

Legislative Fiscal Analyst's Overview of the Governor's FY2019 Request

Department of Natural Resources

All Dollars in Thousands

	(GF Only)	Change	% Change	See Note
FY18 Conference Committee (GF Only)	\$90,420.2			
FY18 Fiscal Notes	-			
CarryForward	7,303.5			
Misc Adjustments	-			
Multi-Years/Specials	-			
Vetoes	-			
FY18 Management Plan (GF only)	\$97,723.7	\$7,303.5	8.1%	
One-time Items Removed	(7,405.5)			
Fiscal Note One-Time Items	-			
Fund Source Change	-			
Temporary Increments (IncTs)	-			
Maintenance Increments (IncMs) and Increments	-			
FY19 Contractual Salary Increases	182.4			
FY19 Adjusted Base Budget (GF only)	\$90,500.6	(\$7,223.1)	-7.4%	
Lang/Lang OTIs/MiscAdj/Carryforward/MultiYears/Contingent	1,125.0			
FY19 Governor's GF Increments/Decrements/Fund Changes	(152.0)			
FY19 Governor's Agency Request (GF only)	\$91,473.6	\$973.0	1.1%	
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FY19 Governor's Increments, Decrements, Fund Changes and Language	FY19 Adjusted Base Budget (GF Only)	FY19 Governor's Request (GF only)	Change from FY19 Adj Base to FY19 Governor's Request	See Note
Allocation			\$973.0	
Project Management & Permitting	942.3	895.3	(47.0)	4
Information Resource Management	3,233.4	3,183.4	(50.0)	5
Facilities	2,717.9	2,592.9	(125.0)	6
Oil & Gas	8,709.8	9,209.8	500.0	1
Mining, Land & Water	23,155.9	22,623.9	(532.0)	7
Forest Management & Development	3,283.0	3,385.0	102.0	2
Fire Suppression Activity	5,973.0	7,098.0	1,125.0	
Agricultural Development	1,524.6	1,660.7	136.1	3
North Latitude Plant Material Center	1,670.3	1,609.2	(61.1)	9
Agriculture Revolving Loan Program Administration	496.7	421.7	(75.0)	
Non-General Fund Agency Summary				
	FY19 Adjusted Base Budget	FY19 Governor's Request	Change from FY19 Adj Base to FY19 Governor's Request	See Note
Other State Funds (all allocations)	38,001.6	35,616.5	(2,385.1)	5
Federal Funds (all allocations)	25,345.3	25,144.3	(201.0)	3
Total Non-General Funds (all allocations)	\$63,346.9	\$60,760.8	(\$2,586.1)	
Position Changes (From FY18 Authorized to Gov)	907	900	(7)	
PFT	629	624	(5)	3. 5, 7, 9
PPT	214	215	1	2
Temp	64	61	(3)	7
Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note
Planning and Research	1,800.0	15,300.0	17,100.0	
Maintenance and Repairs	200.0	4,700.0	4,900.0	
Remodel, Reconstruction and Upgrades	-	-	-	
New Construction and Land Acquisition	5,750.0	1,250.0	7,000.0	
Equipment and Materials	-	-	-	
Information Systems and Technology	-	-	-	
Other	150.0	1,800.0	1,950.0	
TOTAL CAPITAL	\$7,900.0	\$23,050.0	\$30,950.0	

Department of Natural Resources

The Department of Natural Resources' (DNR) mission is to develop, conserve and maximize the use of Alaska's natural resources consistent with the public interest. Core services include:

- Fostering responsible commercial development and use of state land and natural resources, consistent with the public interest, for long-term wealth and employment;
- Mitigating threats to the public from natural hazards by providing comprehensive fire protection services on state, private, and municipal lands, and through identifying significant geologic hazards;
- Providing access to state lands for public and private use, settlement, and recreation; and
- Ensuring sufficient data acquisition and assessment of land and resources to foster responsible resource and community development and public safety.

BUDGET SUMMARY

The FY19 Department of Natural Resources general fund operating budget as submitted by the Governor on December 15, 2017 is \$973.0 (1.1%) above the FY19 Adjusted Base. Unrestricted General Funds (UGF) are *down* by \$727.0 (-1.2%), but Designated General Funds (DGF) are up by \$1,700.0 (5.5%). Significant issues are highlighted in the notes below and correspond to the numbers in the last column on the preceding spreadsheet.

