

State of Alaska FY2009 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.
- 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 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 and track funding under the charter agreement.
- Manage Reimbursable Services Agreements for the division.

End Result	Strategies to Achieve End Result
<p>A: State is reimbursed for funds spent on cleanup or remediation of oil or hazardous substance spills caused by private and/or federal entities.</p> <p><u>Target #1:</u> 80% of cost recoverable 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 reimbursed for cost recoverable expenditures incurred on cleanup or remediation of oil or hazardous substance spills caused by private and/or federal entities.</p>	<p>A1: Provide adequate documentation to the Department of Law for cost recoverable sites.</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
<ul style="list-style-type: none"> • 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.

FY2009 Resources Allocated to Achieve Results

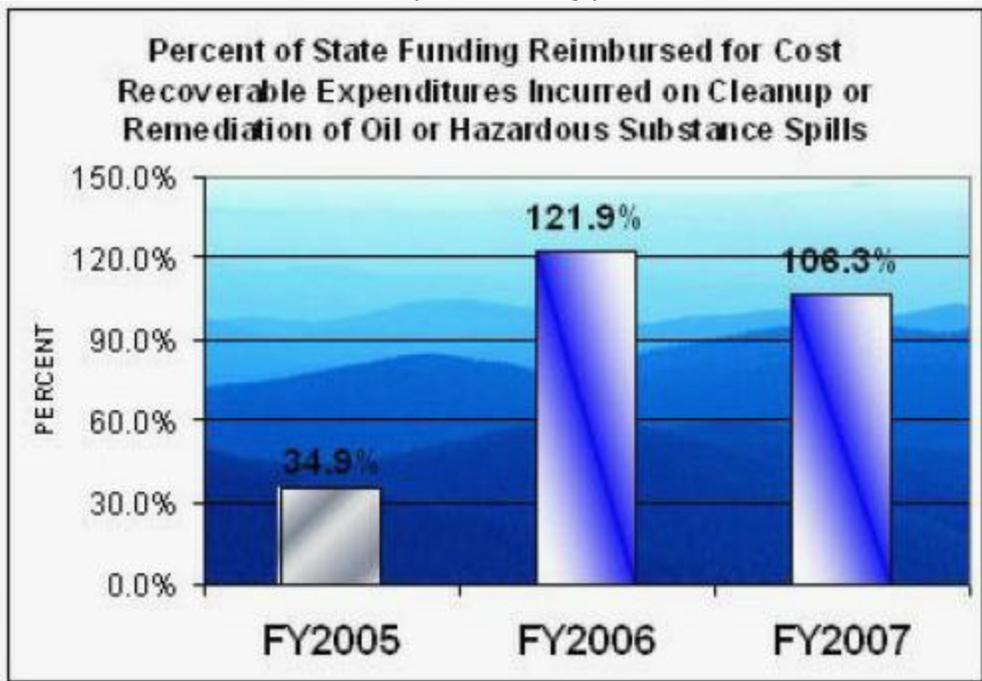
FY2009 Component Budget: \$1,449,400	Personnel:	
	Full time	5
	Part time	0
	Total	5

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 cost recoverable 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 reimbursed for cost recoverable 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, Alaska statutes require the department promptly seek reimbursement for 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. 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.

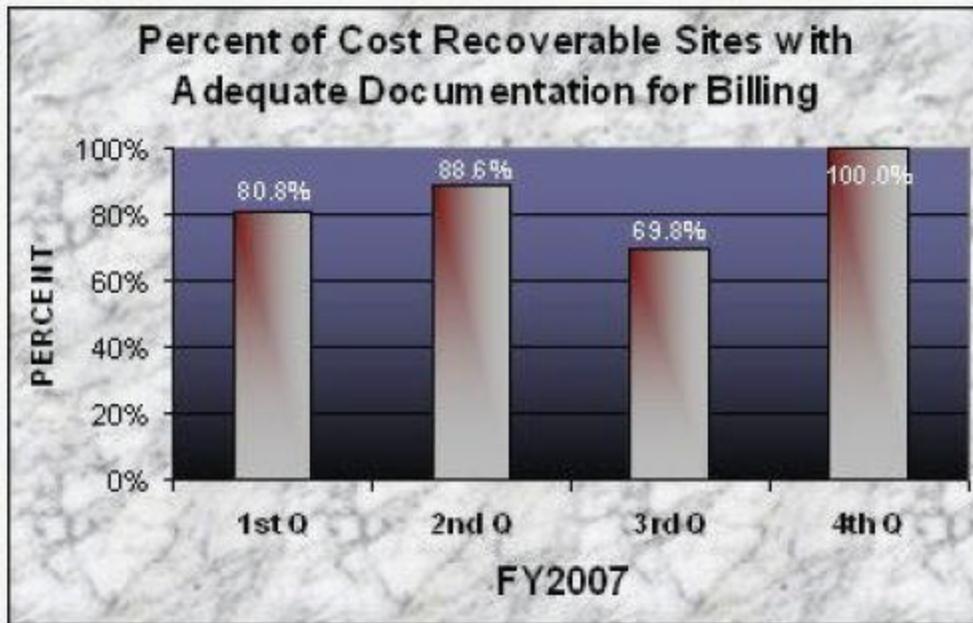
Cost recovery efforts for the Selendang response were quite extensive, complex and time consuming to prepare which created a backlog in the daily cost recovery efforts. The contrast between FY2005 and FY2006 illustrates this point.

