STATE OF CALIFORNIA — DEPARTMENT OF FINANCE

ECONOMIC AND FISCAL IMPACT STATEMENT
(REGULATIONS AND ORDERS)

STD. 399 (REV. 12/2013)

ECONOMIC IMPACT STATEMENT

DEPARTMENT NAME	CONTACT PERSON	EMAIL ADDRESS	TELEPHONE NUMBER
DEPT OF FISH AND WILDLIFE	Christine Kluge	Christine.Kluge@wildlife.ca.gov	(916) 327-0910

DESCRIPTIVE TITLE FROM NOTICE REGISTER OR FORM 400	NOTICE FILE NUMBER
OIL SPILL RESPONSE ORGANIZATIONS (OSRO) RATINGS	Z

A. ESTIMATED PRIVATE SECTOR COST IMPACTS *Include calculations and assumptions in the rulemaking record.*

1. Check the appropriate box(es) below to indicate whether this regulation:

- ☐ a. Impacts business and/or employees
- ☐ b. Impacts small businesses
- ☐ c. Impacts jobs or occupations
- ☐ d. Impacts California competitiveness
- ☐ e. Imposes reporting requirements
- ☐ f. Imposes prescriptive instead of performance
- ☐ g. Impacts individuals
- ☒ h. None of the above (Explain below):

See attachment.

If any box in Items 1 a through g is checked, complete this Economic Impact Statement.
If box in Item 1.h. is checked, complete the Fiscal Impact Statement as appropriate.

2. The CDFW/OSPR (Agency/Department) estimates that the economic impact of this regulation (which includes the fiscal impact) is:

- ☒ Below $10 million
- ☐ Between $10 and $25 million
- ☐ Between $25 and $50 million
- ☐ Over $50 million *[If the economic impact is over $50 million, agencies are required to submit a Standardized Regulatory Impact Assessment as specified in Government Code Section 11346.3(c)]*

3. Enter the total number of businesses impacted: 5 - 10

Describe the types of businesses (Include nonprofits): Oil spill response organizations (OSROs)

Enter the number or percentage of total businesses impacted that are small businesses: 0

4. Enter the number of businesses that will be created: none eliminated: none

Explain:

5. Indicate the geographic extent of impacts: ☒ Statewide
☐ Local or regional (List areas):

6. Enter the number of jobs created: less than 10 and eliminated: none

Describe the types of jobs or occupations impacted: There may be a small expansion of OSROs as they seek to help oil facilities meet the new contingency plan requirements.

7. Will the regulation affect the ability of California businesses to compete with other states by making it more costly to produce goods or services here? ☐ YES ☒ NO

If YES, explain briefly:

STATE OF CALIFORNIA — DEPARTMENT OF FINANCE

ECONOMIC AND FISCAL IMPACT STATEMENT
(REGULATIONS AND ORDERS)

STD. 399 (REV. 12/2013)

ECONOMIC IMPACT STATEMENT (CONTINUED)

B. ESTIMATED COSTS *Include calculations and assumptions in the rulemaking record.*

1. What are the total statewide dollar costs that businesses and individuals may incur to comply with this regulation over its lifetime? $ 0

   a. Initial costs for a small business: $ _____ Annual ongoing costs: $ _____ Years: _____

   b. Initial costs for a typical business: $ _____ Annual ongoing costs: $ _____ Years: _____

   c. Initial costs for an individual: $ _____ Annual ongoing costs: $ _____ Years: _____

   d. Describe other economic costs that may occur: _____

2. If multiple industries are impacted, enter the share of total costs for each industry: n/a

3. If the regulation imposes reporting requirements, enter the annual costs a typical business may incur to comply with these requirements. *Include the dollar costs to do programming, record keeping, reporting, and other paperwork, whether or not the paperwork must be submitted.* $n/a

4. Will this regulation directly impact housing costs? ☐ YES ☒ NO

   If YES, enter the annual dollar cost per housing unit: $ _____

   Number of units: _____

5. Are there comparable Federal regulations? ☐ YES ☒ NO

   Explain the need for State regulation given the existence or absence of Federal regulations: While the U.S. Coast Guard administers a similar program to classify OSROs, these regulations are more comprehensive and/or protective than the federal requirements.

