

State of Alaska Detailed Fiscal Summary--FY23 and FY24 (Part 1)

(\$ millions)

	FY23 Management Plan					FY24 Governor					Change in UGF	
	Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Receipts	All Funds	Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Receipts	All Funds	\$	%
REVENUE												
1 Unrestricted General Fund Revenue (Fall 2023 Forecast) (1)	7,239.5	1,053.7	869.3	6,173.1	15,335.5	6,935.3	978.0	811.6	4,850.0	13,574.9	(304.2)	-4.2%
2 POMV Payout from ERA	3,865.2	-	-	-	3,865.2	3,410.1	-	-	-	3,410.1		
3 POMV Payout from ERA	3,360.6	-	-	-	3,360.6	3,526.1	-	-	-	3,526.1		
4 Adjustments, Carryforward, Repeals, and Reappropriations (2)	13.7	54.5	-	689.8	756.0	(0.9)	-	-	-	(0.9)		
5 Restitutions Revenue (3)	-	995.2	869.3	5,483.3	7,351.7	-	978.0	811.6	4,850.0	6,639.6		
APPROPRIATIONS												
TOTAL OPERATING APPROPRIATIONS	5,246.6	872.7	795.7	4,204.1	11,119.1	4,510.5	827.9	775.5	3,177.7	9,291.7	(736.1)	-14.0%
7 Agency Operations	4,220.8	723.5	739.9	3,988.7	9,672.8	4,151.5	766.7	706.9	3,128.4	8,753.5	(69.3)	-1.6%
8 Current Fiscal Year Appropriations	4,220.8	723.5	739.9	3,988.7	9,672.8	4,151.5	766.7	706.9	3,128.4	8,753.5	(69.3)	-1.6%
9 Agency Operations (Non-Formula)	2,065.7	716.9	680.5	1,997.8	5,461.0	2,065.2	748.4	658.7	1,210.6	4,685.9	(17.5)	-0.8%
10 K-12 Foundation and Pupil Transportation (Formula)	1,272.1	-	31.7	20.8	1,324.6	1,213.4	-	32.7	20.8	1,266.8	(58.7)	-4.6%
11 Medicaid Services (Formula)	649.9	0.4	15.5	1,769.1	2,434.9	670.6	0.4	15.5	1,769.2	2,455.7	20.7	3.2%
12 Other Formula Programs	213.1	6.1	187.9	407.2	814.3	199.3	17.9	-	127.8	344.9	(13.8)	-6.5%
13 Revised Programs Legislatively Approved (RPLs)	-	-	12.1	13.1	25.2	-	-	-	-	-		
14 Duplicated Authorization (non-additive) (4)	-	-	874.4	-	874.4	-	-	904.1	-	904.1		
Statewide Items	1,025.8	149.2	55.8	215.4	1,446.3	359.0	61.3	68.7	49.3	538.2	(666.8)	-65.0%
16 Current Fiscal Year Appropriations	1,025.8	149.2	55.8	215.4	1,446.3	359.0	61.3	68.7	49.3	538.2	(666.8)	-65.0%
17 Debt Service	158.6	15.1	27.8	4.8	206.3	148.1	13.5	21.3	4.8	187.8	(10.5)	-6.6%
18 Fund Capitalizations	317.6	45.2	0.3	91.2	454.3	70.6	15.2	10.3	44.4	140.6	(247.0)	-77.8%
19 Community Assistance	-	-	-	-	-	-	-	-	-	-		
20 REAA School Fund	32.8	-	-	-	32.8	27.9	-	-	-	27.9	(4.9)	-14.9%
21 Oil and Gas Tax Credit Fund	281.0	-	-	-	281.0	42.7	-	-	-	42.7		
22 Other Fund Capitalization	3.8	15.2	0.3	91.2	110.5	140.3	15.2	10.3	44.4	70.0	(3.8)	-8.3%
23 State Payments to Retirement Systems	128.6	-	-	-	128.6	-	-	-	-	-		
24 Energy Relief Payment (5)	420.1	-	-	-	420.1	-	-	-	-	-		
25 Shared Taxes	-	35.4	27.7	119.4	182.5	-	32.5	37.1	-	69.6	(420.1)	
26 Alaska Comprehensive Insurance Program	-	53.5	-	-	53.5	-	-	-	-	-		
27 Duplicated Authorization (non-additive) (4)	-	-	10.7	-	10.7	-	-	13.1	-	13.1		
TOTAL CAPITAL APPROPRIATIONS	735.1	74.0	73.4	1,782.3	2,664.8	276.4	72.7	35.9	1,661.7	2,046.7	(458.7)	-62.4%
29 Current Fiscal Year Appropriations	735.1	74.0	73.4	1,782.3	2,664.8	276.4	72.7	35.9	1,661.7	2,046.7	(458.7)	-62.4%
30 Project Appropriations	735.1	74.0	73.4	1,782.3	2,664.8	276.4	72.7	35.9	1,661.7	2,046.7	(458.7)	-62.4%
31 Duplicated Authorization (non-additive) (4)	-	-	66.3	-	66.3	-	-	75.6	-	75.6		
32 Money on the Street (includes all fund sources) (6)	735.1	74.0	139.7	1,782.3	2,731.1	276.4	72.7	111.4	1,661.7	2,122.3		
Pre-Permanent Fund Authorization (unduplicated)	5,981.8	946.7	869.1	5,986.5	13,784.0	4,786.9	900.7	811.4	4,839.4	11,338.4	(1,194.8)	-20.0%
34 Revenue less operating and capital appropriations	1,257.7				2,148.4							
Permanent Fund Appropriations	1,680.3	74.8	-	-	1,755.1	2,470.9	76.4	-	-	2,547.3	790.6	47.1%
36 Permanent Fund Dividends (5)	1,680.3	-	-	-	1,680.3	2,470.9	-	-	-	2,470.9	790.6	47.1%
37 Non-Mandatory Royalty Deposit to Principal	-	74.8	-	-	74.8	-	76.4	-	-	76.4		
38 Transfer to Principal from Earnings Reserve Account	-	-	-	-	-	-	-	-	-	-		
39 Transfer from Earnings Reserve Account to Principal	(4,181.0)	-	-	-	(4,181.0)	(1,413.0)	-	-	-	(1,413.0)		
Pre-Transfers Authorization (unduplicated)	7,662.0	1,021.5	869.1	5,986.5	15,539.1	7,257.8	977.1	811.4	4,839.4	13,885.7	(404.2)	-5.3%
41 Pre-Transfer Surplus/Deficit (7)	(422.5)	Revenue =	Revenue =	of Appropriations	(322.5)	Revenue =	Revenue =	of Appropriations	of Appropriations			
Fund Transfers (8)	(422.5)	32.2	0.2	186.6	(203.5)	(124.4)	0.9	0.2	10.6	(112.6)	298.1	
43 Current Fiscal Year Transfers	(422.5)	32.2	0.2	186.6	(203.5)	(124.4)	0.9	0.2	10.6	(112.6)	298.1	
44 Renewable Energy Transfers	-	15.9	-	-	(219.8)	-	-	-	-	-	-	
45 Other Fund Transfers	0.3	0.9	0.2	-	15.0	0.3	0.9	0.2	-	1.5	0.0	
46 Statutory Budget Reserve Fund	(350.3)	-	-	-	(350.3)	(10.6)	-	-	-	-	350.3	
47 General Fund Deposit from American Rescue Plan Act (ARPA)	(186.6)	-	-	-	-	(114.1)	-	-	-	-	176.0	
48 K-12 Forward Funding (9)	114.1	-	-	-	114.1	-	-	-	-	-	(228.2)	
49 Supplemental Appropriations (Fund Transfers)	-	16.3	-	-	16.3	-	-	-	-	-	-	
Post-Transfers Authorization (unduplicated)	7,239.5	1,053.7	869.3	6,173.1	15,335.6	7,133.4	978.0	811.6	4,850.0	13,773.1	(106.1)	-1.5%
51 Post-Transfer Surplus/Deficit (10)	(0.0)	Revenue =	Revenue =	of Appropriations	(198.1)	Revenue =	Revenue =	of Appropriations	of Appropriations			

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(\$ millions)													
		FY23 Management Plan					FY24 Governor				Change in UGF		
		Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Receipts	All Funds	Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Receipts	All Funds	\$	%
FISCAL YEAR SUMMARY		7,239.5	1,053.7	869.3	6,173.1	15,335.6	7,133.4	978.0	811.6	4,850.0	13,773.1	(106.1)	-1.5%
52	Agency Operations	4,220.8	723.5	739.9	3,988.7	9,672.8	4,151.5	766.7	706.9	3,128.4	8,753.5	(69.3)	-1.6%
53	Statewide Items	1,025.8	149.2	55.8	215.4	1,446.3	359.0	61.3	68.7	49.3	538.2	(666.8)	-65.0%
54	Permanent Fund Appropriations	1,680.3	74.8	-	-	1,755.1	2,470.9	76.4	-	-	2,547.3	730.6	47.1%
55	Total Operating	6,926.9	947.5	795.7	4,204.1	12,874.2	6,981.4	904.4	775.5	3,177.7	11,839.0	54.5	0.8%
56	Capital	735.1	74.0	73.4	1,782.3	2,664.8	276.4	72.7	35.9	1,661.7	2,046.7	(458.7)	-62.4%
57	Transfers	(422.5)	32.2	0.2	186.6	(203.5)	(124.4)	0.9	0.2	10.6	(112.6)	288.1	
58													

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Notes:

- (1) The Department of Revenue's Fall 2022 oil forecast for FY24 is 512.1 bpd total Alaska production at \$81 per barrel.
- (2) Carryforward is money that was appropriated in a prior year that is made available for spending in a later year via multi-year appropriations. Repeals increase revenue by reducing prior year authorization. Total carryforward into FY24 will be unknown until the close of FY23. Reappropriations to operating budget funds are counted as UGF revenue. The FY24 revenue adjustment is due to the declared AIDEA dividend being \$0.9 million lower than the initial estimate.
- (3) Restricted revenue equals spending for each category. Designated general funds include 1) program receipts that are restricted to the program that generates the receipts and 2) revenue that is statutorily designated for a specific purpose. Other funds have stricter restrictions on usage, and federal funds originate from the federal government and can be used only for a particular purpose. Several appropriations for federal receipts include "open ended" authorization that allow the agencies to accept any amount of federal funds received in connection to COVID-19 response (Medicaid, Public Health Emergency Programs, Disaster Relief Fund, Unemployment Insurance, and Workforce Services). The amount of actual FY23/FY24 federal receipts for COVID-19 response may be greater than shown.
- (4) Duplicated authorization is in the budget twice, such as when funds flow in and out of a holding account or one agency pays another for services provided. Duplicated authorization also includes the expenditure of bond proceeds when debt service on bonds will be reflected in future operating budgets.
- (5) The FY23 enacted budget appropriates \$420.1 million for an energy relief payment, which is shown separately from the Permanent Fund Dividend (PFD) payment, though the energy relief was distributed with the PFD.
- (6) Including duplicated fund sources in the amount of capital spending provides a valuable measure of "money on the street" because it includes projects funded with bond proceeds and other duplicated fund sources.
- (7) The "Pre-transfer Surplus/(Deficit)" indicates if projected state revenue is sufficient to pay for the budget before using money from savings or non-recurring revenue sources. If projected state revenue is projected to be insufficient indefinitely, it is often referred to as a "structural deficit."
- (8) "Fund Transfers" refer to appropriations that move money from one fund to another within the Treasury. Although transfers are not true expenditures, they reduce the amount of money available for other purposes so must be included in the calculation of the surplus/deficit. For reserve accounts, a positive number indicates a deposit and a negative number indicates a withdrawal. When money is withdrawn and spent, the expenditure is included in the operating or capital budget, as appropriate. For example, the appropriation to transfer court filing fees from the general fund to the civil legal services fund.
- (9) The FY23 enacted budget appropriates \$1,215.1 million from the general fund to the public education fund to forward fund the FY24 K-12 Foundation formula. This appropriation will be reduced if UGF revenue is insufficient, and only \$114.1 million will remain available under the fiscal summary's revenue assumptions before supplemental appropriations.
- (10) No appropriation from the CBR to cover a general fund deficit was enacted for FY23. The Governor's FY24 budget proposal contains language appropriating from the CBR to cover a general fund deficit.

Projected Fund Balances -- FY23 and FY24 (Part 2)									
(\$ millions)									
	FY23				FY24				
	BoY Balance	In	Out/ (Deposit)	EoY Balance	BoY Balance	In	Out/ (Deposit)	EoY Balance	
Total Budget Reserves and Designated Funds	4,018.7	269.8	502.6	3,785.9	3,785.9	176.5	333.9	3,628.5	
Undesignated Reserves	2,626.8	198.9	350.3	2,475.4	2,475.4	78.7	198.1	2,355.9	
Total Excluding Permanent Fund	2,626.8	198.9	350.3	2,475.4	2,475.4	78.7	198.1	2,355.9	
Constitutional Budget Reserve Fund	2,255.5	198.9	0.0	2,454.4	2,454.4	78.7	178.3	2,354.7	
Statutory Budget Reserve Fund	370.1	-	350.3	19.8	19.8	-	19.8	0.0	
Alaska Housing Capital Corporation Fund	1.1	-	-	1.1	1.1	-	-	1.1	
Select Designated Funds	1,391.9	70.9	152.3	1,310.5	1,310.5	97.9	135.7	1,272.6	
Total Excluding Permanent Fund	1,391.9	70.9	152.3	1,310.5	1,310.5	97.9	135.7	1,272.6	
Alaska Capital Income Fund	(3.2)	27.0	27.7	(3.9)	(3.9)	29.3	32.3	(6.9)	
Alaska Higher Education Investment Fund	344.7	3.8	-	348.5	348.5	19.5	23.6	344.4	
Community Assistance Fund	90.0	30.0	30.0	90.0	90.0	-	30.0	60.0	
Power Cost Equalization Endowment	960.4	10.1	94.6	875.9	875.9	49.0	49.8	875.1	
Unrestricted General Fund Appropriations				7,662.0				7,257.8	
Reserves Ratio (Undesignated Reserves / Pre-Transfer Budget)				32%				32%	
Pre-Transfer Deficit				(422.5)				(322.5)	
Years of Deficit Coverage (Undesignated Reserves / Pre-Transfer Deficit)				5.86				7.30	
Permanent Fund *									
Permanent Fund Principal - Realized (no appropriations allowed)	51,686.3	4,753.0	0.0	56,438.9	56,438.9	1,919.9	0.0	58,358.4	
Permanent Fund Earnings Reserve Account - Realized	13,815.0	4,575.1	7,568.6	10,821.5	10,821.5	5,103.0	4,968.1	10,956.4	
Permanent Fund -- Unrealized Gain (Loss)	11,034.9	452.0	0.0	11,486.9	11,486.9	116.0	0.0	11,602.9	
TOTAL PERMANENT FUND	76,536.2	9,780.1	7,568.6	78,747.3	78,747.3	7,138.9	4,968.1	80,917.7	

*Alaska Permanent Fund Corporation (APFC) projection for FY23 as of November 30, 2022. Includes LFD adjustments.

January 13, 2023

Executive Summary

As required by law, the Governor released his FY24 budget proposal to the public and the legislature on December 15, 2022. 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.

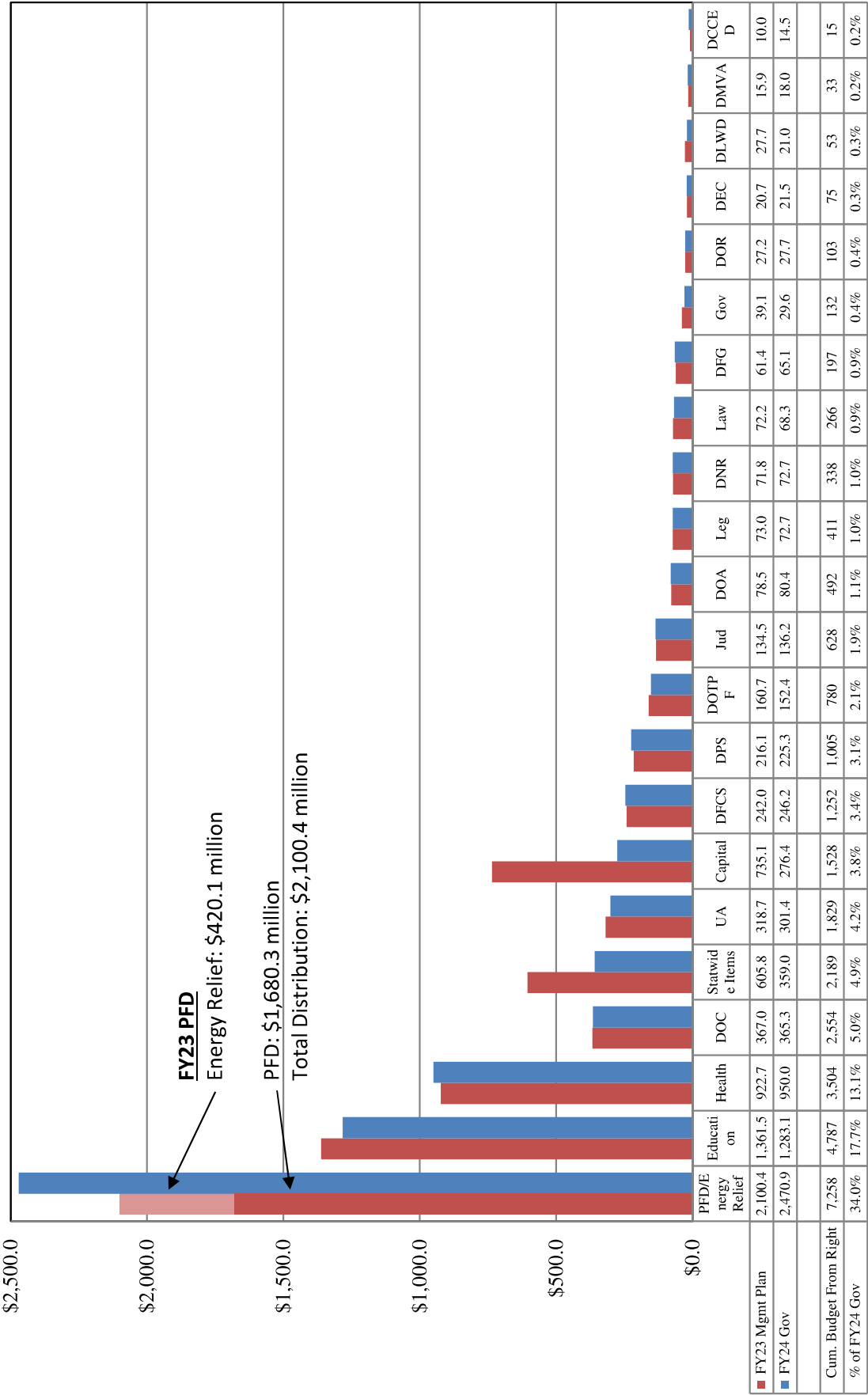
The Overview provides a starting point for legislative consideration of the Governor's proposed budget and revenue plan. It does not necessarily discuss the merits of budget plans, but more focuses on outlining the fiscal situation and presenting the budget in a way that provides simple, clear information to the legislature.

The first chapters in this publication primarily refer to Unrestricted General Funds (UGF). These are the state revenues with no constitutional or statutory restrictions on their use. The statewide fiscal surplus or deficit is calculated using this fund source group. Later in the publication, individual agency narratives account for significant changes in all fund sources. The first chapters also primarily use figures in the millions of dollars, with the decimal indicating hundreds of thousands, while agency narratives generally use figures in the thousands of dollars, with the decimal indicating hundreds.

Despite a spike in oil prices in the first half of 2022, the long-term fiscal situation is much the same as it has been for a decade: there is a gap between the statutory spending and revenue structures at expected oil prices. After years of budget cuts and PFD payments far below the statutory amounts, the 2022 legislature increased spending substantially and paid the highest nominal PFD in State history (the second highest when adjusted for inflation, after 2008). Heading into FY24, oil prices have declined, and the Governor once again submitted a budget that relies on the use of savings.

