

# **State of Alaska FY2010 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**

- Provide leadership and accountability of all Response Fund Administration activities, support spill prevention and response operations with quality financial analysis and provide budgetary services.
- Manage and administer the Oil and Hazardous Substance Release Prevention and Response Fund.
- Recover state costs for responding to spills.
- Track and report all operating and capital expenditures and fund source balances to program managers monthly.
- 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 technical guidance and assistance to other Spill Prevention and Response programs in administrative functions such as budget and finance, contracting and procurement, accounting and human resources.
- Provide administrative and financial support during emergency spill response situations.
- Manage and track funding under the North Slope Charter Agreement.
- Manage Reimbursable Services Agreements for the division.
- Prepare annual and biennial reports.
- Review, evaluate and respond to audits of the Division's business practices.

End Result	Strategies to Achieve End Result
<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> Recover 80% of cost recoverable state funding spent on cleanup or remediation of oil or hazardous substance spills caused by private and/or federal entities.</p> <p><u>Status #1:</u> Recovered over 80% of cleanup and/or remediation costs from oil and 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>Status #1:</u> Adequate documentation has been provided to the Department of Law for over 85% of cost recoverable sites.</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.

**FY2010 Resources Allocated to Achieve Results**

**FY2010 Component Budget: \$1,470,500**

**Personnel:**

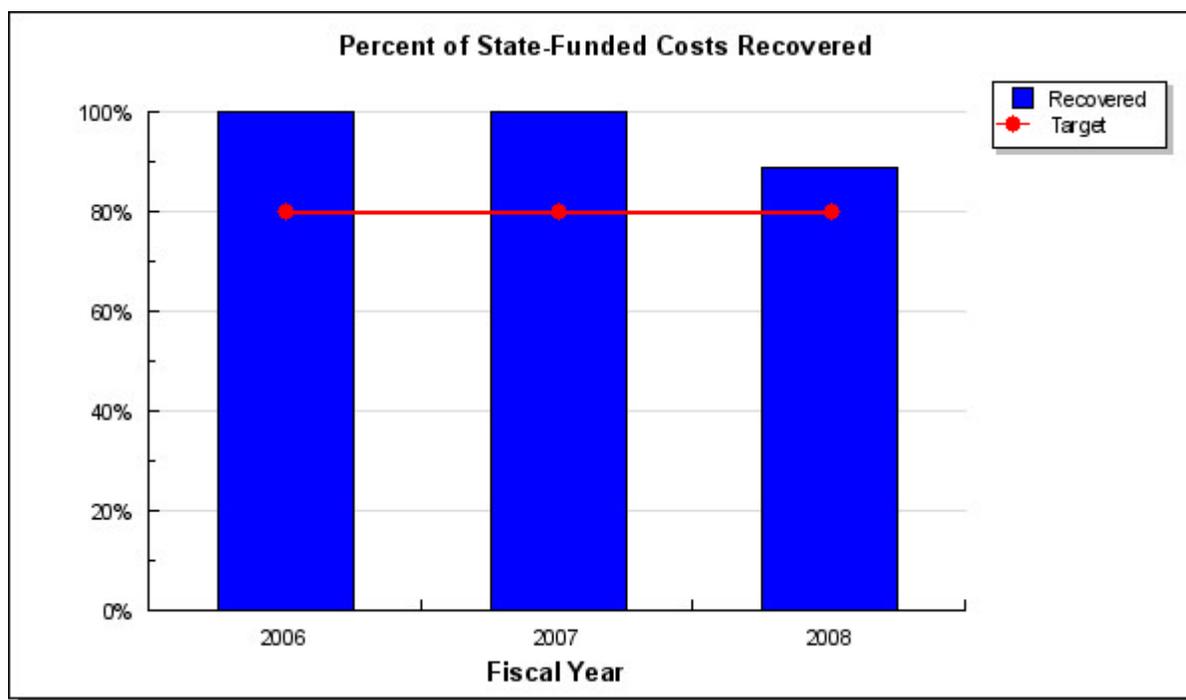
Full time	5
Part time	0
<b>Total</b>	<b>5</b>

**Performance**

**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:** Recover 80% of cost recoverable state funding spent on cleanup or remediation of oil or hazardous substance spills caused by private and/or federal entities.

**Status #1:** Recovered over 80% of cleanup and/or remediation costs from oil and hazardous substance spills caused by private and/or federal entities.