   Enter any additional costs to businesses and/or individuals that may be due to State - Federal differences: $ none

C. ESTIMATED BENEFITS *Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.*

1. Briefly summarize the benefits of the regulation, which may include among others, the health and welfare of California residents, worker safety and the State's environment: See attachment.

2. Are the benefits the result of: ☒ specific statutory requirements, or ☐ goals developed by the agency based on broad statutory authority?

   Explain: Statute requires best achievable protection of waters and natural resources [Gov. C. §8670.28].

3. What are the total statewide benefits from this regulation over its lifetime? $ See attachment.

4. Briefly describe any expansion of businesses currently doing business within the State of California that would result from this regulation: There may be a small expansion of OSROs as they seek to help oil facilities meet the new contingency plan requirements.

D. ALTERNATIVES TO THE REGULATION *Include calculations and assumptions in the rulemaking record. Estimation of the dollar value of benefits is not specifically required by rulemaking law, but encouraged.*

1. List alternatives considered and describe them below. If no alternatives were considered, explain why not: There are no reasonable alternatives, as the obligation to rate OSRO's comes directly from statute.

ECONOMIC IMPACT STATEMENT (CONTINUED)

2. Summarize the total statewide costs and benefits from this regulation and each alternative considered:

Regulation: Benefit: $ See attachment. Cost: $ 0

Alternative 1: Benefit: $ _____ Cost: $ _____

Alternative 2: Benefit: $ _____ Cost: $ _____

3. Briefly discuss any quantification issues that are relevant to a comparison of estimated costs and benefits for this regulation or alternatives: Estimated benefits are $7.7 million/yr for all four related regulations. See attachment.

4. Rulemaking law requires agencies to consider performance standards as an alternative, if a regulation mandates the use of specific technologies or equipment, or prescribes specific actions or procedures. Were performance standards considered to lower compliance costs? ☒ YES ☐ NO

Explain: These regulations represent performance standards. Although the regulations establish minimum response capabilities, they do not require specific technology or equipment to accomplish the requirements.

E. MAJOR REGULATIONS *Include calculations and assumptions in the rulemaking record.*

California Environmental Protection Agency (Cal/EPA) boards, offices and departments are required to submit the following (per Health and Safety Code section 57005). Otherwise, skip to E4.

1. Will the estimated costs of this regulation to California business enterprises **exceed $10 million?** ☐ YES ☐ NO

If YES, complete E2. and E3
If NO, skip to E4

2. Briefly describe each alternative, or combination of alternatives, for which a cost-effectiveness analysis was performed:

Alternative 1: _____

Alternative 2: _____

(Attach additional pages for other alternatives)

3. For the regulation, and each alternative just described, enter the estimated total cost and overall cost-effectiveness ratio:

Regulation: Total Cost $ _____ Cost-effectiveness ratio: $ _____

Alternative 1: Total Cost $ _____ Cost-effectiveness ratio: $ _____

Alternative 2: Total Cost $ _____ Cost-effectiveness ratio: $ _____

4. Will the regulation subject to OAL review have an estimated economic impact to business enterprises and individuals located in or doing business in California exceeding $50 million in any 12-month period between the date the major regulation is estimated to be filed with the Secretary of State through12 months after the major regulation is estimated to be fully implemented?

☐ YES ☒ NO

If YES, agencies are required to submit a Standardized Regulatory Impact Assessment (SRIA) as specified in Government Code Section 11346.3(c) and to include the SRIA in the Initial Statement of Reasons.

5. Briefly describe the following:

The increase or decrease of investment in the State: _____

The incentive for innovation in products, materials or processes: _____

The benefits of the regulations, including, but not limited to, benefits to the health, safety, and welfare of California residents, worker safety, and the state's environment and quality of life, among any other benefits identified by the agency: _____

STATE OF CALIFORNIA — DEPARTMENT OF FINANCE

ECONOMIC AND FISCAL IMPACT STATEMENT

(REGULATIONS AND ORDERS)

STD. 399 (REV. 12/2013)

FISCAL IMPACT STATEMENT

A. FISCAL EFFECT ON LOCAL GOVERNMENT *Indicate appropriate boxes 1 through 6 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.*

☐ 1. Additional expenditures in the current State Fiscal Year which are reimbursable by the State. (Approximate)
(Pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code).