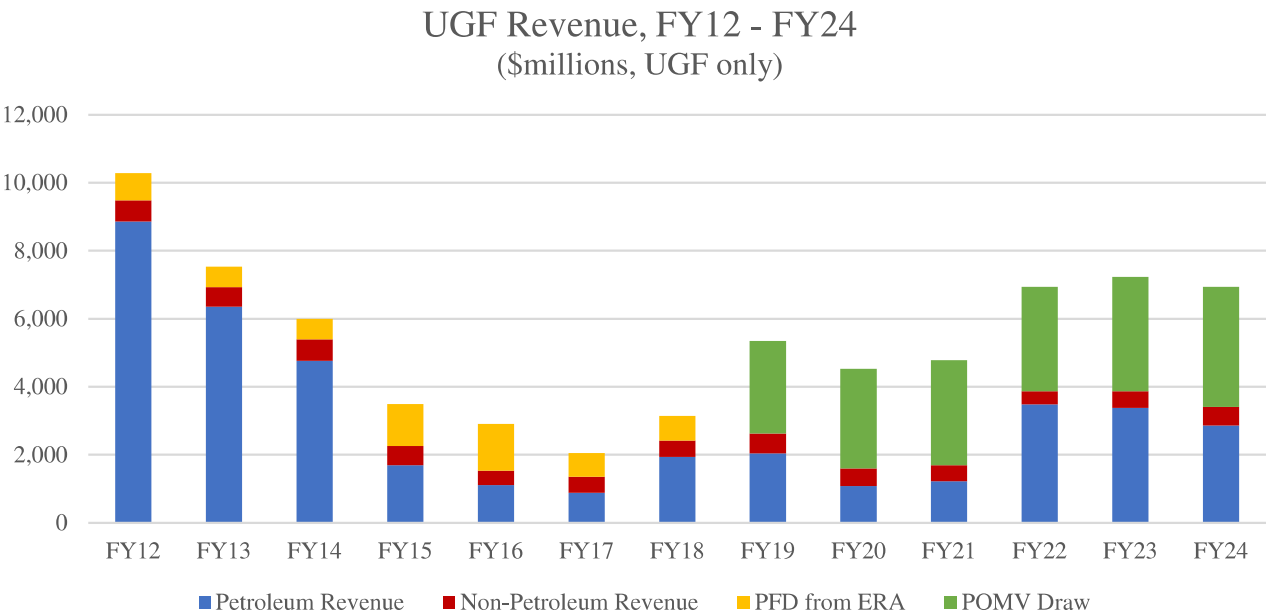
The Governor's FY24 budget balances at \$86 per barrel, compared to DOR's forecast price of \$81 per barrel. At the forecast price, this leaves a deficit of \$322.5 million, which the Governor proposes to fill from a combination of several sources, including the Constitutional Budget Reserve.

Swoop Graph - UGF Only
FY24 Governor's Budget Compared to FY23 Management Plan
(Millions)



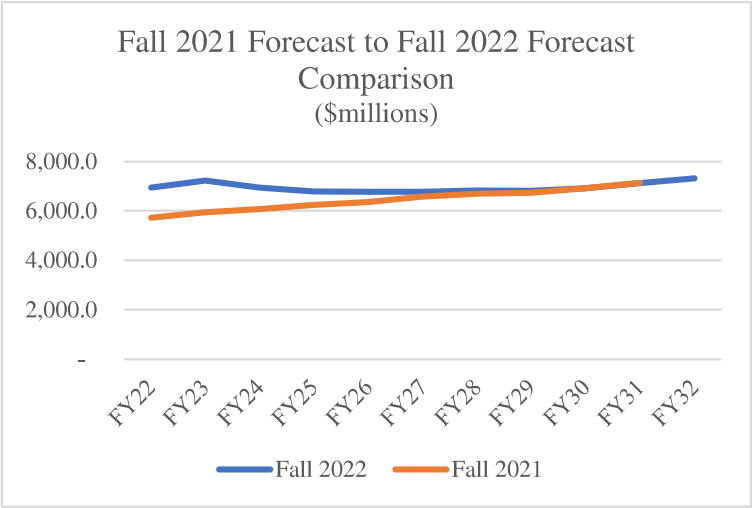
Alaska’s Overall Fiscal Situation

Alaska’s general fund is still heavily reliant on oil revenue. In Fiscal Year 2024 (FY24), the Department of Revenue projects that petroleum will account for 41% of Alaska’s UGF revenue. Within the last five years, that figure has fluctuated from 24% in FY20 to 50% in FY22. As always, oil prices remain volatile and Alaska’s fiscal fortunes appear to change rapidly from year to year, or even month to month.



Zooming out, though, the State’s long-term fiscal outlook today is remarkably similar to the picture a year ago, despite the oil price roller coaster in between. Comparing DOR’s Fall 2021 and Fall 2022 forecasts, the two converge over time (see the graph on the right). The oil price spike in early 2022 appears to have been temporary, and the fiscal situation remains as it was a year ago: improved from the FY15-21 period, but not improved enough to eliminate the structural budget deficit the State has faced since FY14.

Though the specific steps the legislature might take to ensure the fiscal stability are contentious policy choices, the Legislative Finance Division has historically encouraged the legislature approach the fiscal situation with these two goals in mind:



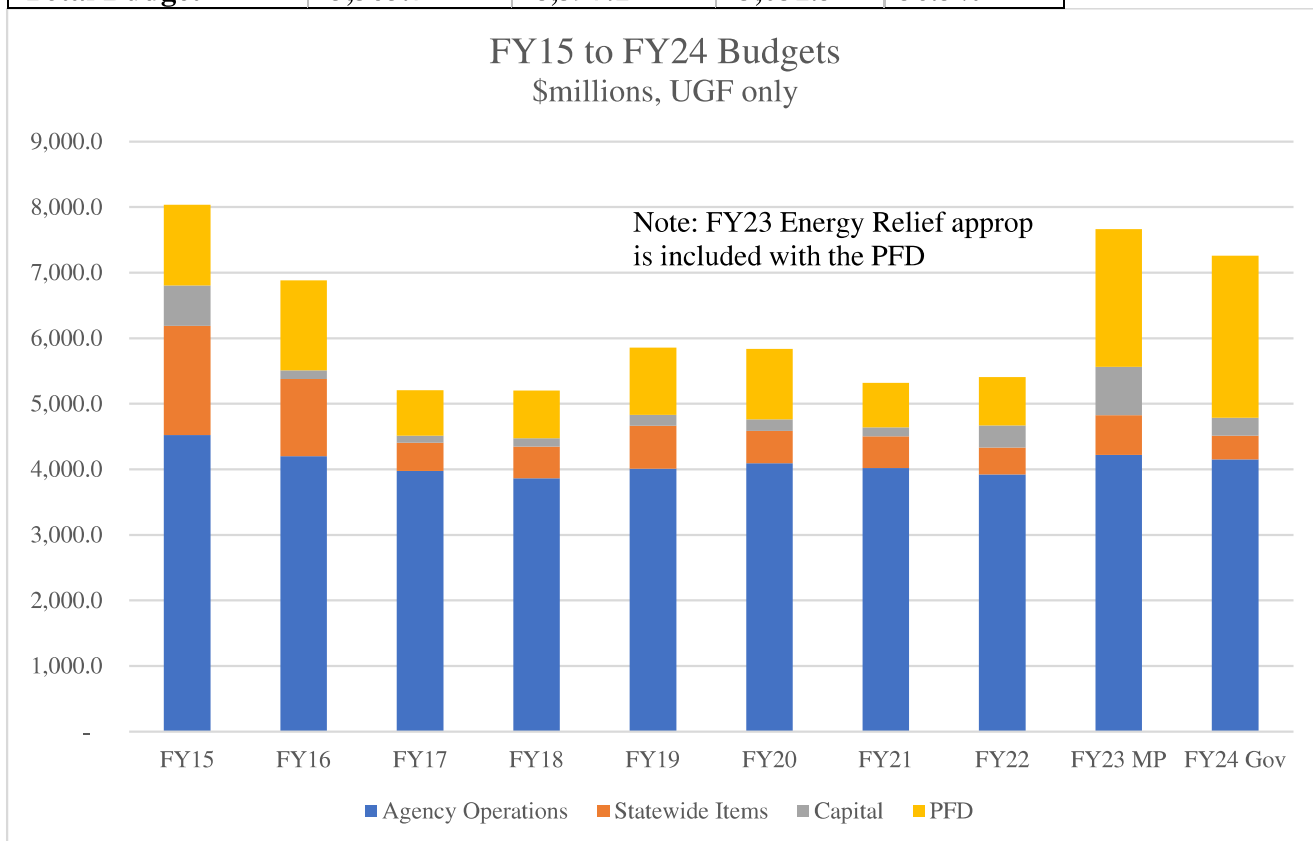
1. In the short term, look at how the budget performs over a wide range of oil prices and ensure that it can pay the bills no matter how oil may change over the course of the year.

- Over the long term, ensure that the State's fiscal structure is balanced at a moderate oil price so that surpluses can be saved, and deficits can be filled using those savings.

The End of Alaska's Austerity Era?

During the 2022 legislative session, the upward spike in expected revenue led to a spike in spending. Comparing UGF spending from the 2021 session to the 2022 session (not by fiscal year, since many expenditures were placed in the supplemental FY22 budget), UGF spending increased by 56.5%. Excluding statewide and capital appropriations and just focusing on agency operations, the growth rate was still 7.5%.

Comparison of 2021 Session to 2022 Session (regular appropriations plus supplementals)				
	2021 Session	2022 Session	\$ Change	% Change
Agency Operations	3,914.9	4,207.6	292.7	7.5%
Statewide Items	453.1	1,117.5	664.3	146.6%
Capital Budget	258.6	971.7	713.1	275.8%
Pre-PFD Total	4,626.7	6,296.8	1,670.1	36.1%
PFD/Energy Relief	739.0	2,100.4	1,361.3	184.2%
Total Budget	5,365.7	8,397.1	3,031.5	56.5%



This 56.5% growth was partly driven by one-time spending to make up for past budget reductions. Major one-time items include:

- \$220.8 million to pay past unfunded School Bond Debt Reimbursement from FY17-21
- \$84.0 million to repay past unfunded Regional Educational Attendance Area (REAA) Fund deposits from FY17-21
- \$199.0 million to the Permanent Fund Corpus to satisfy an audit finding relating to FY17-18 royalty appropriations
- \$38.9 million in FY22 to bring the Community Assistance Fund balance back to the statutory target of \$90.0 million
- An additional \$60 million beyond the statutory appropriation for oil and gas tax credits in an effort to purchase the remaining outstanding credits

These items, totaling \$602.7 million, contribute to the ballooning Statewide Items figure above, but the growth rates would still be unsustainable without them: even excluding these items, the pre-PFD budget would have still increased by 23.1%.

The significantly larger capital budget can be partially explained by the federal Infrastructure Investment and Jobs Act (IIJA), but also by much more funding for legislative priorities. IIJA expanded several programs that require state matching funds, particularly the Department of Transportation's Surface Transportation and Airport Improvement programs. In total, matching funds increased by about \$75.7 million between the 2021 and 2022 sessions, more than doubling. However, the bulk of the increased spending came from legislative priorities, including \$200.0 million for the Port of Alaska, \$175.3 million for the Port of Nome, \$30.0 million for a Mat-Su Transportation Infrastructure package, and \$37.5 million for School Major Maintenance. Going forward, the increased matching requirements will likely raise the baseline expected capital budget, even if funding for legislative priorities decreases when there is less available revenue.

The 7.5% increase in agency operations from session to session was driven by several factors, as can be seen in the table to the right. Some of these one-time items may not really be temporary in nature: after years without an increase to the Base Student Allocation, many advocates are calling for significant increases in education funding as the federal pandemic relief to school districts comes to an end. With high inflation in 2021 and 2022, salary adjustments will continue to be a significant item in future years, and many agencies face other inflationary pressures in lease costs, commodities, travel, and other core costs.

Operating Budget Growth in FY23	
K-12 One-Time Increase	57.0
University of Alaska One-Time Item	29.8
Labor One-Time Item	7.4
Salary Adjustments (including HB 226)	63.1
Medicaid Formula Increase	22.0
DPS Increases	21.2
Sweep-Related Fund Changes	33.7
All Other Changes Net	53.4
Total Change, FY22 MP to FY23 Budget	287.6

These cost pressures may continue to mount due to years of flat or declining budgets since the 2014 oil price crash. UGF agency operations remained virtually flat from FY17 to FY22, increasing by \$41.2 million (1.1%) over that five-year span. Even the comparatively larger FY23 budget was \$279.5 million (6.2%) *lower* than the FY15 agency operations budget, despite cumulative inflation of over 11% across that span.

Alaska's Fiscal Situation in FY24 and the Governor's Budget Proposal

Budget Baselines

To set perspective, the Legislative Finance Division has provided two budget baseline scenarios for FY24 which will then be used to compare to the Governor's FY24 proposal: one reflecting current policy based on the FY23 budget and the other reflecting current law.

Both baselines assume that agency operating budgets match the FY24 Adjusted Base (the FY23 budget with one-time spending removed and contractual obligations added). For agency operations, these baseline scenarios are \$123.6 million lower than the FY23 Management Plan. This is primarily due to the reversal of numerous one-time items funded in the FY23 budget. On the other hand, new salary adjustments increase the budget by \$31.4 million.

Both scenarios assume a capital budget equal to the FY23 capital budget. The FY23 budget fully funded all statewide items to their statutory level other than the PFD, so the statewide items also match in FY24.

The one difference between the scenarios is the PFD: the FY23 budget included a PFD equal to 50% of the Percent of Market Value (POMV) draw from the Permanent Fund (often called a "50/50" PFD), plus a \$420.1 million "Energy Relief" payment. The Current Policy scenario assumes that this is repeated in FY24, for a total cost of about \$2.2 billion. The Current Law scenario assumes a statutory PFD payment, estimated to cost about \$2.5 billion.

There is a deficit under both scenarios, but it is larger under the Current Law scenario because of the PFD size.

Governor's FY24 Budget Proposal

Overall View

The Governor's UGF budget totals \$7.3 billion in expenditures contrasted with \$6.9 billion of revenue, leaving a deficit of \$322.5 million. The Governor proposes to fill this deficit by utilizing an estimated \$114.1 million left over from FY23 forward-funding of K-12, \$10.6 million from American Rescue Plan Act (ARPA) revenue replacement, and the remainder from the Statutory Budget Reserve (estimated balance of \$19.8. million) and the Constitutional Budget Reserve (CBR). Note that this deficit figure

Agency Ops Changes from FY23 to FY24 Baseline (\$ millions)	
K-12 One Time Increase	(57.0)
University of Alaska One-Time Item	(29.8)
Labor One-Time Item	(7.4)
AMHS Backstop One-Time Item	(20.0)
Zero Out Carryforward	(13.7)
All Other One-Time Items	(29.6)
Salary Adjustments	31.4
All Other Changes Net	0.7
Total Change from FY23 to FY24 Current Law Baseline	(123.6)

FY24 Current Policy and Current Law Scenarios (\$ millions)		
UGF Revenue	6,935.3	6,935.3
	Current Policy	Current Law
Agency Operations	4,090.3	4,090.3
Statewide Items	389.0	389.0
Capital Budget	735.8	735.8
Budget before PFD	5,221.5	5,221.5
PFD	2,183.1	2,470.9
Total Spending	7,404.6	7,692.4
Surplus/(Deficit)	(469.3)	(756.2)

depends on the price of oil; see the sensitivity charts later in this publication for a more comprehensive view of potential deficit or surplus figures.

Agency Operations

The Governor's FY24 budget is \$54.8 million above LFD's baseline. This is a 1.3% increase, about half of the 2.5% inflation assumption.

The agency narratives section of this publication includes details on the Governor's proposed

changes to agency budgets. Overall, the Governor's budget proposes relatively few major changes to agency budgets. The most significant change is a proposed increase to Medicaid of \$20.7 million, for a combination of expected utilization and inflationary changes, as well as to expand postpartum coverage.

Governor's FY24 Budget Compared to Baselines (\$ millions)					
	Current Policy	Current Law	Governor	Gov to CP	Gov to CL
Agency Operations	4,090.3	4,090.3	4,151.5	54.8	54.8
Statewide Items	389.0	389.0	359.0	(30.0)	(30.0)
Capital Budget	735.8	735.8	276.4	(459.4)	(459.4)
Budget before PFD	5,221.5	5,221.5	4,786.9	(434.5)	(434.5)
PFD	2,183.1	2,470.9	2,470.9	287.8	-
Total Spending	7,404.6	7,692.4	7,257.8	(146.7)	(434.5)
Surplus/(Deficit)	(469.3)	(757.1)	(322.5)		

Statewide Items

The Governor funds statewide items at their statutory levels with the exception of the Community Assistance program. AS 29.60.850(b) states that the legislature may appropriate \$30 million to the fund annually. The Governor did not include this appropriation in his FY24 budget proposal. This will affect the distribution to communities in FY25, since the distribution is based on the ending balance the prior year.

One item of note is oil and gas tax credits. The legislature included the statutory appropriation in FY23 and a supplemental appropriation in FY22 to the Oil and Gas Tax Credit Fund, which is used to purchase certain tax credits from oil and gas producers. The combined amounts were projected to be enough to fully purchase the remaining credits (purchasable tax credits were largely phased out with the passage of legislation in 2016 and 2017). However, the drop in oil prices from the Spring 2022 Forecast to the Fall 2022 Forecast left a projected \$42.7 million remaining after the FY23 appropriation because that appropriation was tied to a statutory formula that depends on tax collections. The Governor's budget includes an appropriation to purchase the remaining credits.

Capital Budget

The Governor's FY24 capital budget request totals \$276.4 million of UGF, down \$458.7 million from the FY23 budget. Of note, it does not include any supplemental appropriations. The majority of the UGF in the Governor's capital budget is used for federal match: \$171.3 million of the \$276.4 million total is for this purpose. This is a \$19 million increase from FY23 budget. For more details on the capital budget, see the Capital Budget Overview section of this publication.

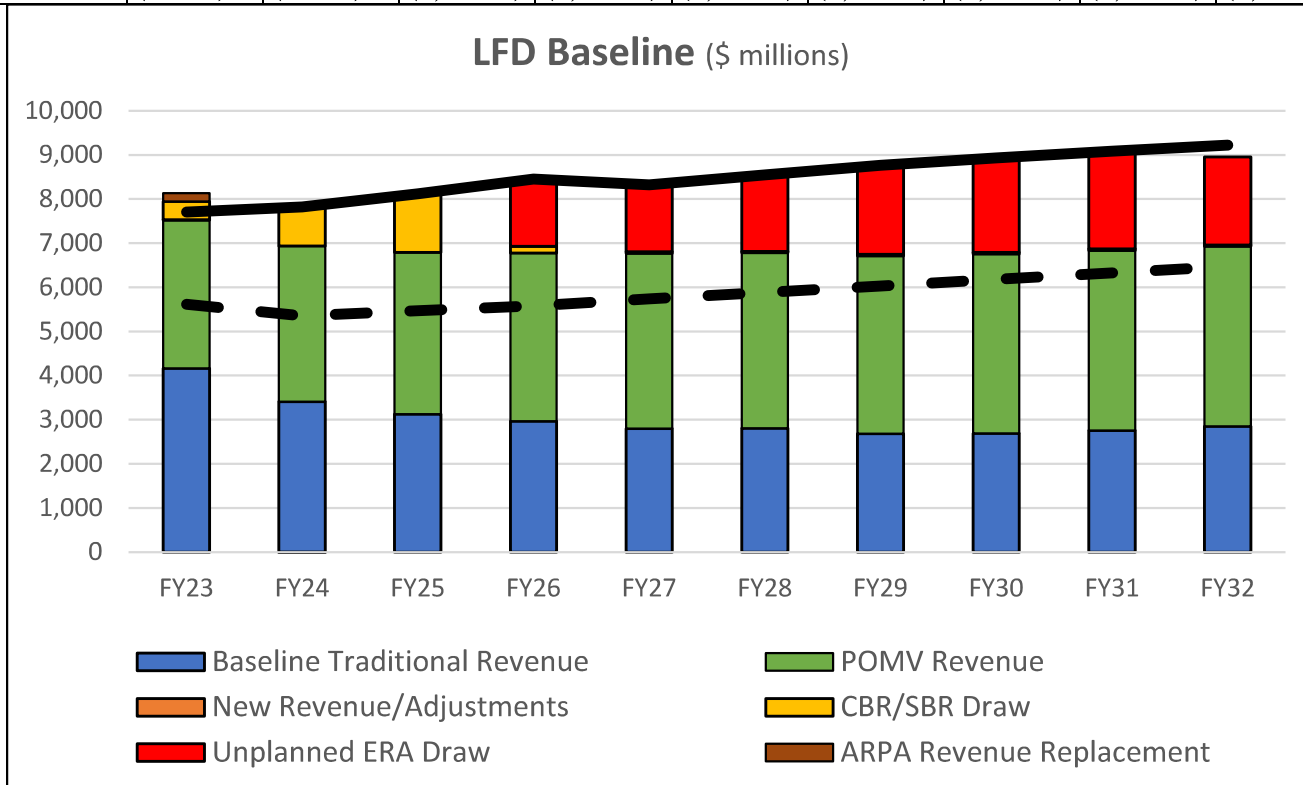
Long-Term Outlook

LFD Baseline Projections

For the long-term baseline scenario, the Legislative Finance Division's fiscal model uses a baseline scenario that grows the current budget with inflation – essentially, it reflects the FY24 Current Law budget scenario extended over the next decade. This allows policy proposals to stand out against a neutral baseline, which is the FY23 budget growing with inflation, with all statewide items funded to their statutory level. The baseline assumes 2.5% inflation for agency operations and assumes statewide items follow anticipated schedules (such as debt projections). All models in this section assume a statutory PFD payment.

