

HB

238

SFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: 3
Bill Version: CSHB 238(FIN)
(H) Publish Date: 4/25/07

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Oil & Hazard Substance Response Account RDU Tax and Treasury
Component Treasury Division
Sponsor Representative Meyer
Requester House Finance Committee Component No. 121

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services						
Travel						
Contractual	40.9	40.9	40.9	40.9	40.9	40.9
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	40.9	40.9	40.9	40.9	40.9	40.9

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1052 Oil/Haz Rel Prev and Resp Fund	40.9	40.9	40.9	40.9	40.9	40.9
TOTAL	40.9	40.9	40.9	40.9	40.9	40.9

Estimate of any current year (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

House Bill 238 sets up a subaccount in the response account in the amount of \$40 million. It is anticipated the fund will be managed the asset allocation of 39% Broad Market Fixed Income Pool, 44% Domestic Equity Pool and 17% International Equity Pool to yield a greater rate of return than its current investment in the Gefonsi fund earns.

The above investment management costs include external investment management fees, audit, accounting and custody fees. These costs are projected based on median market returns based on Callan and Associates, March 2007, capital market assumptions.

Prepared by: Susan Taylor, Comptroller
Division Treasury Division
Approved by: Brian Andrews, Deputy Commissioner
Agency Department of Revenue

Phone 465-2352
Date/Time Tuesday, 9:17 am
Date 4/24/2007

FISCAL NOTE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: CSHB 238(FIN)
(H) Publish Date: 4/25/07

Revision Date/Time (Note if correction): _____ Dept. Affected: Dept of Environmental Conservation
Title: An Act relating to the response account of the oil and RDU: Spill Prevention and Response
hazardous substance release prevention and response fund. Component: Response Fund Administration
Sponsor: Representative Meyer
Requestor: House Finance Committee Component No. 2259

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	*	*	*	*	*	*
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type--Do not abbreviate)	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2007) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation is intended to increase the revenue to the response account by transferring \$40 million to a new sub-account that would yield a higher return on investment based on an assumption that the funds would not be needed for five years. The response account, however, is an emergency account and access to the full balance may be needed at any time i.e., it is not possible to accurately predict when a catastrophic event may occur. In such cases, the state may incur a significant investment loss depending on how the balance in the new sub-account is invested. Such investment decisions are made by the Department of Revenue not the Department of Environmental Conservation. From a revenue perspective the state will benefit from any increase as a result of a more aggressive investment strategy. More aggressive investment strategies also have higher risk. There are no costs associated with this proposed legislation. However, it is not possible to project the magnitude of the revenue that may be generated since interest rates and interest income will vary from year to year nor can the potential loss from an emergency withdrawal be accurately estimated. Any potential investment loss should not become a limitation for use of the full balance if needed.

Prepared by: Larry Dietrick, Director Phone: 465-5250
Division: Spill Prevention and Response Date/Time: 4/21/07 11:45 AM
Approved by: Larry Hartig, Commissioner Date: 4/21/2007
Agency: Department of Environmental Conservation

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHB 238(FIN)
(H) Publish Date: 4/25/07

Revision Date/Time (Note if correction): _____ Dept. Affected: Administration
Title An act relating to the response account of the oil and RDU Centralized Admin Services
hazardous release prevention and response fund Component Finance
Sponsor Representative Meyer
Requester _____ Component No. 59

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type--Do not abbreviate)	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Calculating balances created by legislation such as this are within the normal course of business for the Division of Finance.

Prepared by: Debbie Bump, Deputy Director
Division: Division of Finance
Approved by: Kevin Brooks, Deputy Commissioner
Agency: Department of Administration

Phone 465-5615
Date/Time 4/20/07 1:00 PM
Date 4/20/07

REPRESENTATIVE KEVIN MEYER

HOUSE DISTRICT 30

Sponsor Statement for HB 238

"An Act relating to the response account of the oil and hazardous substance release prevention and response fund; and providing for an effective date."

The Response Fund was established in 1986 to provide a readily available source of funding to investigate, contain, clean up and take other action necessary to protect the public and environment from the release or threatened release of hazardous substances.

In 1994 the Response Fund was divided into the Response and Prevention Accounts. The Prevention Account provides operating funds for the Department of Environmental Conservation's Division of Spill Prevention and Emergency Response while the Response Account is maintained for declared disasters and other emergencies. Earnings from the \$50,000,000 Response Account are deposited in the Prevention Account.

