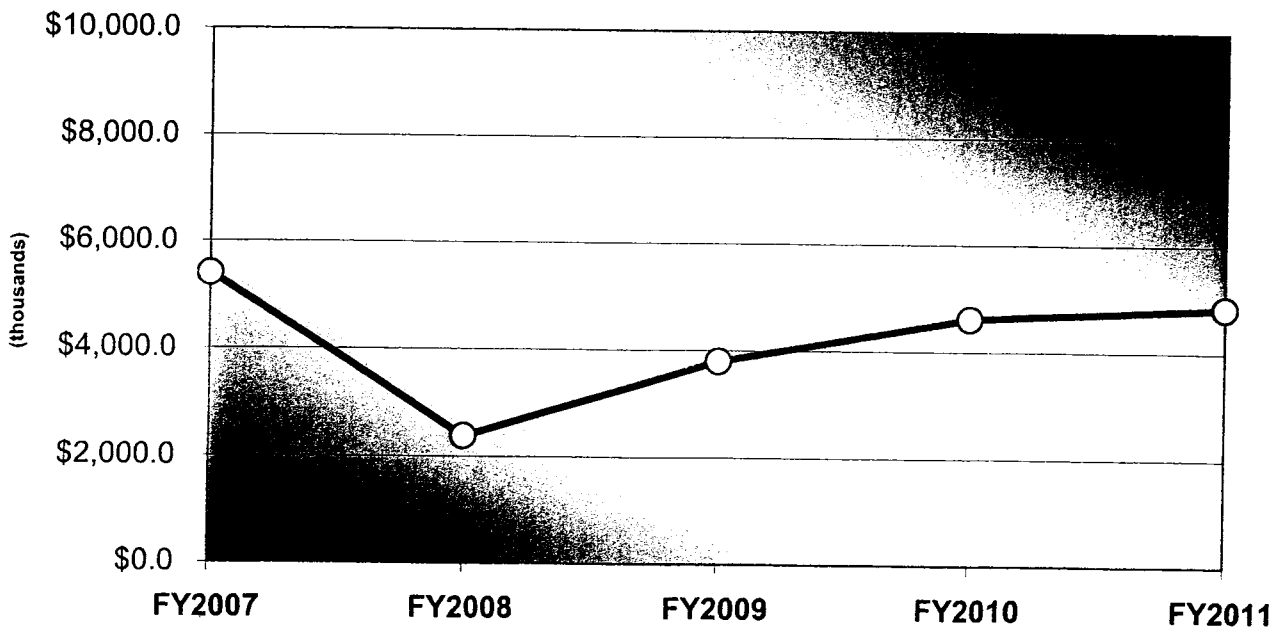
*PREVENTION ACCOUNT - BALANCE PROJECTION
1¢ / 6¢ SPLIT - IMPACT OF 2¢ INCREASE IN PREVENTION ACCOUNT SURCHARGE*

2/12/2007

	FY2006 FUND BALANCE	FY2007	FY2008	FY2009	FY2010	FY2011
REVENUE to PREVENTION ACCOUNT	7,166.6	12,952.5	12,627.5	17,650.0	17,650.0	17,650.0
4 Cent Surcharge (<i>Fall 2006 Revenue Sources Book</i>)		7,758.7	9,700.0	9,800.0	9,800.0	9,800.0
Increase Surcharge to 6¢ per barrel		0.0	0.0	4,800.0	4,800.0	4,800.0
New Legislation FY2008: Fee Bill			150.0	300.0	300.0	300.0
Cost Recovery/Fines/Penalties		2,143.8	1,527.5	1,500.0	1,500.0	1,500.0
Interest		1,250.0	1,250.0	1,250.0	1,250.0	1,250.0
Transfers to the RF from other Funds		1,800.0				
TOTAL EXPENDITURES		14,725.0	15,637.5	16,237.5	16,837.5	17,437.5
BUDGETED OPERATING EXPENDITURES		14,725.0	15,637.5	16,237.5	16,837.5	17,437.5
DEC + Annual Salary Increases - FY2009 and Out Yrs		13,402.4	14,814.9	15,414.9	16,014.9	16,614.9
DMVA -		497.6	497.6	497.6	497.6	497.6
DOT - Continue Annual Approp from RF		825.0	825.0	825.0	825.0	825.0
UNEXPENDED (estimated for 2008-2010)			(500.0)	(500.0)	(500.0)	(500.0)
Proposed Changes		0.0	0.0	0.0	0.0	0.0
DEC OPERATING						
DOT OPERATING						
DMVA OPERATING						
CAPITAL EXPENDITURES		0.0	0.0	0.0	0.0	0.0
ESTIMATED PREVENTION ACCOUNT BALANCE		5,394.1	2,384.1	3,796.6	4,609.1	4,821.6
EXPENDITURES IN EXCESS OF REVENUE		(1,772.5)	(3,010.0)	1,412.5	812.5	212.5

