



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

**Department of Environmental
Conservation**

DIVISION OF ADMINISTRATIVE SERVICES

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March 23, 2021

The Honorable Dan Ortiz
Chair, House Finance Subcommittee
State Capitol Room 513
Juneau AK, 99801

Dear Representative Ortiz:

Thank you for the opportunity to provide additional information about the Department of Environmental Conservation's Division of Environmental Health on March 16th.

Per your request at that hearing, attached please find attached the historical expenditure, revenue, and fund balance information for the Commercial Passenger Vessel Environmental Compliance Fund. This reflects actuals for FY2009 through FY2020, and projections for FY2021 and FY2022 based on the current budget authorizations and the Governor's budget requests, including the proposed fund source changes in FY2021 and FY2022. It should be noted that without the proposed Supplemental fund source change for FY2021, the fund is projected to run a deficit in the current fiscal year. Also, please note that FY2022 revenue projections assume a return to normal cruise ship season, and those revenues would not be received until spring of 2022.

This fund receives revenues from environmental compliance and ocean ranger fees, and those revenue sources are tracked and appropriated separately. Commercial passenger vessel environmental compliance fees (CPVEC) are appropriated in FY2021 to the Divisions of Water (\$449.7), Air Quality (\$312.6), Spill Prevention & Response (\$447.1), Environmental Health (\$457.7), and Administration (\$270.9), and ocean ranger fees (OR) are appropriated to the Divisions of Water (\$2,000.0), Environmental Health (\$316.0), and Administration (\$106.8).

Significant changes to appropriations FY2009-FY2022:

- FY2009 \$80.0 CPVEC appropriated for shellfish testing; increased to \$100.0 the following year
- The legislature reduced OR funding for the ocean ranger contract in FY2012 by \$620.1 in response to declining cruise ship traffic
- Administrative Services trued up fund source proportionality in alignment with the Department's federal indirect cost allocation plan, resulting in an increase to CPVEC of \$110.0
- FY2017 the legislature replaced \$307.0 UGF funding with OR for the Fish Tissue Testing program in Environmental Health
- The Governor's FY2018 proposed budget included a fund source change of \$333.7 UGF to CPVEC, shifting the remainder of the cost for the shellfish testing program
- FY2020 the Governor vetoed \$3,426.0 OR funding for the ocean ranger contract
- An FY2020 capital appropriation of \$115.0 CPVEC funded air quality monitoring equipment in port communities
- The legislature made a multi-year appropriation in FY2020-2021 that included \$4,500.0 OR to the Department of Commerce to make grants to port communities for COVID mitigation

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- The legislature added \$2,000.0 OR in FY2021 for ambient water quality sampling in port communities
- The Governor has proposed a fund source change in both FY2021 (\$457.7) and FY2022 (\$457.9) to replace CPVEC funding for shellfish testing with UGF due to the unconstitutional use of this fund source for this purpose

If you would like more information or have additional questions, I am happy to assist.

Sincerely,



Ruth Kostik

Administrative Services Director

Cc: Michael Partlow, Legislative Finance Division
Jake Quarstad, Office of Management and Budget
Liz Harpold, Staff to Representative Ortiz

Updated 03.17.2021

**DEPARTMENT OF ENVIRONMENTAL CONSERVATION
COMMERCIAL PASSENGER VESSEL ENVIRONMENTAL COMPLIANCE FUND BALANCE PROJECTION**

*Actuals FY2009-FY2020, Projected FY2021 - FY2022 Based on Governor's Proposed Budgets
Projected based on preliminary cruise ship registrations for CY2021 season received through December 2020
Assumes no large vessel traffic summer 2021*

	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Unobligated CPVEC Fund Beginning Balance	6,210.8	7,203.5	7,063.6	6,537.1	6,878.9	7,251.4	7,959.7	8,428.7	8,747.7	8,937.9	8,328.6	9,790.9	4,192.6	308.1
REVENUE to CPVEC FUND														
Revenue from Permit Fees	972.9	853.1	844.1	878.1	943.4	989.5	972.8	1,001.9	1,008.3	962.2	1,478.4	64.1	18.6	1,338.3
Revenue from Ocean Ranger Fees	4,168.2	3,274.6	3,623.6	3,707.4	3,732.2	3,903.5	3,870.0	3,952.5	3,972.3	3,660.2	4,962.2	835.8	0.0	5,446.0
Investment Income	191.6	188.8	84.4	87.7	8.9	33.1	37.0	70.3	47.6	94.2	268.1	212.9	0.0	0.0
Fines/Penalties	97.5	206.0	0.0	46.6	10.1	176.7	31.9	148.8	384.0	108.4	69.9	57.6	0.0	0.0
Total Annual Revenue	5,430.1	4,522.5	4,552.1	4,719.7	4,694.6	5,102.8	4,911.6	5,173.4	5,412.2	4,825.0	6,778.6	1,170.4	18.6	6,784.2
EXPENSES from CPVEC FUND														
Expense CPVEC (1166)	961.7	992.2	1,044.5	1,206.3	1,149.3	1,124.3	1,050.4	1,333.6	1,430.6	1,633.6	1,495.3	1,641.1	1,480.3	1,449.7
Expense OR (1205)	3,475.7	3,670.2	4,034.1	3,171.5	3,172.9	3,270.3	3,392.2	3,520.8	3,791.4	3,800.7	3,821.0	418.7	2,422.8	2,418.1
Total Annual CPVEC Expenses	4,437.4	4,662.4	5,078.7	4,377.9	4,322.2	4,394.5	4,442.6	4,854.4	5,222.0	5,434.3	5,316.2	2,059.8	3,903.1	3,867.8
Obligations														
Encumbrances	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	784.6	0.0	0.0
Outstanding Capital Budget Authority	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3,924.4	0.0	0.0
Change in Total Obligations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4,709.0	0.0	0.0
Summary														
Unobligated Beginning Balance	6,210.8	7,203.5	7,063.6	6,537.1	6,878.9	7,251.4	7,959.7	8,428.7	8,747.7	8,937.9	8,328.6	9,790.9	4,192.6	308.1
Total Annual Revenue	5,430.1	4,522.5	4,552.1	4,719.7	4,694.6	5,102.8	4,911.6	5,173.4	5,412.2	4,825.0	6,778.6	1,170.4	18.6	6,784.2
Total Annual Expenses	(4,437.4)	(4,662.4)	(5,078.7)	(4,377.9)	(4,322.2)	(4,394.5)	(4,442.6)	(4,854.4)	(5,222.0)	(5,434.3)	(5,316.2)	(2,059.8)	(3,903.1)	(3,867.8)
Change in Total Obligations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(4,709.0)	0.0	0.0
Unobligated Ending Balance	7,203.5	7,063.6	6,537.1	6,878.9	7,251.4	7,959.7	8,428.7	8,747.7	8,937.9	8,328.6	9,790.9	4,192.6	308.1	3,224.5