$ _____

☐ a. Funding provided in _____

Budget Act of _____ or Chapter _____, Statutes of _____

☐ b. Funding will be requested in the Governor's Budget Act of _____

Fiscal Year: _____

☐ 2. Additional expenditures in the current State Fiscal Year which are NOT reimbursable by the State. (Approximate)
(Pursuant to Section 6 of Article XIII B of the California Constitution and Sections 17500 et seq. of the Government Code).

$ _____

Check reason(s) this regulation is not reimbursable and provide the appropriate information:

☐ a. Implements the Federal mandate contained in _____

☐ b. Implements the court mandate set forth by the _____ Court.

Case of: _____ vs. _____

☐ c. Implements a mandate of the people of this State expressed in their approval of Proposition No. _____

Date of Election: _____

☐ d. Issued only in response to a specific request from affected local entity(s).

Local entity(s) affected: _____

_____

☐ e. Will be fully financed from the fees, revenue, etc. from: _____

Authorized by Section: _____ of the _____ Code;

☐ f. Provides for savings to each affected unit of local government which will, at a minimum, offset any additional costs to each;

☐ g. Creates, eliminates, or changes the penalty for a new crime or infraction contained in _____

☒ 3. Annual Savings. (approximate)

$ 3,750 (see attachment)

☐ 4. No additional costs or savings. This regulation makes only technical, non-substantive or clarifying changes to current law regulations.

☐ 5. No fiscal impact exists. This regulation does not affect any local entity or program.

☒ 6. Other. Explain See attachment.

_____

STATE OF CALIFORNIA — DEPARTMENT OF FINANCE

ECONOMIC AND FISCAL IMPACT STATEMENT
(REGULATIONS AND ORDERS)

STD. 399 (REV. 12/2013)

FISCAL IMPACT STATEMENT (CONTINUED)

B. FISCAL EFFECT ON STATE GOVERNMENT *Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.*

☒ 1. Additional expenditures in the current State Fiscal Year. (Approximate)

$ 0 See attachment.

It is anticipated that State agencies will:

☐ a. Absorb these additional costs within their existing budgets and resources.

☐ b. Increase the currently authorized budget level for the _____ Fiscal Year

☒ 2. Savings in the current State Fiscal Year. (Approximate)

$ 0 for OSPR; $3,750 for other state agencies (see attachment)

☐ 3. No fiscal impact exists. This regulation does not affect any State agency or program.

☒ 4. Other. Explain See attachment.

C. FISCAL EFFECT ON FEDERAL FUNDING OF STATE PROGRAMS *Indicate appropriate boxes 1 through 4 and attach calculations and assumptions of fiscal impact for the current year and two subsequent Fiscal Years.*

☐ 1. Additional expenditures in the current State Fiscal Year. (Approximate)

$ _____

☐ 2. Savings in the current State Fiscal Year. (Approximate)

$ _____

☒ 3. No fiscal impact exists. This regulation does not affect any federally funded State agency or program.

☐ 4. Other. Explain _____

FISCAL OFFICER SIGNATURE	DATE
	12/13/17

The signature attests that the agency has completed the STD. 399 according to the instructions in SAM sections 6601-6616, and understands the impacts of the proposed rulemaking. State boards, offices, or departments not under an Agency Secretary must have the form signed by the highest ranking official in the organization.

AGENCY SECRETARY	DATE
	12/13/17

Finance approval and signature is required when SAM sections 6601-6616 require completion of Fiscal Impact Statement in the STD. 399.

DEPARTMENT OF FINANCE PROGRAM BUDGET MANAGER	DATE

Attachment to Economic and Fiscal Impact Statement (STD 399)

Title 14. California Code of Regulations
Re: Oil Spill Response organizations (OSRO) Ratings
Amend Sections 819, 819.01, 819.02, 819.03, 819.04, 819.05, 819.06, 819.07

Economic Impact Statement

Page 1

A. Estimated Private Sector Cost Impacts

These regulations will not have a significant statewide adverse economic impact. While there are some benefits, there are no costs to these regulations. These are not considered “major regulations” because the economic impact assessment concludes that the impacts, summing both costs and benefits, will be considerably less than $50 million dollars annually.