**Estimated impacts of fee legislation, if proposed for FY2008*

PREVENTION ACCOUNT BALANCE



DEPARTMENT OF ENVIRONMENTAL CONSERVATION RESPONSE FUND

PREVENTION ACCOUNT - BALANCE PROJECTION 1¢ / 7¢ SPLIT - IMPACT OF 3¢ INCREASE IN PREVENTION ACCOUNT SURCHARGE

2/12/2007

FY2006 FUND BALANCE	7,166.6				
	FY2007	FY2008	FY2009	FY2010	FY2011
REVENUE to PREVENTION ACCOUNT	12,952.5	12,627.5	20,050.0	20,050.0	20,050.0
4 Cent Surcharge (Fall 2006 Revenue Sources Book)	7,758.7	9,700.0	9,800.0	9,800.0	9,800.0
Increase Surcharge to 7¢ per barrel	0.0	0.0	7,200.0	7,200.0	7,200.0
New Legislation FY2008: Fee Bill		150.0	300.0	300.0	300.0
Cost Recovery/Fines/Penalties	2,143.8	1,527.5	1,500.0	1,500.0	1,500.0
Interest	1,250.0	1,250.0	1,250.0	1,250.0	1,250.0
Transfers to the RF from other Funds	1,800.0				
TOTAL EXPENDITURES	14,725.0	17,637.5	19,237.5	19,837.5	20,437.5
BUDGETED OPERATING EXPENDITURES	14,725.0	15,637.5	18,237.5	18,837.5	19,437.5
DEC + Annual Salary Increases - FY2009 and Out Yrs	13,402.4	14,814.9	16,414.9	17,014.9	17,614.9
DMVA -	497.6	497.6	497.6	497.6	497.6
DOT - Continue Annual Approp from RF	825.0	825.0	1,825.0	1,825.0	1,825.0
UNEXPENDED (estimated for 2008-2010)		(500.0)	(500.0)	(500.0)	(500.0)
Proposed Changes	0.0	1,000.0	0.0	0.0	0.0
** DEC OPERATING - Add: Pipeline Integrity		1,000.0			
DOT OPERATING					
DMVA OPERATING					
<i>Note: Proposed changes are listed in the first year but continue to impact operating expenditures in the out years.</i>					
CAPITAL EXPENDITURES	0.0	1,000.0	1,000.0	1,000.0	1,000.0
***DEC Capital - Add: Contaminated Sites Cleanup		1,000.0	1,000.0	1,000.0	1,000.0
ESTIMATED PREVENTION ACCOUNT BALANCE	5,394.1	384.1	1,196.6	1,409.1	1,021.6
EXPENDITURES IN EXCESS OF REVENUE	(1,772.5)	(5,010.0)	812.5	212.5	(387.5)

**Estimated impacts of fee legislation, if proposed for FY2008*

*** Amount is not a valid estimate of cost - was chosen for projection purposes only for pipeline issues*

**** Amount is not a valid estimate of need - was chosen for projection purposes only*

PREVENTION ACCOUNT BALANCE

