



State of *ALASKA*

Department *of* Natural Resources



House Finance Committee

DNR FY2015 Budget Overview

January 31, 2014

Commissioner Joe Balash
Alaska Department of Natural Resources
www.dnr.alaska.gov

AGENDA



PART I: DNR Overview

PART II: FY 2015 Budget Highlights

Part I



DNR OVERVIEW

State of Alaska

Department of Natural Resources



Joe Balash
Commissioner

Ed Fogels
Deputy
Commissioner

Bob Swenson
Deputy
Commissioner

Division of
Agriculture

Division of
Forestry

Division of Geological &
Geophysical Surveys

Division of
Oil & Gas

Division of
Mining, Land &
Water

Division of Parks &
Outdoor Recreation

Mental Health
Trust Land
Office

State Pipeline
Coordinator's Office

Office of Project
Management &
Permitting

Support Services
Division

State of Alaska

Department of Natural Resources



Article 8, Section 1 of the Alaska Constitution provides:

- *"It is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest."*

DNR Mission Statement:

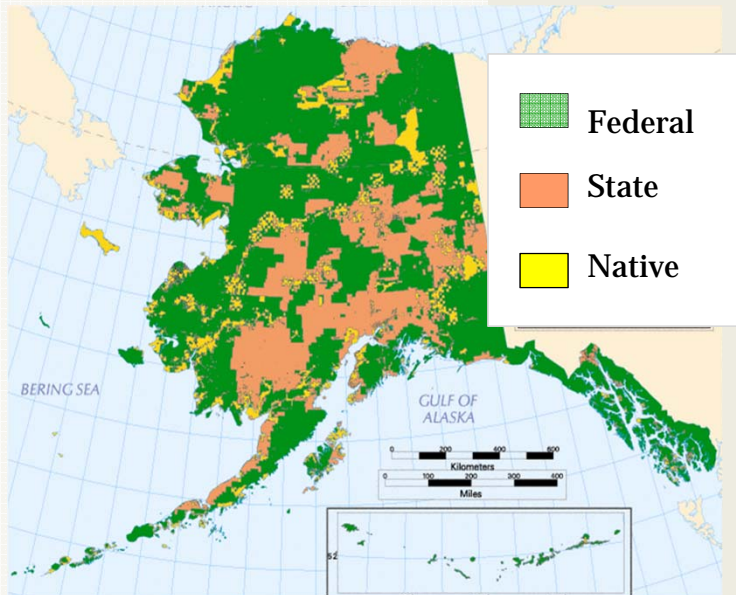
- *Responsibly develop Alaska's resources by making them available for maximum use and benefit consistent with the public interest.*

DNR Core Services:

1. Foster responsible commercial development and use of state land and natural resources, consistent with the public interest, for long-term wealth and employment
2. Provide access to state lands for public and private use, settlement, and recreation
3. Ensure sufficient data acquisition and assessment of land and resources to foster responsible resource development
4. Mitigate threat to the public from natural hazards by providing comprehensive fire protection services on state, private, and municipal lands, and through identifying significant geological hazards

State of Alaska

Department of Natural Resources



Land Ownership

- *Federal Land*: More than 200 million acres
- *State Land*: Approx. 100 million acres of uplands, 60 million acres of tidelands, shore lands, and submerged lands, and 40,000 miles of coastline
- *Native Corporation Land*: 44 million acres

DNR:

- Manages one of the largest portfolios of oil, gas, minerals, renewable resources, water, and land in the world
- Manages all oil and gas fields on state land, including two of the largest oil and gas fields in North America
- Oversees all activities that occur on state land

State of Alaska

DNR has 7 Divisions



1. Division of Agriculture (DoA)

- Franci Havemeister, Director
- 46 full and part-time budgeted positions
- 4.6% of DNR's FY15 Operating Budget Request
- \$7,707.4 budget request (all sources)
- Promotes and encourages development of an agriculture industry in Alaska



2. Division of Forestry (DoF)

- Chris Maisch, Director
- 272 full and part-time budgeted positions (does not include the hundreds of fire season crews)
- 27.6% of DNR's FY15 Operating Budget Request
- \$46,415.3 budget request (all sources)
- Serves Alaskans through forest management and wildland fire protection



