

ALASKA STATE LEGISLATURE

SENATE FINANCE LABOR BUDGET SUBCOMMITTEE

Senator Click Bishop, Chair
Alaska State Capitol
Room 516
Juneau, Alaska 99801 (907)
465-3887



Senator Robert Myers
Senator Mike Shower
Senator Elvi Gray-Jackson
Alaska State Capitol
Juneau, Alaska 99801

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Short Fiscal Summary - FY21/FY22 Budget

(\$ Millions) (Non-duplicated Funds)		FY21		FY22		Change in UGF		Change in All Funds	
		UGF	All Funds	UGF	All Funds				
1	Revenue	4,443.2	10,883.0	4,271.9	10,286.1	(171.3)	-4%	(596.9)	-5%
2	UGF Revenue (Fall 2020 Forecast)	1,243.1	1,311.0	1,202.6	1,244.0	(40.5)	-3%	(67.0)	-5%
3	POMV Draw	3,091.5	3,091.5	3,069.3	3,069.3	(22.2)	-1%	(22.2)	-1%
4	Misc/Adjust/Non-UGF Revenue	108.6	6,480.5	-	5,972.8	(108.6)		(507.7)	-8%
5	Appropriations	6,520.8	12,953.7	6,313.8	12,324.8	(207.0)	-3%	(628.9)	-5%
6	Operating Budget	4,490.0	9,708.4	4,231.3	8,826.2	(258.6)	-6%	(882.2)	-9%
7	Agency Operations	4,008.9	8,349.9	3,810.5	8,073.5	(198.4)	-5%	(276.5)	-3%
8	Statewide Items (1)	446.3	1,339.8	420.8	752.7	(25.5)	-6%	(587.0)	-44%
9	Supplemental Appropriations	34.8	18.7	-	-	(34.8)		(18.7)	
10	Capital Budget	125.3	1,271.9	58.5	1,433.2	(66.8)	-53%	161.4	13%
11	Current Year Appropriations	120.3	1,201.9	58.5	1,433.2	(61.8)	-51%	231.3	19%
12	Supplemental Appropriations	5.0	69.9	-	-	(5.0)		(69.9)	
13	Permanent Fund	1,905.5	1,973.4	2,023.9	2,065.3	118.4	6%	91.9	5%
14	Permanent Fund Dividends	1,905.5	1,905.5	2,023.9	2,023.9	118.4	6%	118.4	6%
15	Inflation Proofing/Other Deposits	-	67.9	-	41.4				
16	Pre-Transfer Surplus/(Deficit)	(2,077.7)		(2,041.9)					
17	Permanent Fund Earnings Reserve Account	(1,225.5)		(2,023.9)					
	Other Fund Transfers	40.9		19.9					
18	Post-Transfer Surplus/(Deficit)	(893.1)		(37.9)					
19	CBR Direct Appropriations	(1,064.2)		-					
20	Draw After Direct CBR Appropriations	171.1		(37.9)					
21	Total CBR Draw	(893.1)		(37.9)					

Reserve Balances (EOY)		
	FY21	FY22
CBR	930.9	918.6
ERA	12,052.8	10,955.6

(1) FY22 includes Governor's proposed retirement system (PERS) legislation

Projected Fund Balances -- FY21 and FY22

(\$ millions)

		FY21				FY22			
		BoY Balance	In	Out	EoY Balance	BoY Balance	In	Out	EoY Balance
Total Budget Reserves and Designated Funds		16,134.1	4,946.7	6,594.8	14,486.0	14,486.0	5,444.0	6,553.8	13,376.2
Undesignated Reserves		1,763.9	63.0	894.1	932.8	932.8	25.6	38.6	919.7
	Constitutional Budget Reserve Fund	1,762.0	62.0	893.1	930.9	930.9	25.6	37.9	918.6
	Statutory Budget Reserve Fund	0.0	-	-	0.0	0.0	-	-	0.0
	Alaska Housing Capital Corporation Fund	1.9	1.0	1.0	1.9	1.9	-	0.8	1.1
Select Designated Funds		14,370.2	4,883.8	5,700.7	13,553.2	13,553.2	5,418.4	6,515.2	12,456.4
	Total Excluding Permanent Fund	1,476.0	142.1	117.8	1,500.4	1,500.4	152.4	152.0	1,500.8
	Alaska Capital Income Fund	(5.9)	23.1	17.4	(0.3)	(0.3)	49.0	49.8	(1.0)
	Alaska Higher Education Investment Fund	343.8	20.6	21.0	343.3	343.3	20.5	21.8	342.0
	Community Assistance Fund	60.0	28.7	20.0	68.7	68.7	12.4	22.9	58.2
	Power Cost Equalization Endowment	1,078.2	69.8	59.3	1,088.6	1,088.6	70.4	57.5	1,101.5
	Permanent Fund Earnings Reserve Account*	12,894.2	3,498.7	4,340.0	12,052.8	12,052.8	4,023.0	5,120.2	10,955.6
Unrestricted General Fund Appropriations					6,520.8				6,313.8
Reserves Ratio (Undesignated Reserves / Pre-Transfer Budget)					14%				15%
Pre-Transfer Deficit					(2,077.7)				(2,041.9)
Years of Deficit Coverage (Undesignated Reserves / Pre-Transfer Deficit)					0.45				0.45
Permanent Savings									
Permanent Fund Principal -- Market Value * (no appropriations allowed)		52,408.1	768.7	0.0	53,176.8	53,176.8	481.0	0.0	53,657.8

* Alaska Permanent Fund Corporation (APFC) median projection for FY21 and FY22 as of November 30, 2020.

January 15, 2021

Executive Summary

As required by law, the Governor released his FY22 budget proposal to the public and the legislature on December 15, 2020. The Legislative Finance Division prepared this Overview of the Governor's Budget and "Subcommittee Books" for each agency in accordance with AS 24.20.211-.231.

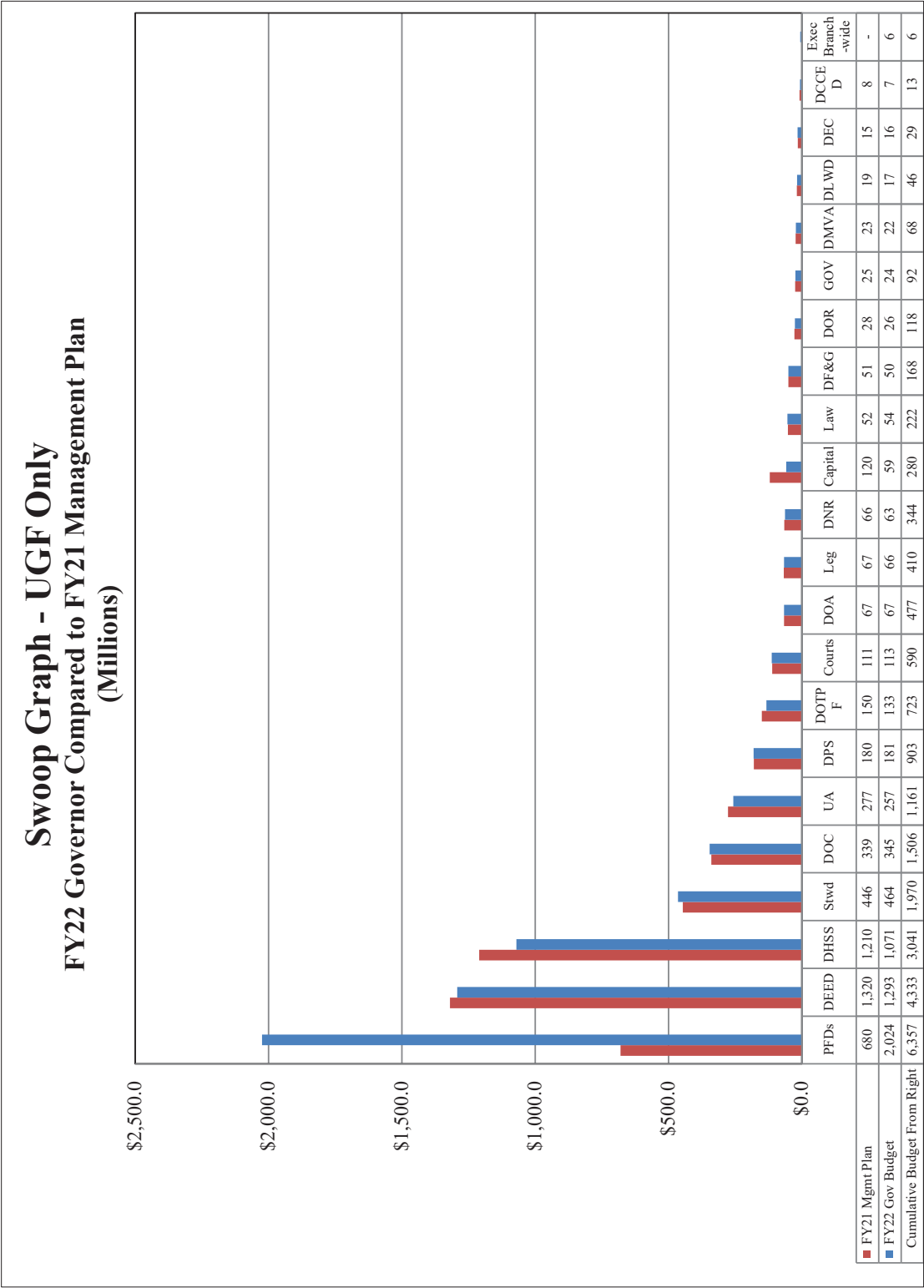
The overview provides a starting point for legislative consideration of the Governor's spending and revenue plans. It does not discuss the merits of budget plans; it focuses on outlining the fiscal situation and presenting the budget in a way that provides simple, clear information to the legislature.

Alaska has a long-term fiscal challenge: the current fiscal year, Fiscal Year 2021 (FY21) is the ninth straight year of deficit spending. Though the State has reduced UGF expenditures by 43% over that time and increased revenue by setting up a structured draw from the Permanent Fund, we still face a structural deficit. During this period, the State has gone from \$16.3 billion in reserves to under \$1 billion at the end of this year.

The Governor's FY22 budget request is smaller than the FY21 budget (other than the Permanent Fund Dividend) but still leaves a deficit of over \$2 billion, which the Governor fills by increasing the draw from the Permanent Fund beyond the statutory sustainable draw. The Governor also draws an additional \$1.2 billion from the Permanent Fund for a second dividend payment in FY21, for a total of \$3.2 billion in overdraws from the Fund.

The Governor recognizes that this is unsustainable, however, and in his budget release he emphasized that these draws are necessary because of the COVID-19 pandemic. The Governor's long-term plan calls for balancing the budget in FY23 by adding \$1.2 billion of unspecified new revenue, reducing the dividend by \$400 million, and further reducing agency operations.

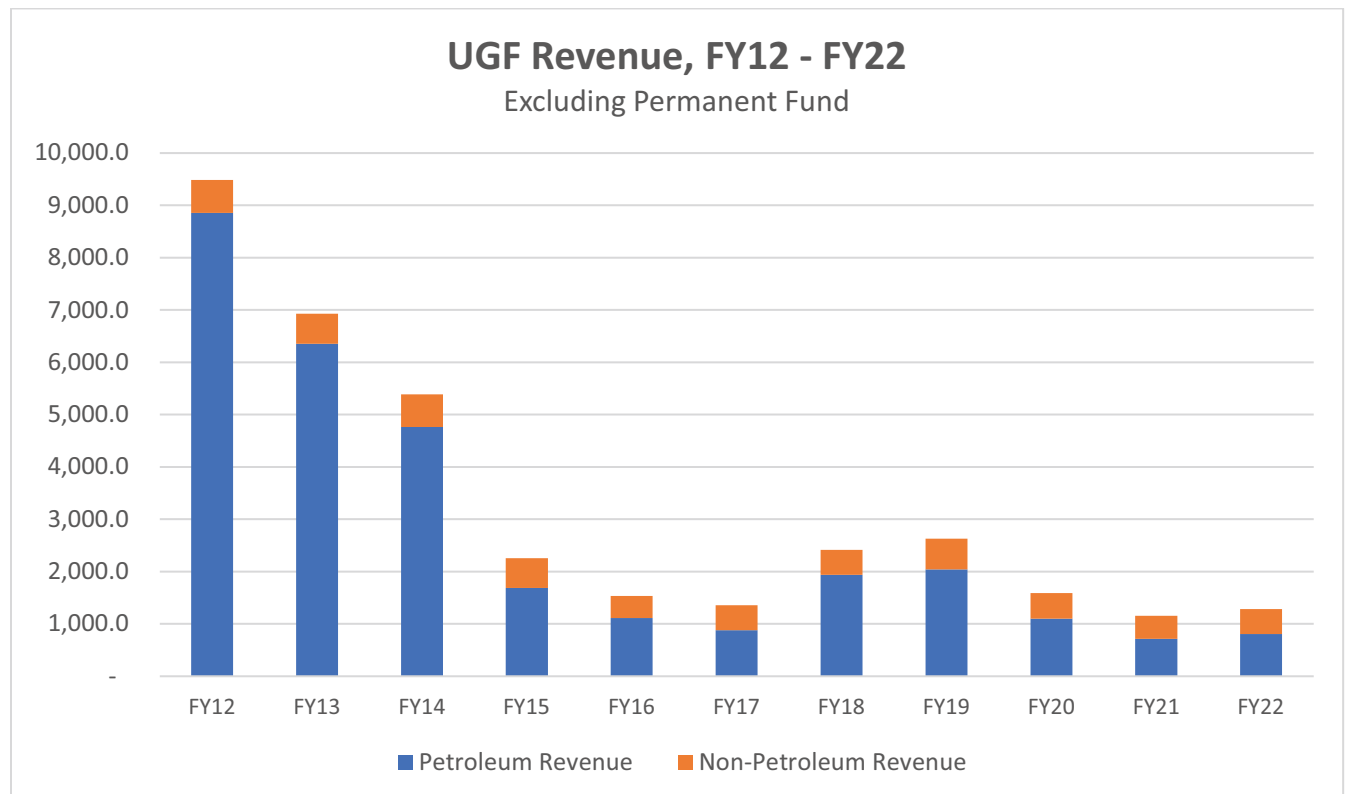
The legislature faces dual problems: a state struggling with a historic pandemic that has caused record unemployment and economic hardship, and a long-term budget crisis that has drained the State's budget reserves. The incoming legislature faces difficult choices that will have a lasting effect on the State of Alaska.



Alaska's Long-Term Fiscal Challenge

Fiscal Year 2021 represents the ninth straight year the State of Alaska has run a fiscal deficit, starting in FY13 when oil prices exceeded \$100 per barrel. Large but manageable deficits in FY13 and FY14 gave way to multi-billion-dollar gaps when oil prices crashed in FY15.

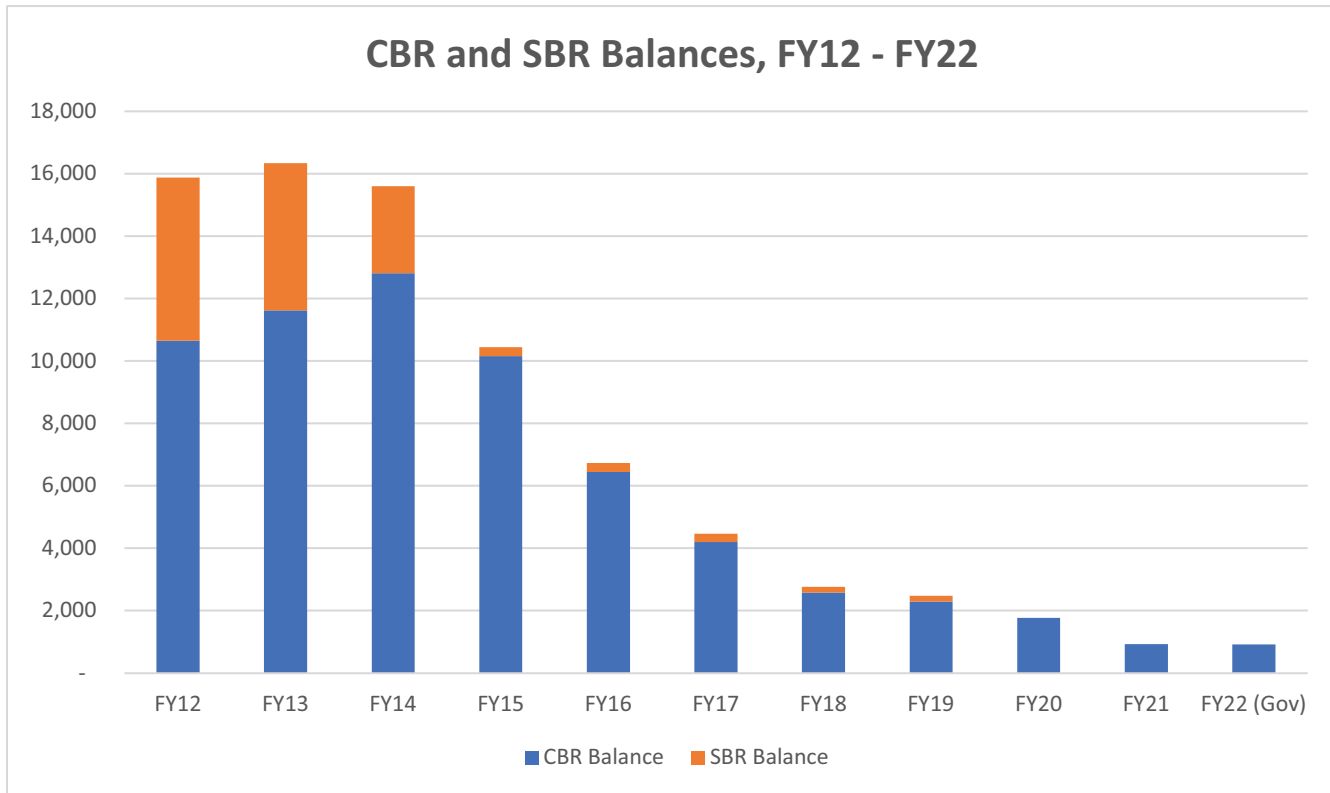
The degree to which petroleum revenue collapsed is striking: in FY12, UGF petroleum revenue totaled \$8.9 billion, while in FY22 it is projected to total just \$808.9 million. This is lowest total in *nominal* terms since FY78, the year oil began flowing down the Trans-Alaska Pipeline. In inflation-adjusted terms it is the lowest since FY75, the year construction began on the pipeline. This decline is primarily due to reduced production (current production is about a quarter of the peak) and lower prices.



This is not a temporary problem: while FY21 and FY22 likely represent a low point for Alaska's revenue outlook due to the coronavirus pandemic, the Department of Revenue projects petroleum revenue to increase by a few hundred million over the FY22 low. While there are some promising potential fields that could be developed to increase production, new fields like Pikka or Willow may take several years to provide significant production tax revenue. Even if the State's revenue position improves significantly (due to higher oil prices or increased production), the State would face a structural deficit, as it did in FY18 and FY19 when petroleum revenue was more than double its current level.

Alaska had ample budget reserves at its disposal to cushion the shock when revenue plummeted in FY15. The State's budget reserves peaked in FY13 with \$16.3 billion combined in the Constitutional Budget Reserve (CBR) and Statutory Budget Reserve (SBR). Using budget reserves has shielded

Alaska's economy from some of the impact of the budget problems. At the end of FY21, however, the SBR will be empty and the CBR is projected to hold under \$1 billion, so we are now essentially out of spendable reserves. The remaining balance of the CBR can still serve as a cashflow tool but can no longer absorb the State's deficit spending.

