CALENDAR ITEM
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A Statewide 10/29/10

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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 (OSPAF), which is administered by OSPR. Recent accounting figures from OSPR (see attached) show a projected deficit in OSPAF for fiscal years 2011-12 (-$2,327,252), 2012-13 (-$10,837,194), and 2013-14 (-$18,072,343).[1] These projected deficits will most likely lead to substantial cuts in both OSPR and SLC's programs.

The primary fee that supports OSPAF 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 OSPAF, 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 OSPAF 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 OSPAF. 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-

[1] These projected deficits are only now occurring because the OSPAF 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, OSPAF expenditures have been greater than the revenues received.

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.