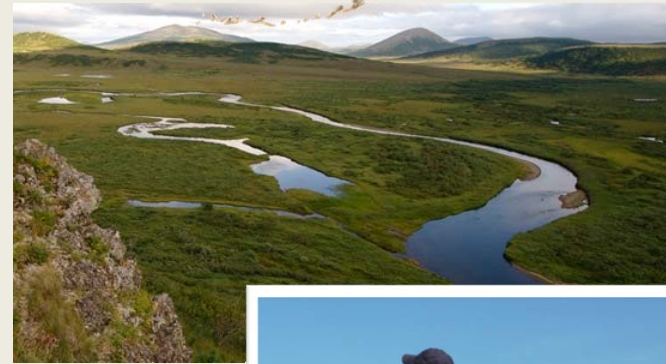
State of Alaska

DNR has 7 Divisions



3. Division of Geological & Geophysical Surveys (DGGS)

- Steve Masterman, Acting Director
- 57 full and part-time budgeted positions
- 5.6% of DNR's FY15 Operating Budget Request
- \$9,499.3 budget request (all sources)
- Determines the potential of Alaskan land for production of metals, minerals, fuels, and geothermal resources, the locations and supplies of groundwater and construction material, and the potential geologic hazards to buildings, roads, bridges, and other installations

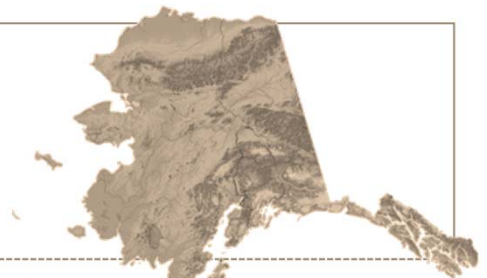


4. Mining Land and Water

- Brent Goodrum, Director
- 218 full and part-time budgeted positions
- 16.8% of DNR's FY15 Operating Budget Request
- \$28,277.0 budget request (all sources)
- Provides for the appropriate use and management of Alaska's state owned land and water, aiming toward maximum use consistent with the public interest

State of Alaska

DNR has 7 Divisions



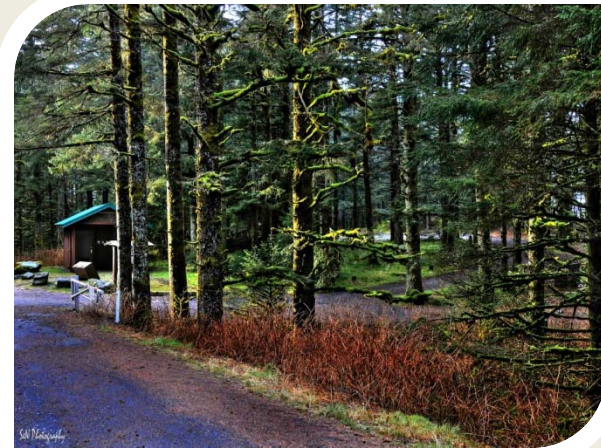
5. Oil & Gas

- Bill Barron, Director
- 103 full and part-time budgeted positions
- 9.7% of DNR's FY15 Operating Budget Request
- \$16,239.4 budget request (all sources)
- Responsible for the leasing of state lands for oil, gas, and geothermal exploration



6. Parks & Outdoor Recreation

- Ben Ellis, Director
- 188 full and part-time budgeted positions
- 10.2% of DNR's FY15 Operating Budget Request
- \$17,214.9 budget request (all sources)
- Provides outdoor recreation opportunities and conserves and interprets natural, cultural, and historic resources for the use, enjoyment, and welfare of the people



State of Alaska

DNR has 7 Divisions



7. Support Services

- Jean Davis, Director
- 138 full and part-time budgeted positions
- 8.2% of DNR's FY15 Operating Budget Request
- \$13,727.5 budget request (all sources)
- Provides client-focused, efficient and cost-effective financial, budget, procurement, human resource, information technology and recording services to DNR and the public



State of Alaska

DNR Offices



Office of the Commissioner

- Joe Balash, Commissioner
- 10 full-time budgeted positions
- 1.1% of DNR's FY15 Operating Budget Request
- \$1,776.9 budget request (all sources)