NEW PROGRAMS/PROGRAM EXPANSION

- 1. Oil & Gas – Funding for Reservoir Modeling Contractual Services and Software Licensing: \$500.0 UGF.** The Governor's budget includes \$500.0 UGF for reservoir modeling. The department had received a capital project for this purpose in FY09, but the remaining balance of that appropriation was re-appropriated in FY17. Reservoir modeling is used by DNR to audit producers' work and resolve disputes. Of the total, \$250.0 is a one-time increment for contractual services and the remaining \$250.0 is for the ongoing cost of software licensing.
- 2. Forest Management & Development – Restore Forester in Haines: \$102.0 UGF and 1 PPT Position.** In the FY18 budget, the legislature approved a one-time increment to support a part-time forester position in the Haines State Forest, which allowed the Forestry office in Haines to remain open. The Governor's budget requests that the funding continue and be added to the base budget. This position maintains 46 miles of roads in the Haines State Forest and facilitates timber sales.
- 3. Agricultural Development – Increase State Veterinarian Program Funding: \$176.8 Total [\$61.1 UGF/ \$75.0 Ag Revolving Loan (DGF)/ \$40.7 Federal Receipts] and 1 PFT Position.** The Governor's budget includes two increases to the State Veterinarian program. The first is an increment of \$101.8 (\$61.1 UGF, \$40.7 Fed) for a Development Specialist position. The second is an increment of \$75.0 of Agriculture Revolving Loan Fund receipts to support a State Veterinarian position

that was created by reclassifying a vacant Natural Resource Manager position. According to the department, the new State Veterinarian program in the Division of Agriculture will serve as a liaison with the agriculture, meat and dairy industries with the intent to expand in-state food production.

Legislative Fiscal Analyst Comment: This increment is a non-designated use of the ARLF. AS 03.10.040(b) designates the Agricultural Revolving Loan Fund to be used only for the cost of administering Chapter 10 (the Agriculture Revolving Loan Act) and for the operations of the Board of Agriculture and Conservation.

There is an existing Office of the State Veterinarian in the Department of Environmental Conservation, and the Department of Commerce, Community and Economic Development employs Development Specialists to promote local industry. The legislature should examine this increment to ensure that it does not duplicate existing efforts.

FUNDING REDUCTIONS AND MAINTENANCE OF SERVICES

- 4. Office of Project Management & Permitting – Develop Cost Accounting Method to Appropriately Bill Overhead Costs: (\$47.0) UGF.** The Office of Project Management and Permitting will develop a cost accounting method that will allow the agency to bill industry for overhead costs. This will reduce UGF spending by \$47.0, replacing it with additional statutory designated program receipts (Other) using existing authority.
- 5. Information Resource Management – Delete Geographic Information Systems (GIS) Analyst: (\$82.3) Total [(\$50.0) UGF/ (\$32.3) Interagency Receipts (Other)] and (1) PFT Position.** Information Resource Management will eliminate an entry-level GIS analyst position and reassign duties to other positions. This is the only entry-level GIS position in the agency, possibly creating recruitment problems in the future.
- 6. Facilities – Lease Savings from Atwood Building Consolidation: (\$125.0) UGF.** DNR will reduce its footprint in the Atwood Building in Anchorage by 23,000 square feet, reducing lease costs.
- 7. Mining, Land & Water – Multiple Reductions and Utilization of New Revenue: (\$532.0) Total [(\$1,532.0) UGF/ \$1,000.0 GF/Program Receipts (DGF)] and (3) PFT/ 1 Temporary Positions.** The Division of Mining, Land & Water will reduce UGF spending through several measures:
 - **Replace Unrestricted General Funds with Program Receipt Authority: (\$1,000.0) UGF/ \$1,000.0 GF/Program Receipts (DGF).** Program Receipt revenue has increased in the division, and this fund change utilizes a portion of that revenue to offset UGF spending. Since excess program receipt revenue lapses to the general fund, this change does not impact the budget deficit.
 - **Reduce Administrative Support: (\$80.0) UGF, (1) PFT.** The implementation of Shared Services of Alaska is anticipated to reduce DNR's overall administrative workload. An Administrative Assistant II position will be deleted, along with associated funding.