*Methodology: The percent of costs recovered is determined by dividing the total cost recovered by the total dollars spent.*

**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, Alaska Statutes require the department promptly seek reimbursement for those costs. 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 monthly and forwarded to project managers for review and validation. Billing packages are forwarded to Department of Law where they are reviewed and sent to the responsible party(s).

Not all costs are recovered in the same year as the expenditures. After billings are sent, it may take several months,

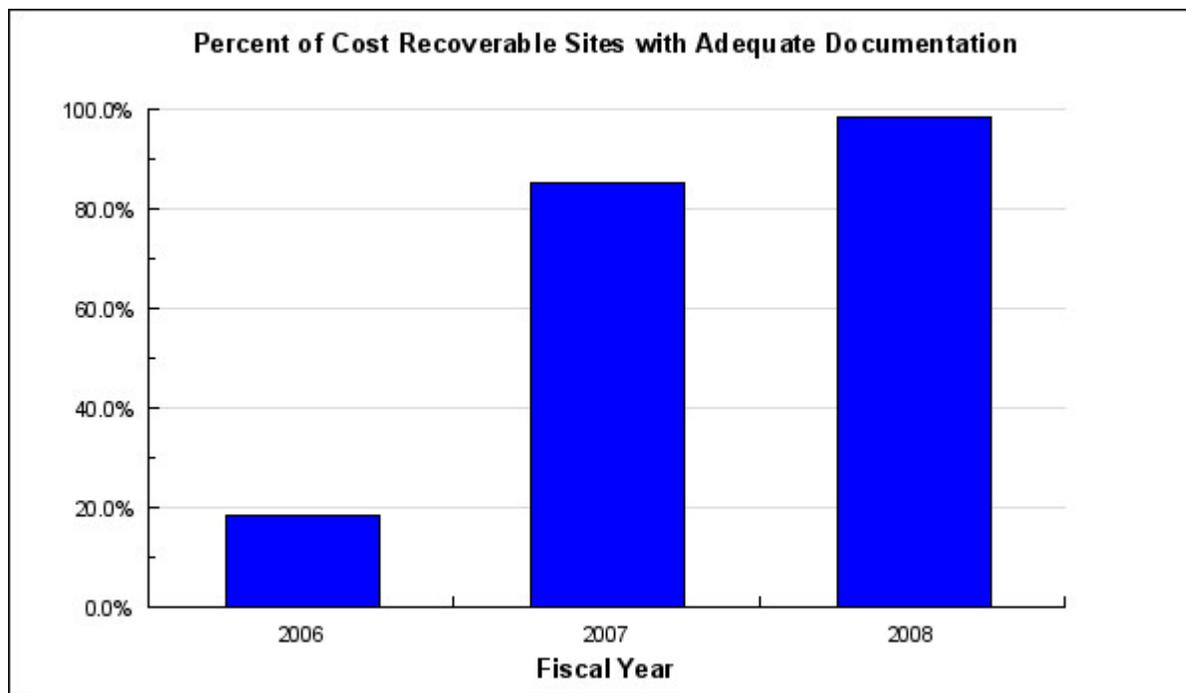
or even several years to actually recover costs, depending on the size and complexity of the spill. Due to the time lag between billings and receipt of payments, more may be recovered in a single year than was expended. Data that covers several years will provide the best picture of cost recovery success.

The FY 2008 data indicates that the Response Fund Administration program is continuing to meet or exceed the 80% target.

**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.

**Status #1:** Adequate documentation has been provided to the Department of Law for over 85% of cost recoverable sites.



*Methodology: The percent of cost recoverable sites with adequate documentation is determined by dividing the number of sites with adequate documentation by the total number of cost recoverable sites.*

**Analysis of results and challenges:** In order for the state to recover costs on response, cleanup or remediation activities, staff compiles documentation related to those costs paid by the state. 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 monthly and forwarded to project managers for review and validation. Next, the Response Fund Administration prepares the billing packages and submits this billing information to the Department of Law.

The FY 2006 data reflects the cost recovery staff working exclusively on the M/V Selendang Ayu incident. The larger the state cost, the more involved the billing process is. Therefore, there was a sharp reduction in the number of billing packets being sent to the Department of Law in FY 2006. The fiscal years 2007 and 2008 reflect a steady climb toward the target of providing adequate documentation to the Department of Law for 100% of cost recoverable sites.

**Key Component Challenges**

The declining response fund prevention account balance is a serious concern. Revenues collected from a four cent per barrel conservation surcharge have been reduced substantially by the steady decline in crude oil production. This revenue is the primary funding source for the prevention account.