State Pipeline Coordinator's Office

- Allison Iversen, Acting State Pipeline Coordinator
- 31 full and part-time budgeted positions
- 5.1% of DNR's FY15 Operating Budget Request
- \$8,566.1 budget request (all sources)
- Issues leases of state land for pipeline rights-of-ways and implements the state's policy set forth in Alaska Statute (AS) 38.35.010 concerning the development, use, and control of a pipeline transportation system within the state



State of Alaska

DNR Offices

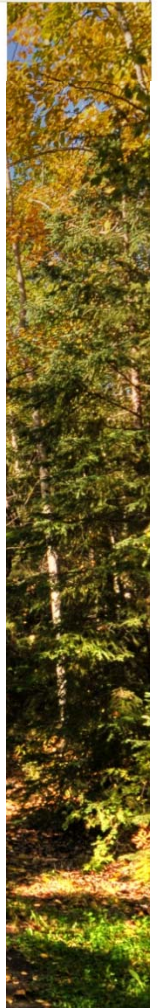


Office of Project Management & Permitting

- Tom Crafford, Director
- 20 full-time budgeted positions
- 5.1% of DNR's FY15 Operating Budget Request
- \$8,653.0 budget request (all sources)
- Coordinates the review of larger scale projects in the state

Alaska Mental Health Trust Land Office

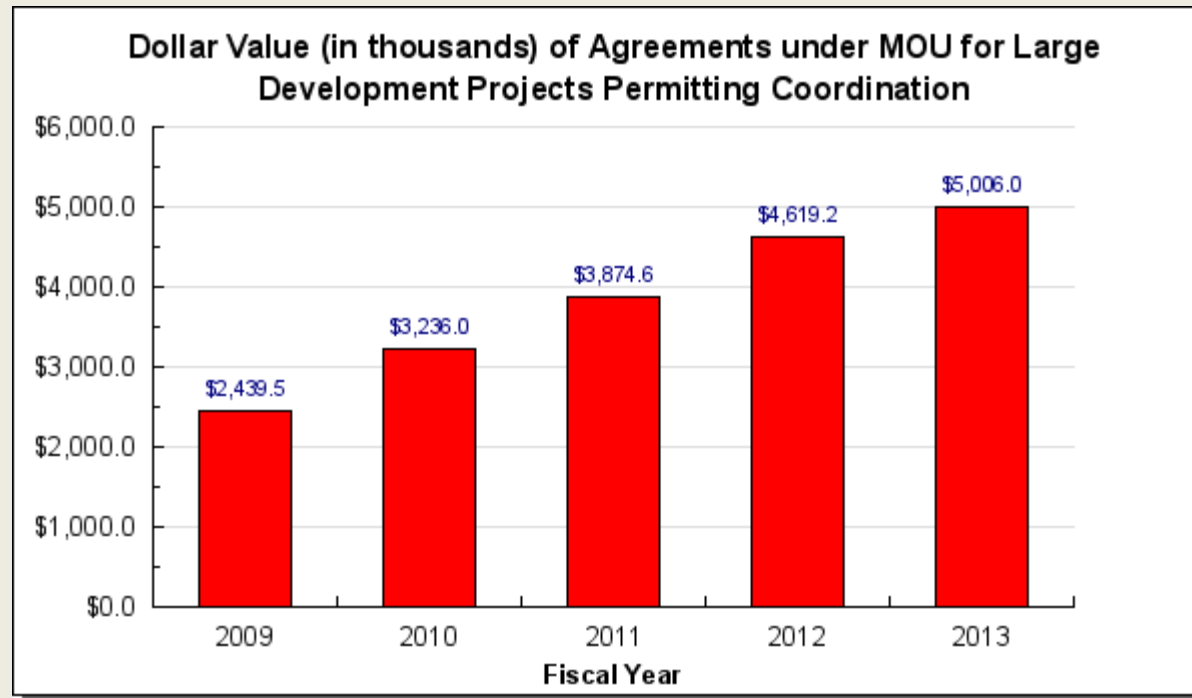
- Marcie Menefee, Executive Director
- 18 full and part-time budgeted positions
- 2.4% of DNR's FY15 Operating Budget Request
- \$4,071.4 budget request (all sources)
- Protecting and enhancing the value of Alaska Mental Health Trust Lands while maximizing revenues from those lands over time



Key Performance Measures



TARGET: Review, coordinate, and manage 100% of large resource development projects that request Office of Project Management & Permitting services to assist companies in navigating the state and federal permitting process.