Based on the LFD baseline with a statutory PFD, Alaska would face deficits ranging from under \$400 million in FY24 to over \$2.2 billion by the end of the decade.

LFD Baseline (\$ millions)									
	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Revenue	6,938.2	6,935.3	6,789.0	6,776.1	6,771.0	6,781.0	6,713.6	6,757.0	6,835.3
Budget	4,965.5	5,355.1	5,470.8	5,579.4	5,740.8	5,886.4	6,027.8	6,178.7	6,324.3
PFD	2,464.5	2,463.8	2,649.6	2,870.7	2,585.3	2,661.1	2,737.3	2,756.9	2,759.3
Pre-Transfer Deficit	(393.2)	(883.6)	(1,331.4)	(1,674.0)	(1,555.0)	(1,766.6)	(2,051.5)	(2,178.6)	(2,248.3)



Comparison of Governor's 10-Year Plan to Baseline

The Governor's 10-Year Plan makes several budgetary policy changes compared to LFD's baseline and adds an annual target for unspecified new revenues. This analysis will consider the Governor's plan with and without the unspecified revenue increases.

The policy choices in the Governor's 10-Year Plan include:

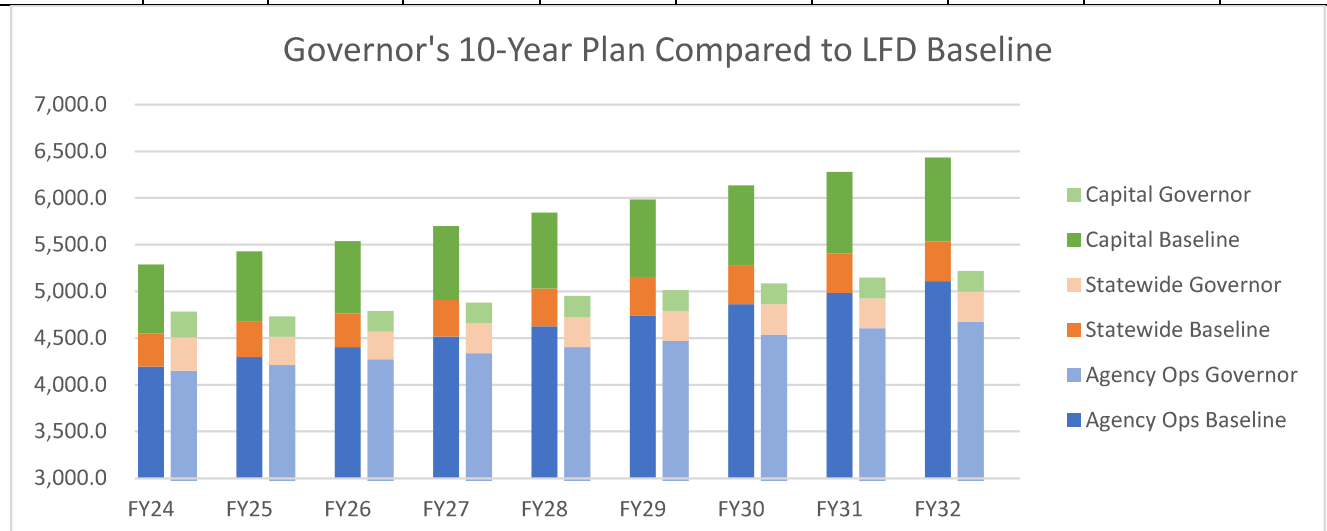
- Agency operations are held to 1.5% annual growth (compared to LFD's 2.5% inflation assumption);
- Does not fund Community Assistance with UGF (LFD's model assumes a mix of PCE [DGF] and UGF funding);
- PERS and TRS health care costs continue to be unfunded as they were in FY23 and FY24; and
- The Governor's capital budget drops from \$276.4 million UGF in FY24 to \$220.0 million in FY25 and then grows by 1.5% per year, while LFD assumes that the Governor's FY24 submission grows with inflation.

There are also two notable assumption differences between the 10-Year Plan and LFD's model that do not reflect policy choices:

- LFD's modeling includes a placeholder for new school debt when the current moratorium expires as the end of 2025, which the Governor's plan does not; and
- The Governor assumes that supplementals and lapsing appropriations cancel out, while LFD assumes net supplementals of \$50.0 million, based on historical averages.

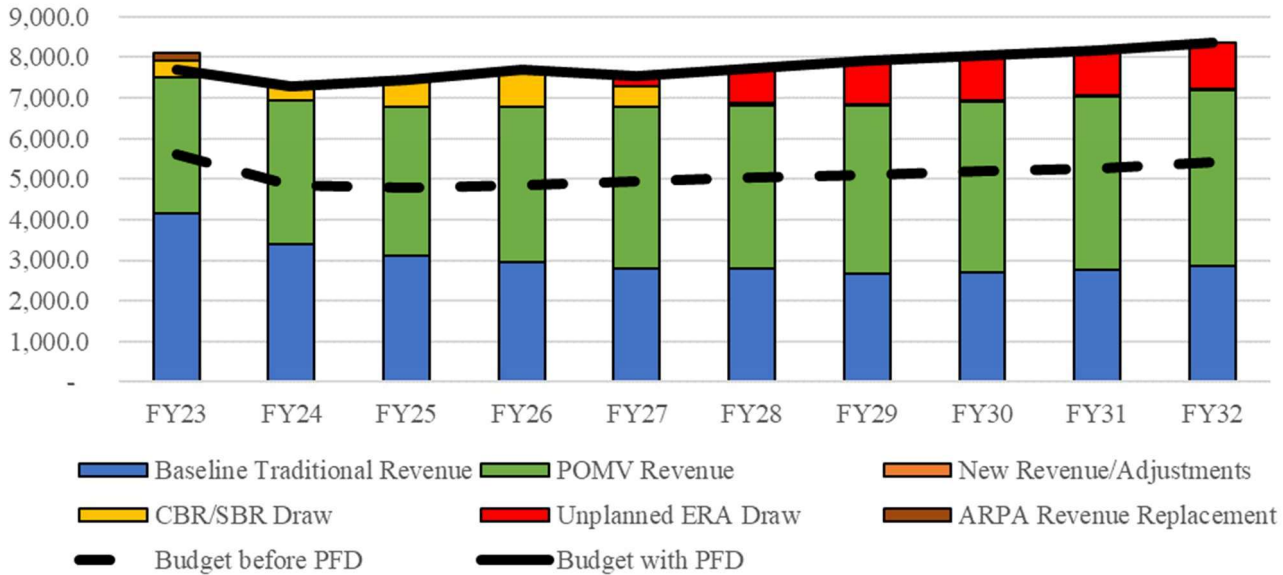
These policy choices reduce the growth rate of the budget compared to the baseline, so their impact grows rapidly over time; in the first year, the difference is largely due to the smaller capital budget.

Governor's 10-Year Plan Compared to LFD Baseline (\$ millions)									
	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Baseline	5,336.7	5,477.7	5,587.3	5,749.5	5,893.6	6,034.5	6,184.5	6,329.4	6,482.2
Governor	4,783.9	4,732.0	4,790.8	4,879.8	4,950.5	5,014.3	5,084.6	5,147.1	5,221.0
Difference	(552.8)	(745.7)	(796.5)	(869.7)	(943.1)	(1,020.2)	(1,099.8)	(1,182.3)	(1,261.2)

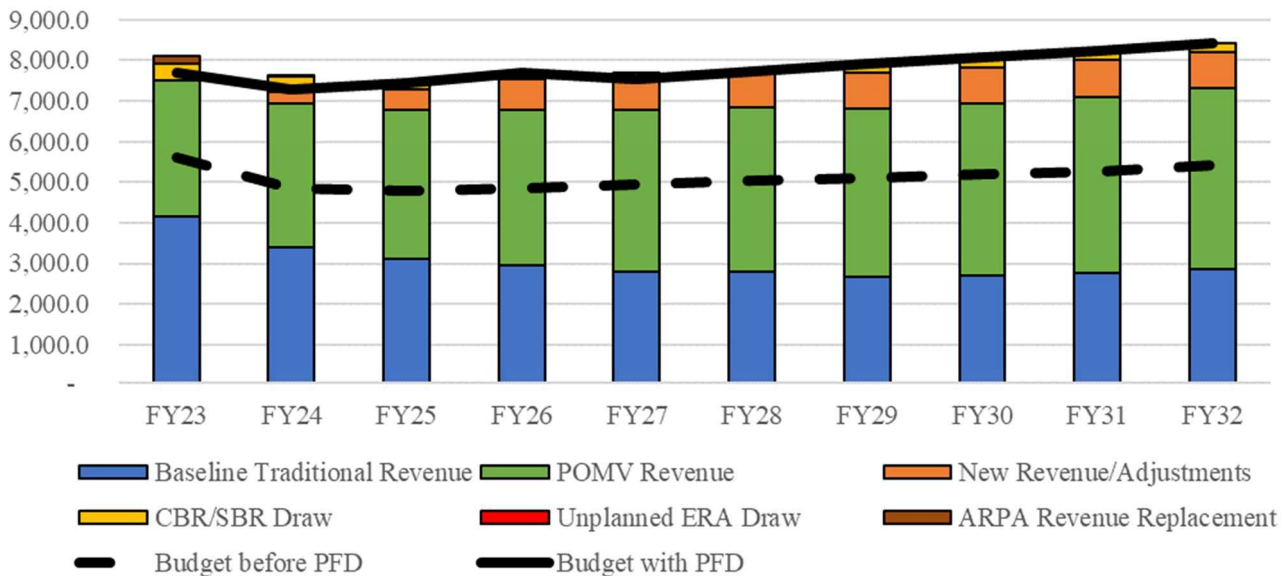


LFD's modeling of the policy choices in the Governor's 10-Year Plan closely matches the Governor's own figures. Both demonstrate that without further policy changes, there will be substantial deficits that will rapidly deplete the State's savings accounts (both the CBR and SBR would be empty in FY27), based on the Fall Revenue Forecast. The Governor's 10-Year Plan includes unspecified new revenue to fill these deficits, but those policy choices could be any combination of budgetary changes, revenue changes, and PFD amounts. See the next chapter for an overview of some new revenue options.

Governor's 10-Year Plan without New Revenue



Governor's 10-Year Plan with New Revenue



Revenue Requirements of the State

AS 24.20.231(2) provides that the Legislative Finance Division analyze the revenue requirements of the State. As the above sections indicate, Alaska still faces a structural budget deficit, and increasing revenue is one option to close that deficit. The following section provides a brief analysis along with potential revenue sources and any issues therein.

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.

In his budget release press conference, the Governor spoke about the potential of carbon credits. However, no legislation or details have been provided on this option, so LFD cannot analyze it. The only public revenue estimate that has been released was presented by the Department of Revenue in August 2021 to the Fiscal Policy Working Group. DOR's presentation included a very preliminary estimate of \$1.3 to \$20.0 million per year. The Governor mentioned significantly higher estimates in December 2022.

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 \$1,228.7 million in FY24. Oil prices are highly variable, and the production tax's complex structure adds further volatility. The tax features a two-tiered structure, with a net tax and an alternative gross tax "floor." Proposals aimed at only one component may not impact revenue at all price levels. For instance, DOR estimates that capping the per-taxable barrel credit at \$5 would increase revenue by roughly \$450 million at \$80/barrel but would have no revenue impact at \$40/barrel. Past proposals to increase this tax have included raising the tax "floor" from 4% of gross revenue to 5% or higher; eliminating the per-taxable barrel credit; or more complex changes proposed in Ballot Measure 1, which failed to pass in 2020.

The revenue impact of production tax changes is highly dependent on oil prices. At low oil prices, increasing the minimum tax would have a positive revenue impact but modifying the per-taxable barrel credit would have no impact. At higher prices, the reverse is true. The legislature should be mindful of this impact when assembling a fiscal plan to ensure that the plan can survive lower oil prices.

Corporate Income Tax

The petroleum and non-petroleum corporate income taxes are projected to bring in a combined \$445.0 million in FY24. Alaska's 9.4% top marginal rate is the sixth highest in the nation. 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 provisions in the federal CARES Act which allowed taxpayers to carryback losses against past tax liabilities).

Other Resource Taxes

Alaska's Mining License Tax is estimated to bring in \$32.8 million in FY24. The Fisheries Business and Fishery Resource Landing taxes are estimated to bring in \$26.6 million in UGF revenue and an additional \$27.9 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 FY24 revenue is \$48.7 million, of which \$33.2 million is UGF and \$15.5 million is DGF. Alaska's cigarette tax of \$2 per pack ranks 19th nationwide. The tax on other tobacco products is 75% of the wholesale price, which ranks 8th nationwide.
- Alcoholic beverage tax: \$43.0 million, split equally between UGF and DGF. Alaska's tax is designed to tax all alcoholic beverages equally on a per-drink basis. The \$12.80 per gallon tax on liquor ranks 8th nationwide. The \$2.50 per gallon tax on wine and \$1.07 per gallon tax on beer are both second highest in the country.
- Motor fuel tax: \$32.8 million, all DGF. Alaska's \$0.08 per gallon tax on highway fuel ranks 50th nationwide. Tripling Alaska's tax to the national median of \$0.24 would bring in an additional \$66 million.
- Marijuana taxes: \$33.0 million, of which \$8.5 million is UGF and \$24.5 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. Twenty-one states either have in place or are implementing permitting and taxation of recreational marijuana.

New Taxes

Income Tax

Income is taxed in 41 states (not including New Hampshire, which exclusively taxes dividends and interest). Of these, 32 have progressive income taxes, and the remaining nine have flat taxes. Alaska had an income tax from statehood until 1980, when it was repealed. 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.

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 AGI. LFD estimates an individual income tax based on 3% of AGI, with no exemptions or deductions, would generate \$900 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, 107 of Alaska's 129 taxing municipalities imposed sales taxes, at rates ranging from 1.5% to 7.5%.

DOR estimates a broad-based 4% sales tax including all services and business to business exempting only prescription drugs, medical equipment, and business-to-business purchases to resale, would generate \$1.28 billion in the first full year administered. DOR estimates that a 4% sales tax styled on Wyoming's sales and use tax would generate \$600 million in the first full year administered. This tax would exempt groceries, prescription medicine, medical equipment, and some business-to-business sales and services.

Property Tax

All 50 states have property taxes that are applied by either state or local 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. Additionally, nine cities located outside of boroughs levy a property tax. 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, although some municipalities do.

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.

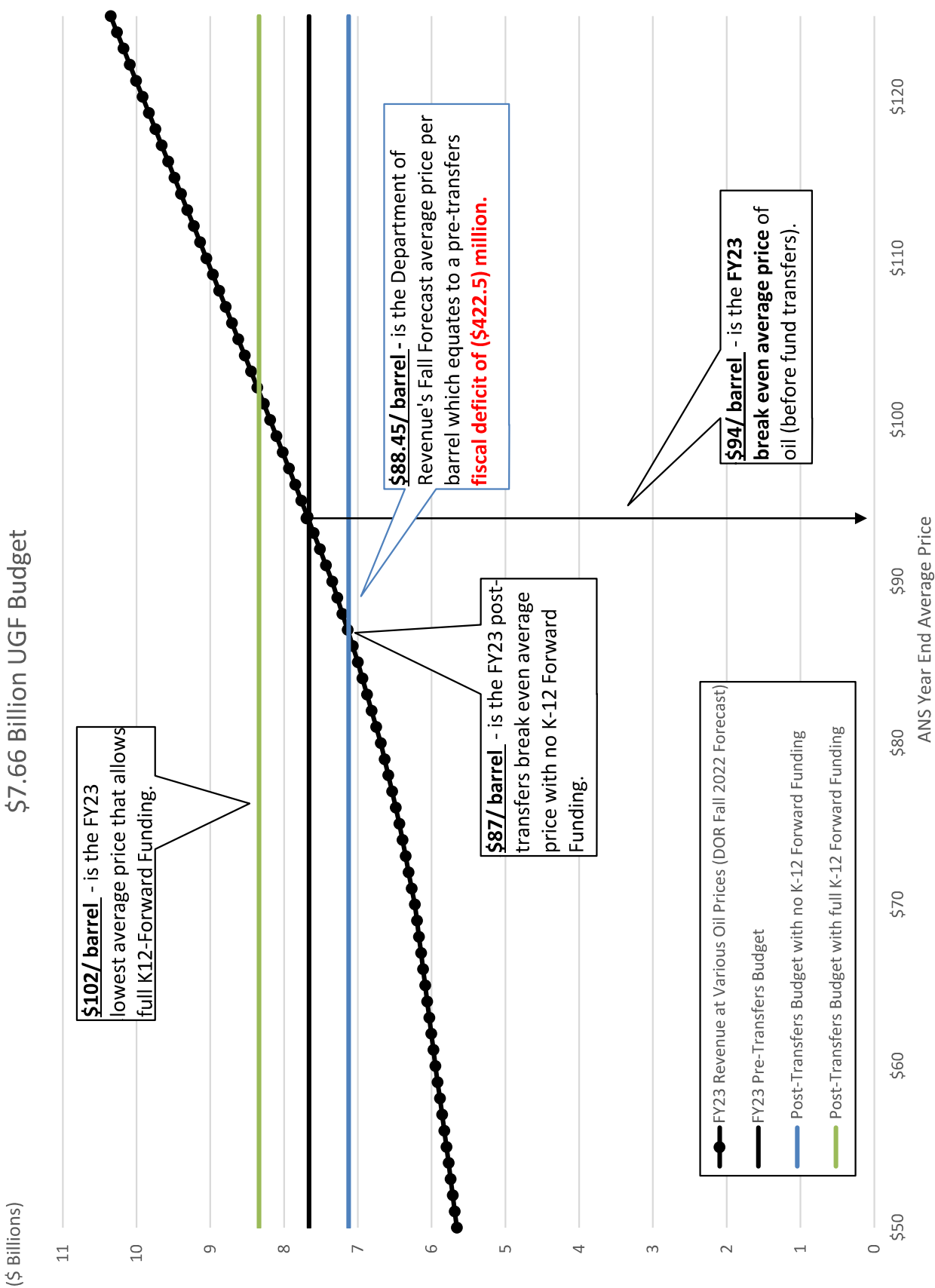
Payroll Tax or Head Tax

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.