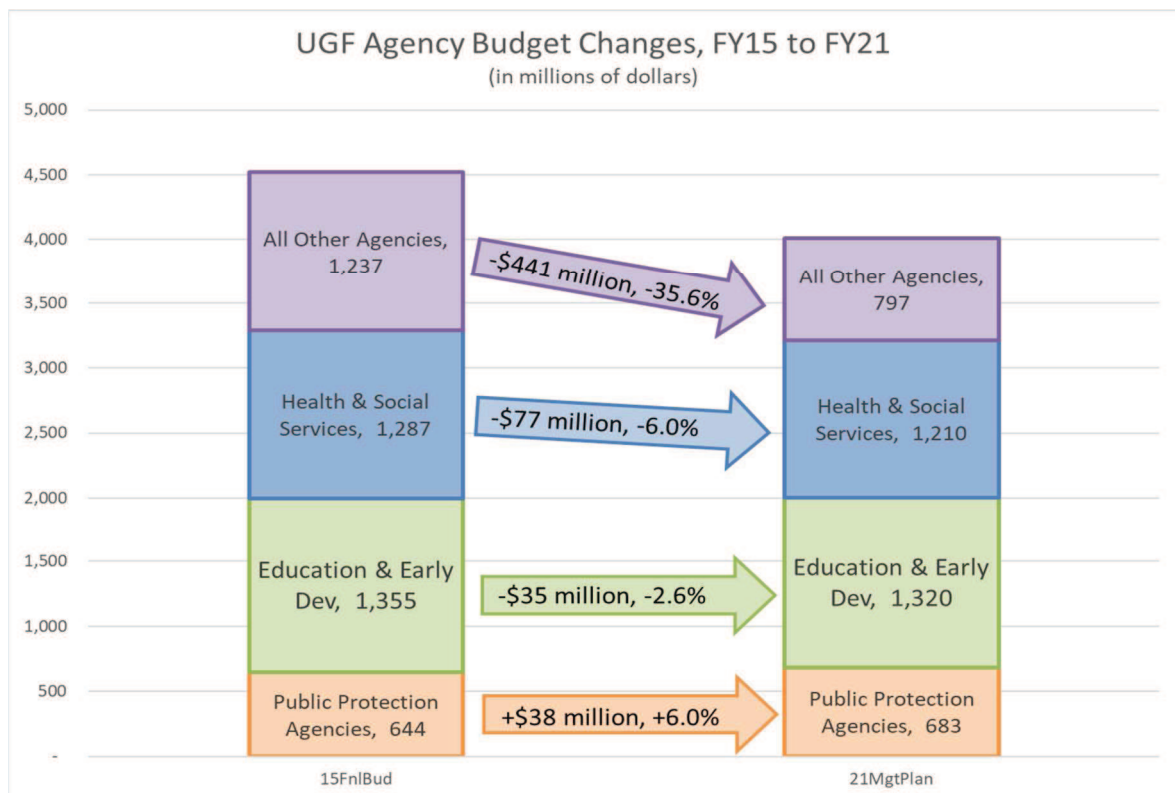
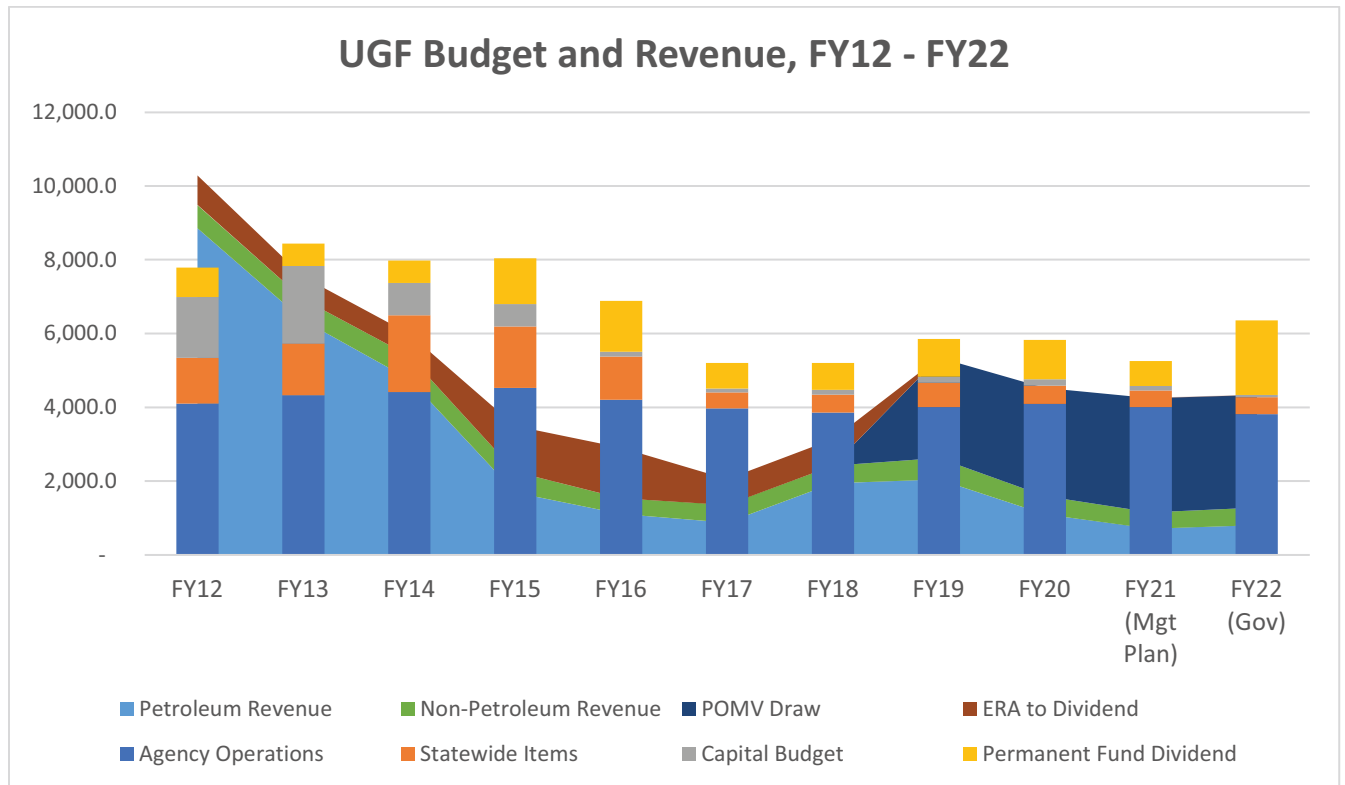


Heading into FY22, a structural deficit remains but is much smaller than it would have been without action by policymakers. It is tempting to regard nine years of budget deficits as wasted time, but in truth the legislature and Governors have managed to reduce the budget significantly and adopt a major revenue measure. These efforts have not been sufficient to eliminate the deficit, but they do improve our position.

The FY13 budget totaled \$7.8 billion UGF, compared to just \$4.5 billion in FY21 (a 43% reduction). By far the largest reduction was to the capital budget, which dropped from \$2.1 billion UGF in FY13 to \$120 million UGF in FY21. Reductions occurred in most major expenditure categories: statewide items fell from \$1.4 billion in FY13 to \$446 million in FY21, and agency operations fell from \$4.5 billion at their peak in FY15 to \$3.9 billion in FY21.

The only major item to increase over this period is the Permanent Fund Dividend, even though appropriations for this item have not followed the statutory formula since FY16. The FY14 dividend (following the statutory formula) was \$900 per person and cost \$604 million, while the FY21 dividend (appropriated below the statutory amount) was \$992 per person and cost \$680 million. From FY10 through FY14, the statutory PFD amount was depressed by the stock market crash of the 2008-2009 Great Recession. Starting in FY15, the recession fell out of the five-year average, so the statutory

calculation doubled from \$604 million in FY14 to \$1.2 billion the following year; it is projected to cost just over \$2 billion in FY22.



The agency operations reductions appear relatively modest compared to the size of the drop in revenue: the \$514.2 million reduction in UGF spending from FY15 to FY21 represents an 11.4% decrease. Those reductions have not been equally spread, however. Public protection agencies (the departments of Corrections, Law, Public Safety, and the Judiciary) actually saw an increase of \$38 million (6.0%). The Department of Education, which mostly consists of formula-driven funding for school districts, was reduced by \$35 million (2.6%). Health and Social Services, which includes large formula-driven programs such as Medicaid, was reduced by \$77 million (6.0%), although the FY21 budget was inflated somewhat by \$95 million of one-time spending on the COVID-19 pandemic. Most of the reductions fell on the other twelve agencies, which saw their budgets reduced by \$441 million (35.6%).

On the revenue side, Alaska adopted a Percent of Market Value (POMV) draw from the Permanent Fund starting in FY19, which is now the largest source of UGF revenue. This had a major impact on the deficit: without the POMV draw, the FY21 deficit would balloon from an estimated \$900 million to over \$3 billion. However, no broad-based revenue measures have been adopted. A few minor revenue-generation bills have been adopted, such as legislation increasing hunting and fishing license fees and a \$0.0095 per gallon fee on motor fuels to support oil spill response, but these measures have had a limited impact on the deficit.

Despite these spending reductions and the POMV draw, Alaska still faces a massive deficit in FY22 and future years. Making up this gap from reserves is no longer possible, so the State now has a choice: enact some combination of spending cuts and revenue increases to eliminate the deficit or spend unsustainably out of the Permanent Fund or other accounts, which will make the deficit even larger in subsequent years.

Alaska's Fiscal Situation in FY22

Entering the FY22 budget year, Alaska faces a difficult budget situation. The COVID-19 pandemic damaged the State's economy and drove down oil prices even further, exacerbating the State's fiscal situation. There are insufficient budget reserves available to continue to fill the deficit.

The Legislative Finance Division has two budget baselines for FY22, one reflecting current policy and the other reflecting current law. Both baselines assume that agency operations budgets match the FY22 Adjusted Base, which is the FY21 budget with one-time spending removed and contractual obligations added.¹ Both assume a capital budget of \$150 million, which represents a typical capital budget over the past six years. The difference is their treatment of statewide items: in the current policy scenario, we assume that items will be funded as they were in FY21, while the current law scenario assumes that they will be funded in accordance with statutory formulas.

FY22 Current Policy and Current Law Scenarios		
UGF Revenue	4,271.9	4,271.9
	Current Policy	Current Law
Agency Operations	3,887.9	3,887.9
Statewide Items	434.5	603.0
Capital Budget	150.0	150.0
Subtotal	4,472.4	4,640.9
PFD	680.0	2,023.9
Total Spending	5,152.4	6,664.8
Deficit	(886.2)	(2,392.9)

In FY21, the Governor vetoed all funding for school debt reimbursement, municipal capital project reimbursement, and the Regional Educational Attendance Area (REAA) fund capitalization. The legislature did not override these vetoes. The legislature also declined to fund the statutory calculation for oil and gas tax credit purchases (due to a bonding bill that was later ruled unconstitutional) and funded the PFD below the statutory calculation. The Current Policy scenario assumes that these policies continue into FY22. The Current Law scenario assumes that statutory calculations are followed for all these items.

Statewide Items Detail		
	Current Policy	Current Law
Debt Service	92.5	94.9
School Debt Reimbursement	-	54.2*
State Retirement Payments	342.0	342.0
REAA Fund Capitalization	-	34.2
Community Assistance	-	17.6**
Oil and Gas Tax Credits	-	60.0
Statewide Items Total	434.5	603.0
*Plus \$29.3 million from the School Fund (DGF)		
**Plus \$12.4 million from the PCE Fund (DGF)		

Under the Current Policy scenario, FY22 UGF spending would total \$5.2 billion, leaving a deficit of \$886.2 million. In the Current Law scenario, FY22 UGF spending would be about \$6.7 billion, leaving an even greater deficit of about \$2.4 billion.

To put this deficit in perspective, \$2.4 billion is equal to 62% of UGF agency operations spending, or 52% of the non-PFD budget.

¹ The one exception is the K-12 formula; for this item, both scenarios use the FY22 projected formula amounts rather than the Adjusted Base figure, which represents the FY21 budgeted amount.

Governor's Budget Proposal

Overall View

The Governor's FY22 budget totals \$6.3 billion UGF. This leaves a deficit of over \$2 billion, which the Governor fills by making two draws from the ERA: a \$3.1 billion POMV draw and a separate \$2 billion draw for the FY22 statutory dividend. The Governor also proposes paying an additional \$1.2 billion from the ERA for an FY21 supplemental PFD. In total, the Governor's budget proposal calls for \$6.3 billion from the ERA, \$3.2 billion above the statutory POMV draw.

The Governor's 10-year plan, however, points toward a path to a balanced budget in FY23. The Governor proposes to change the statutory PFD formula from 50% of statutory net income to 50% of the POMV draw, which reduces projected dividend payments by about \$400 million below the current statute. His 10-year plan calls for about \$100 million in agency operations reductions per year in FY23 and FY24 and then sub-inflationary growth in subsequent years. Most significantly, his plan calls for between \$900 million and \$1.2 billion in undefined "new revenue" beginning in FY23.

The Governor's plan aims to combine immediate economic stimulus with a longer-term solution to Alaska's budget challenge. The stimulus comes in the form of the supplemental FY21 PFD, the larger FY22 PFD, and a \$350 million general obligation bond package. The long-term solutions come as a combination of reduced future PFDs, undefined future spending cuts, and undefined future revenue.

There are several challenges for this approach:

1. Overdrawing the ERA reduces the Permanent Fund's value, increasing future deficits and necessitating more significant budget reductions or revenue measures in the future.
2. The need for economic stimulus is acute and immediate, but the stimulative effect of a bond package and large fall PFD will not be felt for months. By then, the economy may be well on its way to a vaccine-fueled recovery.
3. Legislators and the Governor would need to quickly agree on new sources of revenue – to raise the \$1.2 billion the Governor's plan requires in FY23, a new tax would need to take effect July 1, 2022. Such a plan would need to be enacted in the 2021 session to take effect that immediately. The Governor also indicated that future taxes should be subject to a popular vote, which may also impact the timeline if the legislature agrees.
4. The Governor has not yet stated which future budget reductions and new revenue he would support. Legislators may be wary of signing onto a plan without knowing what concepts the Governor would support or oppose.

In evaluating the Governor's plan, legislators will need to weigh the economic benefit of stimulus spending against the long-term cost of overdrawing the ERA. Each \$1 billion drawn from the ERA increases the long-term deficit by \$50 million in inflation-adjusted terms, so the Governor's \$3.2 billion of overdrafts will increase future deficits by \$160 million per year in real terms. Is this a worthwhile trade? Should stimulus spending be targeted more narrowly? Will the federal government provide sufficient stimulus, or will federal efforts continue to stall? These are literally billion-dollar questions for the State, and legislators will need to weigh the trade-offs carefully.

A major risk with this plan is that it may prove easier to approve spending than deficit-filling measures. If the legislature agreed to the Governor's FY21/22 stimulus proposals but did not act on revenue measures or future spending reductions, Alaska's fiscal situation would become further unbalanced. The ERA could rapidly meet the same fate as the CBR and SBR if the legislature authorizes overdrafts this year without taking action to address the long-term budget gap.

The Governor does not specify which potential new revenue sources he would support. For more information about potential revenue sources, see the chapter in this publication entitled "Revenue Requirements of the State."

The legislature could also choose an entirely different combination of spending reductions, dividend formula changes, and revenue increases to close the deficit. What is clear is that further delay is costly because the remaining funds available to bridge the gap are dwindling. Spending the ERA causes future deficits to grow, requiring more future taxes or spending reductions, and increases the risk of depleting the ERA. Spending designated reserves like the Power Cost Equalization fund would increase the need for UGF spending to maintain the programs they support. These DGF funds only combine for a \$1.5 billion balance anyway, so even drawing these funds in full would only delay the problem slightly, not resolve it. With insufficient funds left in the CBR to fill the deficit in the Governor's budget, every year of delay will only cause the problem to grow.

Some advocates for the Governor's plan note that the Permanent Fund has greatly exceeded investment forecasts thus far in FY21, and therefore spending beyond the statutory draw poses no problems because the money is available. This argument ignores the central reasoning behind the adoption of the POMV draw in the first place: investment returns are inherently volatile, and a stable draw allows the State to budget predictably through the highs and lows. The ERA is not a budget reserve, it is the safety margin supplementing the source of the majority of the State's general fund revenue. There is enough money to support overdrafts now but riding the upswing of a volatile stock market is an inherently risky strategy. If the additional earnings are left in the ERA, future POMV draws will be larger (meaning future deficits will be smaller) and the ERA will be more resilient against future downswings.

The legislature could reject the Governor's calls for stimulus spending and pass a budget with a smaller dividend, once again filling the deficit from the CBR. The Governor's budget, modified to include a reduced PFD that matches the FY21 payment, would leave a roughly \$700 million deficit, which could be filled from the CBR. However, this does not avoid the need for additional budget reductions or revenue starting in FY23, since the CBR does not have a sufficient balance to fill the deficit in both years.

Governor's Agency Operations Changes

The Governor's budget for agency operations totals \$3,810.5 million UGF, \$77.4 million below LFD's baseline. Detailed analysis of these changes appears in the Agency Narratives section of this publication. A few highlights:

- Medicaid funding is reduced by \$35.1 million UGF. However, the Governor's budget reappropriates FY21's estimated Medicaid lapse of \$35 million to FY22 Medicaid operations. This effectively negates any reduced funding in FY22.

- The University of Alaska is reduced by \$20 million UGF, per the three-year compact agreement between the Governor and the Board of Regents.
- The Department of Transportation and Public Facilities is reduced by \$17.2 million UGF below Adjusted Base. \$14.1 million of this is due to one-time fund source changes to utilize federal funds available to DOT through the CARES Act and \$3.6 million is a reduction to the Alaska Marine Highway System.
- Public Assistance Administration is reduced by \$3.4 million UGF (\$7.0 million all funds) and 101 positions due to enhanced use of Electronic Document Management and telework.
- All other changes net to a reduction of \$1.7 million.

The reductions in this budget illustrate the difficulty of making further large-scale operating cuts. The DOT fund changes will likely need to be reversed in FY23. The \$35.1 million Medicaid reduction relies on one-time backstop funding; maintaining this funding level in FY23 will require a decrease in service level. This is the final year of the University's \$70 million reduction compact. To make the deeper reductions proposed in FY23 and FY24 in the Governor's 10-year plan, larger statutory changes will need to be explored.

Governor's Statewide Operating Items

The Governor's budget for statewide items totals \$464.1 million UGF, which is \$29.6 million above LFD's Current Policy baseline, and \$139.9 million below the Current Law Baseline.

School Debt Reimbursement and the REAA Fund

The Governor funds School Debt Reimbursement and the Regional Educational Attendance Area (REAA) fund at 50% of the statutory funding level. In FY21, the legislature's budget included full funding for these items, but the Governor vetoed it. The Governor's FY21 veto totaled \$100.2 million, of which \$84.3 million was UGF and \$15.8 million came from the School Fund (DGF).

In FY22, the estimated amount for full funding of school debt reimbursement drops to \$83.5 million, as several older projects are paid off and the moratorium on new debt continues. In addition, the vetoed money from the School Fund is still available, which reduces the UGF need for this item. As a result, full funding would require \$54.2 million in addition to the School Fund balance. The Governor's 50% funding totals \$12.5 million.

The Governor also funds the REAA capitalization at 50%, which is calculated to be \$17.1 million. This amount is set by a statutory formula that links the school debt amount to the relative share of students in rural and urban communities. The fund is used without further appropriation by the Department of Education and Early Development for school construction and major maintenance in the REAAs. Over the past several years, reductions in school debt reimbursement have been matched by reductions to the REAA capitalization.

Oil and Gas Tax Credits

HB 331, a 2018 bill to establish the Alaska Tax Credit Certificate Bond Corporation to purchase oil and gas tax credits, was declared unconstitutional by the Alaska Supreme Court in September 2020. As a result, approximately \$760 million of oil and gas tax credits are available for State purchase. AS 43.55.028(c) provides a formula for appropriations to the oil and gas tax credit fund to purchase these

credits. When oil prices are below \$60, that calculation is 15% of production taxes levied (not including tax credits taken against the production tax), which is an estimated \$60 million in FY22. These purchases are subject to appropriation, and the legislature did not appropriate anything to the Tax Credit fund in FY21.

The Governor's budget includes the statutory \$60 million deposit in FY22 but takes it from Alaska Industrial Development and Export Authority (AIDEA) Receipts, which are considered an Other fund source. The use of this fund source is clearly an attempt to lower the apparent cost of the budget, as there is no link between AIDEA and the tax credits. This item should be funded with UGF, if the legislature chooses to fund it. If the legislature determines that AIDEA has excessive funds on hand, it can either appropriate these funds directly to the general fund or change AIDEA's dividend calculation in statute. Using AIDEA receipts directly in the budget is not consistent with transparent budgeting practices.