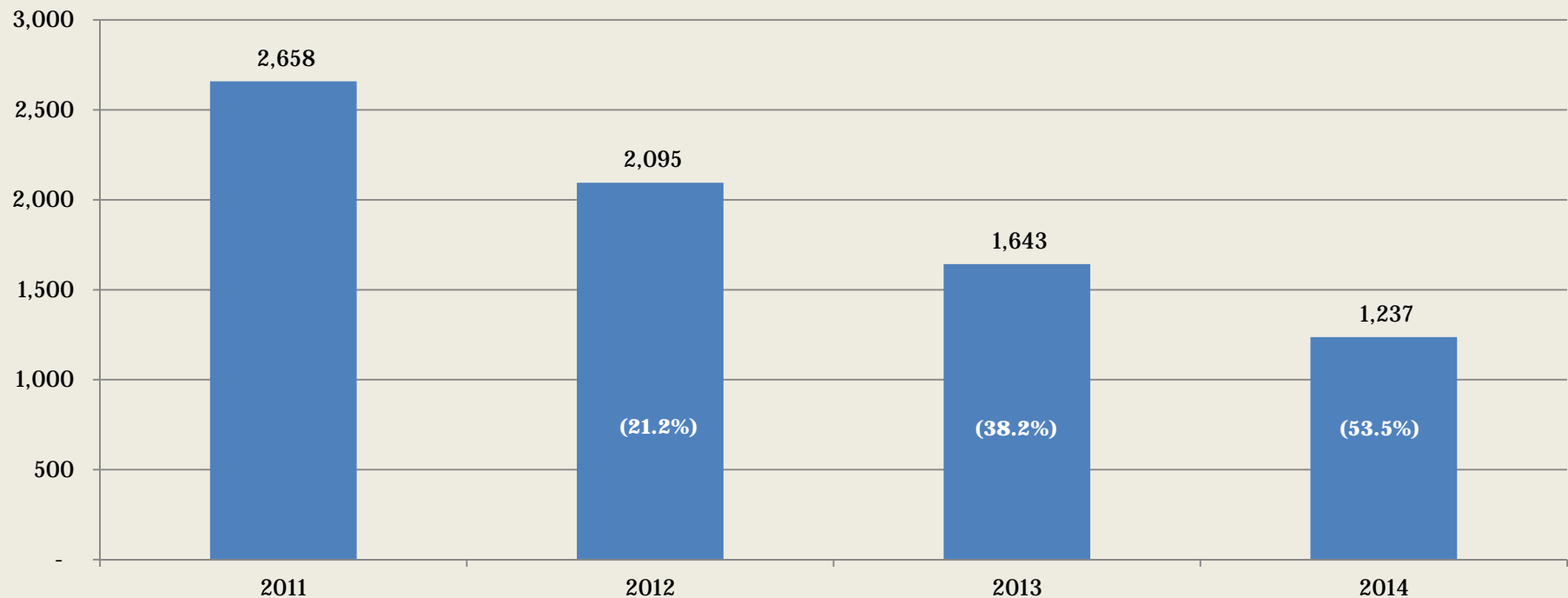


Key Performance Measures



TARGET: Eliminate 100% of the Permit Backlog

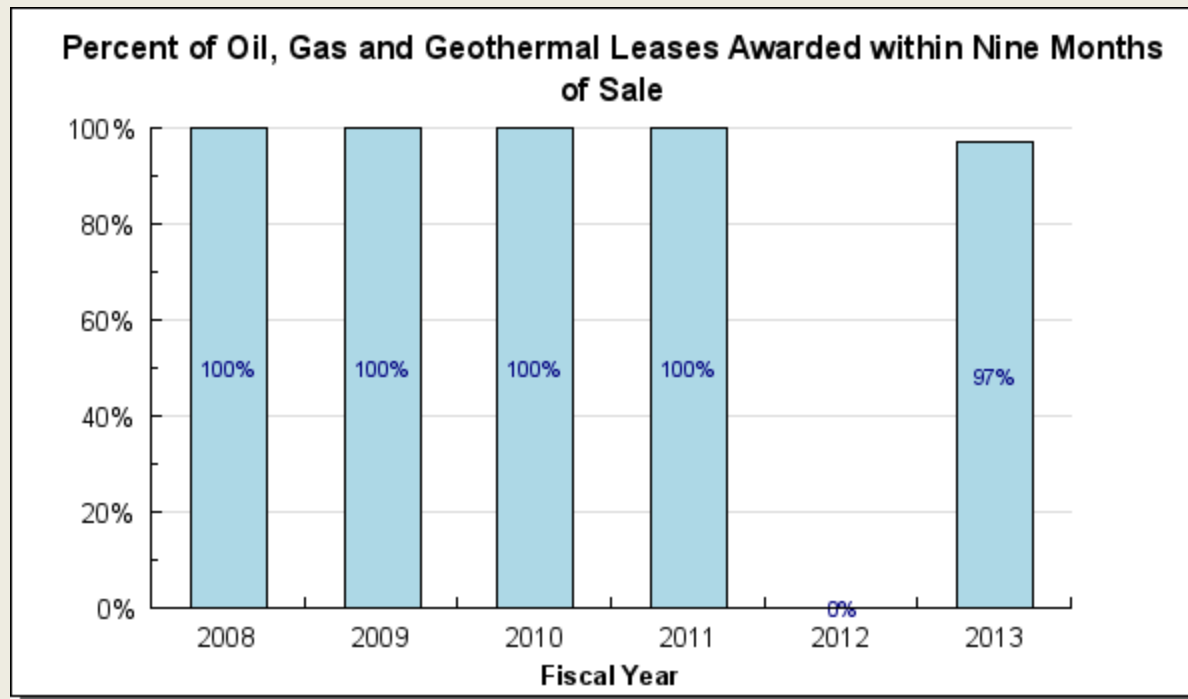
Mining, Land and Water Permit Backlog



Key Performance Measures