- **Northern Region Permits and Easements Reduction: (\$107.0) UGF, (1) PFT.** The department had difficulty filling a Natural Resources Specialist III position located in Fairbanks, and will eliminate it and associated funding. This may increase the division's permitting backlog.
- **Unified Permit Program Reduction: (\$245.0) UGF.** The department received an increment for the Unified Permit Program in FY18, with the expectation that the amount would decrease in subsequent years. Consistent with that plan, the department will reduce UGF spending by \$245.0 as a phase of the permitting program is completed. While the increment was given as GF/Program Receipts (DGF), the department will reduce general funds to continue utilizing its program receipt revenue.
- **Native Allotment Program: (\$100.0) UGF, (1) PFT, 1 Temporary Position.** UGF funding for the Native Allotment Program will be replaced with a \$100.0 federal grant using existing receipt authority, and the existing permanent full-time position will be converted to a temporary position.

8. **Geological & Geophysical Surveys – Replace General Fund with Program Receipt Authority: Net Zero Change [(\$200.0) UGF/ \$200.0 GF/Program Receipts (DGF)].** The department began charging fees for the release of seismic data that was given to the State as part of tax credit applications. The division will utilize the new fee revenue to offset UGF.

9. **North Latitude Plant Material Center – Delete Agronomist Position and Associated Funding: (\$101.8) Total [(\$61.1) UGF/ (\$40.7) Federal] and (1) PFT position.** This position is currently vacant. Due to difficulty recruiting, the position will be removed and responsibilities spread to other positions in the department.

10. **Parks & Outdoor Recreation – Reduce Unrestricted General Funds Due to Fee Increases: Net Zero Change [(\$500.0) UGF and \$500.0 GF/Program Receipts (DGF)].** The department proposed a regulatory package to increase user fees, which is expected to increase fee revenue by \$600.0. The Governor's budget uses \$500.0 of this anticipated revenue to offset UGF.

OTHER ISSUES

11. **Multi-Year Funding in the Commissioner's Office – Arctic Strategic Transportation and Resources.** During the 2017 legislative session, a multi-year appropriation was approved for the Arctic strategic transportation & resources (FY17-FY20). The original appropriation was estimated to be \$7,303.5. The funding was appropriated after July 1, 2017 and retroactively dated to FY17, so the entire amount was carried forward into FY18. The department estimates it will spend 30% of the funding in FY18. The final amount will be determined at the end of FY18 (June 30, 2018) and added to FY19 authorization at that time.

ORGANIZATIONAL CHANGES

There were no major organizational changes in FY19.

CAPITAL BUDGET

The DNR FY19 capital budget totals \$30.95 million (\$1,450.0 UGF, \$750.0 DGF, \$5,700.0 Other State Funds, and \$23,050.0 Federal Receipts). The budget includes mostly ongoing projects that do not require general funds, including the Abandoned Mine Lands Reclamation Federal Program and the Federal and Local Government Funded Forest Resource and Fire Program Projects. In addition, the Exxon Valdez Oil Spill Trustee Council is proposing to purchase a parcel of land near Valdez for \$5,200.0 EVOS Civil Settlement funds (Other). The appropriations that require general funds are:

- **National Historic Preservation Fund: \$550.0 [\$400.0 Federal Receipts/ \$150.0 G/F Match (UGF)]**: This project provides funding for historic preservation programs and projects.
- **National Mineral Security Program - 3DEEP: \$16,000.0 [\$15,000.0 Federal Receipts/ \$1,000.0 G/F Match (UGF)]**: This is a ten-year project to geologically map the state at a 1:100,000 scale, create new geophysical survey data, upgrade historical surveys, and publish the resulting data and reports. The grant has a 25% matching requirement, which will be met with \$1,000.0 of state matching funds as well as existing capital projects and in-kind support.
- **Snowmobile Trail Development Program and Grants: \$250.0 Snow Machine Registration Receipts (DGF)**: Snow machine registration receipts are used to fund snowmobile trail development grants to nonprofit organizations.
- **National Recreational Trails Federal Grant Program: \$1,700.0 [\$1,500.0 Federal Receipts/ \$200.0 GF/Program Receipts (DGF)]**: The National Recreational Trails Federal Grant Program provides grants to government and community organizations for trail development and improvement projects statewide.
- **State Parks Public Use Cabins: \$300.0 GF/Program Receipts (DGF)**: This project would fund the construction of five new public use cabins in high demand areas. These projects are expected to have a payback period of less than five years.
- **USGS Statemap Grant to Spur Mineral Investment and Exploration: \$600.0 [\$300.0 Federal Receipts/ \$300.0 G/F Match (UGF)]**: This is a federal grant from the US Geological Survey to produce geologic mapping of the Tanacross area, aimed at enhancing mineral exploration.