House Bill 238 creates a sub-account within the Response Account and directs the Commissioner of Revenue to manage the sub-account to generate a higher rate of return. Since its inception, the Response Account has been managed along with the General Fund and in the last three years has generated a rate of return between 1% and 3%. In 2000 a sub-account was established in the Constitutional Budget Reserve (CBR) that is similar to the one created in HB 238. In the last three years the CBR sub-account has earned between 1% and 7.5% more each fiscal year than the rest of the CBR.

HB 238 maximizes the rate of return on the \$50,000,000 Response Account, while maintaining adequate reserves to respond to an emergency. Generating more earnings from the Response Account will help make the Prevention Account, where expenditures have consistently exceeded revenues, sustainable. A sustainable Prevention Account provides predictable funding for Alaska's spill response infrastructure and will help prevent the emergencies the Response Account is designed for.

REPRESENTATIVE KEVIN MEYER

HOUSE DISTRICT 30

MEMORANDUM

DATE: April 19, 2007
TO: Representative Kevin Meyer
FROM: Mike Pawlowski
RE: Sectional Analysis for HB 238
(Version No. 25 - LS0853\C)

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Directs the Commissioner of Administration to adjust the balance of the Response Account for unrealized net losses.

Section 2. Allows realized income from the Response Account to be transferred to the Prevention Account.

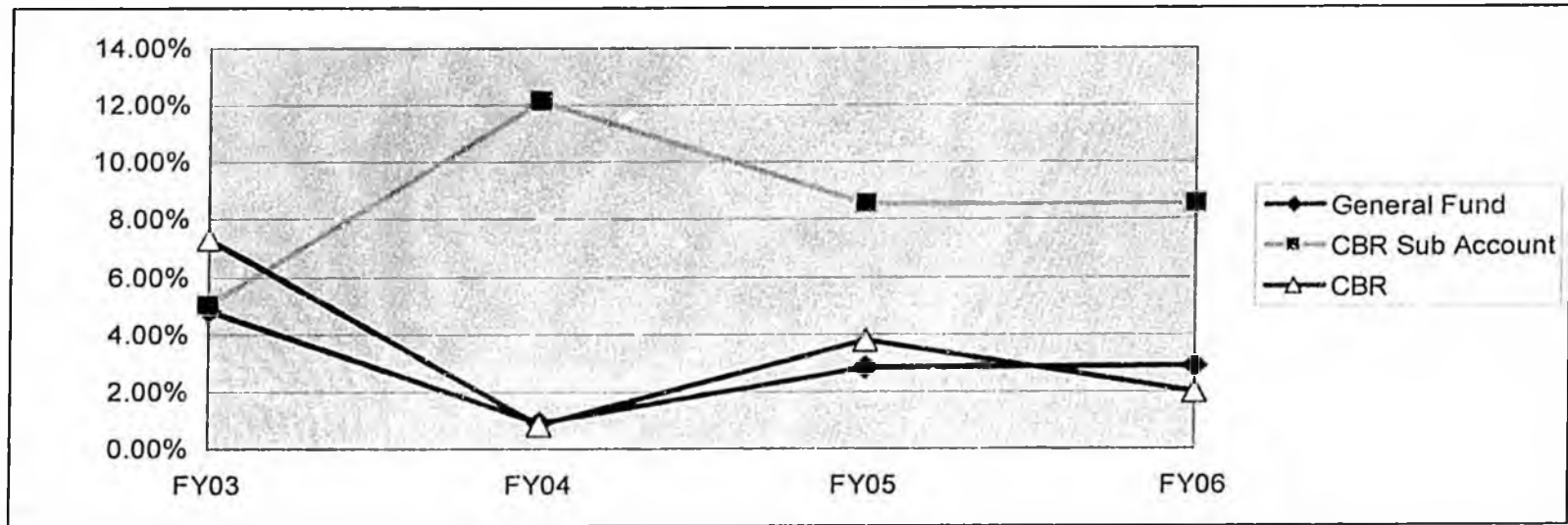
Section 3. Creates a subaccount in the Response Account

Section 4. Directs the Department of Administration to transfer \$40,000,000 to the subaccount created in section 3.

Section 5. Effective date.