Community Assistance

The Community Assistance Program provides funding to municipalities, unincorporated communities, and Native village councils in Alaska to support local government activities. The total distribution each year equals one-third of the balance of the Community Assistance Fund on June 30 of the previous fiscal year. This means that there is a built-in delay to the program: capitalization of the fund in FY22 will contribute to the payments made in FY23.

The current iteration of the program pays out base payments, which cost a total of about \$19.5 million, and then distributes remaining funding on a per-capita basis. Per AS 29.60.850, the annual deposit into the fund may not exceed \$30 million or the amount necessary to bring the fund balance to \$90 million, whichever is greater. In FY20, the Governor twice vetoed \$30 million deposits appropriated by the legislature and vetoed \$1.3 million of the FY21 deposit made by the legislature. In FY22, the distribution will be \$22.9 million total.

AS 42.45.085 provides that the Power Cost Equalization Endowment (PCE) Fund may be used as a funding source for this program if it has sufficient earnings. The statutory amount available from PCE to Community Assistance in FY22 is \$12.4 million. However, this statute does not override AS 29.60.850, which allows the fund to

	FY21	FY22 (Gov)	FY23
Starting Balance	60.0	68.7	58.2
Distribution (1/3 of balance)	20.0	22.9	19.5
Deposit to Fund	28.7	12.4	?
Ending Balance	68.7	58.2	?

be capitalized up to a \$90 million balance; it merely provides one possible funding source for that capitalization. A larger capitalization using UGF would be allowable under the statute if the legislature wants to increase payments. Based on the Governor's proposed FY22 deposit, \$19.5 million would flow out to local governments in FY23, roughly enough to pay the base payments but no per capita payments.

Other Statewide Items

The Governor's budget fully funds State debt and retirement obligations. It does not fund municipal capital project debt totaling about \$2.4 million, which the Governor also vetoed in FY20 and FY21.

The Governor's December 15 budget submission included legislation regarding the Public Employee Retirement System (PERS), which is not actually built into his budget but is included in the accompanying fiscal summary. Currently, PERS employers (including the State of Alaska, many

municipal governments, and some school district employers) pay 22% of employee payroll to the PERS trust to pay off the unfunded liability in that system. The 22% rate is set in statute, but the actuarial contribution in FY22 is 30.11% percent. The difference between the 22% cap and the actuarial rate is paid by the State with UGF, estimated to be \$193.5 million in FY22.

The Governor's proposed legislation would eliminate the cap for the State as an employer and instead pay the full actuarial contribution, causing about \$95 million of State costs to move from this statewide item to agency budgets. It would not affect rates for non-State employers, including subdivisions of the State such as State-owned corporations. The shift into agency operations allows some of the \$95 million to be paid for with non-UGF fund sources. The Office of Management and Budget (OMB) estimates a savings of \$43.3 million UGF, which will be shifted to other fund sources (primarily the federal government).

OMB's estimated savings includes a \$10 million "buffer" for UGF to be used in place of funds sources that may prove unrealizable – not all of the identified non-UGF fund sources have additional receipts that could be used. The actual savings will be determined in a fiscal note when the bill is heard by the legislature.

Capital Budget

The Governor's FY22 capital budget submission totals \$1.5 billion, of which \$58.5 million is unrestricted general funds (UGF). The Governor's capital budget consists primarily of projects that leverage other Non-UGF fund sources. \$7.5 million (12%) of the UGF in the Governor's capital budget is used to match federal funding totaling \$1.16 billion. The remaining \$101.6 million required match is covered through the Governor's proposed Alaska Housing Finance Corporation Statewide bonding package. The major federal match projects are:

- Federal-Aid Highway Match (Department of Transportation and Public Facilities) – (\$71.2 million in AHFC Statewide Bonding) to match \$680 million of federal funds;
- Federal-Aid Aviation State Match (Department of Transportation and Public Facilities) – (\$14.7 million in AHFC Statewide Bonding) to match \$190 million of federal funds; and
- Village Safe Water and Wastewater Infrastructure Projects (Department of Environmental Conservation) – (\$15.7 million in AHFC Statewide Bonding, and \$0.5 million in Statutory Designated Program Receipts) to match \$52.3 million of federal funds.

The Governor's office has not provided any information regarding the estimated annual cost of servicing the AHFC bond debt going forward. The language of the proposed bond package states that the cost of debt service will be deducted from the annual dividend that AHFC pays to the General fund, essentially making this an annual UGF cost in all but name. While this does lower the FY22 UGF amount, this mechanism cannot be counted on to reduce future capital budgets

The Governor's FY22 capital budget spends \$49.3 million on the State's \$1.3 billion backlog of deferred maintenance. No Deferred Maintenance (DM) funding was appropriated in FY21 and the Governor proposes a total of \$13.3 million in supplemental DM spending. The Governor's budget does not include specific funding for the University of Alaska's DM backlog, which makes up the vast

majority of the State's total backlog. Both the FY21 supplemental and the FY22 appropriations would be paid for out of the Alaska Capital Income Fund (ACIF).

For the second year in a row the budget does not include funding for School Construction or Major Maintenance. The Governor has announced that he will put forward a proposed General Obligation Bond package that may address one or both of these areas.

In FY21 no specific Capital budget was passed, though some items were included in the Operating bill (HB 205). This left approximately \$172 million in unfunded Governor's proposed projects. The Governor approached this issue in three ways.:

- Through the Legislative Budget and Audit committee Revised Program Legislative (RPL) process
- By proposing a fast track supplemental bill
- By delaying the project or program until FY22

After taking these actions there are still around \$54 million in unfunded projects; with some of them funded indirectly through Federal CARES act funding.

LFD Fiscal Model and Status Quo

The Legislative Finance Division's (LFD) fiscal model provides legislators with a projection tool that is designed to show the impact of policy changes on the State's fiscal situation. By default, it uses the Department of Revenue's revenue forecast, inflation and investment earnings rates from Callan (the State's investment consultant), and assumptions based on the current budget.

The scenario included on the following page provides projections of what would happen given model input assumptions and the Governor's FY22 and FY21 Fast Track Supplemental budgets adopted as-is with no additional budget cuts or revenue. This scenario is presented to show the magnitude of the fiscal problem that needs to be addressed, based on current forecasts. LFD is policy-neutral regarding the method of addressing the issue and therefore leaves any possible scenarios for fiscal improvement at the request of legislative committees or individual legislators.

Under these fiscal conditions, the FY21 Fast Track Supplemental would require an additional \$1.2 billion from the ERA in addition to the POMV. The FY22 budget deficit is projected to be \$2.2 billion, all of which would be drawn from the ERA. As a result, the ERA's balance would quickly erode and our total reserves would be insufficient to cover the State's budget deficit beginning in FY28. Over the model time span, fiscal deficits total almost \$17 billion. That is the size of the issue that must be addressed through further budget reductions or revenue measures.

The second scenario depicts a scenario based on the Governor's 10-year plan. This plan suggests raising new revenue beginning with \$1.2 billion in FY23 and decreasing to \$900 million in FY30. The Governor's 10-year plan does not specify the source of this possible revenue. LFD's model of this scenario assumes a flat \$1 billion per year of new revenue (the average value in the Governor's plan) rather than a fluctuating amount. The Governor is yet to propose a new tax or other revenue-generating measure. The Governor's scenario also assumes \$100 million reductions to agency operations per year in FY23 and FY24 and 1.5% growth from FY25 on. An additional \$43.3 million in savings from proposed legislation are included. In this scenario, the budget is balanced in FY23 and beyond.

LFD's assumptions for the scenario based on the Governor's plan differ slightly from those in the Governor's scenario, which causes LFD to show an FY23 deficit in the \$200 million range even in the Governor's plan. These differences are caused by LFD's assumption of \$50 million per year of UGF supplementals, LFD's assumption of a flat \$1 billion per year in new revenues, versus a fluctuating amount, and some minor differences in baseline costs of statewide items.

Guide to LFD Fiscal Model Output

The LFD fiscal model output assumes that statutory inflation proofing does not occur until FY25, due to the additional \$4 billion deposit made in FY20. The model assumes an additional \$1.2 billion PFD in FY21, a statutory PFD beginning in FY22.

The model also assumes \$50 million in supplemental appropriations per year, and the statutory draw to the oil and gas tax credit fund is made from the general fund.

The second scenario differs from the Governor's 10-year plan for a few reasons. The 10-year plan does not include an assumption for supplemental appropriations. While the 10-year plan's undefined revenue averages out to \$1 billion per year, the FY23 revenue is \$1.2 billion. This differs from LFD's flat \$1 billion.

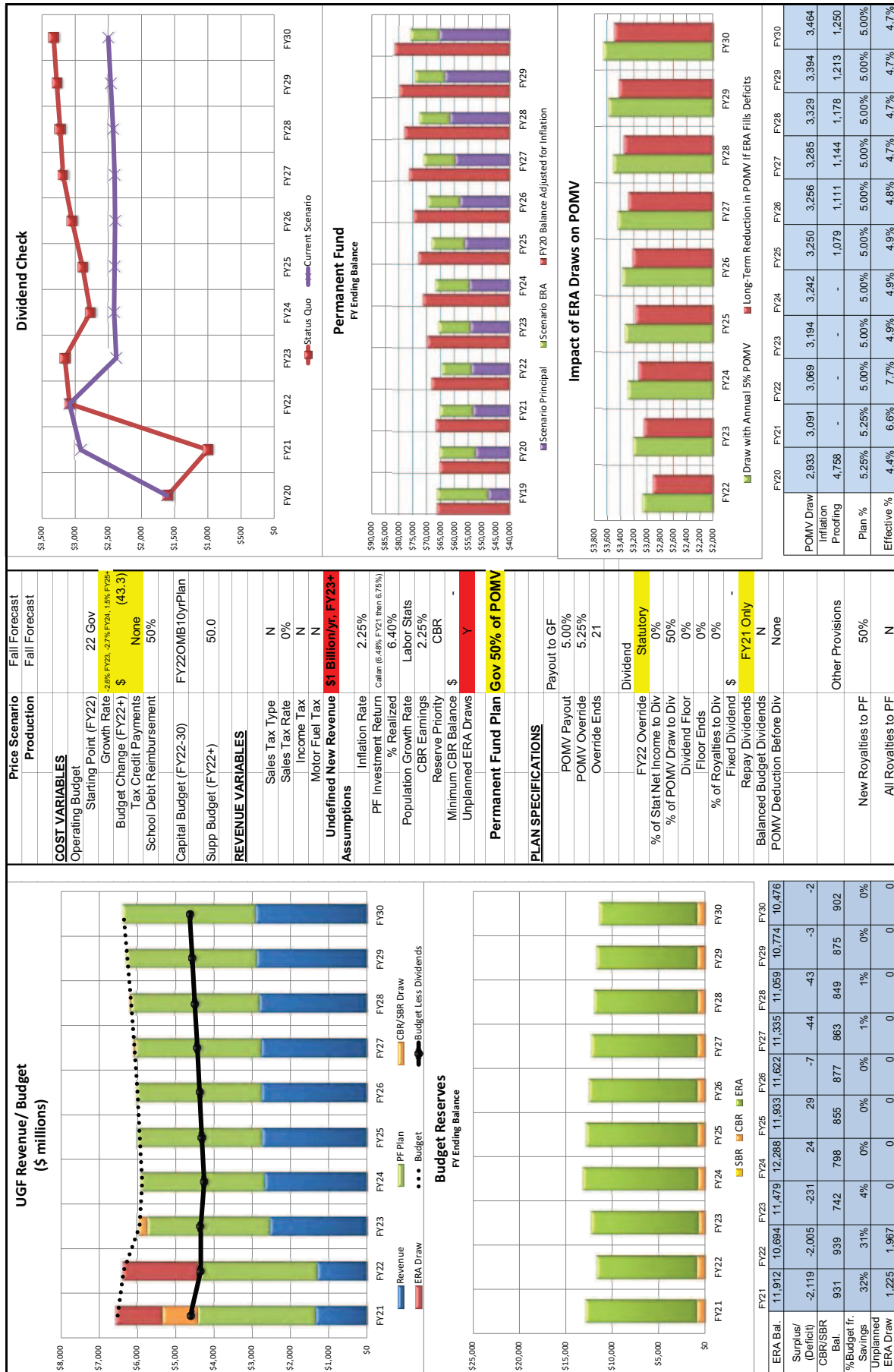
The middle columns show variables and assumptions that can be modified in the model. The inputs included in the example use LFD's default assumptions as outlined above.

Left side: the top graph shows UGF revenue compared to the UGF budget, and which fund sources would be used to fill deficits. The next graph shows budget reserve balances, including the CBR, SBR, and ERA. The table on the bottom provides data on the total reserve balances, the size of the deficits, and how much of the deficit is being filled by the ERA.

Right side: the top graph shows a comparison of the PFD per recipient under model assumptions vs. the statutory calculation. The middle graph shows how ERA overdraws affect future POMV calculations. Since the POMV calculation is based on a five-year average of the Permanent Fund value, each FY in the chart shows the total 5-year impact on the POMV calculation resulting from that FY's lower Permanent Fund value. The final graph shows the payouts from the ERA for dividends and the general fund. The bottom table summarizes the draws from the ERA.



Scenario 1 - Status Quo



Scenario 2 - Governor's 10-Year Plan

Recap of 2020 Session and Overview of Governor's Supplemental Requests

The 2020 legislative session ended abruptly due to the coronavirus pandemic, forcing legislators to quickly wrap up work on the budget in March. As a result, the budget process diverged significantly from previous years.

The FY20 budget process had also been unusual, with two rounds of appropriation bills and vetoes. That process was not wrapped up until the signing of SB 2002 and HB 2001 in August of 2019. In December 2019, the Governor submitted a fast track supplemental budget, HB 234, to fill emergent holes in the FY20 budget. The Governor's proposed fast track supplemental budget totaled \$303.8 million UGF (\$576.0 million all funds), covering items such as Medicaid and fire suppression. This exceeded the amount of UGF appropriations that could be made without a supermajority vote to access the CBR.

Without supermajority support for CBR access, the fast track bill languished in the Senate. On March 2nd, the Governor requested a supplemental appropriation for the State's response to the COVID-19 pandemic. Instead of attaching the items to the fast track, the legislature added them to the Mental Health budget bill, HB 206. The Mental Health bill is required by the terms of a legal settlement to contain only mental health items, but the Mental Health Trust agreed to waive this requirement to allow passage of this unique bill.

The House passed the operating budget on March 3rd, widely reported as the earliest in recent history. This allowed the Senate to act very quickly and pass its version of the operating budget on March 23rd, which again was historically early. The Senate followed an unusual, accelerated process: subcommittees met but did not close out and make official recommendations. Instead, subcommittees' informal recommendations were incorporated by the Senate Finance Committee. That committee also added most of the Governor's capital budget to the operating bill, making it an omnibus bill.

Not all of the Governor's proposed capital budget was incorporated into HB 205, however, as the legislature appeared to anticipate returning to session later in the year. LFD identified \$172 million of projects (\$34 million of which was funded with UGF) that were not added to the operating bill. These included routine items such as deferred maintenance and Fish and Game federal projects, as well as one-time requests such as technology upgrades for the Department of Administration.

Many of these "missing" capital projects are included in the Governor's FY21 fast track supplemental budget request. Others are incorporated into the Governor's FY22 request, which includes increased

Timeline of 2020 Budget Bills	
12/15/19	Governor's budget release
1/21/20	First day of session
2/26/20	House passes fast track supplemental bill (HB 234) without CBR access
3/2/20	Governor's first COVID-19 supplemental budget request
3/3/20	House passes operating (HB 205) and Mental Health (HB 206) budgets
3/11/20	Senate passes Mental Health (HB 206) budget with COVID-19 supplemental items, House concurs
3/18/20	Senate passes fast track supplemental (HB 234) with CBR access
3/23/20	Senate passes combined operating and capital budget (HB 205)
3/25/20	House concurs on fast track but CBR access fails
3/28/20	Conference Committee on HB 205 adopts budget bill; House and Senate pass bill with CBR access on 3/29

amounts for some projects. Several projects were also funded through the RPL process in August (see the “RPLs and Ratification Bill” section on the following page). See the Capital Budget Overview section of this publication for details on the status of the FY21 capital budget.

The Governor’s FY21 fast track also includes operating items to adjust Technical Vocational Education Program Account funding to address a shortfall, replace lost revenue in the Alaska Vocational Technical Center, and to replace administrative funding in the Department of Education and Early Development that was previously funded through the School Bond Debt Reimbursement appropriation that the Governor vetoed. The largest item is an additional Permanent Fund Dividend payment of about \$1.2 billion; combined with the \$992 check sent out earlier in the fiscal year, the total distribution in FY21 would match the statutory calculation.

RPLs and Ratification Bill

The day before the legislature passed the operating budget, March 27, 2020, President Trump signed the Coronavirus Aide, Relief, and Economic Security Act (known as the CARES Act). This legislation resulted in a large flow of federal money to the State of Alaska, which had not been accounted for in the preparation of the FY20 and FY21 budgets.

The CARES Act provided a \$1.25 billion from the COVID-19 Relief Fund (CRF) for the State to spend on COVID-19 relief but allowed the State to determine how to deploy this funding. It also provided over \$280 million for specific purposes, including stimulus payments for Alaska fisheries, education funding, rural and international airport funding, and more. In some cases, the legislature had appropriated sufficient receipt authority to spend the added federal money without immediately modifying the budget. The legislature had granted open-ended federal receipt authority to the Department of Health and Social Services’ Public Health division, so the Governor directed \$337.5 million to that division to be spent by State agencies for COVID-19 costs. In many other cases, however, there was not sufficient budgetary authority.

On May 1, the Governor proposed to distribute the federal funding using the Revised Program Legislative (RPL) process laid out in AS 37.07.080(h). This process allows for “the increase of an appropriation item based on additional federal or other program receipts” conditional on review by the Legislative Budget and Audit (LB&A) Committee. The Governor’s proposed RPLs included \$562.5 million of grants to local governments, \$290.0 million for Small Business Relief grants, \$100.0 million for Alaska fisheries, and \$490.0 million for Statewide Aviation and the Rural Airport System.

The LB&A Committee approved these RPLs on May 11, but not before noting concerns raised by Legislative Legal Services that these items were outside the scope of the RPL process and were vulnerable to legal challenge. That legal challenge came just two days later, prompting the legislature to return to session on May 18. The legislature approved HB 313 on May 20, which ratified the previous RPLs as valid appropriations.

The RPL process has been used twice so far in FY21. In August, the LB&A committee approved a package of RPLs that primarily consisted of capital projects that had not been included in HB 205. In December, the LB&A Committee approved a package of miscellaneous non-CARES Act items. The Governor proposed three more RPLs in January 2021 covering items from the December 2020 federal stimulus bill.

Revenue Requirements of the State

AS 24.20.231(2) provides that the Legislative Finance Division analyze the revenue requirements of the State. The following section provides a brief analysis along with potential revenue sources and any issues therein.

UGF revenue projections are approximately \$2.1 billion less than what is needed to balance revenue with proposed appropriations in the Governor's FY22 budget. AS 37.07.020(c), Responsibilities of the Governor, states that "proposed expenditures may not exceed estimated revenue for the succeeding fiscal year." This statute requires that the Governor's December 15 budget proposal must be balanced with sufficient anticipated revenue to meet appropriations. The Governor's 10-year plan includes new revenue beginning in FY23 ranging from \$900 million to \$1.2 billion per year but does not specify the source.

New Revenue Options

To introduce additional revenue, the State could increase existing taxes or impose new ones. Alaska is the only state without a statewide broad-based tax, so existing taxes are primarily resource-based taxes or excise taxes on certain consumer items such as motor fuels, alcohol, and tobacco. Increasing existing taxes may cause Alaska to have higher rates than other states, but increases could bring in revenue quickly with minimal administrative costs. New taxes would take longer to set up and would require additional administrative costs. However, significant revenue could be generated with new broad-based taxes.

