

# **State of Alaska FY2007 Governor's Operating Budget**

## **Department of Environmental Conservation Response Fund Administration Component Budget Summary**

**Component: Response Fund Administration**

**Contribution to Department's Mission**

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 and provide administrative support services to divisions programs.

**Core Services**

- Management of the Prevention and Response Accounts of the Oil and Hazardous Substance Release Prevention and Response Fund.
- Recover state costs for responding to spills.
- Manage and coordinate receipt and expenditure of federal dollars for cleanup of federal facilities.
- Develop cost controls and standardize division contracts.
- Manage term contracts and issue Notices to Proceed (NTPs).
- Provide guidance and assistance to other Spill Prevention and Response programs in general administrative functions such as budget preparation, expenditure tracking, human resources, and procurement.
- Provide administrative and financial support during emergency spill response situations.
- Manage Reimbursable Services Agreements for the division.

End Results	Strategies to Achieve Results
<p><b>A: State is reimbursed for funds spent on cleanup or remediation of oil or hazardous substance spills caused by private and/or federal entities.</b></p> <p><u>Target #1:</u> 80% of state funding spent on cleanup or remediation of oil or hazardous substance spills caused by private and/or federal entities is recovered.</p> <p><u>Measure #1:</u> % of state funding recovered for expenditures incurred on cleanup or remediation of oil or hazardous substance spills caused by private and/or federal entities.</p>	<p><b>A1: Provide adequate documentation to the Department of Law for cost recoverable sites.</b></p> <p><u>Target #1:</u> Adequate documentation is provided for 100% of cost recoverable sites.</p> <p><u>Measure #1:</u> % of cost recoverable sites with adequate documentation for billings.</p>

**Major Activities to Advance Strategies**

- Identify and pursue sources of cost recovery to assist in funding response, removal and remediation of oil and hazardous substance releases.
- Manage term contracts and issue Notices to Proceed to implement cleanup of contaminated sites.
- Provide financial management of federal contracts to ensure expenditure of federal dollars are maximized and spent appropriately.

**FY2007 Resources Allocated to Achieve Results**

**FY2007 Component Budget: \$1,492,700**

**Personnel:**

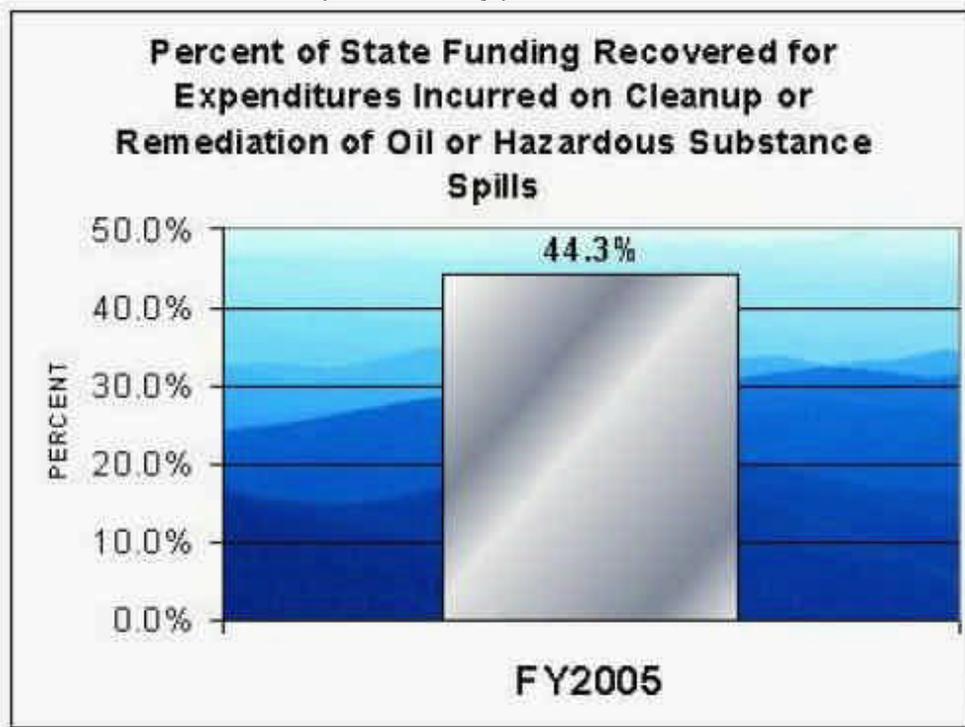
Full time	5
Part time	0
<b>Total</b>	<b>5</b>

**Performance Measure Detail**

**A: Result - State is reimbursed for funds spent on cleanup or remediation of oil or hazardous substance spills caused by private and/or federal entities.**

**Target #1:** 80% of state funding spent on cleanup or remediation of oil or hazardous substance spills caused by private and/or federal entities is recovered.