Annual Returns for the CBR, CBR Sub Account & the General Fund

Prepared by Representative Meyer's Office



1. 3 & 5 Year Returns for the General Fund, CBR & CBR Sub Account

	1 Year	3 Year	5 Year
General Fund	2.92%	2.22%	3.22%
CBR	1.98%	2.19%	3.97%
CBRF Sub Account	8.57%	9.74%	5.55%

Extrapolated Difference in Earnings Based on 40/10 Split¹

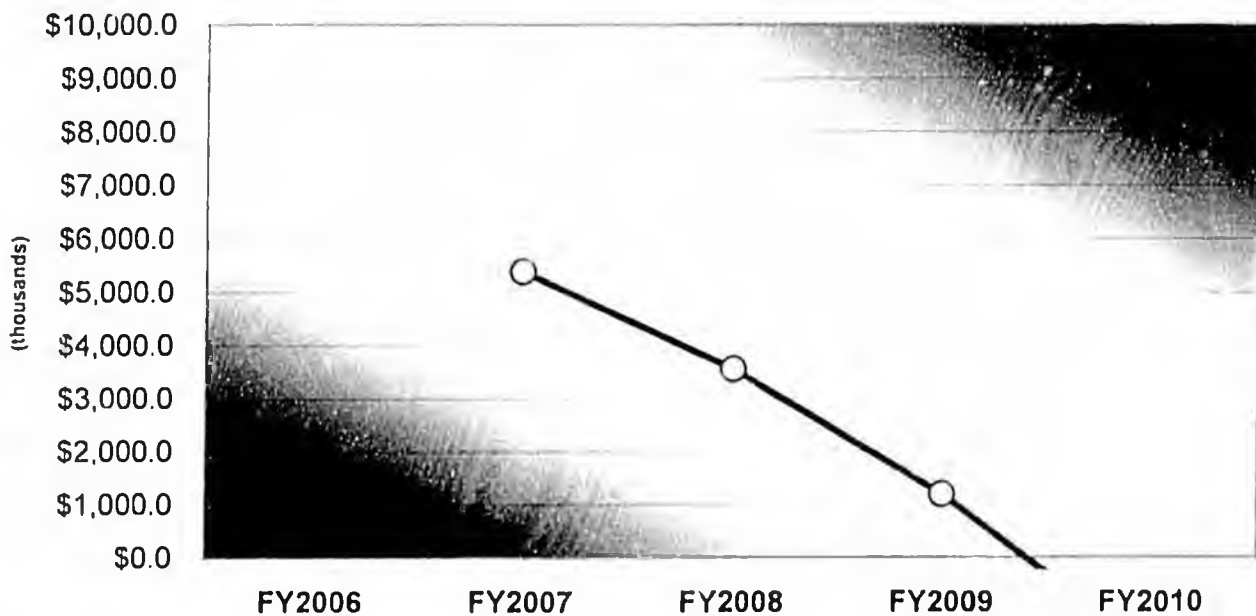
	2003	2004	2005	2006
Status Quo	\$52,410,000	\$50,460,000	\$51,420,000	\$51,460,000
HB 238	\$52,490,000	\$54,944,000	\$53,700,000	\$53,720,000
Difference:	\$80,000	\$4,484,000	\$2,280,000	\$2,260,000

¹ \$40,000,000 invested in the subaccount assuming CBR subaccount returns / \$10,000,000 invested in GF assuming GF returns. No fees are included.

Representative Kevin Meyer
RESPONSE FUND - BALANCE PROJECTION
 Projection Based on the FY08 Operating Budget (House)
 Assumes Response Account Earnings of 2.5%

	FY2005 FUND BALANCE	7,782.7				
		FY2006	FY2007	FY2008	FY2009	FY2010
REVENUE		0.0	12,952.5	12,477.5	12,550.0	12,550.0
4 Cent Surcharge		0.0	7,758.7	9,700.0	9,800.0	9,800.0
Cost Recovery/Fines/Penalties		0.0	2,143.8	1,527.5	1,500.0	1,500.0
Interest		0.0	1,250.0	1,250.0	1,250.0	1,250.0
FY2007 Transfer 1.8 million from CPVF to RF (Language)		0.0	1,800.0	0.0		
 Note: Revenue from change effective 7/1/2006 will be available for use until FY2008 Budgets						
TOTAL EXPENDITURES		0.0	14,725.0	14,314.9	14,914.9	15,514.9
EXPENDITURES IN EXCESS OF REVENUE		0.0	(1,772.5)	(1,837.4)	(2,364.9)	(2,964.9)
OPERATING EXPENDITURES		0.0	14,725.0	14,314.9	14,914.9	15,514.9
DEC + Annual Salary Increases - FY2008 and Out Yrs		0.0	13,402.4	14,814.9	15,414.9	16,014.9
DMVA - Continue Annual Approp from RF		0.0	497.6	0.0	0.0	0.0
DOT - Continue Annual Approp from RF		0.0	825.0	0.0	0.0	0.0
Reduce CPVEC in operating				0.0	0.0	0.0
Unexpended			0.0	(500.0)	(500.0)	(500.0)
Proposed Changes		0.0	0.0	0.0	0.0	0.0
DEC OPERATING			0.0			
DOT OPERATING			0.0			
DMVA OPERATING			0.0			
CAPITAL EXPENDITURES		0.0	0.0	0.0	0.0	0.0
ESTIMATED FUND BALANCE			5,394.1	3,556.7	1,191.8	(1,773.1)