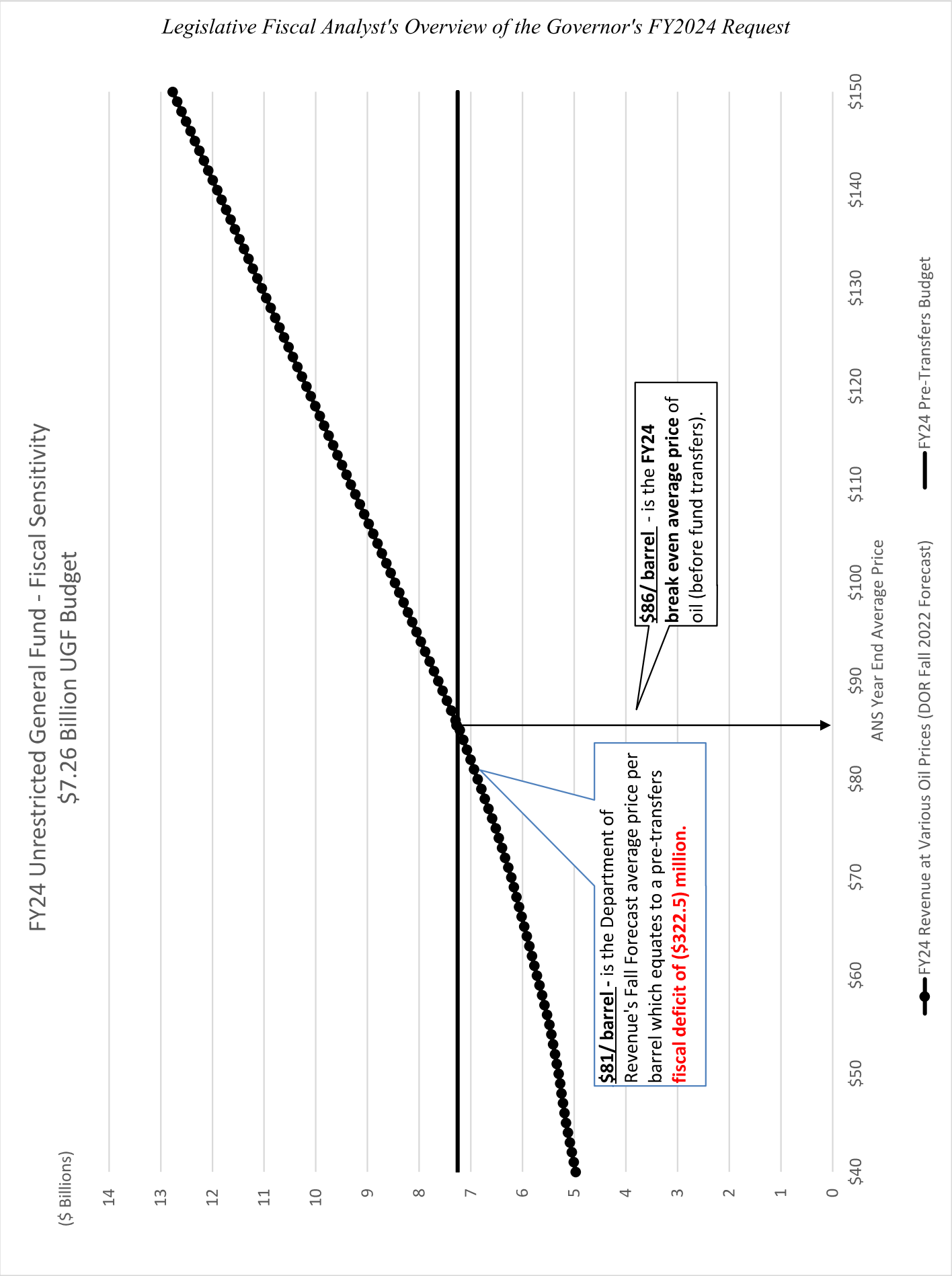
Several pieces of legislation have proposed graduated head taxes or other payroll taxes. Such taxes could build on the existing payroll tax administered for workers' compensation so they could be implemented with fewer additional resources. However, these taxes would have a narrower base than an income 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.

FY23 Unrestricted General Fund - Fiscal Sensitivity
\$7.66 Billion UGF Budget



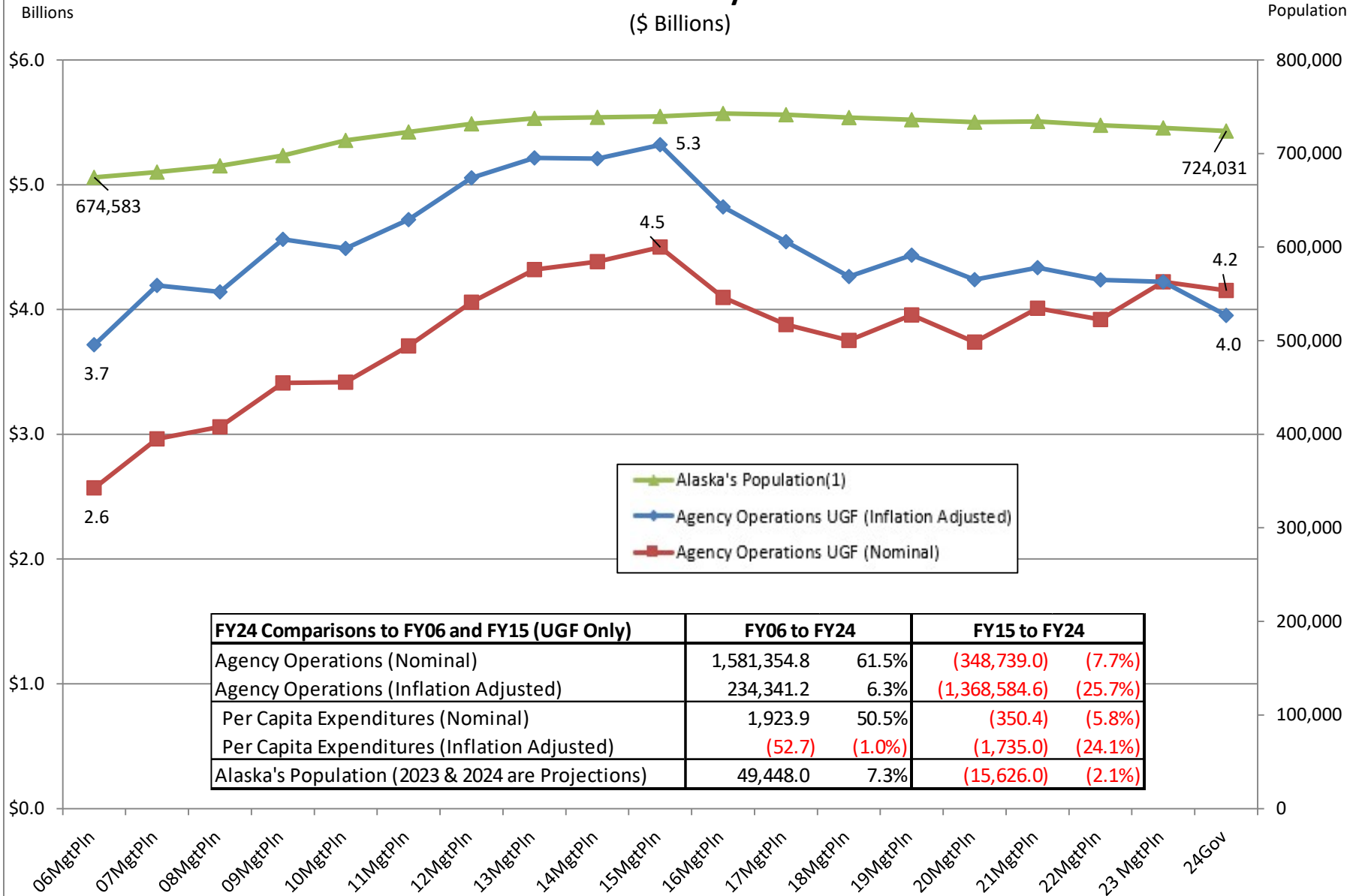
Note: Revenue projections are based on the average price for the entire fiscal year. ANS prices averaged \$97.59 for July-November 2022. An FY23 average price of \$50.00 would require December-June prices to average \$16.01.



Agency Operations

UGF Only

(\$ Billions)



AGENCY OPERATIONS
Unrestricted General Funds Only

1	Nominal \$																				
2	Departments	06MgtPln	07MgtPln	08MgtPln	09MgtPln	10MgtPln	11MgtPln	12MgtPln	13MgtPln	14MgtPln	15MgtPln	16MgtPln	17MgtPln	18MgtPln	19MgtPln	20MgtPln	21MgtPln	22MgtPln	23 MgtPln	24Gov	Departments
3	Admin	48,732.6	55,663.1	58,074.0	67,510.8	68,723.3	66,087.5	69,049.6	72,358.7	74,592.0	75,590.4	69,095.9	64,736.2	62,901.1	65,151.3	62,804.7	67,047.9	75,321.2	78,458.4	80,446.9	Admin
4	Commerce	8,738.6	6,304.1	6,185.8	35,065.4	32,281.9	59,232.9	37,477.1	56,425.1	47,105.4	40,454.3	30,478.3	16,224.8	11,586.6	10,101.6	8,522.5	8,462.0	11,581.5	10,014.5	14,545.0	Commerce
5	Corrections	169,865.4	185,744.0	198,750.1	212,702.0	213,288.8	230,453.5	247,910.6	283,359.5	297,398.4	297,654.4	277,286.5	266,372.0	267,008.0	291,108.0	299,636.7	339,285.9	351,671.5	367,043.9	365,322.2	Corrections
6	Education	891,623.0	1,005,361.0	1,017,865.6	1,057,568.5	1,114,397.5	1,173,312.9	1,227,690.9	1,273,963.4	1,282,643.7	1,408,921.8	1,301,647.1	1,290,833.6	1,300,076.8	1,322,008.9	1,330,427.9	1,319,645.9	1,293,798.1	1,361,507.5	1,283,064.5	Education
7	DEC	12,994.3	14,939.4	16,357.7	17,403.3	17,368.2	18,822.7	19,884.2	21,583.8	23,842.3	22,472.1	20,093.3	16,828.7	15,297.9	15,391.8	15,397.2	15,463.9	17,654.6	20,711.5	21,501.0	DEC
8	Family & Community Svcs	110,685.1	121,607.5	125,906.9	145,219.0	153,650.4	159,389.2	167,166.3	171,338.7	184,363.1	184,837.3	182,914.6	186,888.8	187,616.2	194,040.0	190,104.6	208,779.2	227,086.2	242,030.0	246,207.8	Family & Community Svcs
9	Fish and Game	36,585.5	43,075.2	42,765.7	58,087.9	57,297.5	65,338.9	72,246.7	78,259.6	81,809.3	79,387.8	65,095.4	55,530.2	50,516.4	51,583.3	51,351.3	50,780.5	57,474.5	61,425.5	65,092.5	Fish and Game
10	Governor	19,640.3	36,162.9	19,511.7	25,376.5	26,447.1	31,245.5	30,653.9	33,967.9	32,166.2	33,609.5	23,150.0	27,786.2	28,322.9	27,683.2	24,020.5	25,325.1	32,235.0	39,079.1	29,597.3	Governor
11	Health	497,670.9	626,878.1	668,698.3	771,905.9	678,862.6	770,486.9	982,922.4	1,059,900.2	1,062,511.3	1,068,812.9	982,335.1	897,455.4	860,045.7	952,693.1	781,001.8	1,001,382.5	872,367.6	922,696.3	950,037.4	Health
12	Labor	15,796.6	20,034.5	23,299.8	30,701.8	30,150.6	29,333.1	31,292.3	34,689.8	35,404.0	33,448.0	25,831.5	22,497.4	20,992.0	20,697.2	20,846.6	18,650.6	18,123.7	27,730.9	20,989.4	Labor
13	Law	42,074.6	39,918.6	38,655.5	54,914.2	55,636.8	59,264.7	69,262.1	68,124.0	63,376.5	61,275.3	54,734.2	50,341.5	50,624.8	51,589.8	51,228.8	52,162.8	61,953.2	72,170.6	68,331.8	Law
14	DMVA	11,250.7	11,903.1	11,112.2	12,062.8	11,332.0	18,799.7	23,512.7	30,152.6	30,694.0	33,334.3	24,327.7	23,440.1	23,568.0	24,157.2	23,341.9	22,956.2	15,700.4	15,901.3	17,961.1	DMVA
15	Natural Resources	62,678.1	63,220.8	64,301.9	75,105.2	71,058.6	72,011.3	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	66,352.2	71,795.5	72,711.0	Natural Resources
16	Public Safety	93,768.7	105,167.7	106,522.7	118,012.4	127,385.1	136,218.6	154,338.6	164,006.5	171,999.2	170,999.7	160,220.2	156,141.0	159,095.7	161,406.1	169,223.0	180,029.3	195,046.6	216,095.7	225,251.6	Public Safety
17	Revenue	17,954.7	15,307.7	15,094.1	22,656.7	19,491.8	36,272.2	31,042.3	32,309.2	33,436.1	33,831.4	28,983.0	26,101.6	25,584.9	25,287.4	25,514.5	27,752.2	27,685.2	27,201.1	27,688.7	Revenue
18	Transportation	170,877.0	202,020.4	205,421.6	246,245.6	242,398.4	266,924.5	281,120.0	283,401.4	284,815.0	280,453.2	244,813.1	218,816.7	135,673.2	180,470.2	142,431.4	150,113.6	134,943.4	160,704.1	152,367.5	Transportation
19	University	245,443.7	280,976.0	290,758.3	312,675.5	325,155.0	337,388.4	348,660.5	358,264.7	371,323.9	370,599.7	350,787.0	324,883.5	317,033.5	327,033.5	302,033.5	277,033.5	272,733.5	318,741.1	301,438.4	University
20	Judiciary	64,000.9	74,104.0	77,362.4	84,485.8	87,211.3	94,841.3	101,089.6	106,682.9	110,574.3	111,866.3	110,402.9	106,613.6	104,838.6	105,444.9	107,213.7	111,486.4	117,961.6	134,522.4	136,208.1	Judiciary
21	Legislature	49,768.7	54,660.7	60,782.5	64,171.5	66,433.5	68,472.8	74,443.0	74,453.9	76,021.1	77,622.0	73,596.6	64,676.0	63,587.1	64,132.4	64,129.2	67,177.4	69,817.1	72,954.8	72,742.0	Legislature
22	Executive Brachwide	-	-	12,000.0	-	18,000.0	14,500.0	13,000.0	36,000.0	36,000.0	27,000.0	-	-	-	-	-	-	-	-	-	Executive Brachwide
23	TOTAL	2,570,149.4	2,963,048.8	3,059,426.8	3,411,870.8	3,416,570.4	3,708,396.6	4,059,002.8	4,319,454.4	4,383,119.1	4,500,243.2	4,096,083.0	3,878,283.2	3,751,098.9	3,955,134.4	3,739,050.8	4,009,264.6	3,919,507.1	4,220,784.2	4,151,504.2	
24	Cost per Alaskan	3,810	4,356	4,454	4,889	4,785	5,130	5,547	5,855	5,935	6,084	5,514	5,230	5,081	5,374	5,097	5,460	5,338	5,780	5,734	Cost per Alaskan
25	2022 Inflation Adjusted \$																				
26	Departments	06MgtPln	07MgtPln	08MgtPln	09MgtPln	10MgtPln	11MgtPln	12MgtPln	13MgtPln	14MgtPln	15MgtPln	16MgtPln	17MgtPln	18MgtPln	19MgtPln	20MgtPln	21MgtPln	22MgtPln	23 MgtPln	24Gov	Departments
27	Admin	70,480.3	78,754.9	78,584.4	90,283.5	90,303.7	84,131.5	85,986.1	87,363.9	88,631.4	89,360.6	81,337.6	75,842.4	71,512.5	73,056.6	71,210.9	72,485.2	81,429.4	78,458.4	76,570.5	Admin
28	Commerce	12,638.3	8,919.3	8,370.5	46,893.6	42,419.0	75,405.4	46,669.5	68,126.1	55,971.4	47,823.8	35,878.1	19,008.3	13,172.9	11,327.3	9,663.2	9,148.2	12,520.7	10,014.5	13,844.1	Commerce
29	Corrections	245,670.6	262,799.7	268,944.1	284,450.5	280,265.6	293,374.7	308,718.0	342,120.5	353,373.6	351,877.7	326,413.4	312,071.0	303,562.4	326,430.3	339,742.3	366,800.6	380,190.7	367,043.9	347,718.9	Corrections
30	Education	1,289,524.2	1,422,434.1	1,377,352.4	1,414,3																

Environmental Conservation - SB 55 Summary

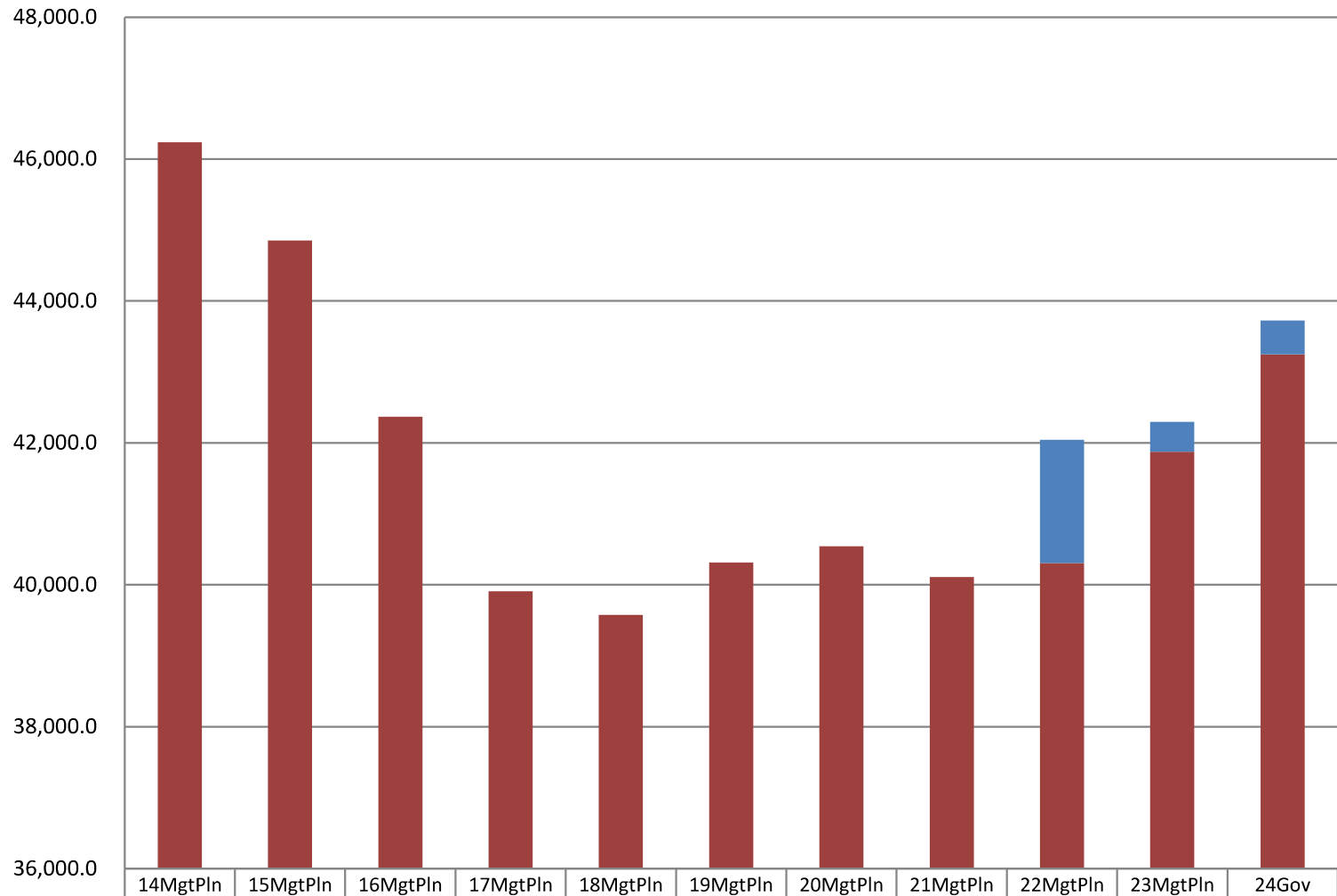
Appropriation		FY21 MP	FY22 MP	FY23 MP	FY24 Gov
Administration	UGF Budget	2,466.3	2,445.0	2,401.2	2,336.2
	Net SB 55 Impact versus FY21		129.8	12.6	13.5
	UGF Budget Less SB55	2,466.3	2,315.2	2,388.6	2,322.7
DEC Buildings Maintenance and Operat	UGF Budget	647.2	657.0	664.0	671.3
	Net SB 55 Impact versus FY21		9.8	2.8	3.2
	UGF Budget Less SB55	647.2	647.2	661.2	668.1
Environmental Health	UGF Budget	5,967.5	6,982.5	8,033.7	8,184.7
	Net SB 55 Impact versus FY21		470.4	156.0	169.6
	UGF Budget Less SB55	5,967.5	6,512.1	7,877.7	8,015.1
Air Quality	UGF Budget	1,754.3	2,071.8	1,849.7	3,444.1
	Net SB 55 Impact versus FY21		301.2	36.5	39.2
	UGF Budget Less SB55	1,754.3	1,770.6	1,813.2	3,404.9
Spill Prevention and Response	UGF Budget	-	562.2	1,696.0	1,718.4
	Net SB 55 Impact versus FY21		562.2	189.0	191.4
	UGF Budget Less SB55	-	-	1,507.0	1,527.0
Water	UGF Budget	4,628.6	4,936.1	6,066.9	5,146.3
	Net SB 55 Impact versus FY21		263.2	60.8	67.9
	UGF Budget Less SB55	4,628.6	4,672.9	6,006.1	5,078.4
Agency Total	UGF Budget	15,463.9	17,654.6	20,711.5	21,501.0
	Net SB 55 Impact versus FY21		1,736.6	457.7	484.8
	UGF Budget Less SB55	15,463.9	15,918.0	20,253.8	21,016.2

Department of Environmental Conservation Total General Fund Budget

(GF Only)
(\$ Thousands)

DEC's GF budget decreased by **\$2.9 million** between FY14 MgtPln and FY24 Governor - an average annual rate of decrease of -0.6%.