**Measure #1:** % of state funding recovered for expenditures incurred on cleanup or remediation of oil or hazardous substance spills caused by private and/or federal entities.



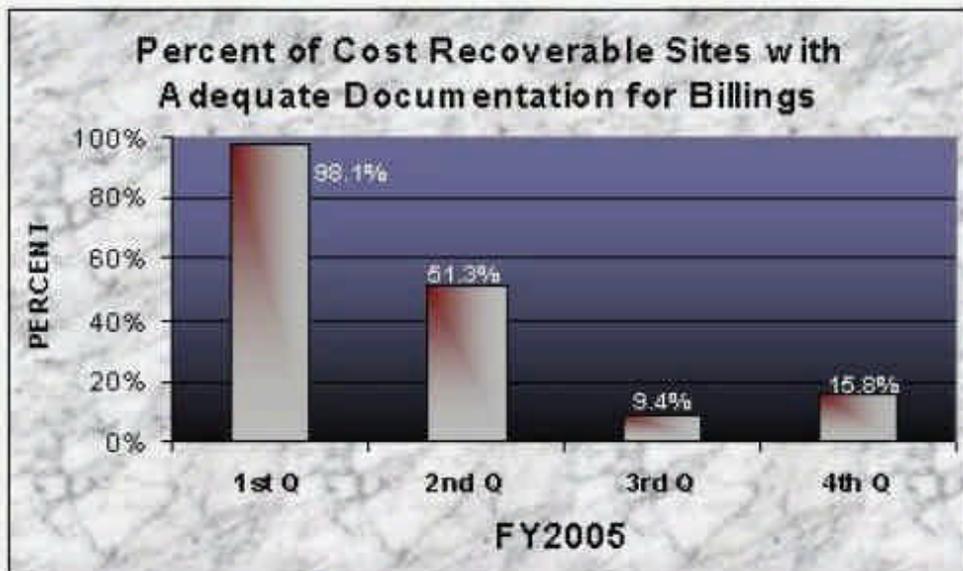
**Analysis of results and challenges:** When the state incurs expenditures for response, cleanup, or remediation of a spill or contamination caused by oil or hazardous substances, we are obligated to try to recover those costs. Once a party or parties responsible for a spill or contamination is identified, they are notified of their possible financial responsibility. In cases lacking an identified responsible party the state either absorbs the cost of cleanup or requests reimbursement through the National Pollution Fund Center if it is determined that the spill condition meet their specific criteria. State expenditures for travel, contractual, supplies, equipment, and legal guidance are tracked for each site. Staff time is tracked and an average salary cost for each position classification is applied to ensure that personal services costs are equitably charged. As costs accumulate, a summary invoice with backup documentation is prepared on a quarterly basis and forwarded to project managers for review and validation. Project managers forward approved billing packages to Department of Law. Billings are reviewed and sent to responsible party(s) by the Department of Law.

After billings are sent, it may take several months, or even several years to actually recover costs. Due to the time lag between billings and receipt of payments, data that covers several years will provide the best picture of cost recovery success. In FY2005 the large amounts of state funding spent in the final two quarters were due to the grounding of the Selendang Ayu and the subsequent oil spill response. During the last 6 months of the fiscal year, cost recovery efforts were directed almost exclusively toward the Selendang response, creating a backlog in other cost recovery efforts. Cost recovery documentation requirements for the Selendang response were quite extensive, complex, and time consuming to prepare. Cost recovery efforts on the Selendang spill have been successful, with few costs questioned or denied, however, a majority of costs recovered to date were not deposited until after July 1, 2005 and are not reflected in the FY2005 numbers.

### A1: Strategy - Provide adequate documentation to the Department of Law for cost recoverable sites.

**Target #1:** Adequate documentation is provided for 100% of cost recoverable sites.

**Measure #1:** % of cost recoverable sites with adequate documentation for billings.



**Analysis of results and challenges:** When the state incurs expenditures for response, cleanup, or remediation of a spill or contamination from oil or hazardous substances caused by non-state entities, we are obligated to try to recover those costs. Once a party or parties responsible for a spill or contamination is identified, they are notified of their possible financial responsibility. State expenditures for travel, contractual, supplies, equipment and legal guidance are tracked for each site. Hours spent by staff are tracked and documented on Site Logs, and an average salary cost is applied so that personal services costs are equitably charged rather than being based on actual range and step of an employee. As costs accumulate, a summary invoice with backup documentation is prepared on a quarterly basis and forwarded to project managers for review and validation. Project managers forward the approved billing packages to Department of Law. Billings are reviewed and sent to the responsible party(s) by the Department of Law.