The following options are reflective of common practice in other states, and do not constitute a policy recommendation. Equity, economic impacts, efficiency, and other considerations are not presented here but should be addressed if the legislature chooses to explore revenue options.

Modify Existing Taxes

Oil and Gas Production Tax: Alaska's oil and gas production tax is projected to bring in \$156.1 million in FY22. Past proposals to increase this tax have included raising the tax "floor" from 4% of gross revenue to 5% or higher; capping the per-taxable barrel credit at \$5; or more complex changes proposed in the House version of Chapter 3, SSLA 17 (HB 111) or the Ballot Measure 1, which failed to pass in 2020.

Corporate Income Tax: The petroleum and non-petroleum corporate income taxes are projected to bring in a combined \$5 million in FY22. This low amount (compared to \$217.7 million in FY19) is due to economic conditions as well as provisions in the federal CARES Act which have allowed taxpayers to carryback losses against past tax liabilities. Alaska's 9.4% top marginal rate is the fourth highest in the US. Alaska is one of two states with a corporate income tax but no individual income tax (along with Florida), which results in C-Corporations paying taxes but S-Corporations not paying taxes (as their income flows through to the owners and personal income is not taxed). The Department of Revenue (DOR) estimates that taxing S-Corporations at the same rates as C-Corporations would raise \$80 million in the first full year administered. Another potential change would be to decouple Alaska's tax code from the federal code, which would eliminate unanticipated shifts in revenue due to changes in federal tax law (such as the aforementioned CARES Act provision).

Other Resource Taxes: Alaska's Mining License Tax is estimated to bring in \$43.3 million in FY22. The Fisheries Business and Fishery Resource Landing taxes are estimated to bring in \$20.8 million in UGF revenue and an additional \$24.2 million that is shared with municipal governments. National comparisons for these taxes are difficult.

Excise Taxes: Alaska imposes excise taxes on several consumer goods. The largest of these are:

- Tobacco taxes: Estimated FY22 revenue is \$55.2 million, of which \$37.9 million is UGF and \$17.3 million is DGF. Alaska's cigarette tax of \$2 per pack ranks 16th nationwide. The tax on other tobacco products is 75% of the wholesale price, which ranks 8th nationwide.
- Alcoholic beverage tax: \$41.2 million, split equally between UGF and DGF. Alaska's tax is designed to tax all alcoholic beverages equally on a per-drink basis. The \$12.50 per gallon tax on liquor and \$2.50 per gallon tax on wine are the highest in the country, and the \$1.07 per gallon tax on beer is second highest.
- Motor fuel tax: \$34.7 million, all DGF. Alaska's \$0.08 per gallon tax ranks 50th nationwide. Tripling Alaska's tax to the national median of \$0.24 would bring in an additional \$69.4 million.
- Marijuana taxes: \$32.0 million, of which \$8.0 million is UGF and \$24.0 million is DGF. Alaska taxes \$50/ounce for flowers, \$15/ounce for stems and leaves, and \$25/ounce for immature flowers/buds. National comparisons are challenging because many states have a mix of per-ounce and excise taxes. Eleven states currently permit and tax retail marijuana sales.

New Taxes

Income Tax

Income is taxed in 41 states, while two states exclusively tax dividends and interest. Alaska had an income tax from statehood until 1980, when it was repealed. Of these, 32 have progressive income taxes, and the remaining 9 have flat taxes. At the time of its repeal, Alaska's income tax brackets ranged from 3% to 14.5% and brought in \$117 million in FY79. Adjusted for inflation and population, that is the equivalent of about \$600 million in 2020.

The most recent income tax bill considered in Alaska, HB 115 (introduced in the 2017 session), had a progressive tax rate ranging from 2.5% to 7% and was estimated to bring in about \$700 million per year. HB 115 called for implementation in the following January, so the first fiscal year would only see half a year of revenue.

DOR estimates an individual income tax levied at 10% of federal income tax liability would generate \$350 million in the first full year administered. Using federal income tax liability would be consistent with Alaska's existing corporate income tax. However, most other states levy individual income taxes based on federal Adjusted Gross Income (AGI). LFD estimates an individual income tax based on 3% of AGI, with no exemptions or deductions, would generate \$850 million in the first full year administered.

Sales Tax

Statewide sales taxes exist in 45 states, while four states have no state or local sales tax. Alaska is the only state that has no statewide sales tax but allows for the collection of local sales taxes. Of the 45 states with a statewide sales tax, 37 have additional municipal sales taxes. In Alaska, sales taxes may be

levied at the city or borough level. As of 2019, 103 of Alaska's 129 taxing municipalities imposed sales taxes, at rates ranging from 1.5% to 7.5%.

The most recent statewide sales tax proposed in Alaska was HB/SB 5004 (introduced in 2016), which would have imposed a 3% sales tax with exemptions for groceries. It was projected to bring in \$500 million per year. Like an income tax, a sales tax would likely take at least six months to implement.

DOR estimates a broad-based 4% sales tax including all services and exempting only prescription drugs, medical equipment, and business-to-business purchases to resale, would generate \$1.2 billion in the first full year administered. DOR estimates that a 4% sales tax styled on Wyoming's sales and use tax would generate \$630 million in the first full year administered. This tax would exempt groceries, prescription medicine, medical equipment, and all business-to-business sales and services.

Property Tax

All 50 states have property taxes that are applied by either local or municipal governments. Alaska has a statewide property tax for oil and gas property, but other property is taxed only at the municipal level. Fifteen of Alaska's nineteen boroughs levy personal property taxes, in addition to twenty-one cities (some of which are within boroughs). Some boroughs rely very heavily on property tax revenue, and Alaska's average property tax burden ranks 21st nationwide despite not being universally applied.

Alaska could impose a statewide property tax that excludes oil and gas property. Implementing such a tax would be administratively challenging because property values would have to be determined in any area of the state that does not already have a property tax. Unlike most states, Alaska does not require that real estate sale prices be reported publicly to ensure accurate assessments.

DOR estimates that a tax on all in-state property of 0.1% (10 mills) of assessed value would generate \$117.5 million in the first full year administered.

Payroll Tax or Head Tax

Alaska had a \$10 per worker "head tax" to pay for a portion of the education budget until its repeal in 1980. Such taxes are a flat amount per person rather than a percentage of income. No other state currently imposes a head tax.

Several pieces of legislation have proposed graduated head taxes or other payroll taxes. Such taxes could build on the existing payroll tax administered for worker's compensation so they could be implemented with fewer additional resources. However, these taxes would have a narrower base than an income tax because they exclude dividend and investment income, so their revenue-raising potential is more limited.

DOR estimates a \$30 payroll tax on all resident and nonresident workers in Alaska would generate \$13.5 million in the first full year administered. DOR estimated the initial implementation cost to be \$11 million, with an additional \$0.8 million in annual administration costs.

Multi-Agency Items: Rates, Consolidations, and Salary Adjustments

The Governor's budget contains several changes that affect multiple agencies. This section provides an overview of these items so that readers can see an explanation in a single place.

Central Service Agency Rate Adjustments

Central service agencies such as the Division of Personnel and Labor Relations (DOPLR) and the Office of Information Technology (OIT) provide services that support programs across State agencies. These agencies are funded by charging other programs for their services. These rates are based on relevant cost drivers; for example, DOPLR costs are driven by employees, so other programs are charged based on the number of employees.

These rates are often set after budgets have been approved by the legislature, which causes strain on agencies if their rates turn out to be higher than expected. This can cause agencies to make mid-year expenditure reductions to ensure they can pay their rates, which may cause them to provide a lower service level than the legislature expected in preparing their budgets.

The Office of Management and Budget (OMB) and these central service agencies are working to change the rate structure to provide rates in advance to make costs more predictable during the budget development process. This process will also change the rate structure to be simpler, basing more rates on easy-to-understand metrics like employee counts.

Locking in rates in advance poses some risk to the rate-setting agencies, however, if their rates do not generate sufficient revenue to meet their expenditures. The Governor's budget addresses this concern through adding appropriations (see Operating Language, Section 13) that allow OMB to transfer up to \$5 million of lapsing general funds to cover unexpected shortfalls. \$5 million represents about 3% of the total amount billed by these agencies.

There are several changes in agency budgets that are related to these changes. OMB will no longer charge agencies for its budget analysts, so it is no longer a central service agency (making it a more neutral party to distribute the lapsing funds). This shows up in the Office of the Governor's budget as a fund change (see the Office of the Governor section of this publication). The Governor's budget also reduces receipt authority for several central service agencies (OIT, DOPLR, and Accounting) so that their budgets are in line with anticipated revenue with the new rate structure (see the Department of Administration section of this publication). The Department of Corrections and the Department of Transportation and Public Facilities budgets also feature significant movement of funds within the agencies to match the new billing structures.

Administrative Consolidations and Reorganization

In the FY22 budget, the Governor continues the centralization process of many administrative functions begun under the previous governor. In FY22, procurement staff from all executive branch agencies will be consolidated into a new Office of Procurement and Property Management (OPPM) within the Department of Administration. 62 positions will be transferred into this new office from twelve agencies. This consolidation process is directed by Administrative Order 304, issued in February 2019. For more details on this new office, see the Department of Administration section of this publication.

The Statewide Contracting and Property allocation will no longer exist, and all remaining funding will be transferred to OPPM.

A separate reorganization effort continues in the Department of Transportation and Public Facilities' Division of Facilities Services. This division was established in FY19 to centralize facilities staff across agencies, covering State-owned buildings. In the FY22 budget, the Governor proposes transferring management of all State facilities from the Department of Administration to this division. This transfer includes lease management and facilities administration. For more details on the transfer, see the Department of Transportation and Public Facilities' section of this publication.

Salary Adjustments

The Governor's budget bill as submitted to the legislature consolidated contractual salary adjustments into a single statewide appropriation for each union. This structure is intended to clearly identify the fiscal impact of each change but poses some problems for the technical budget process.

The Governor's budget was written with the assumption that these salary adjustments will be moved to agency budgets. As drafted, it has negative fund sources in some allocations and Transfers in (TrIn transactions) and out (TrOut transactions) are often for amounts that include salary adjustments. Astute readers of budget reports on OMB's website may notice that totals slightly differ between reports, as some reports reflect the Governor's bill as written and others reflect the Governor's budget with the salary adjustments allocated to agencies. LFD's reports match the Governor's bill as transmitted, but additional minor adjustments by the legislature will be necessary to avoid negative appropriations.

The salary adjustments total \$11.1 million, of which \$6.1 million is UGF.

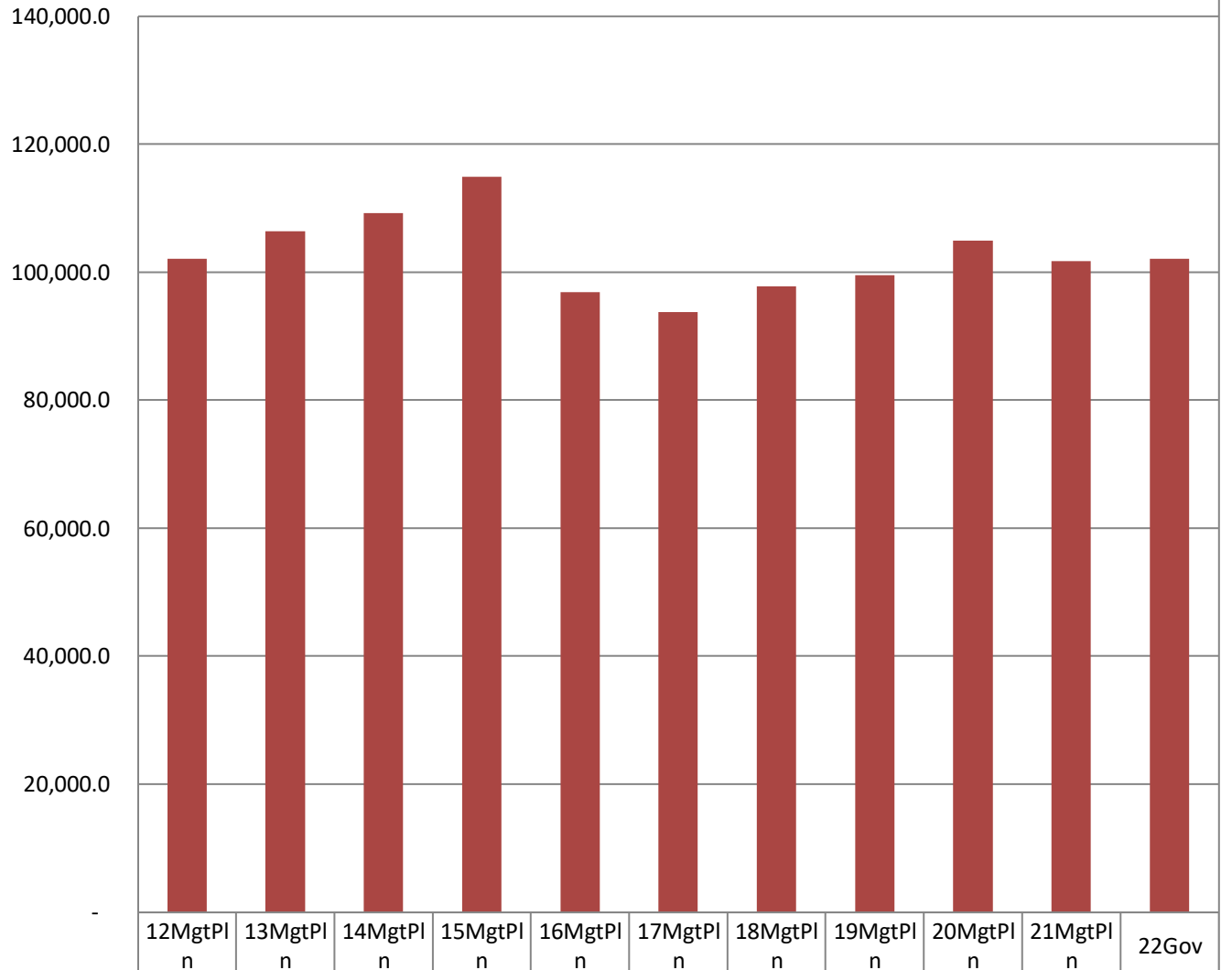
Department of Natural Resources Share of Total Agency Operations

(GF Only)
(\$ Thousands)

DNR's GF budget increased by \$0.0 million between FY12 and FY22 Governor - an average annual growth rate of 0.0%.

From FY12 to the peak in FY15, DNR's budget increased by \$12.8 million (12%). Since FY15, DNR's budget has decreased by \$12.7 million (-11%).

The FY22 GF budget equates to **\$315 per resident worker** (based on 323,711 Alaskan workers).



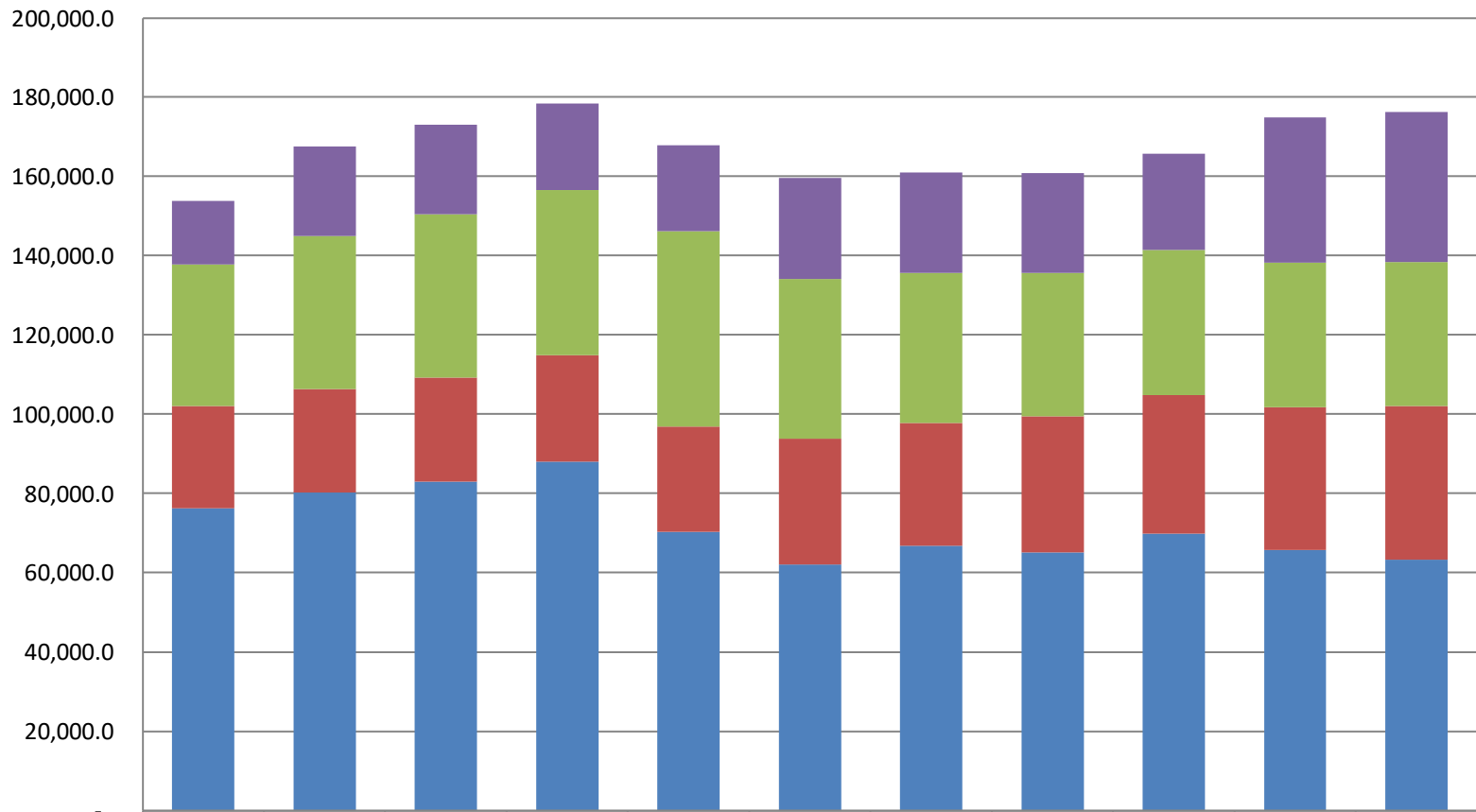
■ Total Agency Budget (GF Only)	102,087.3	106,344.4	109,229.5	114,841.3	96,841.9	93,737.6	97,723.7	99,478.8	104,853.6	101,676.5	102,091.5
Average of Agency Budget to Total Agencies Budgets	2.17%	2.13%	2.16%	2.21%	2.00%	2.00%	2.14%	2.10%	2.30%	2.11%	2.22%

Department of Natural Resources

Total Funding Comparison by Fund Group

(All Funds)
(\$ Thousands)

Between FY11 & FY21 Gov:
 --UGF decreased by \$13.0 million (-17%)
 --DGF increased by \$13.0 million (50%)
 --Other funds increased by \$0.5 million (1%)
 --Federal Funds increased by \$22.0 million (138%)



	12MgtPln	13MgtPln	14MgtPln	15MgtPln	16MgtPln	17MgtPln	18MgtPln	19MgtPln	20MgtPln	21MgtPln	22Gov
Federal Receipts (Fed)	15,961.7	22,555.2	22,546.0	21,819.1	21,757.3	25,506.8	25,320.1	25,244.7	24,355.1	36,670.2	37,933.9
Other State Funds (Other)	35,736.5	38,622.9	41,199.5	41,670.0	49,246.1	40,377.6	37,959.1	36,164.5	36,526.2	36,499.4	36,243.9
Designated General (DGF)	25,847.3	26,131.9	26,186.2	26,768.5	26,551.3	31,621.7	30,994.2	34,324.3	35,032.6	35,946.8	38,856.8
Unrestricted General (UGF)	76,240.0	80,212.5	83,043.3	88,072.8	70,290.6	62,115.9	66,729.5	65,154.5	69,821.0	65,729.7	63,234.7

