

Reapprop to the Oil and Hazardous Substance Release Prevention Account (AS 46.08.010(a)(1)) - NTE \$800,000

FY2016 Request: \$0
Reference No: 58446

AP/AL: Appropriation

Project Type: Life / Health / Safety

Category: Health/Human Services

Location: Statewide

House District: Statewide (HD 1-40)

Impact House District: Statewide (HD 1-40)

Contact: Kristin Ryan

Estimated Project Dates: 06/30/2015 - 06/30/2019

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Brief Summary and Statement of Need:

Declining crude oil production means that the Oil and Hazardous Substance Release Prevention and Response Fund is facing a significant shortfall starting in FY2015. The Department estimates it will lapse approximately \$3.0 million in general funds from completed capital projects in the Division of Water's Municipal Matching Grant program at the end of FY2015. These funds would be available to be reappropriated to the Prevention Account and would alleviate some of the immediate need, including the Department's \$800,000 FY2015 shortfall, and a portion of the projected FY2016 shortfall. A reappropriation could provide for a short term solution without an infusion of new general funds.

Funding:	<u>FY2016</u>	<u>FY2017</u>	<u>FY2018</u>	<u>FY2019</u>	<u>FY2020</u>	<u>FY2021</u>	<u>Total</u>
Total:	\$0	\$0	\$0	\$0	\$0	\$0	\$0

<input type="checkbox"/> State Match Required	<input checked="" type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input type="checkbox"/> Phased - underway	<input type="checkbox"/> On-Going
0% = Minimum State Match % Required		<input type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	0
Totals:	0	0

Prior Funding History / Additional Information:

Sec1 Ch17 SLA2012 P114 L5 SB 160 \$699,143
 Sec1 Ch17 SLA2012 P114 L15 SB 160 \$1,339,000
 Sec1 Ch17 SLA2012 P114 L19 SB 160 \$3,090,000
 Sec1 Ch17 SLA2012 P114 L25 SB 160 \$2,590,450
 Sec1 Ch17 SLA2012 P114 L28 SB 160 \$3,090,000
 Sec1 Ch17 SLA2012 P115 L4 SB 160 \$1,032,413
 Sec1 Ch17 SLA2012 P115 L10 SB 160 \$377,465
 Sec1 Ch5 SLA2011 P82 L5 SB 46 \$2,616,824
 Sec1 Ch5 SLA2011 P82 L16 SB 46 \$717,255
 Sec7 Ch43 SLA2010 P24 L7 SB 230 \$4,100,000
 Sec7 Ch43 SLA2010 P25 L14 SB 230 \$3,090,000
 Sec7 Ch43 SLA2010 P25 L27 SB 230 \$253,697
 Sec1 Ch15 SLA2009 P6 L28 SB 75 \$4,182,000
 Sec1 Ch15 SLA2009 P7 L7 SB 75 \$41,400
 Sec1 Ch15 SLA2009 P7 L11 SB 75 \$123,165
 Sec1 Ch15 SLA2009 P7 L14 SB 75 \$1,804,560
 Sec1 Ch15 SLA2009 P7 L23 SB 75 \$2,132,100

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Sec1 Ch15 SLA2009 P7 L27 SB 75 \$648,945
Sec1 Ch15 SLA2009 P7 L33 SB 75 \$1,691,260
Sec13 Ch29 SLA2008 P139 L23 SB 221 \$419,175
Sec13 Ch29 SLA2008 P139 L27 SB 221 \$1,253,510
Sec13 Ch29 SLA2008 P139 L33 SB 221 \$698,625
Sec13 Ch29 SLA2008 P140 L9 SB 221 \$2,060,000
Sec13 Ch29 SLA2008 P140 L15 SB 221 \$1,766,605
Sec62 Ch29 SLA2008 P222 L4 SB 221 \$125,351
Sec62 Ch29 SLA2008 P222 L5 SB 221 \$41,918
Sec62 Ch29 SLA2008 P222 L7 SB 221 \$279,450
Sec62 Ch29 SLA2008 P222 L11 SB 221 \$824,000
Sec62 Ch29 SLA2008 P222 L18 SB 221 \$706,642
Sec4 Ch30 SLA2007 P91 L13 SB 53 \$3,347,500
Sec4 Ch30 SLA2007 P92 L8 SB 53 \$155,300
Sec1 Ch3 SLA2005 P54 L12 SB 46 \$250,000

