Department of Natural Resources

All Dollars in Thousands

	(GF Only)	Change	% Change	See Note:
FY17 Conference Committee (GF Only)	**$93,789.0**			
FY17 Fiscal Notes	-			
CarryForward	-			
Misc Adjustments	-			
Multi-Years/Specials	-			
Vetoes	(351.4)			
FY17 Management Plan (GF only)	**$93,437.6**	($351.4)	-0.4%	
One-time Items Removed	(2,913.1)			**8 & 9**
Misc Adjustments	-			
Agency Transfer In/ Out	-			
Temporary Increments (IncTs)	-			
Maintenance Increments	-			
FY18 Contractual Salary Increases	538.3			
FY18 Adjusted Base Budget (GF only)	**$91,062.8**	($2,374.8)	-2.5%	
Lang/Lang OTIs/MiscAdj/Carryforward/MultiYears/Contingent	-			
FY18 Governor's GF Increments/Decrements/Fund Changes	(1,146.4)			
FY18 Governor's Agency Request (GF only)	**$89,916.4**	($1,146.4)	-1.3%	

FY18 Governor's Increments, Decrements, Fund Changes and Language	FY18 Adjusted Base Budget (GF Only)	FY18 Governor's Request (GF only)	Change from FY18 Adj Base to FY18 Governor's Request	See Note:
Allocation			**($1,146.4)**	
Administrative Services	2,363.5	2,345.1	(18.4)	**2**
Recorder's Office/UCC	4,545.4	3,795.4	(750.0)	**3**
Oil & Gas	9,565.3	8,695.3	(870.0)	**4**
Mining, Land & Water	22,309.8	23,084.8	775.0	**1 & 5**
Geological/Geophysical Surveys	4,564.8	4,078.8	(486.0)	**6**
Agricultural Development	1,653.3	1,521.3	(132.0)	**7**
North Latitude Plant Material Center	1,331.3	1,666.3	335.0	**8**

Non-General Fund Agency Summary	FY18 Adjusted Base Budget	FY18 Governor's Request	Change from FY18 Adj Base to FY18 Governor's Request	See Note:
Other State Funds (all allocations)	36,467.8	38,509.1	2,041.3	
Federal Funds (all allocations)	21,920.1	24,320.1	2,400.0	
Total Non-General Funds (all allocations)	**$58,387.9**	**$62,829.2**	**$4,441.3**	
Position Changes (From FY17 Authorized to Gov)	**1,020**	**905**	**(115)**	**2-7**
PFT	708	628	(80)	
PPT	217	213	(4)	
Temp	95	64	(31)	

Governor's Capital Request	State Funds (GF + Other)	Federal Funds	Total	See Note:
Planning and Research	300.0	2,550.0	2,850.0	
Maintenance and Repairs	2,018.9	4,700.0	6,718.9	
Remodel, Reconstruction and Upgrades	-	-	-	
New Construction and Land Acquisition	17,250.0	600.0	17,850.0	
Equipment and Materials	-	-	-	
Information Systems and Technology	-	-	-	
Other	400.0	1,800.0	2,200.0	
TOTAL CAPITAL	**$19,968.9**	**$9,650.0**	**$29,618.9**	

Department of Natural Resources

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

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

BUDGET SUMMARY

The FY18 Department of Natural Resources general fund operating budget as submitted by the Governor on December 15, 2016 is $1,146.4 (1.3%) *below* the FY18 Adjusted Base. Unrestricted General Funds (UGF) are down by $2,440.4 (4.0%), but Designated General Funds (DGF) are up by $1,294.0. Significant issues are highlighted in the notes below and correspond to the numbers in the last column on the preceding spreadsheet.

NEW PROGRAMS/PROGRAM EXPANSION

1. Mining, Land & Water – Unified Permit Program: $1,385.0 GF/Program Receipts (DGF). The Governor's budget includes an increment of $1,385.0 GF/Program Receipts for the final phase of the Unified Permit program, which will support seven PCNs that are currently funded through CIP receipts. This phase will build out the Water Rights processes, complete legacy scanning, and transition into ongoing operations and maintenance of the system. Earlier phases transitioned the division to an electronic permitting system. This phase will decrease permitting backlogs by making the permitting process more efficient. The Division of Mining, Land & Water already collects Program Receipts in excess of the amount used in the budget, and this phase is expected to bring in additional receipts. The ongoing cost will decrease to $819.3 after FY19 and $469.3 after FY21.

Legislative Fiscal Analyst Comment: Utilization of GF/Program Receipts that are currently lapsing to the general fund increases the budget deficit (due to reduced UGF revenue), despite the increment being DGF.

FUNDING REDUCTIONS AND MAINTENANCE OF SERVICES

2. Transfers to Shared Services of Alaska (SSoA) and Office of Information Technology (OIT). In order to provide internal services at a reduced cost, the Executive Branch will implement phased consolidation of (1) cross-department services such as travel, accounts payable, P-Cards, procurement, facilities management, collection of delinquent accounts and centralized mail and print services and of (2) information technology services. Departments transferred a total of 77 positions to SSoA (3 PFTs from DNR) and another 68 positions to OIT (34 from DNR, which is part of the first phase of the full roll-out).

Departments have decremented a total of $763.8 ($332.8 UGF) in the FY18 budget. This represents a 10% cut related to transferred positions with the remaining 90% of funding transferred to the contractual line to fund Reimbursable Services Agreements with the SSoA. The FY18 share of savings attributable to the Department of Natural Resources is $26.2 ($18.4 UGF). For more information, see the Operating Budget Overview in the *FY18 Legislative Fiscal Analyst's Overview of the Governor's Request*.