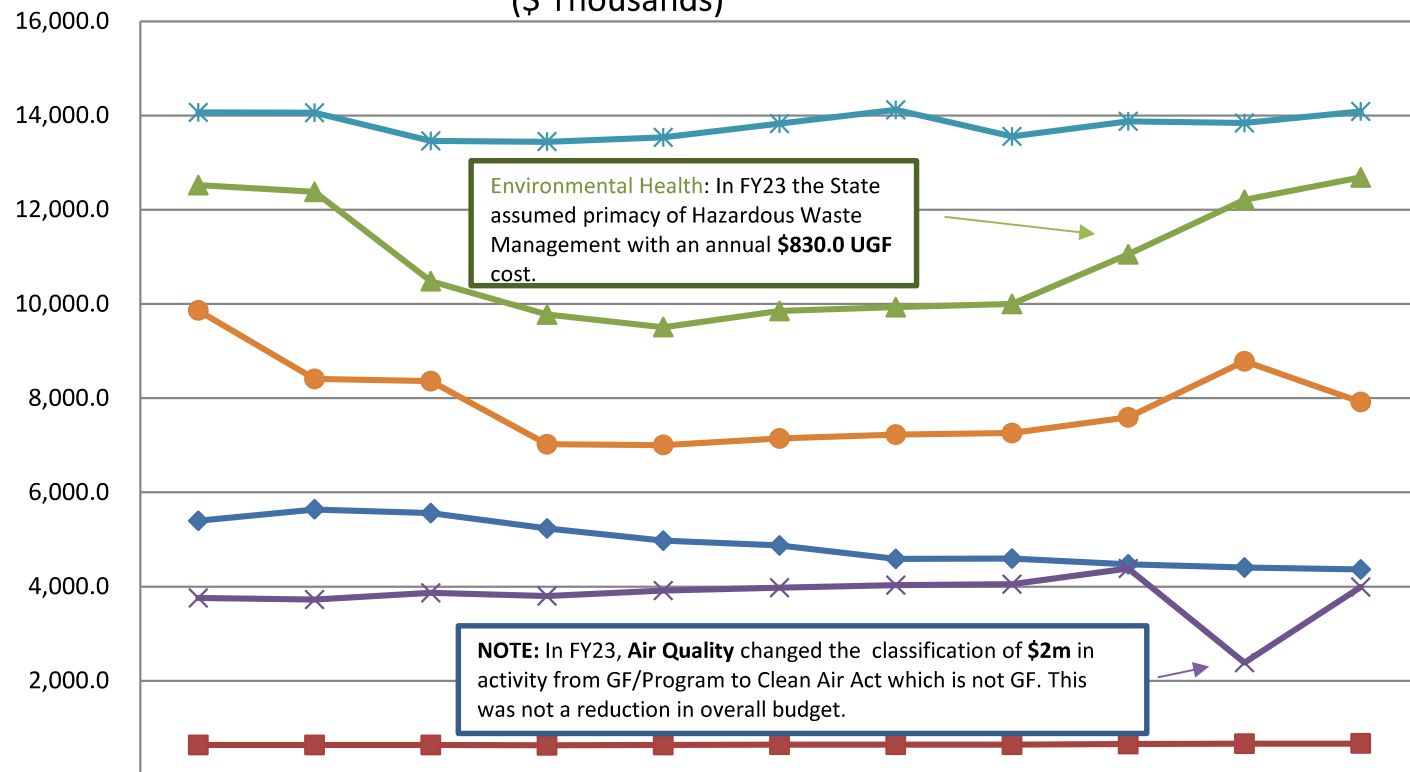
The FY24 Gov GF budget equates to **\$138 per resident worker**, based on 313,779 Alaskan workers.



	14MgtPln	15MgtPln	16MgtPln	17MgtPln	18MgtPln	19MgtPln	20MgtPln	21MgtPln	22MgtPln	23MgtPln	24Gov
% of All Agencies' Budgets	0.9%	0.9%	0.9%	0.9%	0.9%	0.8%	0.9%	0.8%	0.9%	0.9%	0.9%
SB 55 Impact	-	-	-	-	-	-	-	-	1,736.6	417.9	479.5
Total Agency Budget (GF Only)	46,234.5	44,850.8	42,368.0	39,909.0	39,575.9	40,311.7	40,541.7	40,110.3	40,307.4	41,876.2	43,245.1

Appropriations within Department of Environmental Conservation

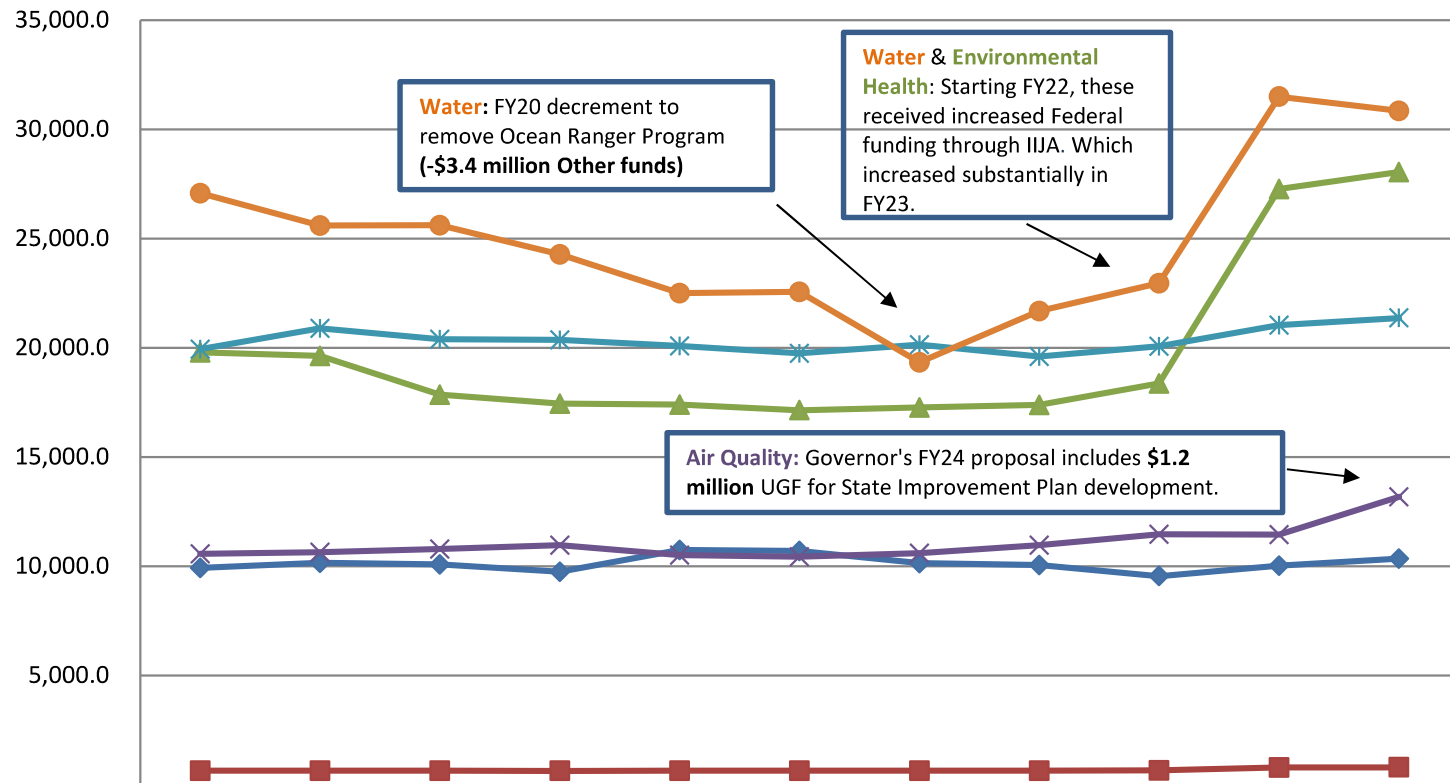
(GF Only)
(\$ Thousands)



	14Mgt Pln	15Mgt Pln	16Mgt Pln	17Mgt Pln	18Mgt Pln	19Mgt Pln	20Mgt Pln	21Mgt Pln	22Mgt Pln	23Mgt Pln	24Gov
Administration	5,395.0	5,642.0	5,558.2	5,231.3	4,973.4	4,871.1	4,587.6	4,598.0	4,472.7	4,403.4	4,365.6
DEC Bldgs Maint & Operations	635.5	636.5	636.5	635.2	636.8	645.9	646.6	647.2	657.0	664.0	671.3
Environmental Health	12,521.	12,378.	10,484.	9,776.2	9,508.0	9,853.2	9,932.9	9,997.5	11,057.	12,210.	12,688.
Air Quality	3,756.2	3,727.7	3,869.8	3,801.1	3,912.8	3,974.0	4,029.1	4,049.9	4,387.6	2,388.0	3,989.4
Spill Prevention and Response	14,063.	14,056.	13,459.	13,444.	13,537.	13,825.	14,120.	13,557.	13,874.	13,841.	14,087.
Water	9,863.1	8,409.9	8,359.6	7,021.1	7,007.5	7,142.0	7,225.4	7,259.9	7,595.3	8,786.6	7,922.2

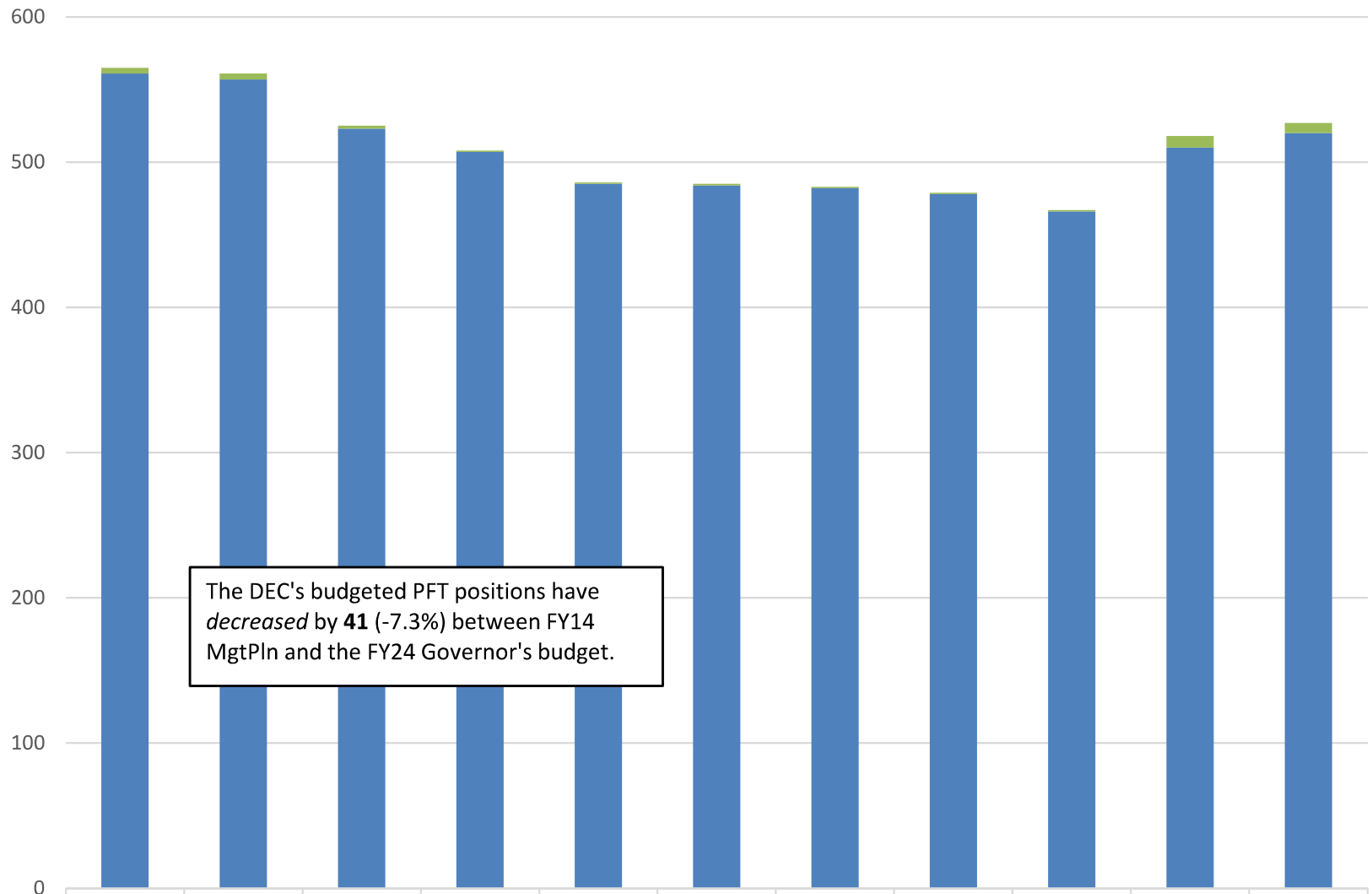
Appropriations within Department of Environmental Conservation

(All Funds)
(\$ Thousands)



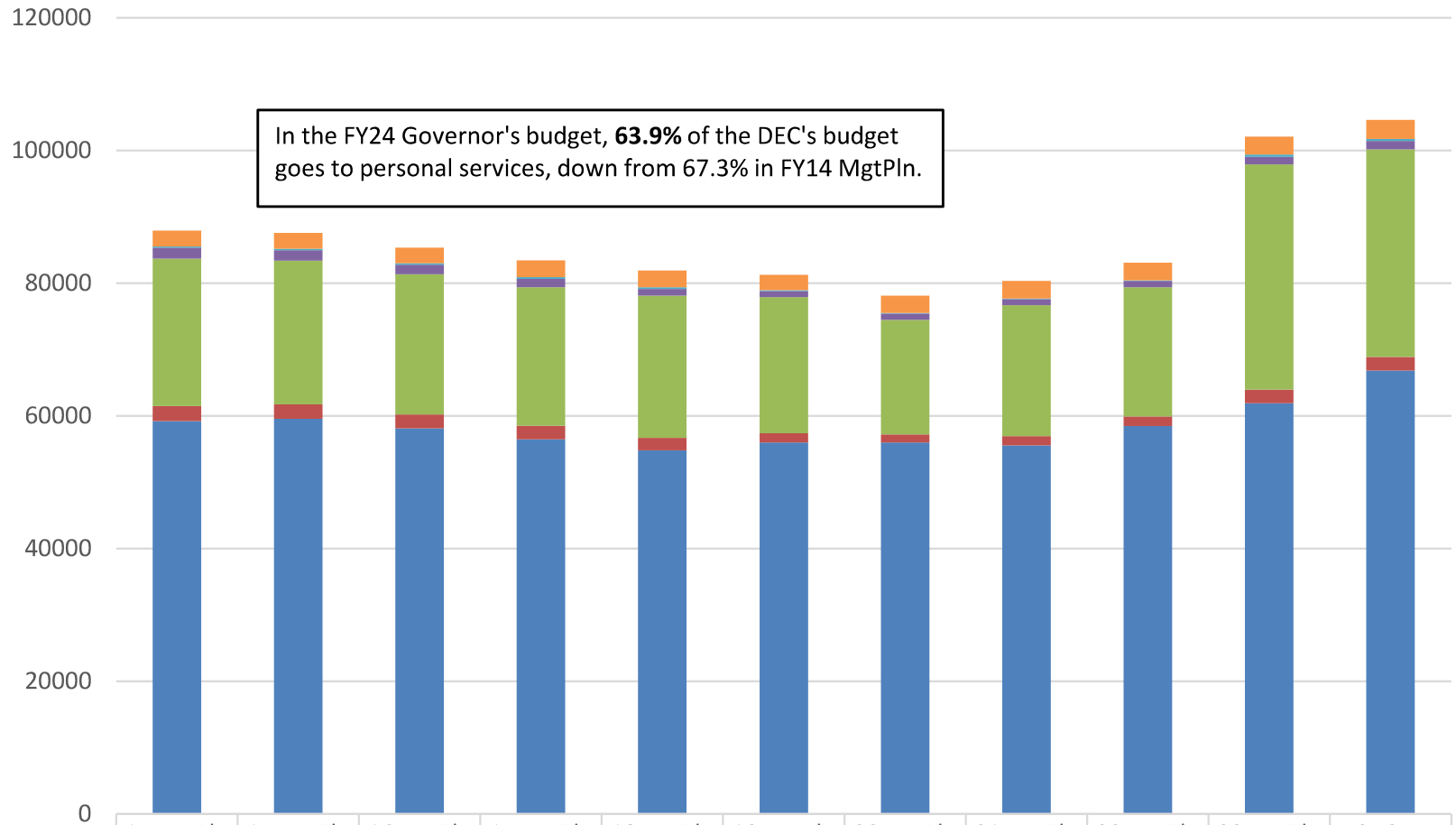
	14Mgt Pln	15Mgt Pln	16Mgt Pln	17Mgt Pln	18Mgt Pln	19Mgt Pln	20Mgt Pln	21Mgt Pln	22Mgt Pln	23Mgt Pln	24Gov
Administration	9,918.4	10,163.	10,076.	9,751.7	10,747.	10,704.	10,146.	10,048.	9,551.1	10,031.	10,348.
DEC Bldgs Maint & Operations	635.5	636.5	636.5	635.2	636.8	645.9	646.6	647.2	657.0	789.0	796.3
Environmental Health	19,790.	19,630.	17,850.	17,438.	17,400.	17,150.	17,271.	17,380.	18,363.	27,275.	28,048.
Air Quality	10,568.	10,639.	10,789.	10,961.	10,510.	10,436.	10,597.	10,968.	11,463.	11,441.	13,183.
Spill Prevention and Response	19,939.	20,886.	20,386.	20,360.	20,090.	19,747.	20,137.	19,604.	20,076.	21,034.	21,368.
Water	27,075.	25,604.	25,614.	24,271.	22,502.	22,566.	19,337.	21,687.	22,955.	31,501.	30,850.