Appropriations within the Department of Natural Resources

(GF Only)
(\$ Thousands)

Administration & Support

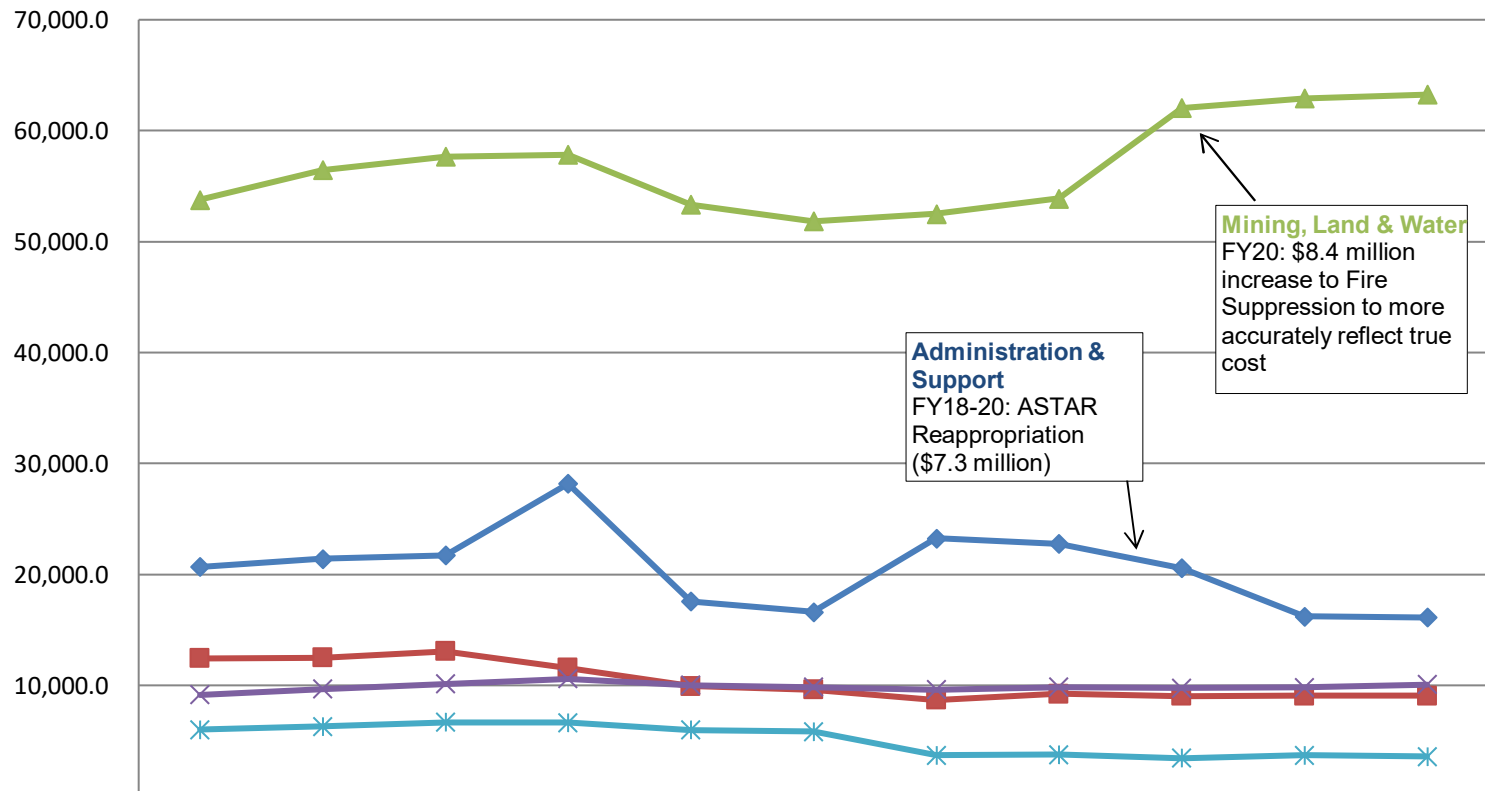
GF Gas Pipeline funding:
FY11: \$6.9 million
FY12: \$4.5 million
FY13: \$4.2 million
FY14: \$3.9 million
FY15: \$10.1 million
FY16+: \$0

Administration & Support

FY18-20: ASTAR
Reappropriation
(\$7.3 million)

Mining, Land & Water

FY20: \$8.4 million
increase to Fire
Suppression to more
accurately reflect true
cost



	12Mgt Pln	13Mgt Pln	14Mgt Pln	15Mgt Pln	16Mgt Pln	17Mgt Pln	18Mgt Pln	19Mgt Pln	20Mgt Pln	21Mgt Pln	22Gov
Administration & Support	20,685.0	21,420.2	21,719.0	28,221.0	17,581.2	16,611.1	23,243.6	22,759.6	20,558.9	16,221.4	16,121.4
Oil & Gas	12,441.5	12,505.6	13,059.1	11,568.8	9,921.0	9,604.1	8,695.3	9,242.4	9,025.9	9,046.5	9,046.5
Fire, Land & Water Resources	53,777.8	56,441.7	57,653.9	57,840.7	53,334.1	51,838.6	52,499.8	53,889.2	62,037.5	62,911.5	63,276.5
Parks & Outdoor Recreation	9,182.0	9,675.9	10,123.4	10,586.5	10,019.0	9,852.8	9,601.7	9,833.0	9,767.0	9,811.0	10,061.0
Agriculture	6,001.0	6,301.0	6,674.1	6,624.3	5,986.6	5,831.0	3,683.3	3,754.6	3,464.3	3,686.1	3,586.1

Note: DNR's budget structure changed significantly in FY12 and FY16. This new structure has been applied retroactively to depict a logical graphical representation.

DNR Program Priority Table

<i>Program</i>	<i>Constitutional Requirement</i>	<i>Federal Requirement</i>	<i>Statutory Req.</i>
Administration and Support			
Commissioner's Office	Supports Article VIII	No	No
Office of Project Management & Permitting			
Compensatory Mitigation Program	Supports Article VIII	No	No
Coordinated Review of Federal Plans & Activities	Supports Article VIII	No	No
Natural Resource Damage Assessment Program & Federal Land Acquisition Grants	Supports Article VIII	No	No
Alaska Geospatial Council	Supports Article VIII	No	No
Large Project Coordination	Supports Article VIII	No	No
Administrative Services	Supports Article VIII	No	No
Information Resource Management	Supports Article VIII	No	No
Interdepartmental Chargebacks	Supports Article VIII	No	No
Facilities Maintenance	Supports Article VIII	No	No
Recorder's Office/Uniform Commercial Code	Supports Article VIII	No	AS 40.17
EVOS Trustee Council Projects	Supports Article VIII	No	AS 37.14.400
Public Information Center	Supports Article VIII	No	No
Mental Health Trust Land Office	Supports Article VIII	AK Mental Health Enabling Act	AS 38.05.801 AS 44.37.50
Division of Oil & Gas			
Leasing	Supports Article VIII	No	AS 38.05
Audit	Supports Article VIII	No	AS 38.05
Permitting	Supports Article VIII	No	AS 38.05
Resource Evaluation	Supports Article VIII	No	AS 38.05
Commercial	Supports Article VIII	No	AS 38.05
Royalty Accounting	Supports Article VIII	No	AS 38.05
State Pipeline Coordinator	Supports Article VIII	No	AS 38.35
Unit Section	Supports Article VIII	No	AS 38.05
Shared Services	Supports Article VIII	No	AS 38.05
Cook Inlet	No	No	No
Fire Suppression, Land & Water Resources			

DNR Program Priority Table

<i>Program</i>	<i>Constitutional Requirement</i>	<i>Federal Requirement</i>	<i>Statutory Req.</i>
Division of Mining, Land & Water			
Realty Services	Supports Article VIII	No	AS 27; AS 29; AS 38; AS 41; AS 46; AS 19.30.400
Resource Assessment and Development	Supports Article VIII	No	AS 27; AS 29; AS 38; AS 41; AS 46; AS 19.30.400
Surveys	Supports Article VIII	No	AS 27; AS 29; AS 38; AS 41; AS 46; AS 19.30.400
Appraisals	Supports Article VIII	No	AS 27; AS 29; AS 38; AS 41; AS 46; AS 19.30.400
Public Access Assertion and Defense	Supports Article VIII	No	AS 27; AS 29; AS 38; AS 41; AS 46; AS 19.30.400
Land Sales	Supports Article VIII	No	AS 27; AS 29; AS 38; AS 41; AS 46; AS 19.30.400
Municipal Entitlements	Supports Article VIII	No	AS 27; AS 29; AS 38; AS 41; AS 46; AS 19.30.400
Authorizations - Land Regional Offices	Supports Article VIII	No	AS 27; AS 29; AS 38; AS 41; AS 46; AS 19.30.400
Authorizations - Mining	Supports Article VIII	Yes	AS 27; AS 29; AS 38; AS 41; AS 46; AS 19.30.400
Authorizations - Water	Supports Article VIII	Yes	AS 27; AS 29; AS 38; AS 41; AS 46; AS 19.30.400
Safety and Stewardship - Dam Safety	Supports Article VIII	No	AS 27; AS 29; AS 38; AS 41; AS 46; AS 19.30.400
Safety and Stewardship - Abandoned Mine Lands	Supports Article VIII	Yes	AS 27; AS 29; AS 38; AS 41; AS 46; AS 19.30.400
Safety and Stewardship - Land Stewardship	Supports Article VIII	No	AS 27; AS 29; AS 38; AS 41; AS 46; AS 19.30.400
Shared Services	Supports Article VIII	No	AS 38
Division of Forestry			
Cooperative Forestry	Supports Article VIII	No	No

DNR Program Priority Table

<i>Program</i>	<i>Constitutional Requirement</i>	<i>Federal Requirement</i>	<i>Statutory Req.</i>
Fire Prevention	Supports Article VIII	No	AS 41.15.040
Forest Management	Supports Article VIII	No	AS 41.17.010 AS 41.17.200
Forest Practices	Supports Article VIII	No	AS 41.17.010
Tongass	Supports Article VIII	No	No
Forestry Inventory and Analysis	Supports Article VIII	No	No
Administration & Grants	Supports Article VIII	No	No
Division of Geological and Geophysical Surveys			
Energy Resources	Supports Article VIII	No	AS 41.08.020
Mineral Resources	Supports Article VIII	No	AS 41.08.020
Engineering Geology	Supports Article VIII	No	AS 41.08.017 AS 41.08.020
Volcanology	Supports Article VIII	No	AS 41.08.017 AS 41.08.020
Geologic Materials Center	Supports Article VIII	No	AS 41.08.020
Geologic Information Center	Supports Article VIII	No	AS 41.08.017 AS 41.08.020 AS 41.08.030
Administration & Grants	Supports Article VIII	No	AS 41.08.010 AS 41.08.015 AS 41.08.040
Fire Preparedness	Supports Article VIII	No	AS 41.15.010
Fire Activity	Supports Article VIII	No	AS 41.15.010
Division of Agriculture			

DNR Program Priority Table

<i>Program</i>	<i>Constitutional Requirement</i>	<i>Federal Requirement</i>	<i>Statutory Req.</i>
Inspection	Supports Article VIII	No	AS 03.05.010
Marketing	Supports Article VIII	No	AS 03.05.010
Administration & Support	Supports Article VIII	No	AS 03.09.020, AS 03.09.040, AS 03.10.020
Agricultural Land Sales	Supports Article VIII	No	AS 03.09.050
State Agricultural Veterinarian	Supports Article VIII	No	AS 03.05.010
Farm to Institution	Supports Article VIII	No	No
Invasive Plant and Pest Program	Supports Article VIII	No	AS 03.05.027
Plant Materials Center Services	Supports Article VIII	No	AS 03.22.010
Plant Materials Center Production	Supports Article VIII	No	AS 03.22.010
Division of Parks & Outdoor Recreation			
Director's Office and Support	Supports Article VIII	No	No
Design & Construction	Supports Article VIII	No	No
Field Operations	Supports Article VIII	No	AS 41.21.020
Office of Boating Safety	Supports Article VIII	No	No
Office of History and Archaeology	Supports Article VIII	No	AS 41.35
Alaska State Trails Program	Supports Article VIII	No	No

Department of Natural Resources
FY21 - Summary of Significant Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
1	Administration & Support Services / Office of Project Management & Permitting	Add Funding for Federal Plans Review and Coordination	\$595.0 Gen Fund (UGF)	\$595.0 Gen Fund (UGF)	<p>This increment funds the review of federal plans, including major revisions to allow oil and gas exploration in the Arctic National Wildlife Refuge. The funding will enable the State to engage with federal agencies and comment on federal proposals.</p> <p>A portion of the increment will pay for activities that were previously funded by the Arctic Strategic Transportation and Resources capital project, which is nearly expended. The funding will be used for positions within the Office of Project Management and Permitting and for the participation of other divisions within DNR or other agencies. It also includes \$100.0 for travel.</p>
2	Administration & Support Services / Office of Project Management & Permitting	GA 37 Citizen's Advisory Commission on Federal Areas	\$178.1 Gen Fund (UGF) 1 PFT Position	n/a	The legislature denied the Governor's request to add \$178.1 and 1 PFT for the Citizens Advisory Commission on Federal Areas. This Commission had two support positions until FY17, when all funding for it was vetoed. The Governor requested reinstating an executive director position to support commission activities. This increment was not approved by the legislature.
3	Fire Suppression, Land & Water Resources / Mining, Land & Water	Land Sales Fairbanks Project Development Team	\$98.8 State Land (DGF) 1 PFT Position	\$98.8 State Land (DGF) 1 PFT Position	The legislature approved the Governor's request to add a new Natural Resource Specialist position in Fairbanks to prepare Final Finding and Decision documents for land sales. This additional position will allow for more state land to be sold to Alaskans.
4	Fire Suppression, Land & Water Resources / Mining, Land & Water	Aquatic Farm Application Processing	\$187.3 GF/Prgm (DGF)	\$187.3 GF/Prgm (DGF)	The aquatic farming industry in Alaska has expanded in recent years. Prior to 2017, the division received an average of two aquatic farm lease applications per year. From 2017-2019, the department received 46 applications. The department reprioritized two existing positions to support this industry, but before that a single employee processed all aquatic farm lease applications. This increment will utilize program receipts to fund the additional employees to reduce processing time.
5	Fire Suppression, Land & Water Resources / Mining, Land & Water	Ch. 31, SLA 2020 (SB 155) EXPLORATION & MINING RIGHTS; ANNUAL LABOR Fiscal Note	\$176.7 GF/Prgm (DGF) 2 PFT Positions	\$176.7 GF/Prgm (DGF) 2 PFT Positions	The fiscal note for Ch. 31 SLA 20 (SB 155), appropriates \$176.7 of program receipts to the Division of Mining, Land & Water to support two new Natural Resource Specialist I positions that will review exploration and mining rights claims. \$10.0 of this note is a one-time cost and the ongoing cost is \$166.7.

Department of Natural Resources
FY21 - Summary of Significant Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
6	Fire Suppression, Land & Water Resources / Fire Suppression Activity	Sec 31(d), HB205 Increase Fire Federal Authorization Estimate to Reflect 10-Year Average Costs	\$8,500.0 Fed Rcpts (Fed)	\$20,500.0 Fed Rcpts (Fed)	The legislature increased the federal funding estimate for fire suppression activity from \$8.5 million to \$20.5 million. This is an open-ended appropriation, so the change is technical in nature. The higher estimate reflects a 10-year average for this item.
7	Fire Suppression, Land & Water Resources / Fire Suppression Activity	Wildland Fire Protection Supplemental	\$110,500.0 Gen Fund (UGF)	\$110,500.0 Gen Fund (UGF)	<p>The calendar year 2019 fire season was the most expensive in Alaska's history, totaling \$224.9 million (\$142.1 million UGF, \$82.8 million federal). That cost is spread across fiscal years 19 and 20. Federal funding for fire suppression comes from an open-ended language appropriation, but the UGF comes from a variety of sources.</p> <p>Per AS 26.23.020(j), when a fire disaster is declared the Governor may expend whatever is necessary to protect life and property. If appropriated funding for fire suppression activity runs out, expenditures will continue and will be submitted as a ratification (for closed fiscal years) or a future supplemental appropriation.</p> <p>In the first half of FY20, UGF spending authorizations exceeded the budgeted amount by \$94.5 million. The legislature approved the Governor's supplemental request, which covered the \$94.5 million that had already been spent plus \$16 million for fires in the first half of calendar year 2020.</p>
8	Agriculture / Agricultural Development	Transfer Agricultural Development allocation from Agriculture appropriation to Fire, Land & Water Resources approp	n/a	n/a	In FY20, there was an appropriation for Agriculture that included two allocations: Agricultural Development and the North Latitude Plant Materials Center. The Governor's budget proposed transferring all funding and positions into a single allocation, Agricultural Development, and moving that allocation to the Fire Suppression, Mining, Land & Water Resources appropriation. The legislature rejected both structure changes and retained the FY20 budget structure.

Department of Natural Resources
FY21 - Summary of Significant Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
9	Various	Fund Source Change of 25% of UGF to CBR	n/a	Net Zero \$16,432.8 CBR Fund (UGF) (\$16,432.8) Gen Fund (UGF)	The legislature funded 25% of numbers section UGF items directly from the Constitutional Budget Reserve (CBR) using fund code 1001. For the Department of Natural Resources, that resulted in \$16 million being switched from codes 1003 (GF Match) and 1004 (UGF) to code 1001. Because all three sources are counted as UGF, this change will have no impact on the agency's operations.

Department of Natural Resources
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Administration & Support Services / Office of Project Management & Permitting	Reduce Funding for the Federal Plan Review Program	(\$100.0) Gen Fund (UGF)	The FY21 budget added \$595.0 UGF to fund the review of federal plans, including major revisions to allow oil and gas exploration in the Arctic National Wildlife Refuge. This \$100.0 decrement will reduce travel and and service expenditures in the program.
2	Oil & Gas / Oil & Gas	Replace UGF with GF/PR	Net Zero (\$2,000.0) Gen Fund (UGF) \$2,000.0 GF/Prgm (DGF)	The Division of Oil and Gas has seen general fund (GF) program receipt revenue far exceed its DGF program receipt authority. In FY20, GF program receipt revenue was over \$9,000.0, while its GF receipt authority was \$710.4. While FY21 revenue is unknown, the GF receipt authority was \$711.8 for FY21. This fund change would increase the division's FY22 receipt authority to \$2,711.8. Fiscal Analyst Comment: The Division has sufficient revenues to safely make this adjustment. This transaction represents a shift in expenditures from UGF to DGF, and does not reflect a reduction in overall expenditures.
3	Fire Suppression, Land & Water Resources / Mining, Land & Water	Replace UGF with GF/PR	Net Zero (\$545.0) Gen Fund (UGF) \$545.0 GF/Prgm (DGF)	The Division of Mining, Land and Water has seen GF program receipt revenue exceed its DGF program receipt authority. In FY20, GF program receipt revenue was over \$15,516.6, while its GF receipt authority was \$12,739.7. While FY21 revenue is unknown, FY21 GF receipt authority was \$13,130.9 (not including a \$10.0 one-time item). This fund change would increase the division's FY22 receipt authority to \$13,675.0. Fiscal Analyst Comment: The Division has sufficient revenues to safely make this adjustment. This transaction represents a shift in expenditures from UGF to DGF, and does not reflect a reduction in overall expenditures.
4	Fire Suppression, Land & Water Resources / Geological & Geophysical Surveys	Increase Federal Receipt Authority Due to Increased Federal Support for High-Profile Projects	\$500.0 Fed Rcpts (Fed)	Ongoing federally funded projects include the North Slope Arctic Strategic Transportation and Resources project and instrument upgrades at the Alaska Volcano Observatory. The division anticipates receiving additional funding from the United States Geological Survey for a statewide geologic sample database, a statewide Environmental Protection Agency groundwater study, and a landslide hazard mitigation plan for Barry Arm. A one-time increase in federal receipt authority, RPL #10-2021-5047, was approved by the Legislative Budget and Audit Committee (LB&A) at the August 27, 2020 LB&A meeting. This increment would add the federal receipts into the division's base operating budget.