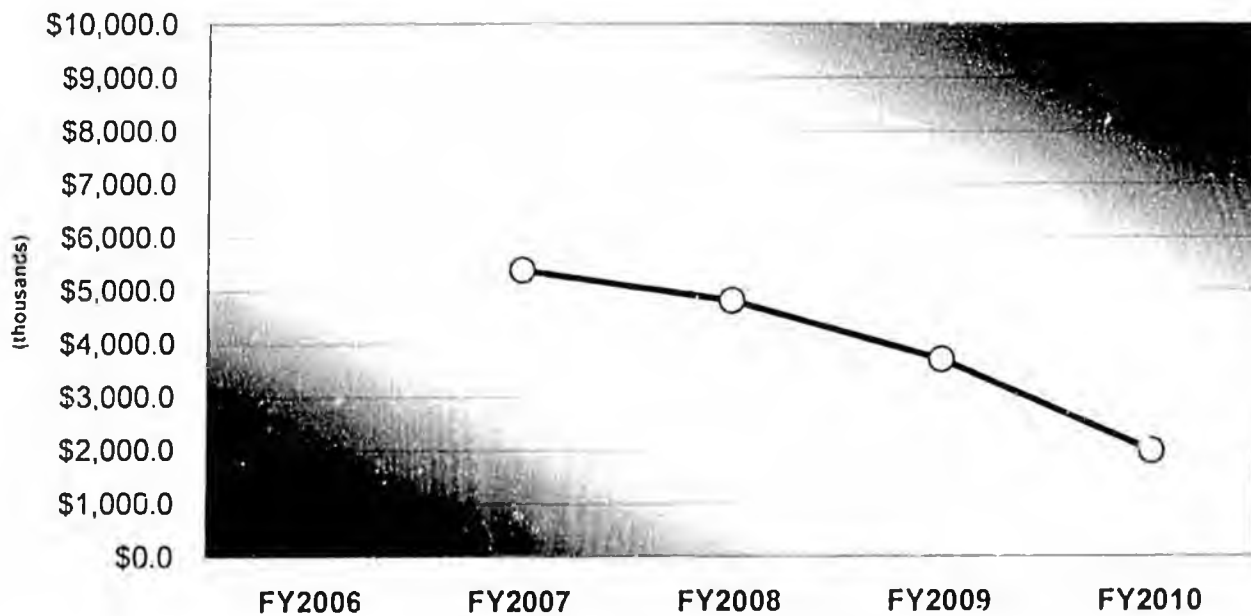
RESPONSE FUND BALANCE



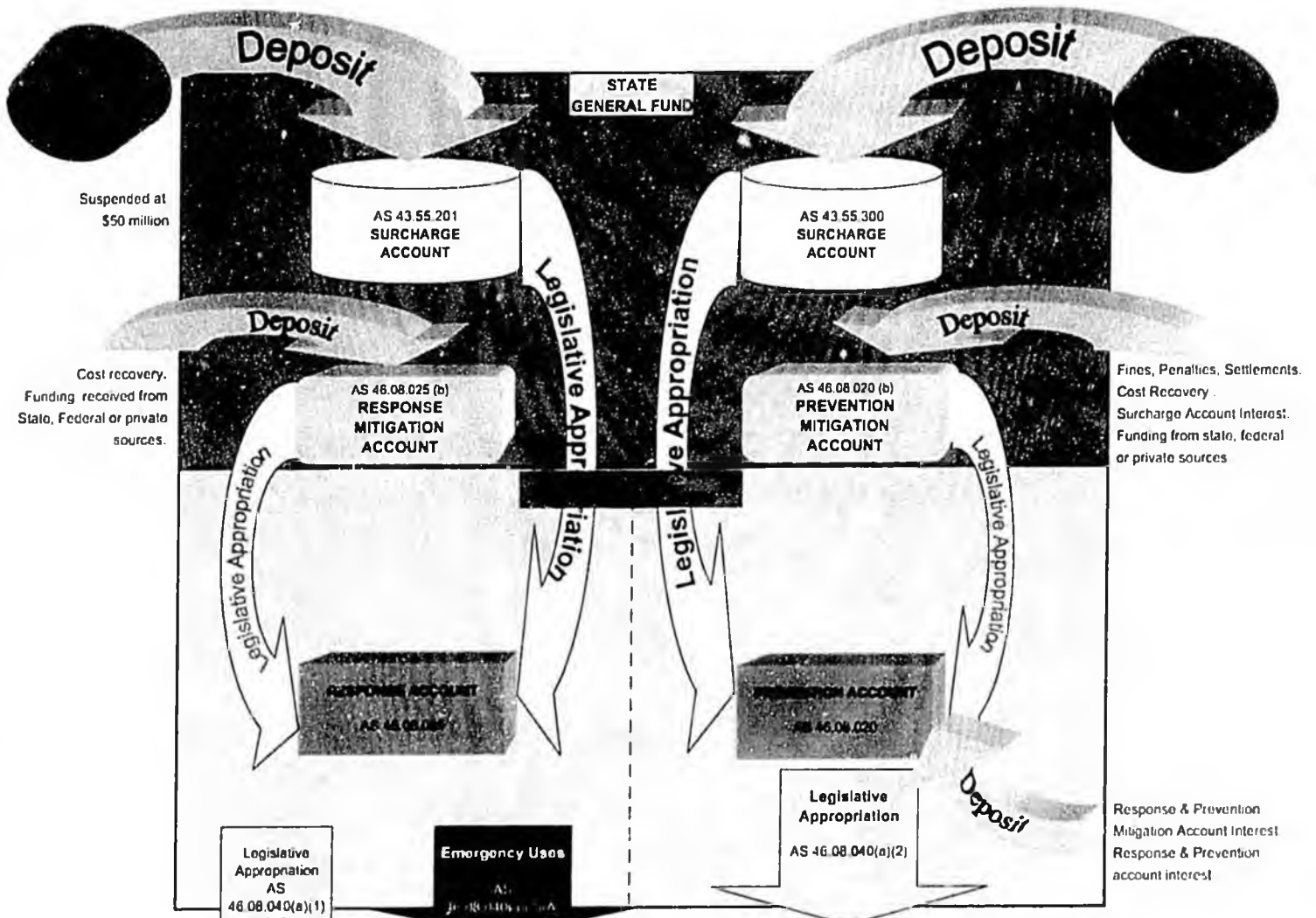
Representative Kevin Meyer
RESPONSE FUND - BALANCE PROJECTION
 Projection Based on the FY08 Operating Budget (House)
 HB 238: Assumes Response Account Earnings of 5%

	FY2005 FUND BALANCE	7,782.7				
		FY2006	FY2007	FY2008	FY2009	FY2010
REVENUE		0.0	12,952.5	13,727.5	13,800.0	13,800.0
4 Cent Surcharge		0.0	7,758.7	9,700.0	9,800.0	9,800.0
Cost Recovery/Fines/Penalties		0.0	2,143.8	1,527.5	1,500.0	1,500.0
Interest		0.0	1,250.0	2,500.0	2,500.0	2,500.0
FY2007 Transfer 1.8 million from CPVF to RF (Language)		0.0	1,800.0	0.0		
Note: Revenue from change effective 7/1/2006 will be available for use until FY2008 Budgets						
TOTAL EXPENDITURES		0.0	14,725.0	14,314.9	14,914.9	15,514.9
EXPENDITURES IN EXCESS OF REVENUE		0.0	(1,772.5)	(587.4)	(1,114.9)	(1,714.9)
OPERATING EXPENDITURES		0.0	14,725.0	14,314.9	14,914.9	15,514.9
DEC + Annual Salary Increases - FY2008 and Out Yrs		0.0	13,402.4	14,814.9	15,414.9	16,014.9
DMVA - Continue Annual Approp from RF		0.0	497.6	0.0	0.0	0.0
DOT - Continue Annual Approp from RF		0.0	825.0	0.0	0.0	0.0
Reduce CPVEC in operating				0.0	0.0	0.0
Unexpended			0.0	(500.0)	(500.0)	(500.0)
Proposed Changes		0.0	0.0	0.0	0.0	0.0
DEC OPERATING			0.0			
DOT OPERATING			0.0			
DMVA OPERATING			0.0			
CAPITAL EXPENDITURES		0.0	0.0	0.0	0.0	0.0
ESTIMATED FUND BALANCE			5,394.1	4,806.7	3,691.8	1,976.9