Budgeted PCNs in the Department of Environmental Conservation



■ Temporary	4	4	2	1	1	1	1	1	1	8	7
■ Perm Part Time	0	0	0	0	0	0	0	0	0	0	0
■ Perm Full Time	561	557	523	507	485	484	482	478	466	510	520

Department of Environmental Conservation Budget by Line Item

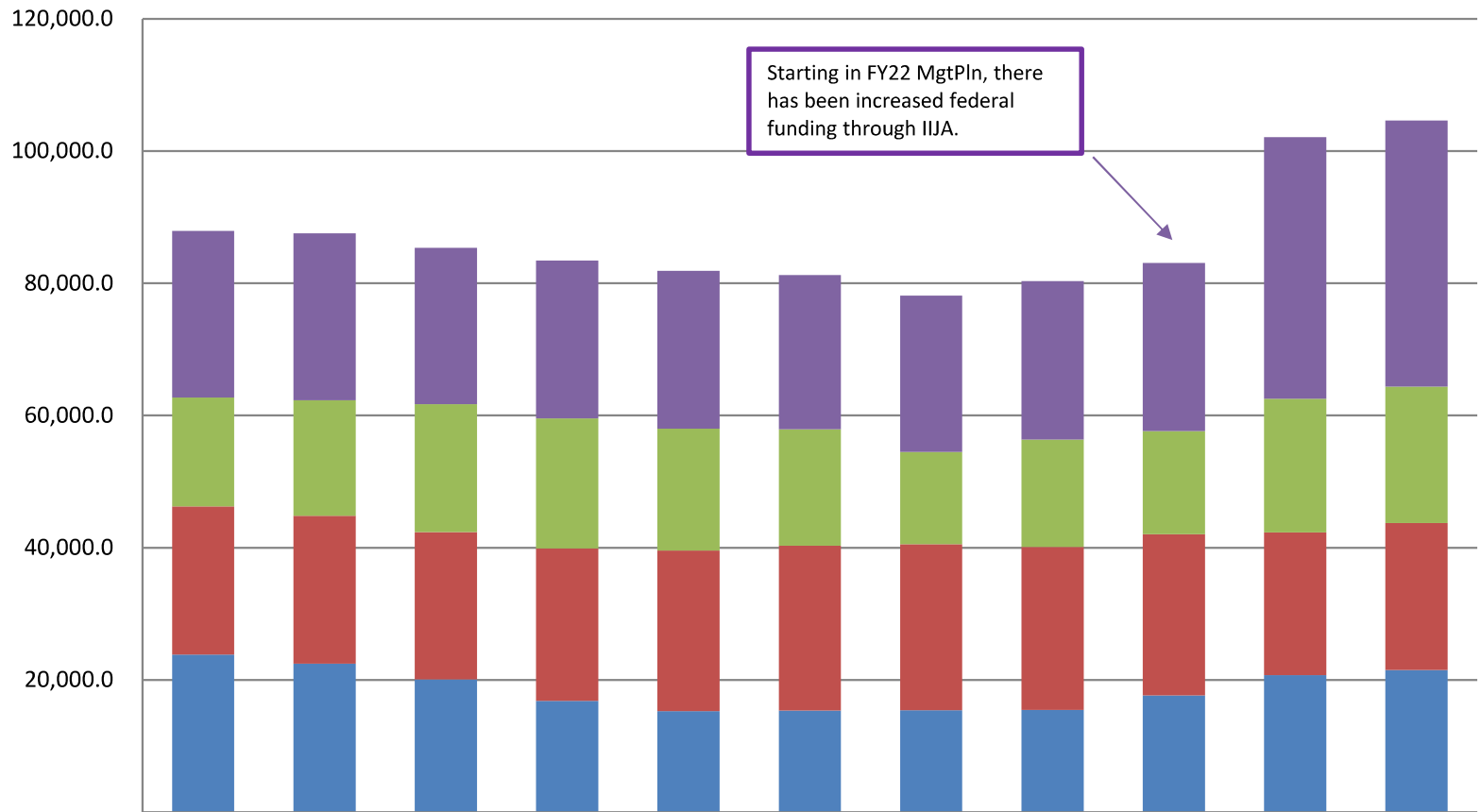


	14MgtPln	15MgtPln	16MgtPln	17MgtPln	18MgtPln	19MgtPln	20MgtPln	21MgtPln	22MgtPln	23MgtPln	24Gov
7 Grants, Benefits	2384.4	2384.4	2377.4	2525.2	2525.2	2325.2	2645.2	2645.2	2645.2	2707.8	2850
5 Capital Outlay	201.5	201.5	213.5	258.2	238.2	94.5	94.5	94.5	94.5	315.4	309.4
4 Commodities	1653.6	1575.7	1420.6	1270	988.3	935.2	930.9	930.9	927.1	1146.8	1289.5
3 Services	22230.6	21685.9	21137.5	20845.6	21449.3	20505	17251.7	19727.8	19497.7	33936.8	31259.6
2 Travel	2253.7	2152.9	2101	2051.3	1862.8	1400.2	1237.7	1387.5	1430.8	2059.3	2065.2
1 Personal Services	59203.3	59560.5	58103.6	56468.9	54824.4	55991.8	55976.9	55550.2	58470.8	61908.8	66821.6

Department of Environmental Conservation Total Funding Comparison by Fund Group

(All Funds)
(\$ Thousands)

Between FY14
MgtPln & FY24
Gov:
--UGF decreased
by **-\$2.3 million**
(-9.8%)
--DGF decreased
by **-\$0.2 million**
(-0.7%)
--Other funds
increased by
\$4.2 million
(25.2%)
--Federal funds
Increased by
\$15.0 million
(59.6%)



	14MgtPln	15MgtPln	16MgtPln	17MgtPln	18MgtPln	19MgtPln	20MgtPln	21MgtPln	22MgtPln	23MgtPln	24Gov
Federal Receipts (Fed)	25,218.3	25,262.4	23,628.9	23,863.8	23,896.6	23,356.3	23,670.6	23,973.5	25,420.2	39,532.4	40,238.2
Other State Funds (Other)	16,474.3	17,447.7	19,356.7	19,646.4	18,415.7	17,583.9	13,924.6	16,252.3	15,601.9	20,248.4	20,632.5
Designated General (DGF)	22,392.2	22,378.7	22,274.7	23,080.3	24,278.0	24,919.9	25,144.5	24,646.4	24,389.4	21,582.6	22,223.6
Unrestricted General (UGF)	23,842.3	22,472.1	20,093.3	16,828.7	15,297.9	15,391.8	15,397.2	15,463.9	17,654.6	20,711.5	21,501.0

DEC Program Priority Table

<i>Program</i>	<i>Constitutional Requirement</i>	<i>Federal Requirement</i>	<i>Statutory Req.</i>	<i># of Alaskans Served</i>	<i>% Cost Through Fees</i>	<i>Rating of Importance to Mission</i>	<i>Rating of Effectiveness</i>
Administration							
Office of the Commissioner	Yes	No	No	component	0		Important
Administrative Services	No	No	No	Not applicable, administrative support component	0.17		Important
State Support Services	No	No	No	Not applicable, administrative support component	0.08		Important
Building Maintenance & Operations	No	No	Yes; AS 37.07.020(e)	Not applicable, state-owned building support RDU/component	0		Important
Environmental Health							
Shellfish	No	Yes	Yes; AS 17.20	746,582 Alaskans served. There are 283 permitted shellfish harvesters and dealers and countless statewide consumers. Permit holders represent the producers of the Alaskan shellfish industry, who employ numerous individuals in SE Alaska and purchase gas and equipment from local retailers.	0.11		Critical
Manufactured Food/Seafood Processors	No	No	Yes; AS 17.20	746,582 Alaskans served. There are 307 general food and 451 seafood manufacturers statewide. Food manufactured in Alaska enters the retail market and is consumed by residents. Permit holders also represent employers of Alaskan residents.	0.28		Critical
Public Facilities	No	No	Yes; AS 18.35, AS 44.46.020	This activity serves all Alaskans that utilize or have contact with individuals that utilize public facilities, which include 108 permitted pools and spas and 89 permitted tattoo and body art facilities statewide.	0		Critical

DEC Program Priority Table

Program	Constitutional Requirement	Federal Requirement	Statutory Req.	# of Alaskans Served	% Cost Through Fees	Rating of Importance to Mission	Rating of Effectiveness
Retail Food	No	No	Yes; AS 17.20	746,582 Alaskans served. There are 4,590 permitted retail facilities under the State's jurisdiction. These retail facilities include grocery stores and restaurants, as well as retail and food service facilities that are also associated with food processing operations.	0.8		Important
Drinking Water	No	Yes	Yes; AS 46.03.020	746,582 Alaskans served. There are 1,405 regulated public water systems statewide comprised of non-transient (residences, schools, hospitals) and transient (restaurants, hotels, campgrounds) systems.	0.04		Critical
Solid Waste	No	Yes	Yes; AS 46.03.020, AS 46.03.100	746,582 Alaskans served. There are 265 permitted facilities statewide, and an additional 36 rural landfills working with the program to facilitate proper landfill best management practices.	0.24		Critical
Pesticides	No	Yes	Yes; AS 46.03.020, AS 46.03.320, AS 46.03.330	746,582 Alaskans served. There are 8,210 registered pesticides and a variety of active permits, including 12 that are focused on aquatic pest eradication.	0.79		Critical
Shellfish and Food Safety Testing	No	Yes	Yes; AS 17.20	746,582 Alaskans served. All food for human consumption produced, harvested, and/or sold in Alaska is subject to testing in the event of a foodborne illness outbreak. The EH Lab also performs regulatory testing on food products manufactured, produced, and/or distributed under the authority of the DEC Food Safety & Sanitation program and the Office of the State Veterinarian.	0.01		Critical
Lab Certification	No	Yes	Yes; AS 46.03.020	746,582 Alaskans served. This activity serves all Alaskan residents that drink water from a public water system (including "transient" water system, such as restaurants) and/or consume dairy products manufactured by an Alaskan dairy.	0.19		Critical

DEC Program Priority Table

Program	Constitutional Requirement	Federal Requirement	Statutory Req.	# of Alaskans Served	% Cost Through Fees	Rating of Importance to Mission	Rating of Effectiveness
Dairy Program	No	Yes	Yes; AS 17.20.005	This activity serves all Alaskan residents who consume dairy products from the two Alaskan dairies which employ a total of six families. Both operations also sell or purchase feed to/from other Alaska farms.	0		Important
Animal Health & Traceability	No	No	Yes; AS 03.05.011, AS 03.55.100	746,582 Alaskans served. All domestic animals and livestock entering the state must be evaluated by a veterinarian and declared disease free. This protects all residents and wildlife populations from diseases.	0.01		Critical
Fish Tissue Testing	No	No	No	746,582 Alaskans served. Alaskan seafood provides an essential food source high in protein and nutrients. Alaskans, especially those living in rural areas, eat considerably more wild fish than people in other parts of the U.S. The commercial seafood industry is Alaska's largest exporter, generating \$3.2 billion worth of exports and employing 9% of Alaskan workers in 2011.	0		Beneficial
Air Quality	No	Yes	Yes; AS 46.14.010, AS 46.14.020, AS 46.14.030	746,582 Alaskans served. The Division of Air Quality partners with both urban and rural communities throughout the state to monitor air quality, work with local governments to assess and clean the air, and responding to complaints or concerns. The Division's primary role is to reduce air pollution from both the private and public sector. The program has roughly 1,500 active permits with industry and a high volume of technical support and interaction with the public.	0.6		Critical
Division of Spill Prevention and Response							

DEC Program Priority Table

Program	Constitutional Requirement	Federal Requirement	Statutory Req.	# of Alaskans Served	% Cost Through Fees	Rating of Importance to Mission	Rating of Effectiveness
Prevention, Preparedness, Response	No	No	Yes; AS 46.08.030 and AS 46.08.040	746,582 Alaskans served. PPR is responsible for regulating 756 active statewide facilities and non-tank vessels that are all required to have proof of financial responsibility in the event of a release. There are currently 138 active contingency plans and 244 non-tank vessel plans on file. In FY2018 there were 2,004 new spills across the state and 2,045 spills were closed. Each spill has the potential to directly impact many Alaskans.	0.05		Critical
Contaminated Sites	No	No	Yes; AS 46.08.030 and AS 46.08.040	746,582 Alaskans served. In FY2018 there were 2,304 active contaminated sites and 5,376 closed sites statewide. Each site has the potential to directly impact many Alaskans.	0		Critical
Response Fund Administration	No	No	Yes; AS 46.08.070, AS 46.08.040 (a)(2)(B)(i)	Not applicable, administrative support program	0		Important
Division of Water							
Alaska Pollutant Discharge Elimination System (APDES) P	No	Yes	Yes; AS 46.03.020, AS 46.03.100	746,582 Alaskans served. Approx. 3,500 permitted entities (oil and gas, mining, seafood, etc.) which employ an unknown number of Alaskans. In addition, approximately 300,000+ Alaskans are directly served by APDES regulated municipal systems.	0.39		Critical
Engineering Support & Plan Review	No	No	Yes; AS 46.03.020, AS 46.03.100	699,325 Alaskans served. Approx. 2,500+ wastewater systems are reviewed annually. There are an estimated 40,000 septic systems statewide.	0.22		Critical

DEC Program Priority Table

Program	Constitutional Requirement	Federal Requirement	Statutory Req.	# of Alaskans Served	% Cost Through Fees	Rating of Importance to Mission	Rating of Effectiveness
APDES & Discharge Compliance	No	Yes	Yes; AS 46.03.020, AS 46.03.100	746,582 Alaskans served. Approx. 140 compliance inspections are completed annually, ranging from small placer mines up to large oil & gas production facilities. These facilities employ an unknown number of Alaskans, and activities impact environments downstream. Dozens of public complaints are investigated annually.	0.11		Critical
Surface Water Standards Assessment and Restoration	No	Yes	Yes; AS 46.03.020, AS 46.03.050, AS 46.03.070	Approx. 555,000 Alaskans served. 20-25 community grants and projects annually cover waters damaged by urban and industrial development areas; 3-5 regulatory projects per year statewide; and a 5-year regional survey of transboundary watersheds in Southeast.	0		Critical
Cruise Ship	No	No	Yes; AS 46.03.460	The program monitors 50 registered passenger vessels and conducts over 1,500 inspections a year, checking for oil spills, proper disposal of hazardous materials, basic sanitation and health practices, and monitors air emissions from cruise ships and ferries. The program responds to citizen complaints and provides information on ship operations to other state agencies.	1		Critical
Village Safe Water (VSW)	No	Yes	Yes; AS 46.07	Approx. 180 villages are eligible for grant funding through the VSW Program, with a combined population of approx. 50,000. 35-45 planning, design, and construction grants are awarded annually.	0		Critical
Municipal Matching Grants (MMG)	No	No	Yes; AS 46.03.030	37 municipalities actively utilize the MMG program, with a population of 440,940. An average of 9 grants were awarded through SFY17. There has been no new grant funds since SFY17.	0		Critical

DEC Program Priority Table

Program	Constitutional Requirement	Federal Requirement	Statutory Req.	# of Alaskans Served	% Cost Through Fees	Rating of Importance to Mission	Rating of Effectiveness
Drinking Water and Clean Water Revolving Loan Funds	No	Yes	Yes; AS 46.03.032, AS 46.03.036	37 municipalities actively utilize the loan program, with a population of 440,940. An additional 22 private utilities are eligible borrowers, with a population total of 3,367. An average of 30 loans are extended annually.	1		Critical
Operations Assistance	No	Yes	Yes; AS 46.3	A total of 646 water systems and 84 wastewater systems serving 531,082 Alaskans are required to have certified operators. 1,476 Alaskans are currently certified. Remote Maintenance Workers provide assistance to 182 communities that serve a total of 52,000 Alaskans.	0.04		Critical

Department of Environmental Conservation

FY23 - Summary of Significant Budget Issues

(\$ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
1	Administration / Administrative Services	IIJA Division E Drinking Water and Wastewater Infrastructure - Water Programs Procurement and Accounting (FY23-FY27)	Total: \$471.7 \$359.7 CIP Rcpts (Other) \$56.0 CleanAdmin (Other) \$56.0 DrinkAdmin (Other) 2 PFT Positions IncT	Total: \$471.7 \$359.7 CIP Rcpts (Other) \$56.0 CleanAdmin (Other) \$56.0 DrinkAdmin (Other) 2 PFT Positions IncT	<p>The Infrastructure Investment and Jobs Act provides hundreds of millions in federal funds that will be awarded to Alaska for water and wastewater projects. In order to implement these programs, the department will require increased capacity in the Clean Water, Drinking Water, Village Safe Water, and Technical Assistance & Financing programs.</p> <p>The Division of Administration will need additional staff resources to support the Village Safe Water procurement team, as well as the facilities accounting team which provides accounting services directly to Village Safe Water and the Revolving Loan Fund programs.</p> <p>This funding is coming from capital appropriations for Village Safe Water and set-asides from supplemental capitalization grants to the Alaska Clean Water and Alaska Drinking Water State Revolving Loan Funds over the next five years.</p>
2	Environmental Health / Environmental Health	Assume Primacy of Hazardous Waste Management Under Resource Conservation and Recovery Act, Subtitle C	\$830.0 Gen Fund (UGF) 6 PFT Positions	\$830.0 Gen Fund (UGF) 6 PFT Positions	<p>The Department will be assuming primacy to operate a Resource Conservation and Recovery Act (RCRA) Subtitle C program within its Environmental Health division as a section of the Solid Waste Management program, which already manages RCRA Subtitle D. The RCRA is a federal law that covers the management of solid waste. RCRA Subtitle C covers the management of hazardous waste, while RCRA Subtitle D covers non-hazardous solid waste management. Currently, the Environmental Protection Agency (EPA) Region 10 oversees hazardous waste management in Alaska.</p> <p>Program implementation is proposed to be a two-year process, with year one involving discussions with the EPA on requirements for program primacy, development of regulations to implement Subtitle C in Alaska, and hiring and training staff. Year two involves continued staff training, making the application for state program authorization to the EPA, and full operation of Subtitle C. Once primacy is granted, federal funds of \$400.0 are available annually beginning in FY25 to offset general funds.</p>

Department of Environmental Conservation

FY23 - Summary of Significant Budget Issues

(\$ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
3	Environmental Health / Environmental Health	Replace Ocean Ranger Fees for Fish Tissue Testing	Net Zero \$324.6 Gen Fund (UGF) (\$324.6) Ocn Ranger (Other)	Net Zero \$324.6 Gen Fund (UGF) (\$324.6) Ocn Ranger (Other)	<p>The Department received an opinion from the Department of Law that the use of Commercial Passenger Vessel Environmental Compliance (CPVEC) fees to fund fish tissue testing violates the Tonnage Clause of the U.S. Constitution.</p> <p>Fiscal Analyst Comment: In SLA2021 the legislature changed the funding source for shellfish testing from CPVEC to UGF for these same legal reasons. In addition to the constitutional issues brought up by the Department of Law, the use of the CPVEC for fish tissue testing is not a designated use of the fund under state law. Fish tissue testing would need to be done whether or not there was a cruise ship industry.</p> <p>Commercial Passenger Vessel Environmental Compliance fund contains both CPVEC and the Ocean Ranger fees that are the funding source for the Ocean Ranger program and are referred to as Ocean Ranger (1205). These fees are tracked separately while residing in the same fund.</p>
4	Environmental Health / Environmental Health	IIJA Division E Title I Drinking Water - Federal Infrastructure Drinking Water Program Implementation (FY23-FY27)	\$8,126.1 Fed Rcpts (Fed) 6 PFT Positions IncT	\$8,126.1 Fed Rcpts (Fed) 6 PFT Positions IncT	<p>The Infrastructure Investment and Jobs Act provides hundreds of millions in federal funds that will be awarded to Alaska for water and wastewater projects. In order to implement these programs, the department will require increased capacity in the Clean Water, Drinking Water, Village Safe Water, and Technical Assistance & Financing programs.</p>
5	Spill Prevention and Response / Spill Prevention and Response	Replace Authority Unavailable due to Alaska Constitution Article IX Section 17(d)	Net Zero \$1,275.2 Gen Fund (UGF) (\$1,275.2) Oil/Haz Fd (DGF)	Net Zero \$1,275.2 Gen Fund (UGF) (\$1,275.2) Oil/Haz Fd (DGF)	<p>The enactment of Article IX, Section 17(d) of the Alaska Constitution transferred available balances of funds used by this appropriation to the Constitutional Budget Reserve Fund (CBR), a process commonly referred to as the "CBR sweep." Budget authority that cannot be satisfied with projected FY23 revenue collections were replaced in the budget with unrestricted general funds in order to ensure continuity of service.</p> <p>Fiscal Analyst Comment: The legislature changed the timing of deposits into the SPAR funds in order to address future sweep impacts.</p>

