THE STATE of ALASKA
GOVERNOR SEAN PARNELL

Department of Environmental Conservation

DIVISION OF WATER
Director's Office

555 Cordova Street
Anchorage, Alaska 99501
Main: 907.269.7599
Fax: 907.334.2145

March 19, 2013

The Honorable Eric Feige, Co-Chair
The Honorable Dan Saddler, Co-Chair
House Resources Committee
State Capitol Room 124
Juneau, AK 99801

Dear Representative Saddler and Representative Feige:

Following are answers to questions raised by Representative Hawker regarding fiscal notes in the House Resources hearing for SB 27 on March 18, 2013.

DEC's fiscal note, Fiscal Note Number 1: Comparing the FY14 amount of $879.5 in the Services line with the cost detail in the fiscal note analysis, $30.2 of the FY14 services costs are not accounted for.
The $30.2 in FY14 includes department-wide allocated common cost such as leases, personnel, information technology, and telecommunications, at $29.7; and $0.5 for public noticing costs. Similarly, in FY15, $53.0 is included for allocated common costs and $1.0 is included for public noticing costs. For FY16 through FY19, $53.0 is included for allocated common costs. These costs are not detailed in the body of the fiscal note analysis.

What is the estimate for costs at full primacy?
A primary purpose of SB 27 is to determine costs at full primacy. The unknowns about this effort are significant, and until the State performs the detailed evaluation of assumption of the program as provided for in SB 27, it is impossible to forecast the cost or size of a State program.

Can the agencies provide an "escalator clause," estimating personal services costs in future years in the fiscal notes that reflect inflation?
It is the Administration's policy to develop fiscal notes without taking into account inflation. From page 10 of the *Memorandum from Karen Rehfeld and Heather Brakes to All Departments dated November 5, 2012*: "The Administration's policy is to develop fiscal notes without taking into account inflation, because most state programs do not receive automatic increases in funding for inflation."

Why is the Department of Law's fiscal note a zero fiscal note when Law will be getting $187.5 from DEC?
To support DEC's 404 wetlands primacy evaluation pursuant to SB27, the Department of Law will reallocate legal staff from other projects, which may result in reductions to billings of other unidentified agencies or appropriations. This reallocation of staff does not require the Department to seek additional intra-agency receipt authority, but it still requires DEC to have the necessary resources to pay the Department of Law's billable costs, which is reflected in that agency's fiscal note.

Sincerely,

Michelle Bonnet Hale

Michelle Bonnet Hale
Director