RESPONSE FUND BALANCE



Oil & Hazardous Substance Release Prevention and Response Fund



* Match federal funds
* Recover cost to the state, municipality, or a school district for cleanup.

* Oil or hazardous substance discharge emergency
* Investigate, evaluate, contain, clean-up, monitor and assess a release or threatened release of oil or hazardous substance that poses an imminent and substantial threat to public health or welfare, or to the environment.

- * Investigate, evaluate, contain, clean-up a release or threatened release of oil or hazardous substances
- * Establish and maintain spill response office
- * Pay for expenses incurred by Alaska State Emergency Response Commission activities relating to oil or hazardous substance release or preparing to respond to the DEC request for support in a response and restoration activity.
- * Pay for all costs incurred in acquiring spill response equipment.
- * Pay costs incurred by LEPC to carry out duties assigned them by AS 26.23.073(g).
- * Provide matching federal funds
- * Pay DCEO for Community and Economic Development of municipal impact grant; assessment of the social and economic effects of the release of oil or hazardous substance; grants to repair, improve, or replace fuel storage facilities under the bulk fuel system emergency repair and upgrade program.
- * 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.
- * Prepare, review, and revise the state and regional master oil and hazardous substance discharge prevention and contingency plans.

* House Bill #3001C amended AS 43.55.201 Sec. 26 and changed the Surcharge from \$ 02 to \$ 01 effective 4/1/2008

** House Bill #3001C amended AS 43.55.300 Sec. 28 and changed the Surcharge from \$ 03 to \$ 04 effective 4/1/2008

Department of Environmental Conservation

Division of Spill Prevention and Response

RESPONSE ACCOUNT

EXPENDITURE HISTORY SINCE INCEPTION (10/2/1994 to PRESENT)

(\$ Thousands)

SITE DESCRIPTION	EXPENDITURES	ENCUMBRANCE
LDF (GC-1) FLOWLINE	\$ 5.2	\$ -
F/V GENIE MARU #7,	\$ 16.6	\$ -
F/V AMERICAN EAGLE	\$ 51.5	\$ -
M/V SELENDANG AYU	\$ 2,187.6	\$ 6.2
NRDA ISSUS/SELENDANG	\$ 12.6	\$ -
GC-2 OIL TRANSIT LINE	\$ 143.4	\$ 85.0
FLOW ST 2 TRAN OIL LINE RELEASE	\$ 96.5	\$ 14.6
GC2 TANK 8511 SPILL	\$ 10.8	\$ -
ENI ROCK FLOUR #2	\$ 10.8	\$ -
TRANS AK RGV-32	\$ 9.9	\$ -
GC2/FS2 DOL REVIEW	\$ 182.5	\$ 8,570.5
TUNTUTLIAK TF GAS SPILL	\$ 5.4	\$ -
LITTLE SUSITNA RIVER	\$ 1.1	\$ -
TETLIN DIESEL SPILL	\$ 2.3	\$ -
WOMENS BAY KODIAK 96	\$ 1.5	\$ -
NORDALE ROAD DRUMS	\$ 9.0	\$ -
NAVY ARCTIC SUB LAB	\$ 10.7	\$ -
THOMPSON PASS TRANS.	\$ 2.5	\$ -
DENNY PROPERTIES	\$ 119.2	\$ -
VMT 1/10/97	\$ 16.3	\$ -
M/V KUROSHIMA	\$ 562.9	\$ -
CROWLEY BARGE OVERTURN	\$ 7.4	\$ -
6 MILE GROUNDWATER	\$ 21.2	\$ -
GAFFNEY ST AREA WIDE	\$ 103.6	\$ -
BETTY KING	\$ 4.0	\$ -
ARCO DS 16	\$ 1.1	\$ -
EAST POINT SEAFOOD PROCESSOR	\$ 4.6	\$ -
MILNE POINT ROLLOVER	\$ 2.6	\$ -
SAVOOGNA DRUM INVESTIGATION	\$ 4.0	\$ -
HOOPER BAY YUTANA	\$ 1.4	\$ -
EAGLE ASBESTOS	\$ 137.9	\$ -
SADDLE AVE DRUMS	\$ 5.2	\$ -
WHITTIER IMPOUND YARD	\$ 34.5	\$ -
F/V RONNY AGROUND	\$ 2.2	\$ -
EULA STREET DRUMS	\$ 3.2	\$ -
NINILCHIK R SULPHUR	\$ 13.1	\$ -
COLVILLE INC ROLLOVER	\$ 30.1	\$ -
CHESAPEAKE TRADER	\$ 8.1	\$ -
ARRC CANYON DERAILMENT	\$ 16.8	\$ -
NORTH COAST/KOYUK	\$ 3.4	\$ -
FLAXMAN ISLAND	\$ 2.3	\$ -
PERP Z PAD	\$ 3.0	\$ -
341 PARKS HIGHWAY DR	\$ 6.4	\$ -
LITTLE DIOMEDE SPILL	\$ 72.9	\$ -
UMIAT WELI. #8 GAS	\$ 9.6	\$ -
WILDERNESS ADVENTURES	\$ 31.3	\$ -
SPIRIT OF '98	\$ 9.0	\$ -
WHITTIER STORM DRAIN	\$ 7.9	\$ -
ICICLE SEAFOODS EXPLOSION	\$ 4.6	\$ -