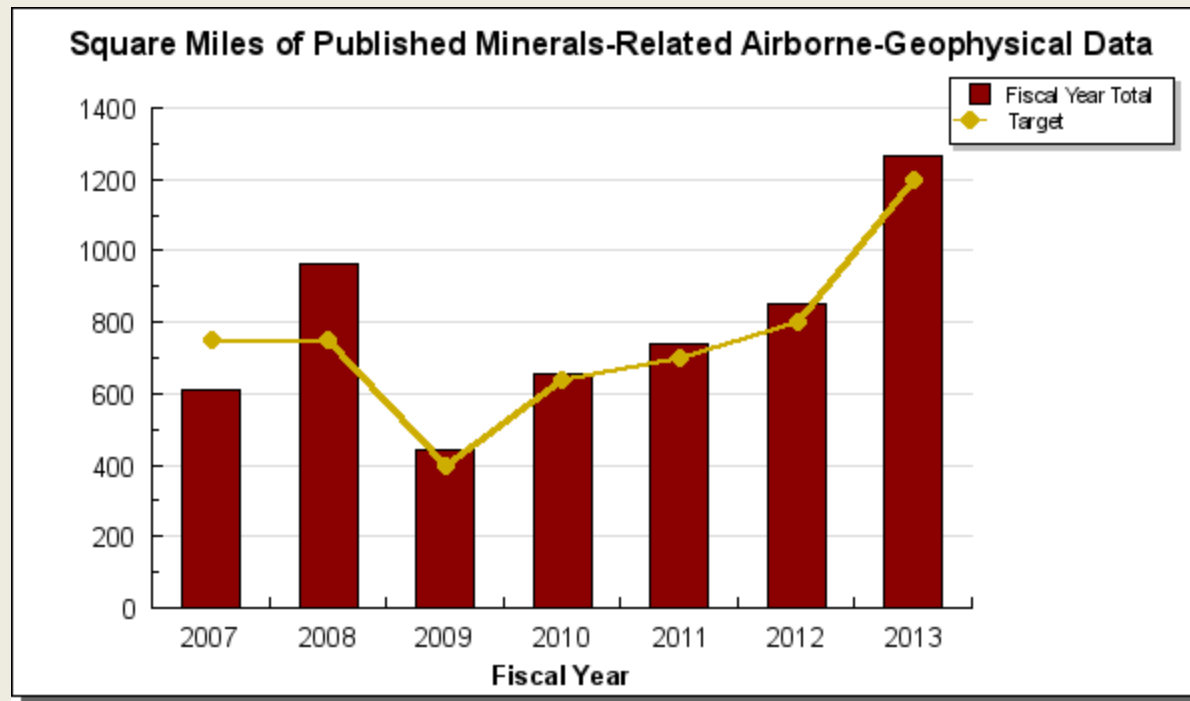
TARGET: Award oil, gas, and geothermal leases within nine months of sale to advocate responsible exploration of oil, gas, and geothermal resources in Alaska.