Project Description/Justification:

The current year shortfall in the Prevention Account of the Oil and Hazardous Substance Release Prevention and Response Fund is not the result of overspending. This situation was caused by factors beyond the Department's control and is the result of lower than anticipated investment income, cost recovery income, and surcharge revenues collected. Consequently, the full amount appropriated by the 2014 Legislature was not available to transfer into the prevention account to cover FY2015 budgeted expenses.

When the shortfall was first identified, the Department took a number of steps to reduce the budget deficit. The Department enacted \$520,000 of spending reductions in the Division of Spill Prevention and Response (SPAR) in the current year. These included retaining vacancies, closure of the Bethel field office, and reduction of RSAs with the Departments of Natural Resources, Fish and Game, and Law. There was no interruption to critical services, however these reductions have put a strain on SPAR. In addition, the Department terminated and lapsed \$750,000 of capital appropriations for Statewide Contaminated Sites Cleanup that were funded by the Prevention Account. After these savings, the prevention account will still have a shortfall in FY2015 of approximately \$800,000.

In FY2016, continued spending reductions can only be accomplished by restructuring the Division of Spill Prevention and Response. That restructuring combines the Division's five components into one component, and it significantly redefines the State's approach to planning, preparing for, and responding to spills. Greater synergy between planning and response can reduce expenses and improve service delivery to the regulated public without reducing protection of Alaska's natural environmental. It creates program efficiencies that reduce overall costs by \$520.0 and eliminates four positions. With these savings, the Prevention Account shortfall for FY2016 will be approximately \$1,890.0.

The FY2016 Response Fund projection has assumed the Department will receive a large settlement for a site in Aniak of approximately \$5 million. Those funds would need to be received and in the bank in advance of June 30, 2015, in order to be transferred to the Prevention Account as part of the Department's FY2016 appropriation. If a settlement agreement is not signed by all parties by the end

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of February 2015, it is highly unlikely that the funds would be received by the State in time to be available to transfer to the Prevention Account for FY2016 expenditures. The Department is working closely with the Department of Law to expedite this process. Without this settlement, the Prevention Account shortfall in FY2016 will increase to an estimated \$6.9 million.

The Department estimates it will lapse approximately \$3.0 million in general funds from completed capital projects in the Division of Water's Municipal Matching Grant program at the end of FY2015. These funds would be available to be reappropriated to the Prevention Account and would alleviate some of the immediate need, including the Department's \$800,000 FY2015 supplemental request, and a portion of the projected FY2016 shortfall.

A reappropriation could provide for a short term solution without an infusion of new general funds and allow for the Department to implement the proposed FY2016 reduced budget in SPAR without a disruption to critical prevention and response activities. This would help to bridge the gap in FY2016, alleviate the strain on the rest of the Department, and provide some time for the Administration and the Legislature to reach consensus on a longer term solution.

Without a supplemental appropriation of general funds to the Prevention Account for FY2015, SPAR will need to immediately begin the process of laying off staff. Implementation of the layoff process will take approximately 12 weeks once a decision is made, in order to comply with the bargaining units' agreements. Given the timing, the Department estimates there will need to be 35 permanent, full time staff laid off statewide in order to realize an additional \$800,000 cost savings by the end of the fiscal year. This precipitous loss of personnel in SPAR will have a significant impact on the Department's ability to respond to smaller spills and oversee the cleanup of private and state-owned contaminated sites.