Department of Environmental Conservation
Division of Spill Prevention and Response

SITE DESCRIPTION	EXPENDITURES	ENCUMBRANCE
LILLY LAKE CONDOS	\$ 7.1	\$ -
KODIAK MYSTERY SHEEN	\$ 3.9	\$ -
SWANSON RIVER FIELD	\$ 22.0	\$ -
GOODNEWS BAY SPILL	\$ 10.8	\$ -
POLARIS SCHOOL ABANDONED DRUMS	\$ 20.5	\$ -
F/V WINDY BAY	\$ 24.9	\$ -
TESORO JET FUEL SPILL	\$ 11.1	\$ -
VESSEL QP SINKING	\$ 5.0	\$ -
VILLAGE COMMUNITIES	\$ 8.0	\$ -
6 MILE TRUCK STOP	\$ 54.1	\$ -
APL CHECK VALVE 92	\$ 10.1	\$ -
AIA DRUMS	\$ 4.6	\$ -
AK RAILROAD MI 263.4	\$ 245.3	\$ -
MCCALL PROPERTY	\$ 82.4	\$ -
ARRC MP 152.8	\$ 6.8	\$ -
TOKSOOK BAY	\$ 1.0	\$ -
TOKSOOK BAY	\$ 358.7	\$ -
THANE RD BUNKER	\$ 1.5	\$ -
FORWARD PAD RF	\$ 173.1	\$ -
MP399 TAPS BULLET HOLE RELEASE	\$ 139.3	\$ -
U PAD ACID SPILL/TRUCK ROLLOVER	\$ 36.9	\$ -
PEDRO BAY POWER PLANT	\$ 105.0	\$ -
RIVER TERRACE LAUNDROMAT	\$ 693.0	\$ -
GOLD CREEK WHITE	\$ 23.3	\$ -
INDIAN VALLEY	\$ 16.0	\$ -
WAINWRIGHT SCHOOL	\$ 1.1	\$ -
INDUSTRIAL RD DRM	\$ 3.5	\$ -
NIEUW AMSTERDAM	\$ 4.1	\$ -
WINDRAY	\$ 13.9	\$ -
KOYUKUK RIV FLOOD	\$ 3.1	\$ -
SUB-TOTAL	\$ 6,099.9	\$ 8,676.3

CIP BUDGET APPROPRIATIONS

* NON-BILLABLE APPROPRIATIONS	3118.9	\$	71.8
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GRAND TOTAL	\$ 9,218.8	\$	8,748.1
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Note: Site expenditures less than \$1.0 have been removed from this spreadsheet. This category represents approximately \$8.9. This amount is not reflected in the grand total.

* In addition to accessing the account for emergency spills, the Response Account was used during the mid to late 1990s to fund several CIP budget appropriations to agencies other than DEC. Cost recovery is not sought for non-billable appropriations. This data in this spreadsheet is preliminary.