Key Performance Measures



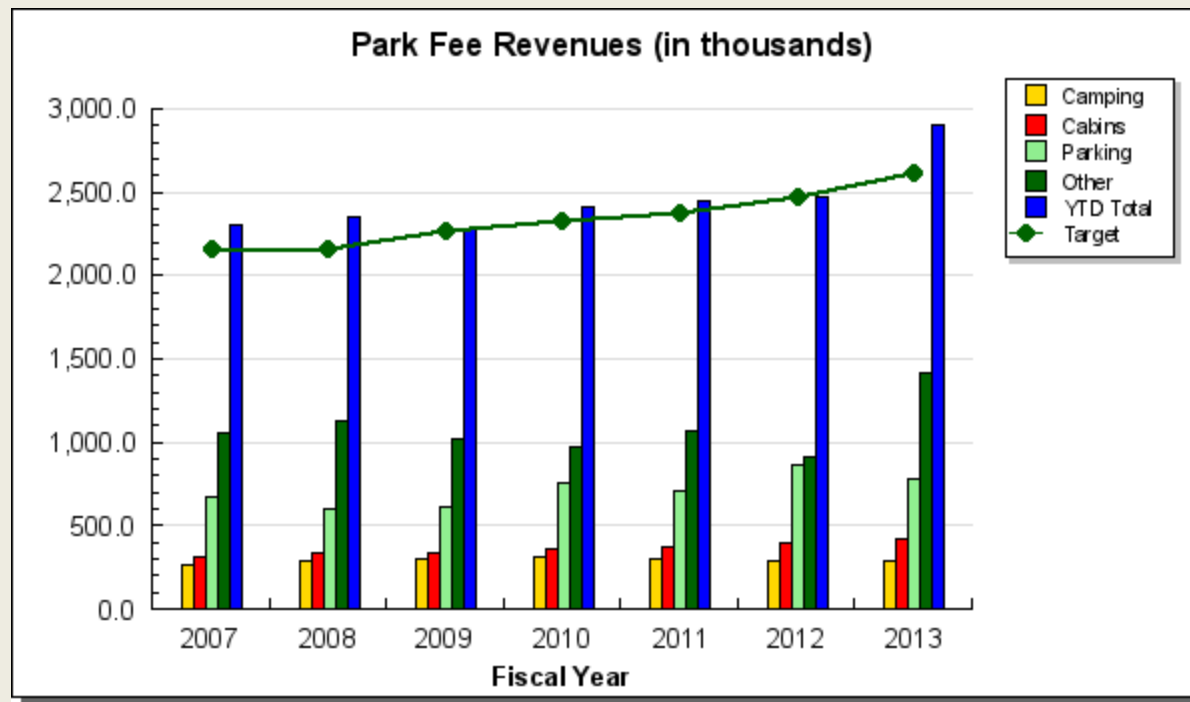
TARGET: Square miles of published airborne geophysical survey data of minerals-interest lands.



Key Performance Measures



TARGET: Collect enough fees yearly to cover the authorized program receipts funds in the Parks Management and Access budget. Increase fee revenues annually.