## Significant Changes in Results to be Delivered in FY2010

None.

## Major Component Accomplishments in 2008

- Billed 726 responsible parties for over \$3.3 million of state costs.
- Received \$8.1 million in revenue in from current and previous years cost recovery billings, fines and settlements.
- Issued 56 term contract Notices to Proceed for \$8 million (need to one significant digit) to conduct cleanup, site assessment, monitoring and a comprehensive risk assessment for Alaska's oil and gas infrastructure.
- Managed \$8.9 million of Reimbursable Service Agreements under 36 separate RSAs for spill prevention and response activities carried out by other agencies.
- Provided technical financial and management assistance for 13 federal grants totaling approximately \$6 million.
- Completed review and responded to the comprehensive audit of the response fund by the Legislative Budget and Audit.
- Implemented supplemental activity code tracking and other audit recommendations.
- Completed a comprehensive update to the Cost Recovery Guidance Manual.
- Coordinated the development of Cost Recovery database Integration Project.

## Statutory and Regulatory Authority

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

Contact Information
<p><b>Contact:</b> Gary Cuscia, Administrative Manager IV <b>Phone:</b> (907) 465-5270 <b>Fax:</b> (907) 465-5262 <b>E-mail:</b> Gary.Cuscia@alaska.gov</p>

**Response Fund Administration  
Component Financial Summary**

*All dollars shown in thousands*

	<b>FY2008 Actuals</b>	<b>FY2009 Management Plan</b>	<b>FY2010 Governor</b>
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	447.0	422.8	429.1
72000 Travel	10.2	7.5	7.5
73000 Services	844.0	1,029.9	1,029.9
74000 Commodities	30.8	4.0	4.0
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>1,332.0</b>	<b>1,464.2</b>	<b>1,470.5</b>
<b>Funding Sources:</b>			
1002 Federal Receipts	0.4	40.5	40.6
1007 Inter-Agency Receipts	2.5	0.0	0.0
1052 Oil/Hazardous Response Fund	1,329.1	1,423.7	1,429.9
<b>Funding Totals</b>	<b>1,332.0</b>	<b>1,464.2</b>	<b>1,470.5</b>

**Estimated Revenue Collections**

<b>Description</b>	<b>Master Revenue Account</b>	<b>FY2008 Actuals</b>	<b>FY2009 Management Plan</b>	<b>FY2010 Governor</b>
<b>Unrestricted Revenues</b>				
Oil Hazardous Response Fund	51370	1,329.1	1,423.7	1,429.9
<b>Unrestricted Total</b>		<b>1,329.1</b>	<b>1,423.7</b>	<b>1,429.9</b>
<b>Restricted Revenues</b>				
Federal Receipts	51010	0.4	40.5	40.6
Interagency Receipts	51015	2.5	0.0	0.0
<b>Restricted Total</b>		<b>2.9</b>	<b>40.5</b>	<b>40.6</b>
<b>Total Estimated Revenues</b>		<b>1,332.0</b>	<b>1,464.2</b>	<b>1,470.5</b>

**Summary of Component Budget Changes  
From FY2009 Management Plan to FY2010 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2009 Management Plan</b>	<b>0.0</b>	<b>40.5</b>	<b>1,423.7</b>	<b>1,464.2</b>
<b>Adjustments which will continue current level of service:</b>				
-FY2010 Wage and Health Insurance Increases for Bargaining Units with Existing Agreements	0.0	0.1	6.2	6.3
<b>FY2010 Governor</b>	<b>0.0</b>	<b>40.6</b>	<b>1,429.9</b>	<b>1,470.5</b>

**Response Fund Administration  
Personal Services Information**

<b>Authorized Positions</b>			<b>Personal Services Costs</b>	
	<b>FY2009 Management Plan</b>	<b>FY2010 Governor</b>		
Full-time	5	5	Annual Salaries	279,770
Part-time	0	0	COLA	11,195
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	150,949
			<i>Less 2.90% Vacancy Factor</i>	<i>(12,814)</i>
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>5</b>	<b>5</b>	<b>Total Personal Services</b>	<b>429,100</b>

**Position Classification Summary**

<b>Job Class Title</b>	<b>Anchorage</b>	<b>Fairbanks</b>	<b>Juneau</b>	<b>Others</b>	<b>Total</b>
Accountant III	0	0	1	0	1
Accounting Tech III	0	0	2	0	2
Admin Operations Mgr I	0	0	1	0	1
Administrative Assistant II	0	0	1	0	1
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>5</b>