

**CALENDAR ITEM**

**68**

A Statewide

10/29/10

S Statewide

M. De Bernardo

**LEGISLATIVE PROPOSAL REGARDING THE OIL SPILL PREVENTION AND  
ADMINISTRATION FUND**

**BACKGROUND:**

California's oil spill prevention and response programs are mostly managed by the Office of Spill Prevention and Response (OSPR), the California State Lands Commission's (SLC), and the Department of Conservation's Division of Oil, Gas, and Geothermal Resources. OSPR and SLC's oil spill related programs are funded by the Oil Spill Prevention and Administration Fund (OSPAPF), which is administered by OSPR. Recent accounting figures from OSPR (see attached) show a projected deficit in OSPAPF for fiscal years 2011-12 (-\$2,327,252), 2012-13 (-\$10,837,194), and 2013-14 (-\$18,072,343).<sup>1</sup> These projected deficits will most likely lead to substantial cuts in both OSPR and SLC's programs.

The primary fee that supports OSPAPF is a \$0.05 fee that is imposed on each barrel of crude or petroleum product delivered to a marine terminal in the state. In the 20 year history of OSPAPF, this fee has only increased once—in 2002, the Legislature raised the fee from \$0.04 to \$0.05 when OSPR was faced with staffing reduction as a result of a declining reserve in the fund. In addition to the one cent increase in the per barrel fee, the Legislature also approved a fee not to exceed \$2,500 on nontank vessels.

Without an increase in the fees or a new funding source, the projected deficits in OSPAPF will force both SLC and OSPR to cut positions essential to their respective programs. For fiscal year 2011-12, the estimated deficit is approximately 17% of the cost to operate the programs funded by OSPAPF. As such, OSPR and SLC will likely have to cut 17% of their payroll, which could mean the loss of oil spill prevention specialists, environmental scientists, enforcement agents, engineers, field inspectors, and support staff. Since the deficit is estimated to continue after 2011-

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<sup>1</sup> These projected deficits are only now occurring because the OSPAPF fund contained a reserve that is now depleted. The reserve was created because during the initial years in which OSPR and SLC's were developing their oil spill prevention programs, expenditures were less than revenues. However, now that OSPR and SLC have fully developed programs, OSPAPF expenditures have been greater than the revenues received.

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12, additional cuts will be required. These cuts will seriously jeopardize the protection SLC and OSPR's programs provide to the public and the environment from oil spills.

To preserve SLC and OSPRS's oil spill prevention and response programs and to protect public health and safety and the environment, legislation is needed that would allow adjustment of the OSPAF fees to an amount that would be sufficient to carry out both SLC and OSPR's oil spill related programs.

SLC staff has already begun discussing the need for an increase in the OSPAF fee with industry groups that would be affected by an increase in fees. If the Commission decides to sponsor legislation that would allow adjustment of the OSPAF fees, staff would continue working in good faith with the relevant industry groups to reach a reasonable agreement on legislative language, if such an agreement is possible.

**RECOMMENDED ACTION:**

It is recommended that the Commission sponsor legislation that would allow adjustment of the OSPAF fees to an amount that would be sufficient to carry out both SLC and OSPR's oil spill prevention and response programs.