Department of Natural Resources
Summary of Budget Changes
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
5	Fire Suppression, Land & Water Resources / Geological & Geophysical Surveys	Increase Authority for Core Samples Storage in Geologic Materials Center Due to Increased Revenue from Greater Usage	\$375.0 GF/Prgm (DGF) 1 PPT Position	Hilcorp Energy will store its core samples at the Geologic Material Center (GMC) located in Anchorage. Since the GMC charges fees for storage, revenue is expected to increase. This increment is intended to account for costs related to increased usage of the facility and adds one seasonal Geologist I position.
6	Agriculture / Agricultural Development	Fund Change for Federal Programs with New Grants	Net Zero \$100.0 Fed Rcpts (Fed) (\$100.0) Gen Fund (UGF)	The division anticipates that support for staff could be achieved utilizing funding from two new federal grants. The Food Security Micro Grant was included in the 2018 Federal Farm Bill and provides Alaska \$4,000.0 per year for FY21 through FY24. The second grant, for elodea eradication, is received through the Alaska Sustainable Salmon Fund (AKSSF). The AKSSF is funded through 2024 by a U.S. Fish and Wildlife Service grant. The Division of Agriculture must apply to the AKSSF annually for funding. Fiscal Analyst Comment: Since federal grant funding is temporary, general funds may need to be restored in FY25. Items 6 and 7 are related.
7	Agriculture / North Latitude Plant Material Center	Increase Federal Authority for Elodea Eradication	\$663.7 Fed Rcpts (Fed)	This receipt authority will be used for grants through the Alaska Sustainable Salmon Fund (AKSSF) for elodea eradication. The AKSSF is funded through 2024 by a U.S. Fish and Wildlife Service grant. The Division of Agriculture must apply to the AKSSF annually for funding. Items 6 and 7 are related.
8	Parks & Outdoor Recreation / Parks Management & Access	Increase Funding For Law Enforcement Due to Increased Training and Overtime Pay Costs	\$250.0 Gen Fund (UGF)	Greater turnover has increased training costs, and Park Rangers work overtime to assist State Troopers, which is unbudgeted. The bulk of the existing funding has gone to address current costs, rising core costs, and emergency deferred park maintenance. Equipment and maintenance costs have been deferred, due to the need to pay immediate expenses. Items that may not be funded without the increment include: instructor training and certification, armorer training and certification, web gear, bulletproof vests (which expire), and annual inservice training.

ALASKA STATE LEGISLATURE
SENATE FINANCE DEPARTMENT OF NATURAL RESOURCES
BUDGET SUBCOMMITTEE

Senator Click Bishop, Chair
Alaska State Capitol
Room 516
Juneau, Alaska 99801
(907) 465-3613



Senator Peter Micciche
Senator Josh Revak
Senator Jesse Kiehl
Alaska State Capitol
Juneau, Alaska 99801

**There was no intent language last year for the
Alaska Department of Natural Resources**

State of Alaska FY2022 Governor's Operating Budget

Department of Natural Resources

Department of Natural Resources

Mission

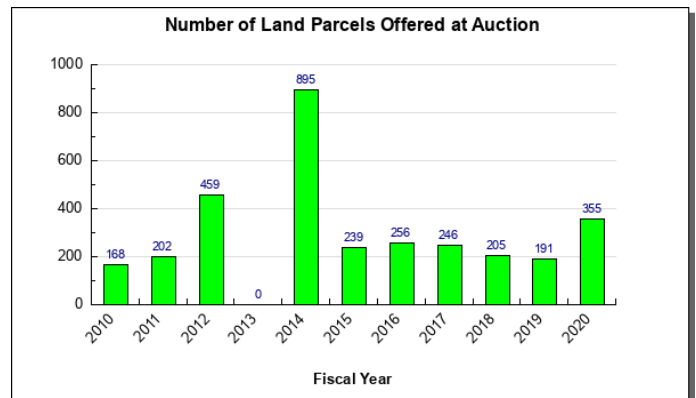
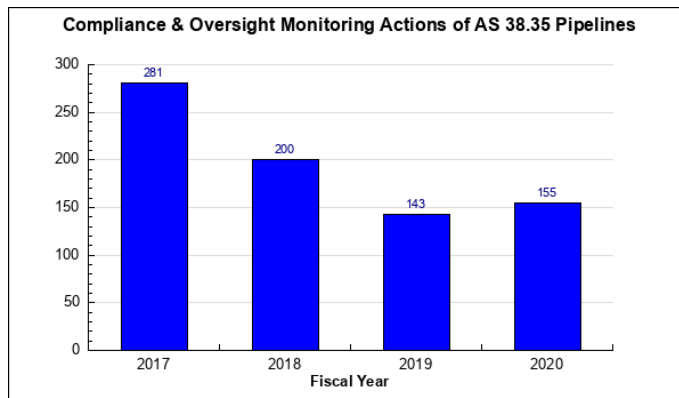
Develop, conserve and maximize the use of Alaska's natural resources consistent with the public interest. Alaska Constitution Article 8; AS 03, AS 27, AS 38, AS 40, AS 41, AS 43.90, AS 14.30.740

	Core Services (in priority order)	UGF	DGF	Other	Fed	Total	PFT	PPT	NP	% GF
1	Foster responsible commercial development and use of state land and natural resources, consistent with the public interest, for long-term wealth and employment.	21,656.7	14,015.3	23,564.2	5,628.4	64,864.6	311.4	15.4	6.5	35.1%
2	Mitigate threat to the public from natural hazards by providing comprehensive fire protection services on state, private and municipal lands, and through identifying significant geologic hazards.	32,859.8	665.2	3,032.9	25,666.0	62,223.9	43.9	190.8	0.9	33.0%
3	Provide access to state lands for public and private use, settlement, and recreation.	4,559.7	17,754.1	5,098.5	2,136.4	29,548.7	177.0	29.3	34.9	21.9%
4	Ensure sufficient data acquisition and assessment of land and resources to foster responsible resource and community development and public safety.	6,653.6	3,512.2	4,803.8	3,239.3	18,209.0	92.7	11.5	9.7	10.0%
	FY2021 Management Plan	65,729.7	35,946.8	36,499.4	36,670.2	174,846.1	625.0	247.0	52.0	

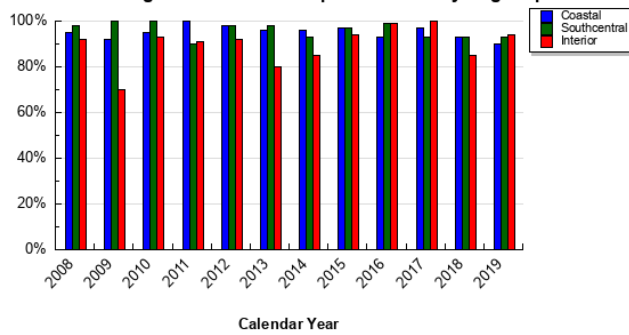
Measures by Core Service

(Additional performance information is available on the web at <https://omb.alaska.gov/results>.)

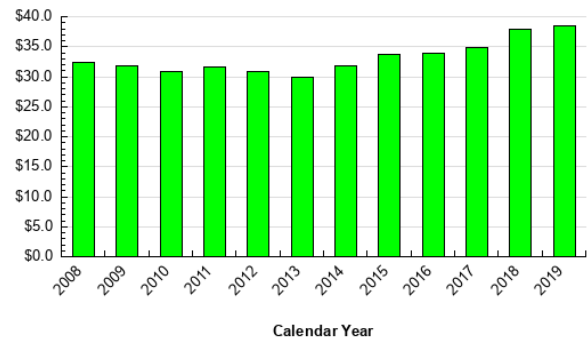
1. Foster responsible commercial development and use of state land and natural resources, consistent with the public interest, for long-term wealth and employment.



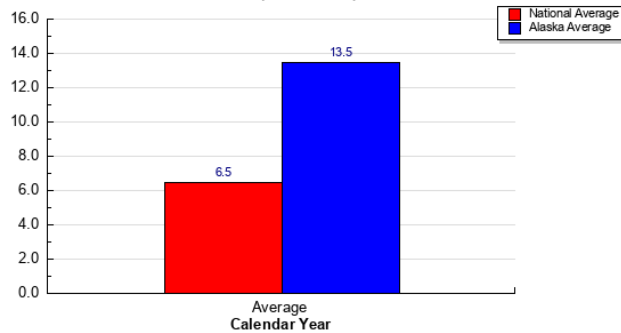
Forest Resources & Practices Act Program: Displayed as the Rating of Best Management Practices Implementation by Region per Year



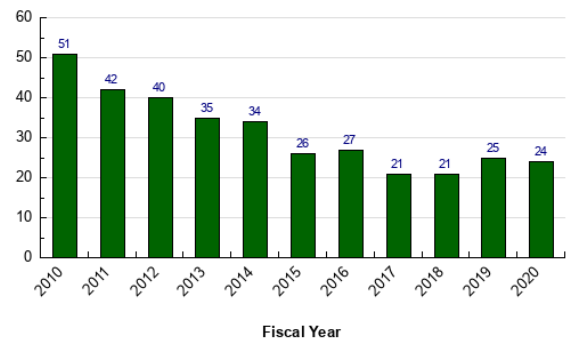
Monetary Value of Agriculture Products Sold (in millions)



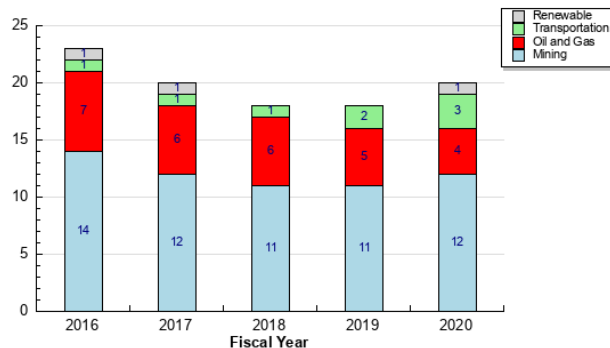
Adult Life Jacket Wear Rate Percentages Powerboats National vs. Alaska (2015-2019)



Alaskan Firms Purchasing State Timber Sales

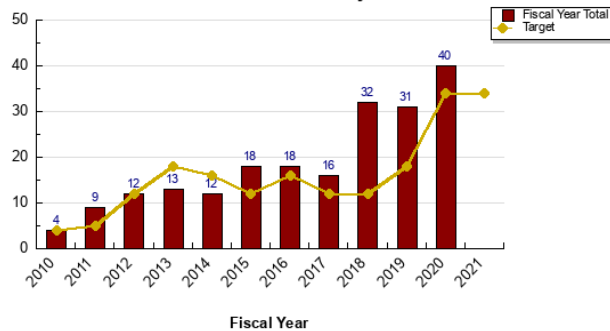


OPMP Coordinated Projects

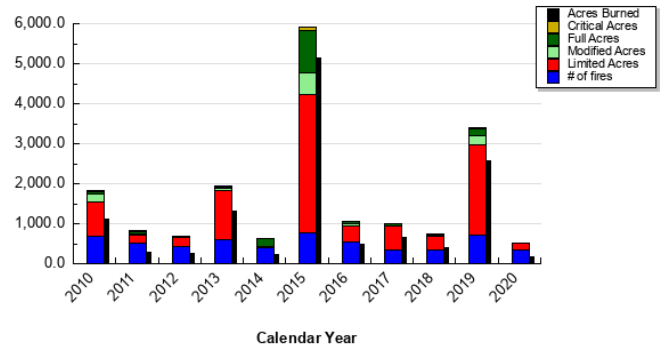


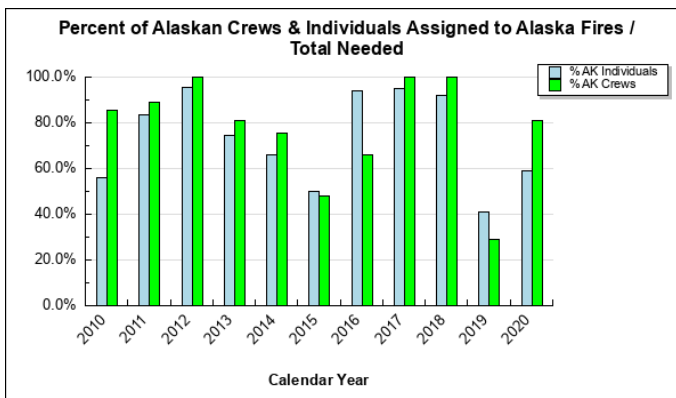
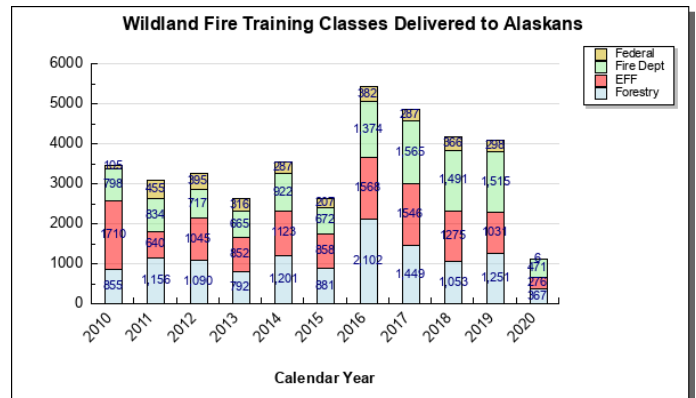
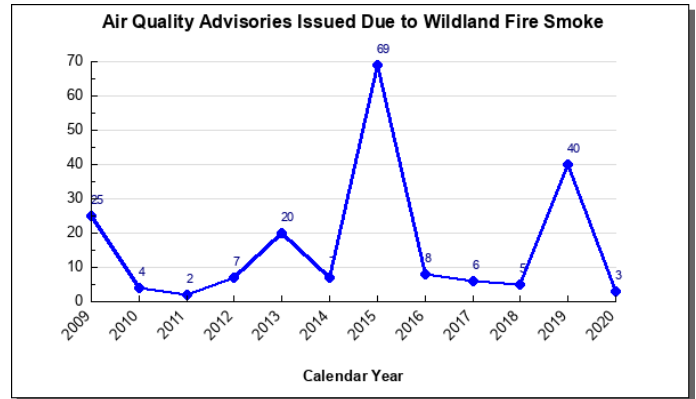
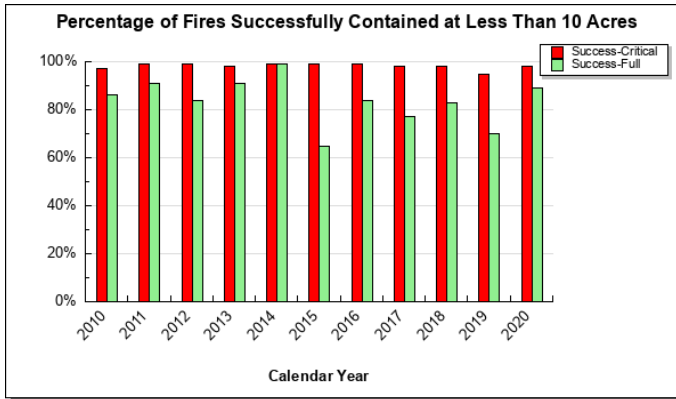
2. Mitigate threat to the public from natural hazards by providing comprehensive fire protection services on state, private and municipal lands, and through identifying significant geologic hazards.

Published New Reports on Geologic Hazards that Pose Significant Risks to Public Safety

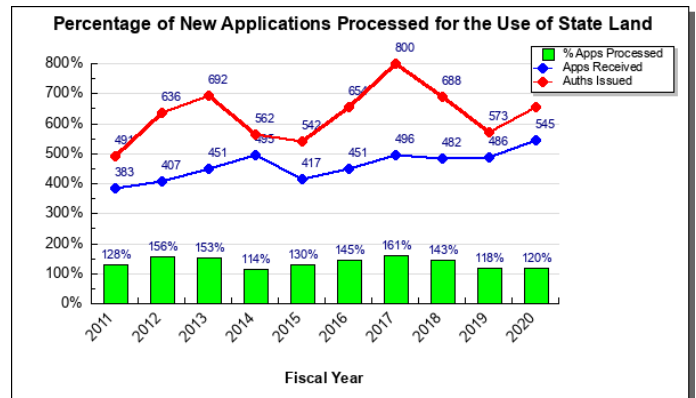
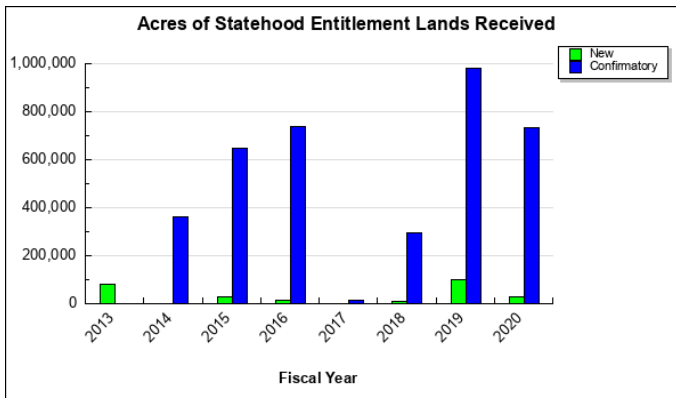


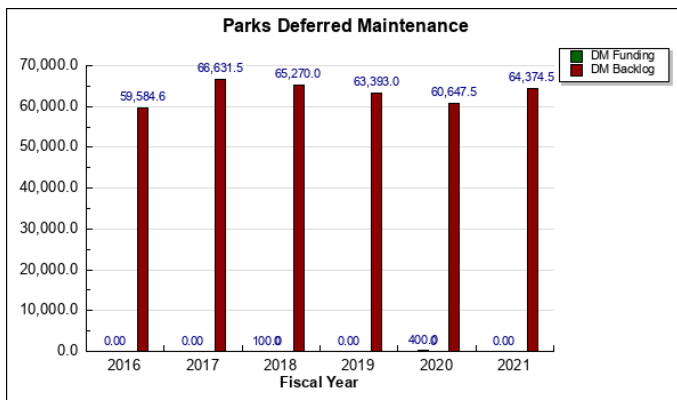
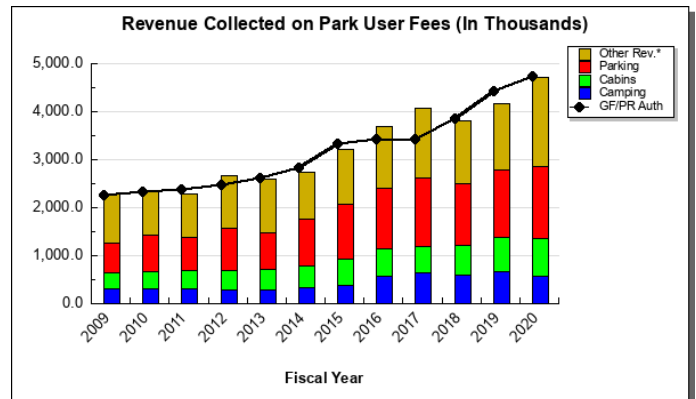
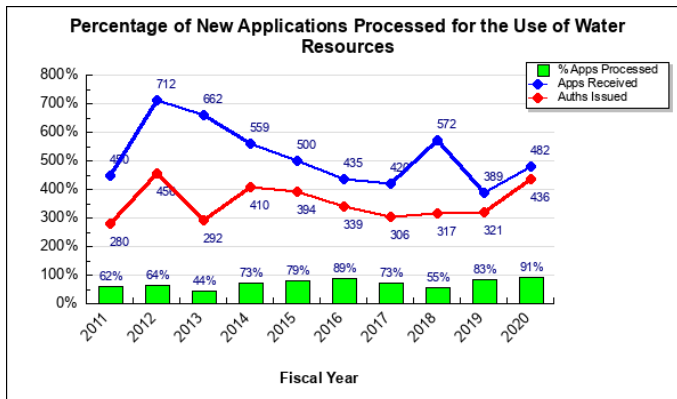
Fire Starts and Acres Burned (thousands) - Statewide



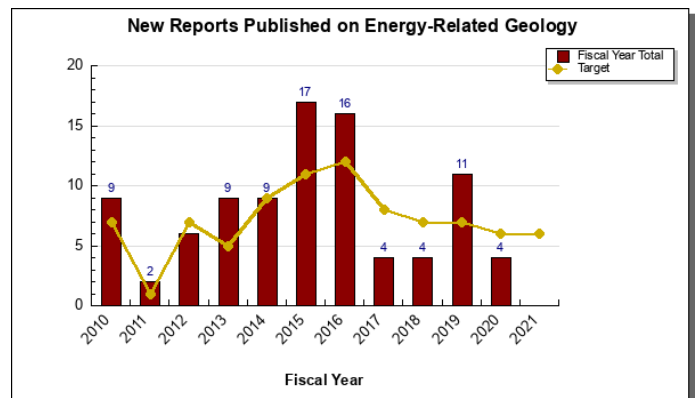
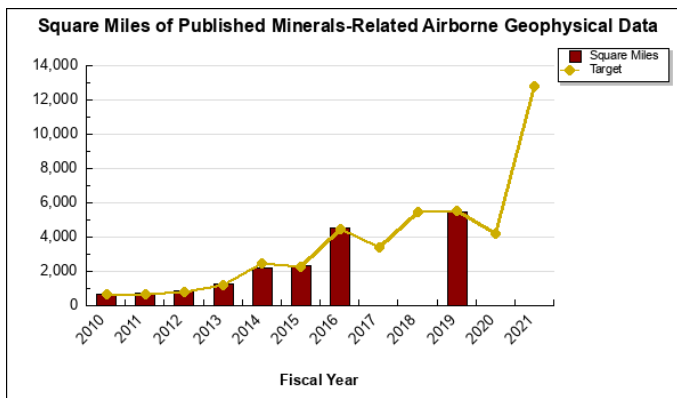


3. Provide access to state lands for public and private use, settlement, and recreation.





4. Ensure sufficient data acquisition and assessment of land and resources to foster responsible resource and community development and public safety.