These regulations establish ratings for OSROs in an inland context. Ratings are voluntary. OSROs may offer oil spill response services whether or not they are rated. However, facilities that are required to have contingency plans and that rely on an OSRO must specify a rated OSRO in their contingency plans. Thus, becoming a rated OSRO is a certificate of approval that increases the OSRO’s participation in the market. Hiring an OSRO is a cost to a plan holder. This cost, because it is paid for by the plan holders as they seek to meet the requirements of a contingency plan, is quantified under the contingency plan regulations.

Page 2

C. Estimated Benefits

1. *Briefly summarize the benefits of the regulation, which may include among others, the health and welfare of California residents, worker safety and the State’s environment.*

These regulations will provide benefits to the health and welfare of California residents by ensuring a minimum level of skills and competence to cleanup oil spilled into inland waterways. Equipment deployment drills test and reinforce the ability to deploy oil spill containment and recovery equipment and include specific safety objectives, thus enhancing worker safety. Further, these regulations will benefit the state's environment and communities that will benefit from an efficient and competent response to an oil spill.

These regulations regarding the rating of oil spill response organizations are part of a larger package of regulations that build upon the Office of Spill Prevention and

Response's (OSPR's) marine oil spill preparedness and response program to cover inland facilities that pose a threat to inland surface waters. Together, they are part of a four-pronged approach to improve preparedness and response capabilities across the inland oil production and transport industry. The following four components are new regulations for inland facilities with regard to:

1. Rating of oil spill response organizations
2. Contingency plans
3. Drills and exercises
4. Financial responsibility

While it is difficult to examine the economic benefits of any one component, we examined the overall benefit of the suite of the new regulations by focusing on the ultimate measure of program success: the number and volume of oil spills over time.

Cumulative Impact

To examine the benefits of these regulations, we considered three factors:

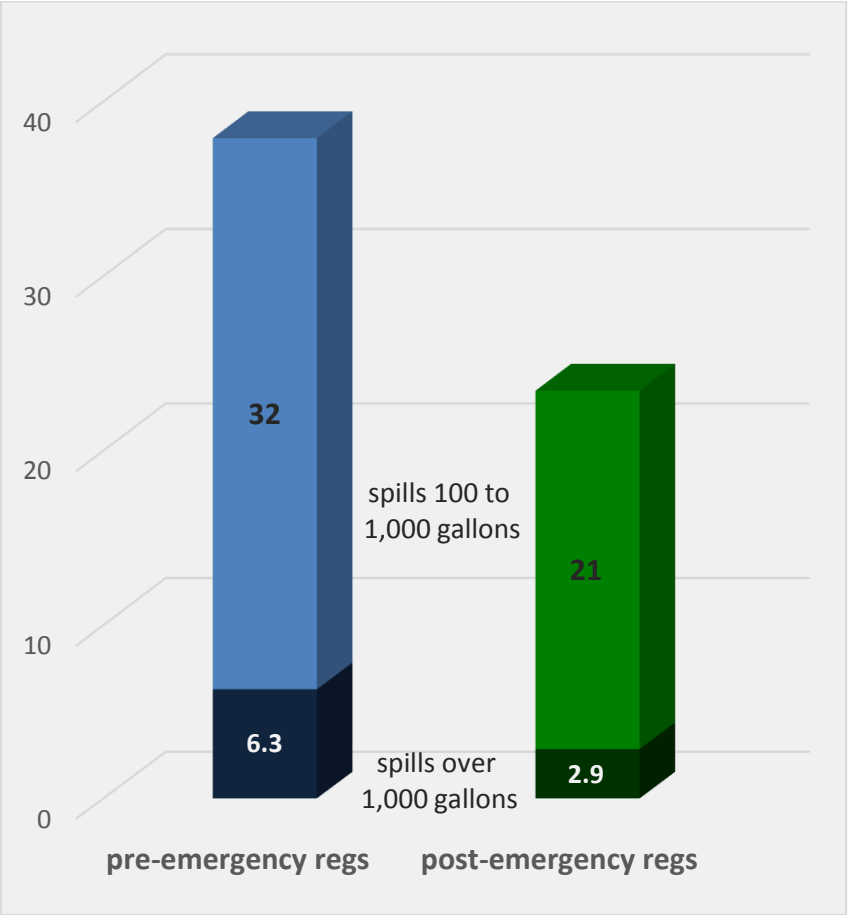
1. The reduction in small and medium-sized spills since the implementation of the emergency regulations.
2. The reduction in the risk of large spills.
3. The added risk of an oil spill due to an increase in the transport of crude by rail.