3. **Recorder's Office/Uniform Commercial Code – Consolidation and Efficiencies: ($750.0) GF/Program Receipts (DGF), (5) PFT and (2) PPT Positions.** The Governor's request continues a consolidation process in the Recorder's Office begun in FY16. Due to electronic recording, fewer offices are needed around the state. This decrement will eliminate positions in Kenai, Palmer, Fairbanks, and Juneau, but the impact to the public will be minimal because offices remain open in those cities. While the reduction is DGF, unspent program receipts will lapse to the general fund, revenue will remain unaffected, increasing UGF revenue and reducing the budget deficit.

4. **Oil & Gas – Division Consolidation to Manage Oil and Gas Resources: ($870.0) UGF and (6) PFT Positions.** This decrement continues a consolidation and reorganization in the Division of Oil & Gas over the past two years due to declining budgets. Six full-time positions will be eliminated, along with associated funding of $870.0. This reduction may reduce the number of lease areas available each year, as well as less ability to draft comments on federal actions.

5. **Mining, Land & Water – Multiple Reductions: ($535.0) UGF and (4) PFT Positions.** The Governor's budget includes four reductions to the Mining, Land and Water budget, totaling $535.0 UGF and eliminating 4 PFT positions:

   - **Denali Block Program Reduction: ($76.0) UGF.** The Denali Block is an area of public land along the Denali Highway between Paxson and Cantwell. This decrement will reduce state management of the area, such as the development of new trails, parking, and infrastructure.
   - **Consolidate Facility Lease: ($39.0) UGF.** Office space in the Anchorage Atwood Building will be consolidated, reducing the division's lease costs.
   - **Mapping and Project Solutions (MAPS) Program Reorganization: ($342.0) UGF and (3) PFT Positions.** The MAPS unit's IT Services section will be eliminated and the duties will be absorbed by other staff. The unit conducts GIS training and creates GIS maps and mapping tools.
   - **Municipal Entitlements Reduction: ($78.0) UGF and (1) PFT Position.** The Municipal Entitlements section assists municipal governments on reviewing, identifying and issuing their land entitlements. This decrement reduces the section from four staff to three.

6. **Geological & Geophysical Surveys – Multiple Reductions and New Fee Revenue: ($720.0) UGF, $234.0 GF/Program Receipts (DGF) and (2) PFT Positions.** The Governor's budget includes three reductions to the Geologic and Geophysical Surveys budget, totaling $486.0 UGF, and eliminating 2 PFT positions:

   - **Reduce Geologic Publications and Data Distribution Capacity: ($226.0) UGF and (1) PFT Position.** This decrement will eliminate a Publications Specialist position and reduce contractual services and the purchase of supplies.
   - **Reduce Travel to Industry Meetings and for Inter-Agency Coordination: ($50.0) UGF.** The division will no longer travel to meetings and conferences, including trade shows intended to attract mineral and energy companies to the state.

- **Delete a Geologist III at the Geologic Materials Center: ($120.0) UGF and (1) PFT Position.** Due to the current low level of oil and gas exploration in Alaska, this decrement will have minimal impact to the public.
- **Reduce Mineral Resources Section Field Analyses and Equipment: ($90.0) UGF.** This decrement will cut funding for assessing Alaska lands for minerals and metals.

In addition, new fees for use of the Geologic Materials Center authorized by Chapter 27, SLA 2016 (SB 170) are estimated to bring in an additional $234.0 in GF/Program Receipts, reducing UGF by the same amount.

7. **Agricultural Development – Reduce Administrative Support: ($132.0) UGF and (1) PFT Position.** One Administrative Officer position will be eliminated, with duties reassigned to other staff.

8. **North Latitude Plant Material Center – Restore Funding to FY17 Level: $335.0 UGF.** In the FY17 budget, $335.0 of the North Latitude Plant Material Center's funding was converted to a one-time increment (IncOTI), and legislative intent directed the department to explore privatization of services or fee increases. The department increased fees by 20%, but this will increase revenue by only $10.0. As a result, the Governor's budget restores the funding as a permanent item.

9. **Parks & Outdoor Recreation – Reduce Unrestricted General Funds Due to Fee Increases: ($500.0) UGF and $500.0 GF/Program Receipts (DGF).** Across-the-board fee increases are estimated to bring in an additional $933.0 in revenue in FY18. The Governor's budget will utilize $500.0 of this to replace UGF. In addition, the FY17 budget made $328.4 of the Parks budget a one-time increment (IncOTI) ($241.2 UGF and $87.2 GF/Program receipts). The Governor's FY18 request does not restore this funding, which will result in reduced staffing in the Delta Junction region and passive management of Fielding Lake and Donnelly Creek State Recreation Sites.

OTHER ISSUES

10. **Agriculture Revolving Loan Program Administration – Sale of Mt. McKinley Meat and Sausage Plant.** The Mt. McKinley Meat and Sausage Plant was taken over by the State in the 1980s as a result of a bankruptcy against a state loan, and was operated by the State for three decades. In 2016, after a number of failed attempts to privatize the plant over the years, the Division of Agriculture found a private buyer. Funding for the plant, which was a one-time increment (IncOTI) of $2 million from the Agricultural Loan Fund, is not in the Governor's FY18 budget request.

ORGANIZATIONAL CHANGES

There were no major organizational changes in FY18.

CAPITAL BUDGET

The DNR FY18 capital budget totals $29.6 million ($300.0 UGF, $250.0 DGF, $19,418.9 Other State Funds, and $9,650.0 Federal Receipts), plus a supplemental capital request of $250.0. The budget includes mostly ongoing projects that do not require general funds, including the Abandoned Mine Lands Reclamation Federal Program and the Federal and Local Government Funded Forest Resource and Fire