Major Department Accomplishments in 2020

Foster responsible commercial development and use of state land and natural resources, consistent with the public interest, for long-term wealth and employment:

Commissioner's Office has taken up and issued decisions on 37 of the approximately 155 backlogged appeals inherited with transition in late 2018, thereby removing roadblocks to commercial activity and providing for better service to Alaskans.

The Division of Oil & Gas (DOG) held five area-wide lease sales resulting in more than \$7.7 million in bonus bids and more than 150,000 acres leased.

DOG expanded the boundary of the Cook Inlet sale area to include an additional 169,000 acres of leasable tracts on and around the Iniskin Peninsula.

DOG updated competitive bidding regulations effective December 26, 2019, to enable the state's first online oil and gas lease sale on June 17, 2020.

DOG led the Department of Natural Resources' review and approval of the upstream portion of the \$5.6B BP sale to Hilcorp. Sections within DOG worked together to administer the change in control of the leases, evaluate the transaction models, and negotiated financial assurance agreement amendments. DOG also processed the name change on all the related permits and obtained valuable GIS data. Units handled the name change for the operator of the Prudhoe Bay Unit, while the State Pipeline Coordinator's Section began evaluating the midstream component of the transaction.

DOG issued six net profit share lease (NPSL) audits and one state royalty audit, collecting \$17.5 million, including interest.

DOG administered approximately 2,000 leases and licenses, covering nearly 4.2 million acres.

DOG verified and receipted \$1.0 billion in royalty, net profit share lease revenues, rents, bonus bids, unit actions, and federal payments.

Division of Mining, Land and Water (DMLW) reviewed and received title to 30,132 acres of new statehood entitlement land. 15 federal mining claims were converted to state ownership, along with additional lands in support of the Graphite One mineral project.

DMLW also sold 264 parcels totaling 3,071 acres. The results are a combination of the annual land sale auction, year-round over-the-counter sales, and Remote Recreation Cabin Sites program's staking authorizations that made it to the purchase stage.

The Division of Forestry (DOF) sold 2.3 million board feet in 31 new timber sales to 24 firms in FY2020. DOF also sold approximately 1,877 cords of personal use firewood via 503 permits issued mostly on-line.

Mitigate threat to the public from natural hazards by providing comprehensive fire protection services on state, private and municipal lands, and through identifying significant geologic hazards:

After one of the largest Alaska fire seasons on record last year, 2020 was below average in terms of number of fires and acres burned (340 fires for 181,253 acres), though the division was able to successfully respond to and contain a number of potential problem fires in Critical and Full management option areas. Over-winter holdover fires (fires that continue to burn deep in the duff layer over winter and resurface the next season) was a concern for 2020, and as predicted, a handful of 'overwinter reburn' fires from 2019's Deshka Landing, Swan Lake and Shovel Creek fires resurfaced in March and April. These fires were suppressed or monitored and remained under an acre in size. In some cases, the deep duff layer and peat fuels that the fires were burning in created challenges in achieving 100% suppression.

This year, Alaska provided critical support to the Lower-48 during a record fire season in terms of length, acreage burned and damage to values at risk, particularly in California. The national incident ordering and mobilization system is designed to move resources across state (and even national) boundaries to where they are most needed. Alaska provided the Lower-48 states with 14 fire crews, including 3 emergency firefighter crews (EFF), over 300 single resource support personnel, and 15 aircraft, including air attack platforms, retardant aircraft, and helicopters. In addition, the Alaska Type 1 Incident Management Team (IMT) was mobilized to the Grizzly Fire in Colorado and the August Complex in California to assist agency administrators in the management of complex incidents.

Despite the challenges created by COVID-19, DOF continued to maintain a safe fire line operational record by emphasizing safety of firefighters and the public as the top priority. A Division of Forestry (DOF) Incident Management Team (IMT) was activated in response to the COVID-19 pandemic. The team created and maintained a COVID-19 manual which provided directives and operational guidance related to health and safety of all employees during the

COVID-19 pandemic. The DOF warehouse procured adequate personal protective equipment and disinfecting supplies to distribute among the areas for preparedness and supply incidents.

Provide access to state lands for public and private use, settlement, and recreation:

The Division of Parks and Outdoor Recreation (DPOR) awarded ten construction-related contracts with a combined value of \$3.3 million for park maintenance and improvement projects.

DPOR awarded 23 trail project grants to non-profit organizations and government agencies, more than \$1.1 million through the federally funded Recreational Trails Program.

Ensure sufficient data acquisition and assessment of land and resources to foster responsible resource and community development and public safety:

The Division of Geological and Geophysical Surveys (DGGS) published 166 new geologic maps and reports, served 1,043,036 digital data and publication files via free downloads through the division's website.

In August 2019, DGGS Mineral Resources geologists completed the fieldwork for the 1,900-square-mile Eastern Tanacross geologic mapping project, the first Earth Mapping Resources Initiative (MRI) field project. Results are beginning to be published; data released in FY2020 include the geochemical data report, digital field notes and magnetic susceptibility measurements, and two preliminary drafts of the map.

DGGS launched an immediate response to the Barry Arm unstable slope in Prince William Sound that was identified in May 2020 and is a potential source for a damaging tsunami if the slope fails.

DGGS completed more than a dozen airborne lidar surveys. The survey covered covering over 3,500 square miles to collect high-resolution elevation data. This data is needed to assess geologic hazards and support resource assessments all over the state, including 70 square miles evaluated on the active volcanoes Makushin and Shishaldin.

As part of the sand and gravel resource assessment supporting the Arctic Strategic and Transportation Resources Project (ASTAR), DGGS contracted with ASRC Energy Services to complete terrain unit and geohazards mapping. This mapping covers an area of ~51,500 mi² (~83,000 km²) across Alaska's North Slope. Detailed mapping, which was lacking in this area, guided our summer 2019 helicopter-supported fieldwork over an area of ~8,900 mi² (~14,300 km²) in the northeast National Petroleum Reserve-Alaska.

Key Department Challenges

Maintaining our core service functions with adequate staffing and continuing to provide revenue generation, public safety, and services for Alaskans in context of Alaska's fiscal crisis.

Conducting field work during the COVID-19 pandemic is a challenge that may persist into FY2022.

Absorbing the increasing contractual costs from leases, cores services, mainframe costs, and essential contracts into existing budget appropriations.

Keeping pace with growth in resource sector activities and major project developments (mining, oil & gas, aquatic farming, etc.) with difficult headwinds in recruiting and retaining personnel and resourcing within the context of Alaska's fiscal crisis.

Foster responsible commercial development and use of state land and natural resources, consistent with the public interest, for long-term wealth and employment:

In the State of Alaska's effort to develop a gas pipeline and market its vast gas reserves, the department has broad responsibilities and authorities. Significant commercial and unit work by DNR staff and consultants, outside counsel, and other state agencies remains to be accomplished to support the Alaska Gasline Development Corporation's effort

to structure funding. Upon success in funding of the project, there will be a very significant permitting scope to conclude to move the project into construction. All these efforts will necessitate budgetary authority to execute.

Significant amount of OPMP's time is being directed at coordination of comments and State's input on Federal Plan reviews, without the benefit of a funding source. It is imperative that this work be accomplished as it is the first step in protecting Alaska's rights and securing maximum value from potential future developments (NPRA IAP, ANWR, Ambler Road Project, etc.)

As new development projects are proposed and moved forward, the demand for highly qualified project coordinators also increases. The nature of the work requires the ability to efficiently and expeditiously manage inter-governmental relationships, the state's involvement with federal reviews under the NEPA, and state and federal permitting processes. It has been a challenge for the division to seek highly qualified project coordinators. The work requires the staff to be flexible and have the ability to adjust project coordination workloads in response to natural resource development activities, which follow Alaska's economic and market trends.

Mitigate threat to the public from natural hazards by providing comprehensive fire protection services on state, private and municipal lands, and through identifying significant geologic hazards:

SB92, the Derelict Vessel Prevention Program was signed into law creating a program with limited funding, while setting high expectations for the public. Staffing, enforcement authority, and financial means to deal with hundreds of derelict vessels across the state poses a challenge.

The removal of large hazardous material sites and waste on state land when no remaining responsible party exists poses a challenge.

DOF continues to experience capacity shortages. The Forest Management and Development component continues to be a challenge for recruitment, retention, and knowledge transfer from departing employees. Experienced, long-term employees are retiring, while recruitment for experienced mid, journey, and full professional-level foresters remains difficult. There are many reasons for this challenge, but the overall salary and benefit package, including retirement, is not as competitive as it once was with competing employment opportunities.

Fire seasons are starting earlier and lasting longer, stretching from March into October, with significant wildland fires impacting communities. While there is significant variability in the acreage burned from season to season, the average annual burned acreage had steadily increased to 1.3 million acres over the past two decades. Early fire seasons require advanced preparation through training and prevention activities. Longer fire seasons create a critical need for extended staffing and increased resource capacity, such as aircraft, agency crews, and inter-agency personnel. Alaska fires pale this year compared to last however Alaska's fire support to the lower 48 was extremely high.

DOF has three elite agency firefighting crews (Pioneer Peak Hotshots, White Mountain and Gannet Glacier) which are faced with growing uncertainty of reductions in federal funds. These crews provide essential firefighting services but also provide the training and experience to grow future management and support personnel for the division. Stable funding for crews remains a priority.

Division of Geological and Geophysical Surveys is challenged to supply critical and timely information on geologic hazards to assist threatened communities and infrastructure.

Provide access to state lands for public and private use, settlement, and recreation:

The BLM is staffing a new navigability team, which has indicated its commitment to collaboration with the State of Alaska to quickly process the Recordable Disclaimers of Interest (RDIs) and clear title to state-owned submerged lands and to reassess previous non-navigability determinations promptly.

The costs to produce land disposals continue to increase due to the land ownership patterns, borough restrictions, and access development requirements. Complications that must be dealt with before land can be offered include resolving trespass structures, access issues, and removal of trash and hazardous materials.

Ensure sufficient data acquisition and assessment of land and resources to foster responsible resource and community development and public safety:

The Division of Forestry's ability to inventory its resources and display the location of values at risk, such as structures and critical sites, is hampered by the lack of sufficiently acceptable broadband in state offices other than Fairbanks, Palmer, and Anchorage.

Ensuring awareness of the value provided to the state from incorporating publicly available geologic data into decisions related to Alaska's public safety, economy, and natural resource developments.

Significant Changes in Results to be Delivered in FY2022

Section 20001 of the Tax Cuts and Jobs Act of 2017 (Tax Act) directs the BLM to establish and administer a competitive oil and gas leasing program in the Coastal Plain of ANWR. The Arctic Slope Strategic Transportation and Resources project (ASTAR) is a collaborative effort initiated by DNR to form a cooperative group of stakeholders in the region to guide the development of future infrastructure projects to best benefit the communities of the North Slope, identify material sites and other resources critical to construction of new infrastructure. BLM invited State of Alaska agencies to participate as a cooperator in developing an Environmental Impact Statement for the Coastal Plain leasing program in accordance with the Tax Act and National Environmental Policy Act. This Cooperating agency role is led by the Office of Project Management and Permitting, who coordinates major federal action in order to advance and protect state interests. The next phase of ASTAR is to develop resources that empower Arctic communities through continued engagement with the federal land managers and delivery of resource information critical to community infrastructure planning, proposal, and development.

The Division of Geological and Geophysical Surveys continues to expand and complete an evaluation of construction materials and geologic hazards in the National Petroleum Reserve in Alaska for the ASTAR project, in support of community connectivity and resource development. Broaden efforts to cover the 1002 area of the Arctic National Wildlife Refuge (ANWR) and include water resources with available funding.

The Division of Oil & Gas will drive operations toward a more business-like and business-oriented approach aiming to timely meet producer and operator needs. Continue development of small, unmanned aircraft system (drone) program for field inspections, with a focus on safety and efficiency.

The Division of Forestry will continue to prepare and offer an accelerated program of timber sales to help bridge the gap in federal timber sale volume in southern southeast Alaska consistent with the rolling ten-year average of sustained yield for the southeast state forest and other state lands. Forestry will also continue efforts in public education outreach regarding the division's fire prevention program, with the goal to reduce human caused fires.

The Division of Agriculture will continue management of known invasive elodea infestations with fresh waters, to include surveying high priority waterbodies and monitoring those where eradication has been completed to continue to protect the States natural resources and public safety. The division will also continue to provide Good Agricultural Practices (GAP) and Good Handling Practice (GHP) audits to allow Alaskan agricultural producers to move products in to existing and future commercial markets.

Implementation of the Industrial Hemp Pilot Program to develop and support an industrial hemp industry in the state. Promulgated regulations following section 7606 of the 2014 Agricultural Farm Bill legalizes industrial hemp in states that have laws regulating an industrial hemp pilot program. The department's new pilot program will require and regulate the registration for production, processing, testing, and marketing of industrial hemp and hemp products statewide.

The Division of Parks and Outdoor Recreation (DPOR) will review any new investments in the division's infrastructure with the idea of sustainability and revenue-producing potential in mind. There will be a continuous effort to grow strategic partnerships and attract private sector funding. Specifically, the division will work to consolidate and streamline "friends" groups in different regions, and work with the non-profit sector to set up potential private sector funding sources and endowments that can support park activities and upkeep into the future.

Contact Information

Commissioner: Corri Feige
Phone: (907) 269-8430
E-mail: corri.feige@alaska.gov

**Administrative
Services Director:** Cheri Lowenstein
Phone: (907) 465-2422
E-mail: cheri.lowenstein@alaska.gov

FY2022 Capital Budget Request

Project Title	Unrestricted Gen (UGF)	Designated Gen (DGF)	Other Funds	Federal Funds	Total Funds
Agriculture Specialty Crop Block Grant	0	0	0	4,500,000	4,500,000
Critical Minerals Mapping - Earth MRI (3DEEP)	500,000	0	200,000	1,500,000	2,200,000
Abandoned Mine Lands Reclamation Federal Program	0	0	0	3,200,000	3,200,000
Geological Mapping for Energy Development (USGS STATEMAP)	300,000	0	0	600,000	900,000
Cooperative Water Resource Program Pass-through to USGS for Stream Gaging Projects	0	0	300,000	0	300,000
Federal and Local Government Funded Forest Resource and Fire Program	0	0	0	7,000,000	7,000,000
Land Sales - New Subdivision Development	0	500,000	0	0	500,000
Land and Water Conservation Fund Federal Grant Program	2,152,655	0	0	3,500,000	5,652,655
National Historic Preservation Fund	0	0	200,000	600,000	800,000
National Recreational Trails Federal Grant Program	0	100,000	0	1,500,000	1,600,000
State Park Electronic Fee Stations	0	220,000	0	0	220,000
Department Total	2,952,655	820,000	700,000	22,400,000	26,872,655

This is an appropriation level summary only. For allocations and the full project details see the capital budget.

Summary of Department Budget Changes by RDU

From FY2021 Management Plan to FY2022 Governor

All dollars shown in thousands

	<u>Unrestricted Gen (UGF)</u>	<u>Designated Gen (DGF)</u>	<u>Other Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>
FY2021 Management Plan	65,729.7	35,946.8	36,499.4	36,670.2	174,846.1
One-time items:					
-Administration and Support	0.0	0.0	-4,425.6	0.0	-4,425.6
-Oil and Gas	0.0	0.0	-150.0	0.0	-150.0
-Fire Land and Water Resources	0.0	-10.0	-80.0	-20,500.0	-20,590.0
Adjustments which continue current level of service:					
-Administration and Support	15.8	13.8	4,399.8	0.0	4,429.4
-Oil and Gas	-1,979.0	2,002.1	174.3	0.9	198.3
-Fire Land and Water Resources	-452.7	643.6	105.4	20,537.1	20,833.4
-Parks and Outdoor Recreation	1.7	23.2	19.9	9.4	54.2
-Agriculture	-88.9	3.7	0.0	102.1	16.9
Proposed budget increases:					
-Fire Land and Water Resources	0.0	375.0	0.0	500.0	875.0
-Parks and Outdoor Recreation	250.0	0.0	0.0	0.0	250.0
-Agriculture	0.0	0.0	0.0	663.7	663.7
Proposed budget decreases:					
-Administration and Support	-100.0	0.0	-223.7	0.0	-323.7
FY2022 Governor	63,376.6	38,998.2	36,319.5	37,983.4	176,677.7