During the last 6 months of FY2005, cost recovery efforts were directed almost exclusively toward one event, the Selendang response, creating a serious backlog in other cost recovery efforts. Cost recovery on the Selendang was a priority due to the significant amount of state funding spent on the response from the \$50 million Response Account and the necessity to quickly reimburse the account. Should the Response Account balance fall below \$50 million, a 2-cent surcharge per barrel of crude oil produced in the state is automatically triggered. Cost recovery documentation requirements for the Selendang response were quite extensive, complex, and time consuming to prepare, leaving little time for other cost recovery efforts. Cost recovery efforts on the Selendang are now at a more manageable level, and the division is focusing on decreasing the backlog.

## Key Component Challenges

Determine a long-term fiscal plan for the division taking into account the effect of the decline in revenue from the 3-cent surcharge on the Response Fund balance, and the reduced amount of interest earned on Response Fund accounts.

Bring scheduled and new cost recovery billings up to date after the disruption caused by the significant effort expended on maintaining timely billings for the M/V Selendang Ayu grounding.

## Significant Changes in Results to be Delivered in FY2007

None.

## Major Component Accomplishments in 2005

Billed 222 Responsible Parties for over \$1.974 million of state costs.

Negotiated a Letter of Agreement to appropriately compensate staff for work performed on the M/V Selendang Ayu grounding, successfully resolved travel payment issues, and worked with response staff to ensure appropriate and adequate documentation for cost recovery. Prepared cost recovery billings totaling \$1.099 million, with \$453 thousand reimbursed during FY2005.

Issued 50 term contract notices to proceed for \$1.863 million to conduct cleanup and site assessment work.

Performed final audits and closed files on the Underground Storage Tank Financial Assistance program, a successful 14-year grant program which terminated on June 30, 2004.

Assembled the Underground Storage Tank Revolving Loan Fund and Response Fund Biennial reports.

Managed \$6.8 million dollars of Reimbursable Service Agreements under 37 separate RSAs for work done on spill prevention and response.

## Statutory and Regulatory Authority

AS 46.03, AS 46.08, 18 AAC 785, 18 AAC 78.

### Contact Information

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**Response Fund Administration  
Component Financial Summary**

*All dollars shown in thousands*

	<b>FY2005 Actuals</b>	<b>FY2006 Management Plan</b>	<b>FY2007 Governor</b>
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	333.4	369.9	391.3
72000 Travel	5.8	7.5	7.5
73000 Services	985.9	1,089.9	1,089.9
74000 Commodities	6.7	2.0	2.0
75000 Capital Outlay	0.0	2.0	2.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>1,331.8</b>	<b>1,471.3</b>	<b>1,492.7</b>
<b>Funding Sources:</b>			
1002 Federal Receipts	20.8	37.6	38.4
1052 Oil/Hazardous Response Fund	1,311.0	1,433.7	1,454.3
<b>Funding Totals</b>	<b>1,331.8</b>	<b>1,471.3</b>	<b>1,492.7</b>

**Estimated Revenue Collections**

Description	Master Revenue Account	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
<b>Unrestricted Revenues</b>				
None.		0.0	0.0	0.0
<b>Unrestricted Total</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Restricted Revenues</b>				
Federal Receipts	51010	20.8	37.6	38.4
<b>Restricted Total</b>		<b>20.8</b>	<b>37.6</b>	<b>38.4</b>
<b>Total Estimated Revenues</b>		<b>20.8</b>	<b>37.6</b>	<b>38.4</b>

**Summary of Component Budget Changes  
From FY2006 Management Plan to FY2007 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2006 Management Plan</b>	<b>0.0</b>	<b>37.6</b>	<b>1,433.7</b>	<b>1,471.3</b>
<b>Adjustments which will continue current level of service:</b>				
-FY 07 Wage Increases for Bargaining Units and Non-Covered Employees	0.0	0.3	6.6	6.9
-FY 07 Health Insurance Cost Increases for Bargaining Units and Non-Covered Employees	0.0	0.0	0.8	0.8
-FY 07 Retirement Systems Cost Increase	0.0	0.5	12.4	12.9
<b>Proposed budget increases:</b>				
-Risk Management Self-Insurance Funding Increase	0.0	0.0	0.8	0.8
<b>FY2007 Governor</b>	<b>0.0</b>	<b>38.4</b>	<b>1,454.3</b>	<b>1,492.7</b>

**Response Fund Administration  
Personal Services Information**

Authorized Positions		Personal Services Costs		
	<u>FY2006</u> <u>Management</u> <u>Plan</u>	<u>FY2007</u> <u>Governor</u>		
Full-time	5	5	Annual Salaries	248,475
Part-time	0	0	COLA	6,721
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	139,088
			<i>Less 0.76% Vacancy Factor</i>	(2,984)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>5</b>	<b>5</b>	<b>Total Personal Services</b>	<b>391,300</b>

**Position Classification Summary**

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	0	0	1	0	1
Accounting Tech III	0	0	2	0	2
Administrative Assistant	0	0	1	0	1
Administrative Manager IV	0	0	1	0	1
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>5</b>