

**REPORT TO THE TWENTY-THIRD LEGISLATURE
STATE OF HAWAII
2006**

**ON THE
ENVIRONMENTAL RESPONSE REVOLVING FUND**

**PURSUANT TO ACT 178, SECTION 20,
SESSION LAWS OF HAWAII, 2005,
REQUIRING THE DEPARTMENT OF HEALTH
TO REPORT THE REVENUES AND EXPENDITURES OF THE
ENVIRONMENTAL RESPONSE REVOLVING FUND
AS OF DECEMBER 1, 2005**

**PREPARED BY:
STATE OF HAWAII
DEPARTMENT OF HEALTH
DECEMBER 2005**

FINANCIAL AND BUDGET INFORMATION - DATAMART - STATE OF HAWAII

HOME FAMIS BUDGET HELP LOGOUT

FAMIS - Account Summary

Department	Division	Program ID	Appn Acct (F-FY-ACCT)	MOF	AS OF	Submit	Download
H (HTH)	-ALL-	HTH849	S-06-342	W	YTD		

Records: 1

Account Title	ENVIRONMENTAL RESPONSE REVOLVING FUND		Appn Type	2
Appropriation	2,974,507.00	Beginning Cash	0.00	
Transfer	16,207.00	+ Revenues	1,875,258.62	
Allotment	2,965,674.60	+ Cash Transfer	200,000.00	
Appropriation Balance	25,039.40	- Expenditures	430,944.74	
Allotment 10 Balance	95,544.91	= Ending Cash	1,644,313.88	
Allotment 20 Balance	652,454.27			
Encumbrance				
Contracts Balance	169,583.33	Details	List Contracts	
Claims (POs) Balance	178,686.35	Details	List Claims (POs)	

[Details](#) By Source Code

[Details](#) By Object Code

Total Records Found: 1

User: Lois Data is Balanced Matsuyama

FAMIS data as of: 12/01/2005

BUDGET data as of: 10/12/2004

V 1.5 0087

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Department	Division	Program ID	Appn Acct (F-FY-ACCT)	MOF	AS OF	<input type="button" value="Submit"/>	<input type="button" value="Download"/>
H (HTH)	-ALL-	HTH840	S-06-339	W	YTD		

Records: 1

Account Title **ENVIRONMNTL RESPONSE REVOLNG FD (HTH840)**

Appn Type **2**

Appropriation **1,616,776.00**

Beginning Cash **0.00**

Transfer **26,039.00**

+ Revenues **3,517.78**

By Source Code

Allotment **1,642,810.66**

+ Cash Transfer **750,000.00**

Appropriation Balance **4.34**

- Expenditures **550,741.93**

By Object Code

Allotment 10 Balance **111,958.82**

= Ending Cash **202,775.85**

Allotment 20 Balance **150,242.41**

Encumbrance

Contracts Balance **0.00**

List
Contracts

Claims (POs) Balance **229.50**

List
Claims (POs)

Total Records Found: 1

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Matsuyama

FAMIS data as of: 12/01/2005 BUDGET data as of: 10/12/2004

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Section 20 of Act 178 requires the DOH to report to the Legislature on all revenues and expenditures as of December 1, 2005 from the Environmental Response Revolving Fund (ERRF), no later than twenty days before the convening of the 2006 and 2007 regular sessions. This report covers the period July 1, 2005 to December 1, 2005.

Revenues/Expenditures Summary (July 1, 2005 to December 1, 2005)

REVENUES:

HTH 849:	\$ 1,875,258
HTH 840:	<u>\$ 3,518</u>
	\$ 1,878,776

EXPENDITURES:

HTH 849:	\$ 490,945
HTH 840:	<u>\$ 550,742</u>
TOTAL:	\$ 1,041,687

The revenue and expenditure information generated utilizing the FINANCIAL AND BUDGET INFORMATION – DATAMART reporting system from the State of Hawaii FAMIS information system. Copies of the report reflecting these revenues and expenditures are attached.

Revenues/Expenditures Summary FY 2005 (July 1, 2004 to June 30, 2005)

REVENUES: \$2,961,480

EXPENDITURES:

HTH 849:	\$1,872,836
HTH 840:	<u>\$1,428,498</u>
TOTAL:	\$3,301,334

Budget

The ERRF currently has a total annual appropriation budget for HTH 849 and HTH 840 totaling \$4,591,283. We project revenues for FY 2006 of \$3.5 million. The appropriated amount currently includes support for thirty-eight (38.00) authorized positions (\$2.1 M) and other current expenses (\$1.5 million) to perform statutory mandated functions, prevention, and other non-emergency cleanup activities. DOH also budgets \$1,000,000 for emergency responses.