Reduction in Small and Medium-sized Spills

OSPR has a database of spills, based on reports from the Office of Emergency Services. Smaller spills happen on a regular basis, allowing us to compare spill data since the initiation of the emergency regulations in September 2015. Here, we examined data regarding inland oil spills to water, comparing 21 recent months (September 2015 thru April 2017) under the emergency regulations to the previous 38 months (July 2012 thru August 2015) before the expansion to a statewide program. We include all spills of 10 gallons or more. There are hundreds of spills under 10 gallons but, for most of these, the response costs were negligible.

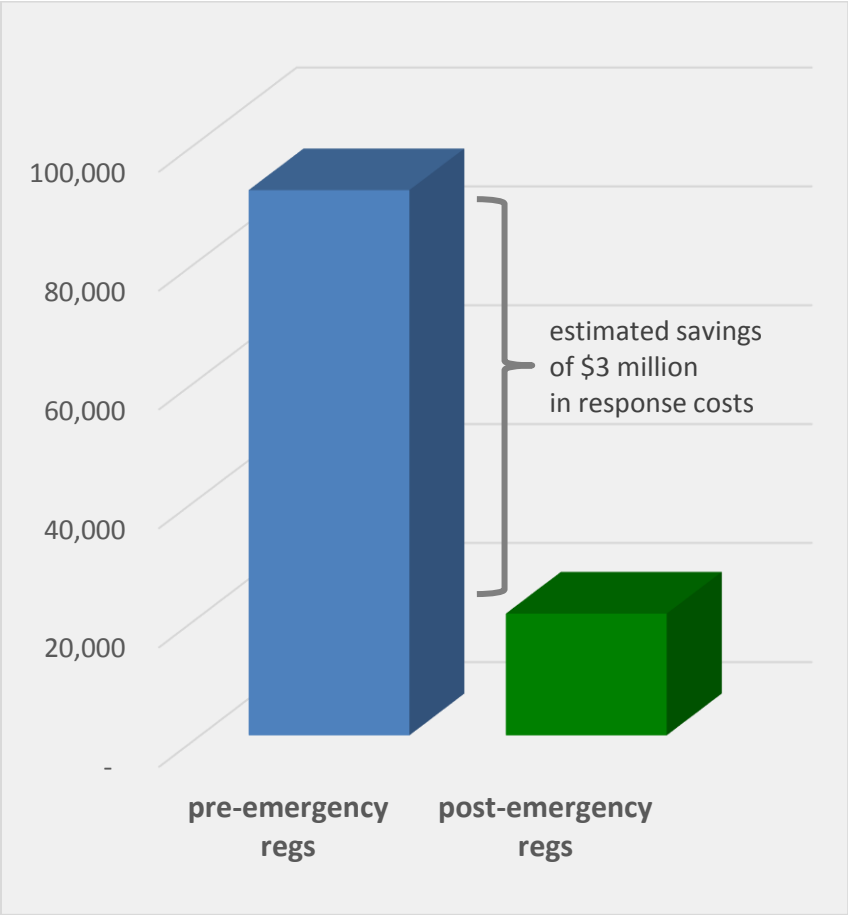
Normalizing to a 12-month period to use comparable annual figures, the total number of inland oil spills to water (of 10 gallons or more) has stayed about the same (123/year before the emergency regulations went into effect and 135/year after). However, the spills are now smaller than previously. The number of spills from 100 to 999 gallons fell a third (from 32 to 21/year), while the number of spills of 1,000 gallons or more dropped in half (from 6.3 to 2.9/year) and (Figure 2).

Figure 2: Number of Inland Oil Spills to Water



More significantly, the volume of oil spilled declined dramatically, from about 90,000 gallons/year before the establishment of the emergency regulations, to 20,000 gallons/year after (Figure 3). Based on an average response cost of $1,779/barrel, or about $42/gallon), this represents an annual savings of just over $3 million/year. This response cost, provided to OSPR by a group of inland oil facilities who conducted their own internal survey, is intended to include cleanup costs as well as third party claims and natural resource damages.

