

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: April 1, 2008  
POSITION: Oppose

BILL NUMBER: AB 2912  
AUTHOR: L. Wolk

**BILL SUMMARY: Oil Spill Prevention and Response: Nonmarine Waters**

Existing law requires the Administrator of the Office of Spill Prevention and Response (OSPR) to regulate and oversee oil spill response efforts in California’s marine waters. This bill would extend the OSPR’s authority to include all of California’s waters.

**FISCAL SUMMARY**

Expanding the OSPR’s authority to include all of California’s waters could result in significant additional costs to the state. The Governor’s Budget includes \$35.7 million in 2007-08 and \$31.8 million in 2008-09 for the OSPR to regulate oil spill response efforts in marine waters. The OSPR’s funding is primarily provided by the Oil Spill Prevention and Administration Fund (Administration Fund), which is funded by a fee imposed on oil at the time the oil is received at a marine terminal and a fee on operators of a pipeline transporting oil into the state across, under, or through marine waters. Consequently, it is unclear whether it would be appropriate to fund inland oil spill response efforts with the Administration Fund. Use of the Administration Fund would necessitate a fee increase. Similar concerns apply to the Oil Spill Response Trust Fund which is used to fund the response to marine oil spills if the responsible party is unknown or unable to pay. The bill does not propose an independent revenue stream to support inland oil spill response activities. Consequently, the bill could result in significant General Fund cost pressures.

**COMMENTS**

Finance opposes this bill because it would result in significant General Fund cost pressures if the Administration Fund is deemed inappropriate, and would result in a potentially substantial fee increase even if the Administration Fund is the ultimate funding source.

Existing law requires the OSPR to regulate and oversee oil spill response efforts in California’s marine waters. This bill would extend the OSPR’s authority to include all of California’s waters. The bill would also require the OSPR to report to the Legislature on actions that could be taken to prevent, prepare for, and respond to spills in inland waters, and apply the same penalties used for marine spills to inland spills. The responsible party of an inland oil spill would be responsible for oil spill clean up costs just as the responsible party of a marine oil spill is responsible for clean up costs.

A 2005 report by the Department of Finance Office of State Audits and Evaluations concluded that no state agency has incident command authority, dedicated funding, adequate staffing, or clear jurisdiction over inland oil spill response and prevention activities. The report recommended legislation to clearly define OSPR’s role for inland oil spills, and that the legislation address these specific issues. While the bill would accomplish many of these objectives, it does not identify a new dedicated funding stream. Because it is unclear whether the Administration Fund would be appropriate, the bill could result in significant General Fund cost pressures.

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Analyst/Principal (0634) C. Lief	Date	Program Budget Manager Karen Finn	Date
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Department Deputy Director	Date
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Governor’s Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

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**BILL ANALYSIS** Form DF-43 (Rev 03/95 Buff)

**BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)**

**AUTHOR**

**AMENDMENT DATE**

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L. Wolk

April 1, 2008

AB 2912

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2007-2008	FC	2008-2009	FC	2009-2010	
3600/Dept FishGam	SO	No		-----	See Fiscal Summary	-----		0320	

<u>Fund Code</u>	<u>Title</u>
0320	Oil Spill Prevention & Administration Fd