Department Totals
Department of Natural Resources

Description	FY2020 Actuals	FY2021 Conference Committee	FY2021 Authorized	FY2021 Management Plan	FY2022 Governor	FY2021 Management Plan vs FY2022 Governor	
Department Totals	269,315.2	174,659.4	174,846.1	174,846.1	176,677.7	1,831.6	1.0%
Objects of Expenditure:							
71000 Personal Services	102,343.8	94,995.2	95,143.9	93,474.6	94,108.3	633.7	0.7%
72000 Travel	3,525.0	2,619.1	2,628.6	2,487.5	2,533.5	46.0	
73000 Services	146,483.7	67,264.6	67,264.6	69,115.6	69,411.0	295.4	0.4%
74000 Commodities	16,609.7	8,744.8	8,773.3	8,833.8	9,690.3	856.5	9.7%
75000 Capital Outlay	339.5	920.7	920.7	819.6	819.6	0.0	0.0%
77000 Grants, Benefits	13.5	115.0	115.0	115.0	115.0	0.0	0.0%
78000 Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Funding Source:							
1001 CBR Fund (UGF)	0.0	16,430.3	16,432.8	16,432.8	0.0	-16,432.8	-100.0%
1002 Fed Rcpts (Fed)	56,392.3	36,670.2	36,670.2	36,670.2	37,983.4	1,313.2	3.6%
1003 G/F Match (UGF)	775.9	583.6	583.6	583.6	781.1	197.5	33.8%
1004 Gen Fund (UGF)	154,846.3	48,705.8	48,713.3	48,713.3	62,595.5	13,882.2	28.5%
1005 GF/Prgm (DGF)	21,533.4	23,628.2	23,804.9	23,804.9	26,807.5	3,002.6	12.6%
1007 I/A Rcpts (Other)	4,642.2	6,889.8	6,889.8	6,889.8	6,910.2	20.4	0.3%
1018 EVOSS (Other)	92.7	163.5	163.5	163.5	163.5	0.0	0.0%
1021 Agric Loan (DGF)	79.2	283.6	283.6	283.6	284.5	0.9	0.3%
1055 IA/OIL HAZ (Other)	26.5	47.9	47.9	47.9	48.0	0.1	0.2%
1061 CIP Rcpts (Other)	4,579.5	5,340.4	5,340.4	5,340.4	5,138.4	-202.0	-3.8%
1092 MHTAAR (Other)	4,330.1	4,425.6	4,425.6	4,425.6	4,393.8	-31.8	-0.7%
1105 PFund Rcpt (Other)	6,132.6	6,147.6	6,147.6	6,147.6	6,167.9	20.3	0.3%
1108 Stat Desig (Other)	5,153.9	12,782.8	12,782.8	12,782.8	12,795.2	12.4	0.1%
1153 State Land (DGF)	4,788.8	5,952.0	5,952.0	5,952.0	5,979.7	27.7	0.5%
1154 Shore Fish (DGF)	350.6	361.9	361.9	361.9	363.6	1.7	0.5%
1155 Timber Rcp (DGF)	606.2	1,029.7	1,029.7	1,029.7	1,033.3	3.6	0.3%
1192 Mine Trust (Other)	6.5	30.0	30.0	30.0	30.0	0.0	0.0%
1200 VehRntlTax (DGF)	4,200.9	4,214.7	4,214.7	4,214.7	4,229.6	14.9	0.4%
1216 Boat Rcpts (DGF)	185.0	300.0	300.0	300.0	300.0	0.0	0.0%
1217 NGF Earn (Other)	160.4	150.0	150.0	150.0	150.0	0.0	0.0%
1236 AK LNG I/A (Other)	432.2	521.8	521.8	521.8	522.5	0.7	0.1%
Totals:							
Unrestricted Gen (UGF)	155,622.2	65,719.7	65,729.7	65,729.7	63,376.6	-2,353.1	-3.6%
Designated Gen (DGF)	31,744.1	35,770.1	35,946.8	35,946.8	38,998.2	3,051.4	8.5%
Other Funds	25,556.6	36,499.4	36,499.4	36,499.4	36,319.5	-179.9	-0.5%
Federal Funds	56,392.3	36,670.2	36,670.2	36,670.2	37,983.4	1,313.2	3.6%

Department Totals
Department of Natural Resources

Description	FY2020 Actuals	FY2021 Conference Committee	FY2021 Authorized	FY2021 Management Plan	FY2022 Governor	FY2021 Management Plan vs FY2022 Governor	
Positions:							
Permanent Full Time	616	622	624	625	623	-2	-0.3%
Permanent Part Time	233	247	247	247	247	0	0.0%
Non Permanent	66	52	52	52	52	0	0.0%

Component Summary Unrestricted General Funds Only
Department of Natural Resources

Results Delivery Unit/ Component	FY2020 Actuals	FY2021 Conference Committee	FY2021 Authorized	FY2021 Management Plan	FY2022 Governor	FY2021 Management Plan vs FY2022 Governor	
Administration and Support							
Commissioner's Office	5,972.8	1,135.8	1,135.8	1,135.8	1,136.1	0.3	0.0%
Project Management & Permitting	795.5	1,390.7	1,390.7	1,390.7	1,290.8	-99.9	-7.2%
Administrative Services	2,750.6	2,449.5	2,449.5	2,449.5	2,458.2	8.7	0.4%
Information Resource Mgmt.	3,251.5	3,254.9	3,254.9	3,254.9	3,259.2	4.3	0.1%
Interdepartmental Chargebacks	1,181.1	1,181.1	1,181.1	1,181.1	1,181.1	0.0	0.0%
Facilities	2,592.8	2,592.9	2,592.9	2,592.9	2,592.9	0.0	0.0%
Public Information Center	547.4	550.0	550.0	550.0	552.4	2.4	0.4%
RDU Totals:	17,091.7	12,554.9	12,554.9	12,554.9	12,470.7	-84.2	-0.7%
Oil and Gas							
Oil & Gas	7,045.3	8,334.7	8,334.7	8,334.7	6,355.7	-1,979.0	-23.7%
RDU Totals:	7,045.3	8,334.7	8,334.7	8,334.7	6,355.7	-1,979.0	-23.7%
Fire Suppression, Land & Water Resources							
Mining, Land & Water	4,535.9	4,738.5	4,738.5	4,738.5	4,217.8	-520.7	-11.0%
Forest Management & Develop	2,361.6	2,466.8	2,466.8	2,466.8	2,473.1	6.3	0.3%
Geological & Geophysical Surveys	3,643.6	3,685.4	3,695.4	3,695.4	3,712.4	17.0	0.5%
Fire Suppression Preparedness	17,053.3	17,173.8	17,173.8	17,173.8	17,218.5	44.7	0.3%
Fire Suppression Activity	100,829.5	13,641.0	13,641.0	13,641.0	13,641.0	0.0	0.0%
RDU Totals:	128,423.9	41,705.5	41,715.5	41,715.5	41,262.8	-452.7	-1.1%
Parks and Outdoor Recreation							
Parks Management & Access	53.0	73.1	73.1	73.1	323.5	250.4	342.5%
History and Archaeology	452.7	458.2	458.2	458.2	459.5	1.3	0.3%
RDU Totals:	505.7	531.3	531.3	531.3	783.0	251.7	47.4%
Agriculture							
Agricultural Development	521.0	526.6	526.6	799.2	703.4	-95.8	-12.0%
N. Latitude Plant Material Ctr	2,034.6	2,066.7	2,066.7	1,794.1	1,801.0	6.9	0.4%
RDU Totals:	2,555.6	2,593.3	2,593.3	2,593.3	2,504.4	-88.9	-3.4%
Unrestricted Gen (UGF):	155,622.2	65,719.7	65,729.7	65,729.7	63,376.6	-2,353.1	-3.6%
Designated Gen (DGF):	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Other Funds:	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Federal Funds:	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Total Funds:	155,622.2	65,719.7	65,729.7	65,729.7	63,376.6	-2,353.1	-3.6%

Component Summary All Funds
Department of Natural Resources

Results Delivery Unit/ Component	FY2020 Actuals	FY2021 Conference Committee	FY2021 Authorized	FY2021 Management Plan	FY2022 Governor	FY2021 Management Plan vs FY2022 Governor	
Administration and Support							
Commissioner's Office	6,840.6	1,523.9	1,523.9	1,523.9	1,524.7	0.8	0.1%
Project Management & Permitting	3,206.4	6,671.7	6,671.7	6,671.7	6,348.6	-323.1	-4.8%
Administrative Services	3,792.4	3,694.5	3,694.5	3,694.5	3,707.6	13.1	0.4%
Information Resource Mgmt.	3,284.9	3,703.0	3,703.0	3,703.0	3,707.3	4.3	0.1%
Interdepartmental Chargebacks	1,181.1	1,331.8	1,331.8	1,331.8	1,331.8	0.0	0.0%
Facilities	2,601.5	2,592.9	2,592.9	2,592.9	2,592.9	0.0	0.0%
Recorder's Office/UCC	3,006.0	3,646.5	3,646.5	3,646.5	3,660.3	13.8	0.4%
Trustee Council Projects	92.7	163.5	163.5	163.5	163.5	0.0	0.0%
Public Information Center	608.5	768.3	768.3	768.3	771.3	3.0	0.4%
Mental Health Lands Admin	4,348.5	4,425.6	4,425.6	4,425.6	4,393.8	-31.8	-0.7%
RDU Totals:	28,962.6	28,521.7	28,521.7	28,521.7	28,201.8	-319.9	-1.1%
Oil and Gas							
Oil & Gas	15,055.4	20,894.8	20,894.8	20,894.8	20,943.1	48.3	0.2%
RDU Totals:	15,055.4	20,894.8	20,894.8	20,894.8	20,943.1	48.3	0.2%
Fire Suppression, Land & Water Resources							
Mining, Land & Water	25,311.1	28,055.9	28,232.6	28,232.6	28,356.0	123.4	0.4%
Forest Management & Develop	6,375.7	7,999.5	7,999.5	7,999.5	8,021.7	22.2	0.3%
Geological & Geophysical Surveys	7,442.4	9,125.8	9,135.8	9,135.8	10,051.3	915.5	10.0%
Fire Suppression Preparedness	18,674.4	19,721.2	19,721.2	19,721.2	19,778.5	57.3	0.3%
Fire Suppression Activity	149,498.4	39,101.4	39,101.4	39,101.4	39,101.4	0.0	0.0%
RDU Totals:	207,302.0	104,003.8	104,190.5	104,190.5	105,308.9	1,118.4	1.1%
Parks and Outdoor Recreation							
Parks Management & Access	12,579.6	13,667.4	13,667.4	13,667.4	13,960.2	292.8	2.1%
History and Archaeology	1,700.8	2,556.0	2,556.0	2,556.0	2,567.4	11.4	0.4%
RDU Totals:	14,280.4	16,223.4	16,223.4	16,223.4	16,527.6	304.2	1.9%
Agriculture							
Agricultural Development	1,269.6	1,740.0	1,740.0	2,428.3	2,436.9	8.6	0.4%
N. Latitude Plant Material Ctr	2,445.2	3,275.7	3,275.7	2,587.4	3,259.4	672.0	26.0%
RDU Totals:	3,714.8	5,015.7	5,015.7	5,015.7	5,696.3	680.6	13.6%
Unrestricted Gen (UGF):	155,622.2	65,719.7	65,729.7	65,729.7	63,376.6	-2,353.1	-3.6%
Designated Gen (DGF):	31,744.1	35,770.1	35,946.8	35,946.8	38,998.2	3,051.4	8.5%
Other Funds:	25,556.6	36,499.4	36,499.4	36,499.4	36,319.5	-179.9	-0.5%
Federal Funds:	56,392.3	36,670.2	36,670.2	36,670.2	37,983.4	1,313.2	3.6%
Total Funds:	269,315.2	174,659.4	174,846.1	174,846.1	176,677.7	1,831.6	1.0%
Permanent Full Time:	616	622	624	625	623	-2	-0.3%
Permanent Part Time:	233	247	247	247	247	0	0.0%
Non Permanent:	66	52	52	52	52	0	0.0%
Total Positions:	915	921	923	924	922	-2	-0.2%

Inter-Agency Revenue Summary
Department of Natural Resources
Revenue Type Inter-Agency Receipts Only

Scenario: FY2022 Governor (17280)

IRIS Revenue Type	IRIS Revenue Source Code	Component	Total
Department of Natural Resources Totals:			7,609.1
5007 I/A Rcpts	5301 Inter-Agency Receipts	Admin - Department-wide	337.8
5007 I/A Rcpts	5301 Inter-Agency Receipts	Commerce - Department-wide	342.2
5007 I/A Rcpts	5301 Inter-Agency Receipts	Correct - Department-wide	20.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	EnvCon - Department-wide	49.6
5007 I/A Rcpts	5301 Inter-Agency Receipts	FishGm - Department-wide	767.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	M&VA - Department-wide	115.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Administrative Services (424)	1,301.8
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Agricultural Development (455)	106.5
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Fire Suppression Activity (2706)	992.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Fire Suppression Preparedness (2705)	226.7
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Forest Management & Develop (435)	145.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Geological & Geophysical Surveys (1031)	267.7
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Mental Health Lands Admin (1635)	69.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Mining, Land & Water (3002)	348.5
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Oil & Gas (439)	283.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Parks Management & Access (3001)	60.1
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Project Management & Permitting (2733)	337.1
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Public Information Center (2441)	166.2
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Recorder's Office/UCC (802)	40.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Trustee Council Projects (1199)	62.4
5007 I/A Rcpts	5301 Inter-Agency Receipts	NOT FOUND	40.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	Trans - Department-wide	652.6
5007 I/A Rcpts	5301 Inter-Agency Receipts	Univ - Department-wide	180.0
5055 IA/OIL HAZ	5391 Oil and Hazardous Waste	EnvCon - Department-wide	26.4
	Inter-Agency		
5061 CIP Rcpts	5351 Capital Improvement Project	Commerce - Department-wide	150.0
	Inter-Agency		
5236 AK LNG I/A	5427 Alaska Liquefied Natural Gas	Commerce - Department-wide	522.5
	Project Fund Inter-Agency		
RDU: Administration and Support (600)			2,788.3
5007 I/A Rcpts	5301 Inter-Agency Receipts	Admin - Department-wide	337.8
5007 I/A Rcpts	5301 Inter-Agency Receipts	Commerce - Department-wide	115.7
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Administrative Services (424)	1,301.8
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Agricultural Development (455)	40.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Fire Suppression Preparedness (2705)	150.7
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Forest Management & Develop (435)	100.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Mental Health Lands Admin (1635)	14.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Mining, Land & Water (3002)	68.9
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Oil & Gas (439)	154.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Parks Management & Access (3001)	50.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Public Information Center (2441)	166.2
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Recorder's Office/UCC (802)	40.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Trustee Council Projects (1199)	45.9
5007 I/A Rcpts	5301 Inter-Agency Receipts	NOT FOUND	40.0
5055 IA/OIL HAZ	5391 Oil and Hazardous Waste	EnvCon - Department-wide	13.3
	Inter-Agency		
5061 CIP Rcpts	5351 Capital Improvement Project	Commerce - Department-wide	150.0
	Inter-Agency		
Component: Commissioner's Office (423)			388.6
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Administrative Services (424)	92.4
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Oil & Gas (439)	130.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Public Information Center (2441)	166.2
Component: Office of Project Management & Permitting (2733)			379.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	Commerce - Department-wide	115.7
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Forest Management & Develop (435)	100.0
5055 IA/OIL HAZ	5391 Oil and Hazardous Waste	EnvCon - Department-wide	13.3
	Inter-Agency		
5061 CIP Rcpts	5351 Capital Improvement Project	Commerce - Department-wide	150.0
	Inter-Agency		
Component: Administrative Services (424)			1,249.4
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Administrative Services (424)	1,209.4

Inter-Agency Revenue Summary
Department of Natural Resources
Revenue Type Inter-Agency Receipts Only

Scenario: FY2022 Governor (17280)

IRIS Revenue Type	IRIS Revenue Source Code	Component	Total
5007 I/A Rcpts	5301 Inter-Agency Receipts	NOT FOUND	40.0
Component: Information Resource Management (427)			421.7
5007 I/A Rcpts	5301 Inter-Agency Receipts	Admin - Department-wide	337.8
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Mental Health Lands Admin (1635)	14.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Oil & Gas (439)	24.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Trustee Council Projects (1199)	45.9
Component: Interdepartmental Chargebacks (2998)			150.7
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Fire Suppression Preparedness (2705)	150.7
Component: Public Information Center (2441)			198.9
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Agricultural Development (455)	40.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Mining, Land & Water (3002)	68.9
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Parks Management & Access (3001)	50.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Recorder's Office/UCC (802)	40.0
RDU: Oil and Gas (601)			933.4
5007 I/A Rcpts	5301 Inter-Agency Receipts	Commerce - Department-wide	128.4
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Agricultural Development (455)	3.3
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Geological & Geophysical Surveys (1031)	250.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Project Management & Permitting (2733)	29.2
5236 AK LNG I/A	5427 Alaska Liquefied Natural Gas	Commerce - Department-wide	522.5
Component: Oil & Gas (439)			933.4
5007 I/A Rcpts	5301 Inter-Agency Receipts	Commerce - Department-wide	128.4
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Agricultural Development (455)	3.3
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Geological & Geophysical Surveys (1031)	250.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Project Management & Permitting (2733)	29.2
5236 AK LNG I/A	5427 Alaska Liquefied Natural Gas	Commerce - Department-wide	522.5
RDU: Fire Suppression, Land & Water Resources (602)			1,977.1
5007 I/A Rcpts	5301 Inter-Agency Receipts	Commerce - Department-wide	98.1
5007 I/A Rcpts	5301 Inter-Agency Receipts	Correct - Department-wide	20.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	EnvCon - Department-wide	49.6
5007 I/A Rcpts	5301 Inter-Agency Receipts	FishGm - Department-wide	67.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	M&VA - Department-wide	60.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Agricultural Development (455)	63.2
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Fire Suppression Activity (2706)	992.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Fire Suppression Preparedness (2705)	11.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Geological & Geophysical Surveys (1031)	17.7
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Mental Health Lands Admin (1635)	55.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Mining, Land & Water (3002)	50.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Oil & Gas (439)	129.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Parks Management & Access (3001)	10.1
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Project Management & Permitting (2733)	142.9
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Trustee Council Projects (1199)	16.5
5007 I/A Rcpts	5301 Inter-Agency Receipts	Trans - Department-wide	25.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	Univ - Department-wide	170.0
Component: Mining, Land & Water (3002)			488.8
5007 I/A Rcpts	5301 Inter-Agency Receipts	Commerce - Department-wide	35.1
5007 I/A Rcpts	5301 Inter-Agency Receipts	Correct - Department-wide	20.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	FishGm - Department-wide	42.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Agricultural Development (455)	63.2
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Fire Suppression Preparedness (2705)	11.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Geological & Geophysical Surveys (1031)	17.7
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Mental Health Lands Admin (1635)	55.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Oil & Gas (439)	50.3
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Parks Management & Access (3001)	10.1
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Project Management & Permitting (2733)	142.9
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Trustee Council Projects (1199)	16.5
5007 I/A Rcpts	5301 Inter-Agency Receipts	Trans - Department-wide	25.0
Component: Forest Management & Development (435)			610.2
5007 I/A Rcpts	5301 Inter-Agency Receipts	FishGm - Department-wide	25.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Fire Suppression Activity (2706)	585.2

Inter-Agency Revenue Summary
Department of Natural Resources
Revenue Type Inter-Agency Receipts Only

Scenario: FY2022 Governor (17280)

IRIS Revenue Type	IRIS Revenue Source Code	Component	Total
Component: Geological & Geophysical Surveys (1031)			471.3
5007 I/A Rcpts	5301 Inter-Agency Receipts	Commerce - Department-wide	63.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	EnvCon - Department-wide	49.6
5007 I/A Rcpts	5301 Inter-Agency Receipts	M&VA - Department-wide	60.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Mining, Land & Water (3002)	50.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Oil & Gas (439)	78.7
5007 I/A Rcpts	5301 Inter-Agency Receipts	Univ - Department-wide	170.0
Component: Fire Suppression Preparedness (2705)			406.8
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Fire Suppression Activity (2706)	406.8
RDU: Parks and Outdoor Recreation (604)			1,672.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	FishGm - Department-wide	700.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	M&VA - Department-wide	55.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Fire Suppression Preparedness (2705)	65.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Forest Management & Develop (435)	45.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Mining, Land & Water (3002)	229.6
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Project Management & Permitting (2733)	145.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	Trans - Department-wide	419.3
5055 IA/OIL HAZ	5391 Oil and Hazardous Waste Inter-Agency	EnvCon - Department-wide	13.1
Component: Parks Management & Access (3001)			984.3
5007 I/A Rcpts	5301 Inter-Agency Receipts	FishGm - Department-wide	700.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	M&VA - Department-wide	55.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Fire Suppression Preparedness (2705)	65.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Forest Management & Develop (435)	45.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Mining, Land & Water (3002)	50.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	Trans - Department-wide	69.3
Component: Office of History and Archaeology (451)			687.7
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Mining, Land & Water (3002)	179.6
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Project Management & Permitting (2733)	145.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	Trans - Department-wide	350.0
5055 IA/OIL HAZ	5391 Oil and Hazardous Waste Inter-Agency	EnvCon - Department-wide	13.1
RDU: Agriculture (603)			238.3
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Project Management & Permitting (2733)	20.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	Trans - Department-wide	208.3
5007 I/A Rcpts	5301 Inter-Agency Receipts	Univ - Department-wide	10.0
Component: Agricultural Development (455)			20.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Project Management & Permitting (2733)	10.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	Univ - Department-wide	10.0
Component: North Latitude Plant Material Center (2204)			218.3
5007 I/A Rcpts	5301 Inter-Agency Receipts	NatRes - Project Management & Permitting (2733)	10.0
5007 I/A Rcpts	5301 Inter-Agency Receipts	Trans - Department-wide	208.3