Figure 3: Gallons Spilled/Year (Inland Oil Spills to Water)



An important caveat to this analysis is that significant oil spills are rare events, and large oil spills are even rarer, thus requiring long time frames to ensure enough data to paint a realistic picture. Furthermore, one large spill within the time period under examination can strongly bias results. In this instance, there were no exceptionally costly spills during the months under examination. Removing the largest spills from the 2012-2017 data would not meaningfully change the results presented above.

Risk of a Large Spill

Large spills are rare, occurring once every few years. Yet, because of their potential harm, preparing for them is one of the primary goals of OSPR. It is possible that the new planning regulations and increased attention, in the long run, will prevent a large spill, not yet detected in the data above. To assess the potential benefit of this, we can examine the likely cost of such a spill, its annual probability, and the degree to which the new regulations will lower that probability. The result will be an expected benefit, measured in terms of reduced annual expected costs. The following equation describes this analysis:

*Benefits/yr = cost * probability of a large inland spill/yr * reduction in probability*

In recent decades, there have been two large inland oil spills to water in California, the 1991 ExxonMobil spill and the 1994 ARCO spill, both pipeline breaks affecting the Santa Clara River. The response costs (including third party claims and natural resource damages) for these events were $25 million and $51 million respectively. These spills rank among the most expensive inland spills in United States history. For the sake of this analysis, we assume the cost of a large inland spill would be $100 million and the probability has been once every 13 years (based on these two spills occurring in the past 26 years). This is an annual probability of 0.077.

The remaining question is how much the new regulations will reduce this probability. To answer that, we looked to OSPR's history with regard to its marine program. Before the beginning of OSPR's marine program in 1991, there were four large marine oil spills between 1986 and 1990 (four in five years). Since then, there have been 11 large spills (or 11 in 26 years). Thus, the annual probability of a large marine spill declined from 0.80 to 0.42. This reduction, by 47%, is similar to the reduction recently documented with regard to smaller inland spills. For the purposes of this exercise, we assume that these regulations will reduce the risk of a large inland spill by 47%. The expected annual benefit, with regard to reducing the probability of a large inland spill, are:

*Benefits/yr = cost * probability of a large inland spill/yr * reduction in probability*

*$3,624,260 = $100,000,000 * 0.077 * 0.47*

In summary, the new inland regulations should cut the probability of a large inland oil spill roughly in half. This will lower the risk of such an incident from once every 13 years to once every 26 years. The benefit of preventing such an event is $100 million. The annual expected benefit, taking into the account the reduced probability, is over $3.6 million.

Risk of a Crude by Rail Spill

Because the new inland regulations apply to railroads transporting oil, an additional benefit will be a reduction in the risk of spills by rail. This is not captured in the data analyzed above, as crude-by-rail has played a small part in the supply of California's oil historically. However, if market conditions change in the future, crude-by-rail could grow significantly. This section discusses that potential growth, the additional spill risk it brings, and thus the additional potential benefits of the proposed regulations in minimizing that risk.

Historically, crude-by-rail in California has been limited to a twice-a-week, 300-mile run from the San Ardo oil field to the Los Angeles area. There have been no significant spills associated with this. This train transports about 5 million barrels per year.

In recent years, crude-by-rail has been used to import oil into California from Canada, North Dakota, Wyoming, New Mexico, and several other production areas. This peaked in 2013 at just over 6 million barrels per year. There were plans to build crude-by-rail terminals to receive over 150 million barrels per year, but most of these were not built due to a combination of local opposition and market conditions. The only new rail terminals have been in the Bakersfield area. When the price of oil fell dramatically from around $100/bbl to $50/bbl in the second half of 2014, transporting crude-by-rail to California became less attractive. Since then, crude-by-rail imports into the state have stayed below 2 million barrels per year.

For this analysis, we assume that 50 million barrels of crude could be transported each year by rail into California in the future, assuming that economic conditions change. This figure represents the likely rail terminal capacity in the Bakersfield area in the future and would represent approximately 9% of California's oil supply.