**2010-11 FUND CONDITION STATEMENT  
FUND 320 - OIL SPILL PREVENTION AND ADMINISTRATION**

	2008-09	2009-10	FM 02 - AUGUST		PROJECTION 2011-12	PROJECTION 2012-13	PROJECTION 2013-14	
			ACTUAL REVENUE 2010-11	YTD %				PROJECTED REVENUE 2010-11
YEARLY BEGINNING BALANCE	17,443,153	14,173,377	13,306,143		13,306,143	5,204,613	(2,327,252)	(10,837,194)
PPY AND PY ADJUSTMENTS	(367,000)	599,591	3,093		3,093			
<b>ADJUSTED BEGINNING BALANCE</b>	<b>17,076,153</b>	<b>14,772,968</b>	<b>13,309,235</b>		<b>13,309,235</b>	<b>5,204,613</b>	<b>(2,327,252)</b>	<b>(10,837,194)</b>
<b>REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS</b>								
<b>BOE</b> REGULATORY FEES	26,852,949	25,325,033		0%	26,707,551	26,295,178	26,109,254	26,370,661
<b>NON-TANK VESSEL</b> REGULATORY FEES	4,881,617	5,713,040	811,994	18%	4,523,815	5,574,013	4,607,811	5,621,018
125600 OTHER REGULATORY FEES	-	300	161	100%	100			
131000 F&G VIOLATION FEES	-	-			-	-	-	-
150300 SURPLUS MONEY INVESTMENTS	310,521	64,865		0%	75,035	9,296		
161400 SETTLEMENT LITIGATION	2,174	106		0%	764	1,015	628	802
161900 COST RECOVERIES	2,098	3,687		0%	2,113	2,633	2,365	2,370
<b>REVENUES AND TRANSFERS</b>	<b>32,049,359</b>	<b>31,107,031</b>	<b>812,154</b>	<b>3%</b>	<b>31,309,378</b>	<b>31,882,135</b>	<b>30,720,058</b>	<b>31,994,851</b>
<b>TOTAL REVENUE</b>	<b>49,125,513</b>	<b>45,879,999</b>	<b>14,121,390</b>		<b>44,618,613</b>	<b>37,086,748</b>	<b>28,392,806</b>	<b>21,157,657</b>
	ACTUAL EXPENDITURES	ACTUAL EXPENDITURES	ACTUAL EXPENDITURES		GOV. BUDGET APPROPRIATION	GOV. BUDGET APPROPRIATION	GOV. BUDGET APPROPRIATION	GOV. BUDGET APPROPRIATION
<b>EXPENDITURES (B06 REPORT) AND APPROPRIATIONS</b>								
3600-001 DFG - STATE OPERATIONS	22,900,841	21,647,461	2,478,235	10%	25,696,000	25,696,000	25,696,000	25,696,000
3600-101 DFG - LOCAL ASSISTANCE	1,986,925	1,173,283		0%	1,341,000	1,341,000	1,341,000	1,341,000
3600-301 DFG - CAPITAL OUTLAY		-			-			
0840-001 STATE CONTROLLERS OFFICE	15,888	35,000			86,000	86,000	86,000	86,000
0860-001 BOARD OF EQUALIZATION	253,869	231,000		0%	267,000	267,000	267,000	267,000
3560-001 STATE LANDS COMMISSION	9,794,613	9,377,112	1,351,269	12%	11,715,000	11,715,000	11,715,000	11,715,000
3560-301 SLC - CAPITAL OUTLAY		-		0%	184,000	184,000	-	-
3980-001 OFFICE OF ENV. HEALTH HAZARD		110,000		0%	125,000	125,000	125,000	125,000
<b>TOTAL EXPENDITURES</b>	<b>34,952,136</b>	<b>32,573,856</b>	<b>3,829,504</b>	<b>10%</b>	<b>39,414,000</b>	<b>39,414,000</b>	<b>39,230,000</b>	<b>39,230,000</b>
<b>FUND BALANCE</b>	<b>14,173,377</b>	<b>13,306,143</b>	<b>10,291,886</b>		<b>5,204,613</b>	<b>(2,327,252)</b>	<b>(10,837,194)</b>	<b>(18,072,343)</b>
<b>DIFFERENCE BETWEEN TTL REVENUE AND TTL EXPENDITURES</b>	<b>-2,902,777</b>	<b>-1,466,825</b>	<b>-\$3,017,349</b>		<b>-\$8,104,622</b>	<b>-\$7,531,865</b>	<b>-\$8,509,942</b>	<b>-\$7,235,149</b>

SLC EXPENDITURES ARE THROUGH  
BOE REVENUE IS THROUGH  
SMIF IS THROUGH QUARTER  
SCO'S "FUND RECONCILIATION" YTD AMOUNT  
SMIF PROJ. BASED ON ABOVE AMOUNT AND SMIF AVG.  
OUTSTANDING GENERAL FUND LOAN OF \$3,200,000  
REVENUE PROJECTIONS ARE BASED ON 3 YR. AVG 1ST 6 MOS.  
REVENUE PROJECTIONS ARE BASED ON ACTUALS 2ND 6 MOS.

**AUGUST**  
**N/A**  
**N/A**  
**11,575,000**

SCO SMIF RATES	
03/31/10	0.551%
06/30/10	0.559%
09/30/09	0.889%
12/31/09	0.594%
<b>AVERAGE</b>	<b>0.648%</b>