The FY2007 data indicates that the Response Fund Administration program is clearly on track 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.

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. Next, the Response Fund Administration prepares the billing packages and submits this billing information to the Department of Law.

During the third quarter of FY2007, the billing amount was almost as much as the first two quarters of FY2007 combined. The larger the state cost, the more involved the billing process is. Therefore, the additional time required to research and prepare adequate documentation for billing caused a dip in third quarter activity.

Key Component Challenges

The declining response fund prevention account balance is a serious concern. Revenues collected from a 4-cent per barrel surcharge have been reduced substantially by the steady decline in crude oil production. This revenue is the primary funding source for the prevention account. For these reasons, revenues are not sufficient to sustain Alaska's core spill prevention and response programs over the long term. Therefore, a two cent increase is needed in the

surcharge rate to compensate for the declining crude oil production. This increase would provide a sustainable level of funding to support the State's spill prevention and response programs.

Significant Changes in Results to be Delivered in FY2009

None.

Major Component Accomplishments in 2007

- Billed 653 responsible parties for over \$2.25 million of state costs.
- Received \$2.37 million in revenue in FY2007 from current and previous years cost recovery billings, fines and settlements.
- Issued 115 term contract Notices to Proceed for \$4.16 million to conduct cleanup, site assessment or monitoring.
- Managed \$11.1 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 16 federal grants totaling approximately \$4.4 million.
- Worked closely the Division of Personnel to prepare a single compensatory time agreement for DEC that replaced four separate agreements.

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

	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	422.0	392.6	408.0
72000 Travel	9.3	7.5	7.5
73000 Services	853.3	1,029.9	1,029.9
74000 Commodities	29.5	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
Expenditure Totals	1,314.1	1,434.0	1,449.4
Funding Sources:			
1002 Federal Receipts	31.5	39.7	40.2
1007 Inter-Agency Receipts	4.5	0.0	0.0
1052 Oil/Hazardous Response Fund	1,278.1	1,394.3	1,409.2
Funding Totals	1,314.1	1,434.0	1,449.4

Estimated Revenue Collections

Description	Master Revenue Account	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Federal Receipts	51010	31.5	39.7	40.2
Interagency Receipts	51015	4.5	0.0	0.0
Restricted Total		36.0	39.7	40.2
Total Estimated Revenues		36.0	39.7	40.2

**Summary of Component Budget Changes
From FY2008 Management Plan to FY2009 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2008 Management Plan	0.0	39.7	1,394.3	1,434.0
Adjustments which will continue current level of service:				
-FY 09 Bargaining Unit Contract Terms: General Government Unit	0.0	0.5	14.9	15.4
FY2009 Governor	0.0	40.2	1,409.2	1,449.4

**Response Fund Administration
Personal Services Information**

Authorized Positions		Personal Services Costs		
	<u>FY2008</u> <u>Management</u> <u>Plan</u>	<u>FY2009</u> <u>Governor</u>		
Full-time	5	5	Annual Salaries	259,420
Part-time	0	0	COLA	13,282
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	147,159
			<i>Less 2.82% Vacancy Factor</i>	<i>(11,861)</i>
			Lump Sum Premium Pay	0
Totals	5	5	Total Personal Services	408,000

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
Admin Operations Mgr I	0	0	1	0	1
Administrative Assistant II	0	0	1	0	1
Totals	0	0	5	0	5