Based on an analysis of crude-by-rail nationwide in 2013, approximately 131 barrels (or 5,502 gallons) were spilled per million barrels transported. Thus, for the 50 million barrels potentially transported to California, about 275,000 gallons would be spilled. Since about 20% of the route lies within the state, about 55,000 of those gallons would be spilled in California. Assuming the same rate of reduction in spills as applied above for large spills (47%), about 26,000 of those gallons would not be spilled as a result of OSPR's program. Using the $42/gallon cost estimate described above, this would imply a benefit of almost $1.1 million per year.

Summary of Benefits

The combined benefits of the regulations regarding oil spill response organizations, contingency plans, drills and exercises, and financial responsibility are considered jointly and summarized here:

- Expected annual benefit by reducing small and medium-sized spills: $3 million
- Expected annual benefit by reducing large spills: $3.6 million
- Expected annual benefit by reducing crude-by-rail spills: $1.1 million

Total expected benefit for all regulations: $7.7 million/year.

Fiscal Impact Statement

Page 4

A.3. Annual savings

The estimated $7.7 million/year benefit from a reduction in oil spills refers to the economic benefit of reduced response costs, reduced environmental damages, and

reduced third party injuries. None of that refers to fiscal savings by state or local governments.

In theory, all government response costs are reimbursed by the responsible party, resulting in no net costs. In practice, however, cost recovery is not 100%. Sometimes oil spills are caused by unknown sources, or sometimes the responsible party is not financially viable. In these cases, government agencies may end up incurring some of the response costs. OSPR estimates that their rate of cost recovery is approximately 90%. The remaining 10% goes unreimbursed and is borne by OSPR. Local governments would likely experience the same difficulties with cost recovery. To that extent, a reduction in spills will mean a reduction in unreimbursed response costs. OSPR's annual unreimbursed costs are about $75,000/year. However, OSPR does not have data on local government response costs, whether reimbursed or not. It undoubtedly varies from year to year depending on spill activity. In general, local agency response costs are a small fraction of OSPR's. Assuming it was 10% of OSPR's, local agency unreimbursed costs would be $7,500/year. If these declined by half (in keeping with Figures 2 and 3), local agencies would save $3,750/year.

Local governments may realize savings in another way. In the aftermath of a spill, local governments are also allowed to make a legal claim for lost revenues. For example, if an oil spill results in the closure of a city park, and the city received revenues from users reserving the park or paying for parking spaces at the park, the city could make a claim for that lost revenue. In practice, such claims are rare and the local governments suffer the lost revenue. To the extent that spills are reduced, such losses will be reduced, which is a benefit to the local governments. OSPR does not have data on such claims and is not able to estimate the magnitude.

A.6. Other

The savings described above are expected annually. In summary, the annual savings to local government are at least $3,750/year.

Page 5

B.1. Fiscal Effect on State Government

This regulation will be implemented using existing resources. Specifically, this regulation will be implemented by OSPR. To do this, OSPR has added several new staff positions, which were funded through a fee on oil movement in California, authorized by SB 861 and implemented through a separate regulation, which became permanent on August 22, 2017. No additional funds are needed.

B.2. Savings in the current State Fiscal Year

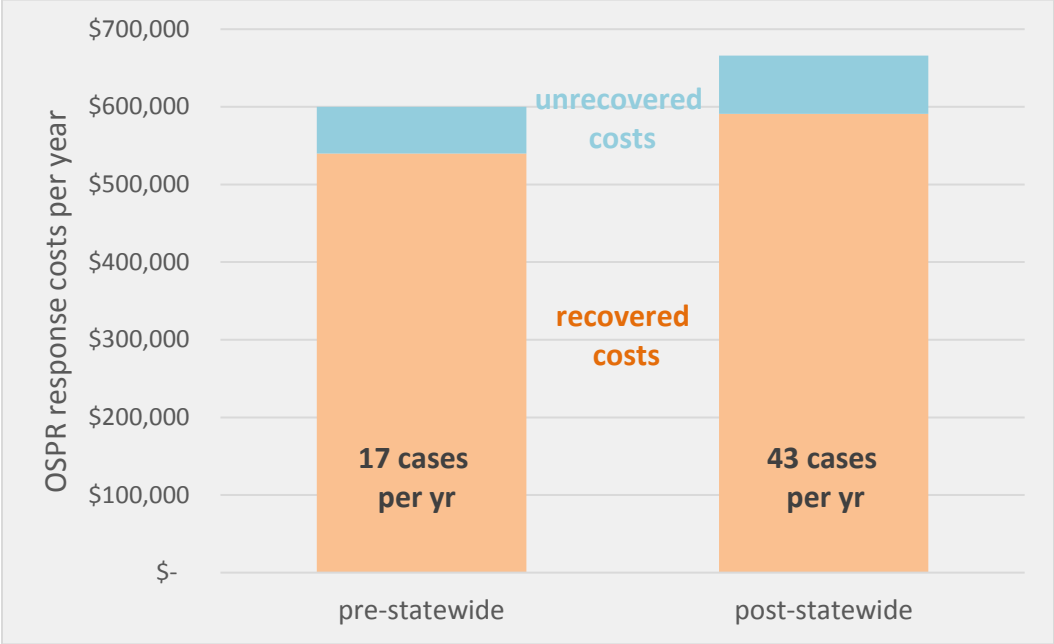
The estimated $7.7 million/year benefit from a reduction in oil spills refers to the economic benefit of reduced response costs, reduced environmental damages, and reduced third party injuries. None of that refers to fiscal savings by state or local governments.