Department of Environmental Conservation

FY23 - Summary of Significant Budget Issues

(\$ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
6	Spill Prevention and Response / Spill Prevention and Response	IIJA Division J Title VI - Federal Infrastructure Brownfields Response Grants Implementation (FY23-FY27)	\$1,000.0 Fed Rcpts (Fed) 5 TMP Positions IncT	\$1,000.0 Fed Rcpts (Fed) 5 TMP Positions IncT	The Infrastructure Investment and Jobs Act provides \$1.5 billion in funds to be used toward brownfield programs. It is expected that approximately \$1 million per year will be dedicated to Alaska sites and increased program development. In order to implement this program, the department will require increased capacity in the Division of Spill Prevention and Response, Contaminated Sites program. Federal funding will be available in this grant program starting in FY2023 to support department operations.
7	Water / Water Quality, Infrastructure Support & Financing	Assumption of Primacy over Section 404 Permitting of the Discharge of Dredged or Fill Material into Waters and Wetlands	\$4,904.0 Gen Fund (UGF) 28 PFT Positions	\$1,000.0 Gen Fund (UGF)	The legislature did not accept the Governor's proposal of assuming primacy over Section 404 permitting in FY23. Instead they appropriated \$1 million to the Department to perform a feasibility study prior to taking over primacy. The legislature also included intent language that the Department provide a copy of the study to the Co-Chairs of the Finance Committees by February 1st, 2023.
8	Water / Water Quality, Infrastructure Support & Financing	IIJA Division J Title VI - Federal Infrastructure Indian Health Services Village Safe Water Support (FY23-FY27)	\$1,585.4 CIP Rcpts (Other) 5 PFT Positions IncT	\$1,585.4 CIP Rcpts (Other) 5 PFT Positions IncT	The Infrastructure Investment and Jobs Act provides hundreds of millions in federal funds that will be awarded to Alaska for water and wastewater projects. In order to implement these programs, the department will require increased capacity in the Clean Water, Drinking Water, Village Safe Water, and Technical Assistance & Financing programs. This funding is coming from capital appropriations for Village Safe Water and set-asides from supplemental capitalization grants to the Alaska Clean Water and Alaska Drinking Water State Revolving Loan Funds over the next five years.
9	Water / Water Quality, Infrastructure Support & Financing	IIJA Division E Title I Drinking Water - Federal Infrastructure Drinking Water Program Implementation (FY23-FY27)	Total: \$4,582.7 \$4,276.9 Fed Rcpts (Fed) \$305.8 DrinkAdmin (Other) 3 PFT Positions IncT	Total: \$4,582.7 \$4,276.9 Fed Rcpts (Fed) \$305.8 DrinkAdmin (Other) 3 PFT Positions IncT	The Division of Water needs additional staff resources to provide oversight and coordination of Village Safe Water projects as well as oversight of increased loans issued from the State Revolving Loan Funds. The division will also provide additional technical assistance and capacity support to water systems through the Operator Certification and Capacity Development programs. This funding is for the Drinking Water program.

Department of Environmental Conservation

FY23 - Summary of Significant Budget Issues

(\$ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
10	Water / Water Quality, Infrastructure Support & Financing	IIJA Division E Title II Clean Water - Federal Infrastructure Clean Water Program Implementation (FY23-FY27)	Total: \$1,192.7 \$886.8 Fed Rcpts (Fed) \$305.9 CleanAdmin (Other) 3 PFT Positions IncT	Total: \$1,192.7 \$886.8 Fed Rcpts (Fed) \$305.9 CleanAdmin (Other) 3 PFT Positions IncT	The Division of Water needs additional staff resources to provide oversight and coordination of Village Safe Water projects as well as oversight of increased loans issued from the State Revolving Loan Funds. The division will also provide additional technical assistance and capacity support to water systems through the Operator Certification and Capacity Development programs. This funding is for the Clean Water program.
11	Water / Water Quality, Infrastructure Support & Financing	Additional State Support for Federal Infrastructure Water Program Implementation (FY23-27)	\$135.4 Gen Fund (UGF) 1 PFT Position IncT	\$135.4 Gen Fund (UGF) 1 PFT Position IncT	The division anticipates additional workload to continue conducting domestic wastewater system plan reviews. This work is not eligible for federal grant funding.

**Department of Environmental Conservation
FY23 Mid-Year Status Report**

Item #	Approp / Allocation	Description	Amount / Fund Source	LFD Comment	LFD Questions	Agency Comments
1	Administration / Administrative Services	IIJA Division E Drinking Water and Wastewater Infrastructure Water Programs Procurement and Accounting (FY23-FY27)	Total: \$471.7 \$359.7 CIP Rcpts (Other) \$56.0 CleanAdmin (Other) \$56.0 DrinkAdmin (Other) 2 PFT Positions IncT	The Infrastructure Investment and Jobs Act provides hundreds of millions in federal funds that will be awarded to Alaska for water and wastewater projects. The Division of Administration will need additional staff resources to support the Village Safe Water procurement team, as well as the facilities accounting team which provides accounting services directly to Village Safe Water and the Revolving Loan Fund programs.	What positions have been hired?	No IIJA positions have been hired yet. IIJA related positions are included within a larger restructuring within the Division of Administration to support the Village Safe Water and State Revolving Fund Programs. The decision was made to delay hiring to establish management structure and prioritize backfilling other positions made vacant through internal promotion. Additionally the Department is being conscientious of budget and is allowing the SRF project solicitation process, which runs through February, to identify the level of interest for SRF BIL funding to better gauge demand and anticipated workload for the team.

**Department of Environmental Conservation
FY23 Mid-Year Status Report**

Item #	Approp / Allocation	Description	Amount / Fund Source	LFD Comment	LFD Questions	Agency Comments
2	Environmental Health / Environmental Health	Assume Primacy of Hazardous Waste Management Under Resource Conservation and Recovery Act, Subtitle C	\$830.0 Gen Fund (UGF) 6 PFT Positions	The Department will be assuming primacy to operate a Resource Conservation and Recovery Act (RCRA) Subtitle C program within its Environmental Health division as a section of the Solid Waste Management program, which already manages RCRA Subtitle D. Program implementation is proposed to be a two-year process, with year one involving discussions with the EPA on requirements for program primacy, development of regulations to implement Subtitle C in Alaska, and hiring and training staff.	How many positions have been hired? What is progress has the Department made with EPA requirements for primacy?	Six of the six positions have been hired. ADEC is working proactively with EPA on developing capacity to implement RCRA Subtitle C. The Department of Law is working with EPA Legal on statutory authorities. ADEC Hazardous Waste Program (HWP) management has been working directly with counterparts at EPA on program implementation and has completed draft regulations that are undergoing internal review. HWP staff are making significant progress with training on RCRA regulations and inspections. DEC is on track to submit a complete application to EPA for program authorization by December 2023.
3	Environmental Health / Environmental Health	IIJA Division E Title I Drinking Water - Federal Infrastructure Drinking Water Program Implementation (FY23-FY27)	\$8,126.1 Fed Rcpts (Fed) 6 PFT Positions IncT	The Infrastructure Investment and Jobs Act provides hundreds of millions in federal funds that will be awarded to Alaska for water and wastewater projects. In order to implement these programs, the Department will require increased capacity in the Clean Water, Drinking Water, Village Safe Water, and Technical Assistance & Financing programs.	What positions have been hired?	Six of the six positions have been hired.

**Department of Environmental Conservation
FY23 Mid-Year Status Report**

Item #	Approp / Allocation	Description	Amount / Fund Source	LFD Comment	LFD Questions	Agency Comments
4	Spill Prevention and Response / Spill Prevention and Response	IIJA Division J Title VI - Federal Infrastructure Brownfields Response Grants Implementation (FY23-FY27)	\$1,000.0 Fed Rcpts (Fed) 5 TMP Positions IncT	The Infrastructure Investment and Jobs Act provides \$1.5 billion in funds to be used toward brownfield programs. It is expected that approximately \$1 million per year will be dedicated to Alaska sites and increased program development. In order to implement this program, the Department will require increased capacity in the Division of Spill Prevention and Response, Contaminated Sites program. Federal funding will be available in this grant program starting in FY23 to support agency operations.	What positions have been hired?	18-7906 - Recruitment closed 1/4/2023. Interviews to be held next week. 18-7907 - Recruitment closes 1/9/2023. Recruitment was extended to allow for a larger pool of candidates. 18-7908 - currently not in recruitment, but a similar position recruitment closes on 1/11/2023 and if there are multiple qualified candidates a hire could be made from that pool. 18-7909 - Recruitment closes 1/9/2023. Recruitment was extended to allow for a larger pool of candidates. 18-7910 - Recruitment closed 1/3/2023. Interviews will be conducted next week.
5	Water / Water Quality, Infrastructure Support & Financing	Assumption of Primacy over Section 404 Permitting of the Discharge of Dredged or Fill Material into Waters and Wetlands	\$1,000.0 Gen Fund (UGF)	The legislature did not accept the Governor's proposal of assuming primacy over Section 404 permitting in FY23. Instead they appropriated \$1 million to the Department to perform a feasibility study prior to taking over primacy. The legislature also included intent language that the Department provide a copy of the study to the Co-Chairs of the Finance Committees by February 1st, 2023.	Will this report be submitted in February as expected?	Yes

**Department of Environmental Conservation
FY23 Mid-Year Status Report**

Item #	Approp / Allocation	Description	Amount / Fund Source	LFD Comment	LFD Questions	Agency Comments
6	Water / Water Quality, Infrastructure Support & Financing	IIJA Division J Title VI - Federal Infrastructure Indian Health Services Village Safe Water Support (FY23-FY27)	\$1,585.4 CIP Rcpts (Other) 5 PFT Positions IncT	The Infrastructure Investment and Jobs Act provides hundreds of millions in federal funds that will be awarded to Alaska for water and wastewater projects. In order to implement these programs, the Department will require increased capacity in the Clean Water, Drinking Water, Village Safe Water, and Technical Assistance & Financing programs.	What positions have been hired?	1. EPS 3 18-7892 2. EPS 3 18-7894
7	Water / Water Quality, Infrastructure Support & Financing	IIJA Division E Title I Drinking Water - Federal Infrastructure Drinking Water Program Implementation (FY23-FY27)	Total: \$4,582.7 \$4,276.9 Fed Rcpts (Fed) \$305.8 DrinkAdmin (Other) 3 PFT Positions IncT	The Division of Water needs additional staff resources to provide oversight and coordination of Village Safe Water projects as well as oversight of increased loans issued from the State Revolving Loan Funds. The Division will also provide additional technical assistance and capacity support to water systems through the Operator Certification and Capacity Development programs. This funding is for the Drinking Water program.	What positions have been hired?	1. EPS 3 18-7891 2. Env Prog Tech 18-7722

**Department of Environmental Conservation
FY23 Mid-Year Status Report**

Item #	Approp / Allocation	Description	Amount / Fund Source	LFD Comment	LFD Questions	Agency Comments
8	Water / Water Quality, Infrastructure Support & Financing	IJJA Division E Title II Clean Water - Federal Infrastructure Clean Water Program Implementation (FY23-FY27)	Total: \$1,192.7 \$886.8 Fed Rcpts (Fed) \$305.9 CleanAdmin (Other) 3 PFT Positions IncT	The Division of Water needs additional staff resources to provide oversight and coordination of Village Safe Water projects as well as oversight of increased loans issued from the State Revolving Loan Funds. The Division will also provide additional technical assistance and capacity support to water systems through the Operator Certification and Capacity Development programs. This funding is for the Clean Water program.	What positions have been hired?	1. Grants Administrator 3 18-7903
9	Water / Water Quality, Infrastructure Support & Financing	Additional State Support for Federal Infrastructure Water Program Implementation (FY23-27)	\$135.4 Gen Fund (UGF) 1 PFT Position IncT	The Division anticipates additional workload to continue conducting domestic wastewater system plan reviews. This work is not eligible for federal grant funding.	Has the position been hired?	Yes. Engineer 1 18-7871

2023 Legislature - Operating Budget
Allocation Summary - Governor Structure

Numbers and Language
Agencies: DEC

Allocation	[1] 23 CC	[2] 23 Auth	[3] 23MgtP1n	[4] Adj Base	[5] 24Gov	[5] - [3] 23MgtP1n to 24Gov	[5] - [4] Adj Base to 24Gov		
Environmental Conservation									
Administration									
Office of the Commissioner	1,680.4	1,725.4	1,859.4	1,884.9	1,884.9	25.5	1.4 %	0.0	
Administrative Services	5,458.2	5,474.1	5,340.1	5,631.2	5,631.2	291.1	5.5 %	0.0	
State Support Services	2,831.4	2,832.1	2,832.1	2,832.1	2,832.1	0.0		0.0	
Appropriation Total	9,970.0	10,031.6	10,031.6	10,348.2	10,348.2	316.6	3.2 %	0.0	
DEC Bldgs Maint & Operations									
DEC Bldgs Maint & Operations	787.9	789.0	789.0	796.3	796.3	7.3	0.9 %	0.0	
Appropriation Total	787.9	789.0	789.0	796.3	796.3	7.3	0.9 %	0.0	
Environmental Health									
Environmental Health	27,197.4	27,275.8	27,275.8	27,652.4	28,048.5	772.7	2.8 %	396.1	1.4 %
Appropriation Total	27,197.4	27,275.8	27,275.8	27,652.4	28,048.5	772.7	2.8 %	396.1	1.4 %
Air Quality									
Air Quality	11,395.1	11,441.9	11,441.9	11,619.2	13,183.9	1,742.0	15.2 %	1,564.7	13.5 %
Appropriation Total	11,395.1	11,441.9	11,441.9	11,619.2	13,183.9	1,742.0	15.2 %	1,564.7	13.5 %
Spill Prevention and Response									
Spill Prevention and Response	20,960.3	21,034.7	21,034.7	21,368.3	21,368.3	333.6	1.6 %	0.0	
Appropriation Total	20,960.3	21,034.7	21,034.7	21,368.3	21,368.3	333.6	1.6 %	0.0	
Water									
Water Quality Infrastructure	31,406.5	31,501.9	31,501.9	30,850.1	30,850.1	-651.8	-2.1 %	0.0	
Appropriation Total	31,406.5	31,501.9	31,501.9	30,850.1	30,850.1	-651.8	-2.1 %	0.0	
Agency Unallocated									
Unallocated Rates Adjustment	280.8	0.0	0.0	0.0	0.0	0.0		0.0	
Appropriation Total	280.8	0.0	0.0	0.0	0.0	0.0		0.0	
Agency Total	101,998.0	102,074.9	102,074.9	102,634.5	104,595.3	2,520.4	2.5 %	1,960.8	1.9 %
Statewide Total	101,998.0	102,074.9	102,074.9	102,634.5	104,595.3	2,520.4	2.5 %	1,960.8	1.9 %
Funding Summary									
Unrestricted General (UGF)	20,679.2	20,711.5	20,711.5	20,008.6	21,501.0	789.5	3.8 %	1,492.4	7.5 %
Designated General (DGF)	21,573.9	21,582.6	21,582.6	21,973.6	22,223.6	641.0	3.0 %	250.0	1.1 %
Other State Funds (Other)	20,245.3	20,248.4	20,248.4	20,726.4	20,632.5	384.1	1.9 %	-93.9	-0.5 %
Federal Receipts (Fed)	39,499.6	39,532.4	39,532.4	39,925.9	40,238.2	705.8	1.8 %	312.3	0.8 %

Department of Environmental Conservation
FY2024 - Summary of Significant Budget Issues
(\$ thousands)

Narrative report for significant items in the Governor's FY24 budget.

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Environmental Health / Environmental Health	Expanded Permitting and Testing in Drinking Water and Environmental Health Lab	\$250.0 GF/Prgm (DGF)	Due to the increase in federally-funded infrastructure, research, and economic development projects throughout the state, the Division of Environmental Health anticipates a significant increase in workload and associated permitting and testing fees to support multiple regulatory programs, including the Drinking Water Program and Environmental Health Laboratory.
2	Air Quality / Air Quality	Federally Required Air Quality State Improvement Plan Development and Regulatory Required Monitoring	\$1,207.8 Gen Fund (UGF) 8 PFT Positions	<p>The Department is requesting additional resources to develop State Implementation Plans (SIPs) which will allow the community-based plan to resolve dangerous air pollution levels in the Fairbanks North Star Borough (FNSB) in time to resolve the issue without Federal government intervention. To effectively defend the SIPs, additional resources will be necessary to show how air pollution monitored inside the non-attainment or planning area is impacted by transport from outside or international sources; this requires additional resources in modeling, analysis, and legal defense to make certain weight of evidence arguments.</p> <p>The Department anticipates three concurrent SIPs due by 2026. The SIP development timeline is approximately two years due to data collection, data analysis, modeling requirements, public outreach, and public comment periods. The SIPs are not static, one-time plans, and are ongoing projects requiring actions that span over decades. Once an area goes into what's classified as "non-attainment," the Department estimates a minimum of 30 years to implement the plan, including maintenance and monitoring. In addition to the execution of the plan, there will be required amendments, clarifications, and litigation that accompany the SIP submittal.</p> <p>Fiscal Analyst Comment: Failure to submit SIPs to the Environmental Protection Agency, or submitting an inadequate SIP will ultimately result in sanctions, which includes the loss of federal highway funds and a 2-to-1 permitting offset in the non-attainment area. Failure to maintain a federally-required monitoring program could result in loss of primacy of air programs, giving the EPA air quality permitting authority within the state.</p>

Department of Environmental Conservation
FY2024 - Summary of Significant Budget Issues
(\$ thousands)

Narrative report for significant items in the Governor's FY24 budget.