Environmental Emergency Fiscal Preparedness

The ERRF needs enough money to carry out emergency functions, its original and still primary purpose. In addition to the above-noted expenditures, we annually budget \$1 million for emergency response actions but estimate that an unencumbered balance of at least \$5 million should also be available for emergencies. Attached is a table that shows how we analyze the risks of incidents and their direct response costs to arrive at the \$6 million total for response. Our estimate excludes other economic consequences.

We must be able to pay our stand-by contractors and other responders to do immediate containment and clean up work if a polluter cannot or does not do so right away. Of course we try to recover our costs later, but first we must respond. Given this situation we strongly oppose any measure proposing to transfer funds from the ERRF.

Reliable, Available Revenues Are Few

The regular source of revenue for the ERRF is the environmental response tax of five cents per barrel of petroleum imported into the State that was adopted by Act 300, SLH 1993. Before the tax was imposed, the only sources of monies for the ERRF were environmental fines and penalties, which fluctuated greatly. Revenues from the environmental response tax for the past fiscal years were as follows:

- FY 05: \$1,867,116
- FY 04: \$1,627,658
- FY 03: \$1,562,115
- FY 02: \$1,783,813
- FY 01: \$1,826,746
- FY 00: \$ 1,714,351

Other revenues to the ERRF must by law be spent on designated activities. Revenue from voluntary response program participants must support work on the projects that pay into the fund. Reporting fees required from people and companies handling certain amounts of chemicals (known as Tier II fees) are paid to the ERRF and support emergency planning community right-to-know activities under Chapter 128E.

The Fund Supports Other Uses Besides Emergencies

Amendments have expanded the permissible uses of the ERRF. The ERRF supports thirty-eight (38.00) authorized positions with a total budgeted personal services cost of approximately \$2,100,000. The Environmental Health Administration uses the salaries of a number of these positions as matching funds for grants from the U.S. Environmental Protection Agency. The use of non-general funds as matching funds must not only be appropriated, but the funds must be fully capitalized.

Past Transfers

Since 1999, transfers from the ERRF have totaled \$4,820,000. Monies transferred from the ERRF to date include:

- \$220,000 for Village Park Soil Testing appropriated per Act 192/SLH 1999;
- \$500,000 transferred to the State Treasury per Governor's Memo dated December 6, 1999;
- \$3,000,000 transferred to the State Treasury per Act 178/SLH 2002;
- \$500,000 transferred to the Department of Land and Natural Resources (DLNR) for Salvinia cleanup per Governor's Memo dated March 17, 2003;
- \$500,000 transferred to the State Treasury per Section 13 of Act 52/SLH 2004; and
- \$100,000 transferred to the Hawaii Energy Policy Forum, University of Hawaii, per Section 21 of Act 178/SLH 2005.

Conclusion

With prudent administration the DOH has tried to maintain the long-term sustainability of the ERRF to fulfill our legal duties without dependence on the State Treasury, but the fund has been under stress. Only the environmental response tax provides revenue for environmental response and environmental management programs. Fines and penalties are an unpredictable source of revenue. Some revenues must be spent on dedicated uses. For the department to be prepared for emergencies, the fund must have an adequate unencumbered balance, and transfers to other uses should be avoided.

Relative Potential Risk of Environmental Releases/Incidents

Events	\$/Event	10 Year Incidence Factor	10 Year Cost	“Annual Probability”
1) Avg Response Call	5,000	250	\$1,250,000	\$125,000
2) Minor Chem/Oil Spill	100,000	10	\$1,000,000	\$100,000
3) Median Chem/Oil Spill	1,000,000	3	\$3,000,000	\$300,000
4) Major Chem/Oil Spill	5,000,000	2	\$10,000,000	\$1,000,000
5) Bioterrorism	20,000,000	1	\$20,000,000	\$2,000,000
6) Natural Disaster	25,000,000	1	\$25,000,000	\$2,500,000
TOTAL				\$6,025,000

HEER Office Analysis, 2005

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