OSPR and other state government agencies may realize a fiscal benefit from a reduction in future oil spills (as illustrated in Figures 2 and 3 above). However, in OSPR's case, this will likely be offset by OSPR's increased responses to smaller inland spills which it had not previously responded to.

In theory, all government response costs are reimbursed by the responsible party, resulting in no net costs. In practice, however, cost recovery is not 100%. Sometimes oil spills are caused by unknown sources, or sometimes the responsible party is not financially viable. In these cases, government agencies may end up incurring some of the response costs. OSPR estimates that their rate of cost recovery is approximately 90%. The remaining 10% goes unreimbursed and is borne by OSPR. OSPR estimates that this amounts to about $75,000/year (which is ideally offset by interest earned on the response trust fund). To the extent that inland spills, especially large ones, are reduced (see Figures 2 and 3), OSPR may see unreimbursed costs reduced.

However, under the emergency regulations OSPR is now responding to more spills. This is expected to continue. While these additional spills are smaller, and the response costs are much smaller than those for a large spill, this will add to unreimbursed response costs. That is to say, even though the total number of spills – especially large spills – is reduced, OSPR is responding to more of them than it had previously. Based on a review of OSPR cost recovery since the implementation of the emergency regulations, OSPR's unreimbursed cost recovery has remained at $75,000/year. While the number of spills has declined significantly (Figures 2 and 3), OSPR is now responding to more small spills than previously. Before the emergency regulations, OSPR responded to and incurred response costs to 17 spills per year. After the implementation of the emergency regulations, that figure jumped to 43 spills per year. However, because most of the additional spills were small inland spills, total response costs to OSPR, and total unreimbursed response costs, did not change significantly (Figure 4).

Figure 4: OSPR Cost Recovery Before and After Emergency Regulations



Other state government agencies respond much less often than OSPR. Nevertheless, they would likely experience the same difficulties with cost recovery. To that extent, a reduction in larger spills, which they would be more likely to respond to, will mean a reduction in unreimbursed response costs.

OSPR's annual unreimbursed costs are about $75,000/year. However, OSPR does not have data on other state agencies's response costs, whether reimbursed or not. It undoubtedly varies from year to year depending on spill activity. In general, other state agencies's response costs are a small fraction of OSPR's. Assuming they were 10% of OSPR's, other state agencies's unreimbursed costs would be $7,500/year. If these declined by half (in keeping with Figures 2 and 3), other state agencies would save $3,750/year.

OSPR is not aware of other state agencies making claims for lost revenue as described for local agencies under A.3., but such a situation is possible. A reduction in spills would make such losses in revenue less likely.

B.4. Other

The savings described above are expected annually. In summary, OSPR is expecting a decrease in unreimbursed response costs due to fewer spills, especially large spills, but these will largely be offset by an increase in the small spills that OSPR responds to. Based on an analysis of OSPR's cost recovery before and after the implementation of the emergency regulations (Figure 4), OSPR expects to break even.

Other state agencies may experience a savings via a decrease in unreimbursed response costs of about $3,750/year.

END