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Air Quality / Air Quality	Air Monitoring and Quality Assurance Program Rural Community Monitoring Network	\$356.9 Gen Fund (UGF) 2 PFT Positions	<p>The Department of Environmental Conservation Air Quality Program (DEC AQ) is responsible for statewide ambient air quality monitoring to ensure that air meets national public health and welfare standards as part of the State's Primacy in Air Quality under the Clean Air Act of 1970.</p> <p>DEC AQ has started to expand a community monitoring network using low-cost sensor technology. The Department believes that this additional resource will allow for better responsiveness into monitoring and mitigating potential harmful impacts from wildfire smoke. The new technology requires much less staff time for set-up and maintenance. The Department anticipates that expanding the non-regulatory monitoring network by 30 stations increases the available data by three orders of magnitude.</p>
4	Water / Water Quality, Infrastructure Support & Financing	Reverse CC: 404 Primacy Study	(\$1,000.0) Gen Fund (UGF)	<p>This is the removal of one-time funding to complete a feasibility study on the assumption of primacy of section 404 of the Clean Water Act, due in February 2023. The Department is also proposing the deletion of a position associated with the study once it is completed. The Governor's proposed FY23 budget included the assumption of 404 primacy for a cost of \$4.9 million and the creation of 28 new Permanent Full-time positions. The legislature instead opted for this one-time funding for a feasibility study.</p> <p>Fiscal Analyst Comment: The Governor may put forward another request in his amended budget for primacy funding based on the results of the feasibility study.</p>

2023 Legislature - Operating Budget
Transaction Compare - Governor Structure
Between Adj Base and 24Gov

Numbers and Language
Differences
Agencies: DEC

Agency: Department of Environmental Conservation

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Administration													
Administrative Services													
Administration Proportionality True Up	24Gov	FndChg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
The Division of Administrative Services costs are distributed proportionate to how the rest of the Department spends personal services. Additional federal receipts and clean air protection fund receipts authority is needed for the Division to realize available revenue from these sources.													
1002 Fed Rcpts (Fed)			258.2										
1003 GF/Match (UGF)			-58.2										
1007 I/A Rcpts (Other)			-235.0										
1093 Clean Air (Other)			35.0										
* Allocation Difference *			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
State Support Services													
Administration Proportionality True Up	24Gov	FndChg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
The Division of Administrative Services costs are distributed proportionate to how the rest of the Department spends personal services. Additional federal receipts authority is needed for the division to realize available revenue from these sources.													
1002 Fed Rcpts (Fed)			54.1										
1003 GF/Match (UGF)			-14.1										
1205 Ocn Ranger (Other)			-40.0										
* Allocation Difference *			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
** Appropriation Difference **			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
Environmental Health													
Environmental Health													
Recurring Reimbursable Services Agreements	24Gov	Inc	147.4	0.0	0.0	147.4	0.0	0.0	0.0	0.0	0	0	0
Increase interagency receipts authority for several recurring Reimbursable Services Agreements (RSA) in the Division of Environmental Health that are currently paid with unbudgeted interagency receipt authority.													
1007 I/A Rcpts (Other)			147.4										
Expanded Permitting and Testing in Drinking Water and Environmental Health Lab	24Gov	Inc	250.0	0.0	0.0	250.0	0.0	0.0	0.0	0.0	0	0	0
Due to the increase in federally funded infrastructure, research, and economic development projects throughout the state, the Division of Environmental Health (EH) anticipates a significant increase in workload and associated permitting and testing fees to support multiple regulatory programs, including the Drinking Water Program and Environmental Health Laboratory. Additional general fund program receipt authority is needed to accommodate the temporary increase in fee collection. There is a corresponding supplemental request for FY2023.													
1005 GF/Prgm (DGF)			250.0										
Delete Uncollectable Authority	24Gov	Dec	-1.3	0.0	0.0	-1.3	0.0	0.0	0.0	0.0	0	0	0
Eliminate uncollectable budgetary authority.													
1108 Stat Desig (Other)			-0.2										
1205 Ocn Ranger (Other)			-1.1										
* Allocation Difference *			396.1	0.0	0.0	396.1	0.0	0.0	0.0	0.0	0	0	0
** Appropriation Difference **			396.1	0.0	0.0	396.1	0.0	0.0	0.0	0.0	0	0	0

2023 Legislature - Operating Budget Transaction Compare - Governor Structure Between Adj Base and 24Gov

Numbers and Language
Differences
Agencies: DEC

Agency: Department of Environmental Conservation

Air Quality

Air Quality

Federally Required Air Quality State
Improvement Plan Development and
Regulatory Required Monitoring

Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
24Gov	Inc	1,207.8	849.3	16.0	292.5	50.0	0.0	0.0	0.0	8	0	0

In 2014, the Fairbanks North Star Borough (FNSB) recorded wintertime fine particulate pollution at nearly four times the health-based standard. Significant progress has been made to cut pollution levels in half with wintertime air pollution in the FNSB now only at twice the health-based standard. Despite this progress, federal requirements threaten to derail the community-based plan to achieve clean air. Additional resources are required to develop State Implementation Plans (SIPs) which will hold the federal government at bay and allow the community-based plan time to work. To effectively defend our SIPs, additional resources will be necessary to support how air pollution monitored inside the non-attainment or planning area is impacted by transport from outside or international sources; this requires additional resources in modelling, analysis, and legal defense to make certain weight of evidence arguments.

The Department of Environmental Conservation (DEC) anticipates three concurrent SIPs due by 2026. Current resources including State employees and contractual support are sufficient only for the development of a single SIP, and this increased workload requires a corresponding increase in State capacity. The current contractor working on SIP efforts has been assisting the State and local air programs for over 30 years and brings an invaluable amount of institutional knowledge to the table. Meanwhile, DEC's two primary SIP authors with a combined 64 years of experience both retired in July 2022, increasing the importance of this support. While contracting support will continue, other employees with extensive institutional knowledge will be retiring, creating an additional gap that will need to be filled. The SIP development timeline is approximately two years due to data collection, data analysis, modeling requirements, public outreach, and public comment periods. Additional capacity is needed in FY2024 to reasonably expect to meet federal deadlines.

The Municipality of Anchorage (MOA) (Jan 2017) and the FNSB (July 2016) ceased operation and funding of local air quality monitoring programs. DEC was required by federal rules to take over responsibility for these six federally required regulatory monitoring sites, which more than doubled the monitoring workload without adding new positions to the program. In January 2017 a federally mandated increase in sampling frequency for the Fairbanks monitors increased the workload almost four-fold, and DEC established a new monitoring site in Fairbanks in 2019. Current staff levels are not sufficient to maintain the federally required monitoring network.

Failure to submit SIPs to the Environmental Protection Agency or an inadequate SIP will ultimately result in sanctions, which includes the loss of federal highway funds and a 2-to-1 permitting offset, both in the non-attainment area. After sanctions are imposed, the EPA will develop a Federal Implementation Plan (FIP) for the non-attainment area potentially eliminating wood burning, mandating Ultra Low Sulfur Diesel (ULSD) for home heating, and imposing multi-million-dollar controls on the coal and oil-fired utilities within the non-attainment area. The Division expects to incur roughly \$250.0 in legal costs associated with defending the State's SIPs. Failure to maintain a federally required monitoring program could result in loss of primacy of air programs giving EPA air quality permitting authority within the state.

The following positions are required to build the capacity necessary to complete the monitoring and SIP work:

- Full time Environmental Program Technician, (18-#155), range 13, located in Fairbanks
- Full time Environmental Program Technician, (18-#156), range 13, located in Fairbanks

**2023 Legislature - Operating Budget
Transaction Compare - Governor Structure
Between Adj Base and 24Gov**

**Numbers and Language
Differences
Agencies: DEC**

Agency: Department of Environmental Conservation

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Air Quality (continued)													
Air Quality (continued)													
Federally Required Air Quality State Improvement Plan Development and Regulatory Required Monitoring (continued)													
-Full time Environmental Program Technician, (18-#157), range 13, located in Fairbanks													
-Full time Environmental Program Specialist 3, (18-#158), range 18, located in Fairbanks													
-Full time Environmental Program Specialist 3, (18-#159), range 18, located in Fairbanks													
-Full time Engineering Associate 2 DEC, (18-#160), range 23, located in Juneau													
-Full time Engineering Associate 1 DEC, (18-#161), range 21, located in Juneau													
-Full time Environmental Program Specialist 3, (18-#162), range 18, located in Juneau													
1004 Gen Fund (UGF)			1,207.8										
Air Monitoring and Quality Assurance Program	24Gov	Inc	356.9	216.1	21.9	67.7	27.2	24.0	0.0	0.0	2	0	0
Rural Community Monitoring Network													
The Department of Environmental Conservation Air Quality Program (DEC AQ) is responsible for statewide ambient air quality monitoring to ensure that air meets national public health and welfare standards as part of the State's Primacy in Air Quality under the Clean Air Act of 1970. Primacy allows the State to issue permits needed for resource industries and communities. Under the Clean Air Act, as delegated by EPA, the State is required to regulate emission of pollutants that "endanger public health and welfare."													
In response to public pressure and to better document international transport of air pollution for which the State is not responsible, DEC AQ has started to expand a community monitoring network using low-cost sensor technology. This is part of the long-term strategy of collecting air quality data in rural communities that have been underrepresented to date. Wildland fire smoke related air quality impacts are expected to increase, and the public relies on real time data from DEC AQ regarding health impacts. This additional resource would allow for better responsiveness into monitoring and mitigating potential harmful impacts from wildfire smoke. While the new technology requires much less staff time for set-up and maintenance, expanding the non-regulatory monitoring network by 30 stations significantly increased the data. Specifically, the increase was 1000-fold, or three orders of magnitude. As a State, regulatory monitoring in all communities is not economically feasible. However, there is high demand for providing rural communities with real-time data. This request is a cost-effective solution to proactively provide a service in rural Alaska where there is growing demand.													
The following positions are required to enable DEC AQ to expand and maintain services to local communities and the public:													
-Full time Environmental Program Specialist 3, (18-#153), range 18, located in Anchorage													
-Full time Environmental Program Specialist 3, (18-#154), range 18, located in Anchorage													
1004 Gen Fund (UGF)			356.9										
* Allocation Difference *			1,564.7	1,065.4	37.9	360.2	77.2	24.0	0.0	0.0	10	0	0
** Appropriation Difference **			1,564.7	1,065.4	37.9	360.2	77.2	24.0	0.0	0.0	10	0	0

Water

Water Quality, Infrastructure Support & Financing

Maintain Clean Water and Drinking Water	24Gov	FndChg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
Administrative Funds													

**2023 Legislature - Operating Budget
Transaction Compare - Governor Structure
Between Adj Base and 24Gov**

Numbers and Language Differences Agencies: DEC

Agency: Department of Environmental Conservation

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Water (continued)													
Water Quality, Infrastructure Support & Financing (continued)													
Maintain Clean Water and Drinking Water													
Administrative Funds (continued)													
Activities under the Alaska Clean Water and Drinking Water Administrative Fund programs are eligible under either fund source. It is the division's intention to spend each of the funds proportionately.													
1230 CleanAdmin (Other)			-202.6										
1231 DrinkAdmin (Other)			202.6										
Align Authority for Federal Match Requirements	24Gov	FndChg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
The Division has five federal grant programs that require a State match. A fund source change from General Fund to General Fund Match will align the required match to a more appropriate fund source.													
1003 GF/Match (UGF)			1,015.8										
1004 Gen Fund (UGF)			-1,015.8										
* Allocation Difference *			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
** Appropriation Difference **			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
*** Agency Difference ***			1,960.8	1,065.4	37.9	756.3	77.2	24.0	0.0	0.0	10	0	0
**** All Agencies Difference ****			1,960.8	1,065.4	37.9	756.3	77.2	24.0	0.0	0.0	10	0	0

Column Definitions

Adj Base (FY24 Adjusted Base) - FY23 Management Plan less one-time items, plus FY24 adjustments for position counts, funding transfers, line item transfers, temporary increments (IncT) from prior years, and additions for statewide items (e.g. salary and benefit increases). The Adjusted Base is the "first cut" of the FY24 budget; it is the base to which the Governor's and the legislature's increments, decrements, and fund changes are added.

24Gov (24Gov) - Includes FY24 Adjusted Base plus the Governor's operating budget requests for increments, decrements, fund source changes, and language transactions submitted on December 15, 2022.

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

9. **Water** / Water Quality, Infrastructure Support & Financing Operating/Capital Budget (CCS HB 281(brf sup maj fld H))

COMPLIANCE MAY BE DETERMINED AT A LATER DATE

It is the Intent of the Legislature that \$1 million is appropriated for the purpose of the Department of Environmental Conservation to complete a feasibility study on the assumption of primacy of section 404 of the Clean Water Act. The report will be submitted to the four co-chairs of the Finance Committees and Division of Legislative Finance by February 1, 2023.

The Division of Water has hired a Program Manager to serve as the lead of this project and has a contract in place to assist in the effort. Employees of the division's permit section will also support this project. A Reimbursable Service Agreement with the Department of Law is in place for a contract with outside counsel as well as the annual Reimbursable Service Agreement with the Department of Law for attorney activity specific to the 404 Feasibility Study. An additional Reimbursable Service Agreement will be executed with the Department of Natural Resources to collaborate with one of their staff, a former Department of Environmental Conservation employee with extensive knowledge of this topic. The requested report will be submitted by February 1, 2023.

Legislative Fiscal Analyst Comment: This intent asks the agency to provide a report before February 1, 2023. Compliance cannot be determined until that date.

Department of Environmental Conservation

Mission

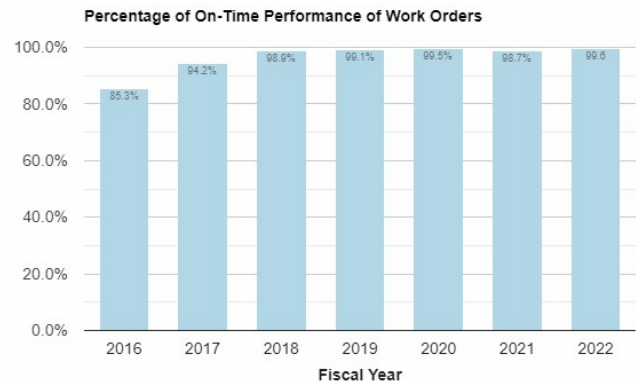
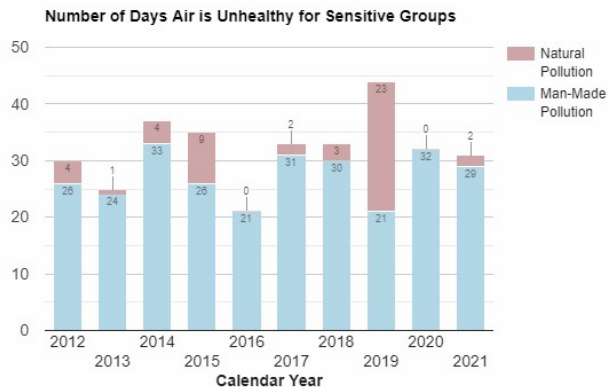
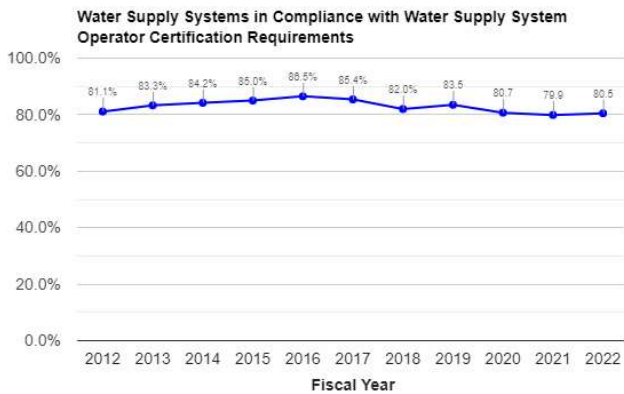
Protect human health and the environment. AS 46.03.010, AS 44.46.020

	Core Services (in priority order)	UGF	DGF	Other	Fed	Total	PFT	PPT	NP	% GF
1	Protecting Human Health	13,856.6	6,806.9	9,498.8	24,390.3	54,552.5	264.8	0.0	1.5	48.9%
2	Protecting the Environment	6,854.9	14,775.7	10,749.7	15,142.2	47,522.4	245.2	0.0	6.5	51.1%
	FY2023 Management Plan	20,711.5	21,582.6	20,248.4	39,532.4	102,074.9	510.0	0.0	8.0	

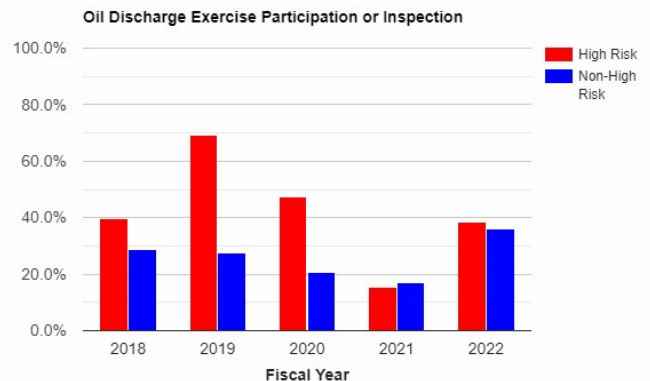
Measures by Core Service

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

1. Protecting Human Health



2. Protecting the Environment



Major Department Accomplishments in 2022

As anticipated throughout the pandemic, our work model has continued to evolve with the vast majority of eligible Department employees teleworking 1-3 days per week. Overall, the Department has not found productivity impacted by telework, and staff report a better work-life balance and increased morale. Additionally, with the success and acceptance of remote supervision, the department has made a concerted effort to recruit positions statewide (rather than confined to one location.) This effort has shown successful, with increased applicant pools and more qualified applicants.

To combat continued recruitment and retention challenges the Department maintained its focus on training and improving staff morale both at the division and department level. Alongside Division-level training, multiple department-wide trainings were conducted to build effective communication skills including conflict resolution and negotiations, and cultural awareness training. Team building and enhancing communication was conducted in a variety of ways, including monthly all-staff meetings, employee recognition programs, bi-weekly inter-agency trainings, etc. The department also began to develop a “leadership academy” to mentor staff and cultivate further management and leadership skills which we expect to begin execution in FY23.

The Department has successfully implemented technological improvements such as the use of unmanned aerial surveillance tools, GIS mapping improvement, and virtual meetings and inspections to provide the core services of the Department. The use of virtual technologies has allowed staff to pursue other process improvements including the continued reduction of the paper footprint and moving to electronic files and workflows to improve efficiency and accessibility to staff and the public.

Key Department Challenges

Recruitment and retention continue to be an ongoing challenge for the department. The Department continues to focus on training, statewide recruitment, and flexible telework options to help mitigate these challenges. Factors contributing to retention and recruitment include non-competitive pay when compared to similar jobs in both the federal and private sectors and perceived budget instability. Managers and senior staff have experienced a larger portion of their time consumed by onboarding and training new staff due to high turnover and relatively more junior applicants.

Litigation related to water quality standards in multiple states, new and updated implementation methodologies, the promulgation of EPA-recommended criteria in some states and shifting federal policy preferences regarding acceptable approaches to the development of water quality standards has created a chaotic landscape of what is or is not permissible in terms of state decision-making policies and their ‘acceptable risk’ to the EPA. This constantly changing federal landscape creates challenges for state management of its resources through the water quality standards. The Water Quality Standards section engages with EPA regularly and monitors these changes for implications to Alaska.

Responding to PFAS contamination is a continuing challenge and a high-profile public health concern. PFAS are a class of over 10,000 man-made chemicals. Existing data indicates that PFAS is persistent, bio accumulative, and toxic. National and international concerns have resulted in numerous on-going studies to better determine PFAS toxicity and to develop remediation, treatment, and analytical methods as well as regulatory standards, policies, and guidance. The division is working to identify and respond to PFAS contamination in Alaska. The lack of national PFAS standards has made decision making challenging and controversial, which in turn creates a high level of public and legislative concern.

The federal government has an obligation to address contamination on lands they conveyed under ANCSA. The federal government is responsible for developing an inventory and creating detailed cleanup plans for each of these contaminated sites, and ultimately cleaning up the impacted sites. Although the federal government has an obligation to address this inexcusable and long-standing issue, many of these sites remain unaddressed by federal responsible parties. The Division of Spill Prevention and Response anticipates a significant portion of staff time will be dedicated to the pursuit of litigation for the 548 notices of intent to sue issued to the United States Department of the Interior.

Significant Changes in Results to be Delivered in FY2024

The 2021 Infrastructure Investment and Jobs Act (IIJA) has resulted in over \$2.1B in federal funding to the State for infrastructure projects including (but not limited to) water and wastewater systems, shellfish testing, and contaminated sites remediation. While this is an amazing opportunity to build new and replace aging infrastructure; recruiting qualified staffing across divisions to support the increased workload will continue to be a challenge.

Multiple statewide consolidation efforts will continue to impact the Department in FY2023. The Department was in the first wave of consolidation into the Office of Procurement & Property Management (OPPM), Office of Information Services (OIT), and Shared Services. While these efforts are expected to result in savings and efficiencies, it takes time, effort, and collaboration for full implementation. We look forward to realizing the full potential of the consolidation's intent and having the Department's business needs met.

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