Part II



FY2015 OPERATING BUDGET HIGHLIGHTS

DNR FY 2015 Budget

Employees

DNR currently employs about 1,100 Alaskans in full-time and seasonal positions, with main offices in Anchorage, Juneau, Fairbanks and Palmer, and regional offices throughout the state



DNR FY2015 Budget

*Budget Growth Analysis (Prepared by
Legislative Finance)*

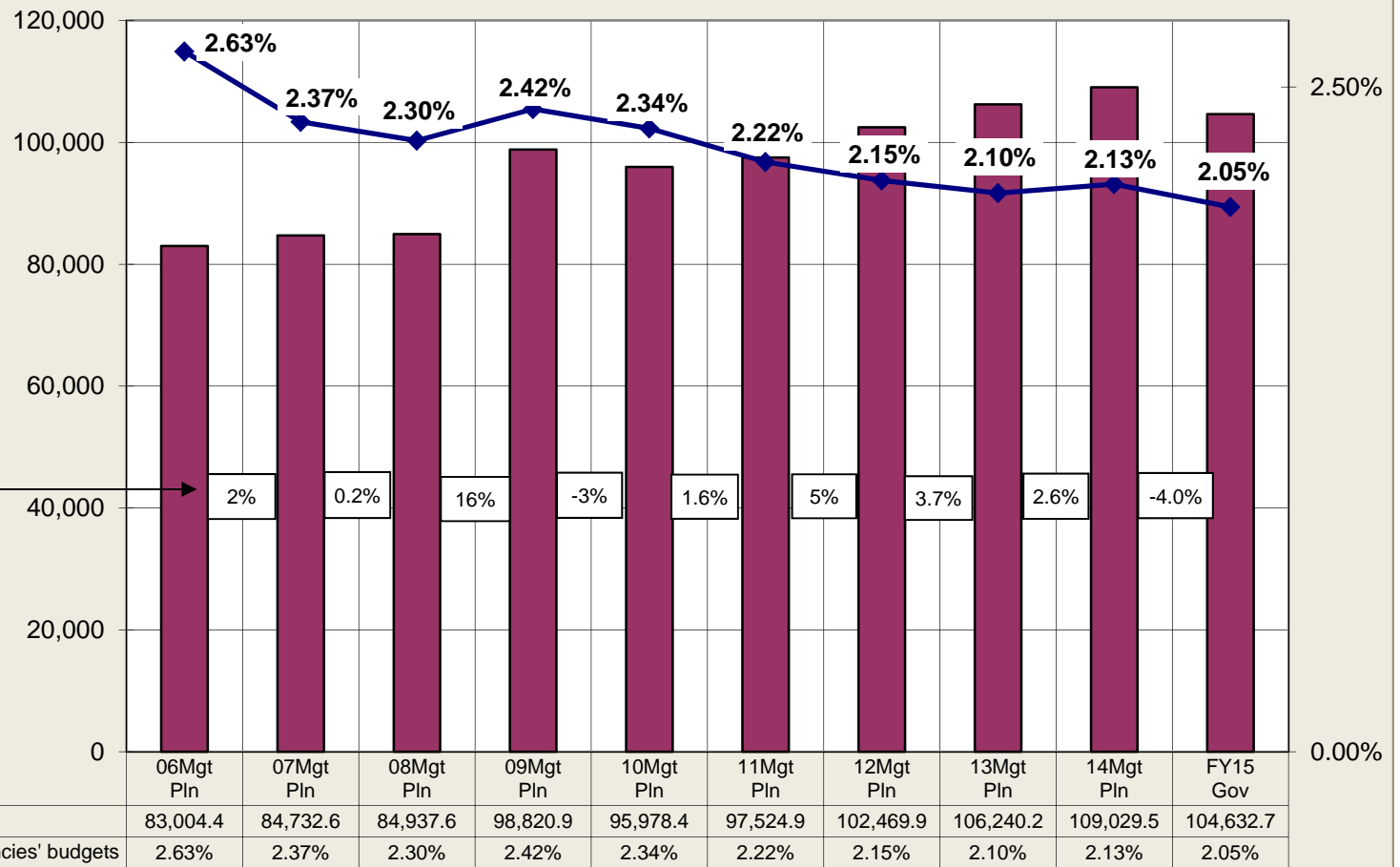


Department of Natural Resources Share of Total Agency Operations
(GF Only)
(\$ Thousands)

DNR's GF budget grew by \$22 million between FY06 and the FY15 Gov Budget -- an average annual growth rate of 2.6%.

The FY15 Gov GF budget equates to **\$323 per resident worker** (based on 331,081 Alaskan workers).

Percentage change year over year



DNR FY2015 Budget

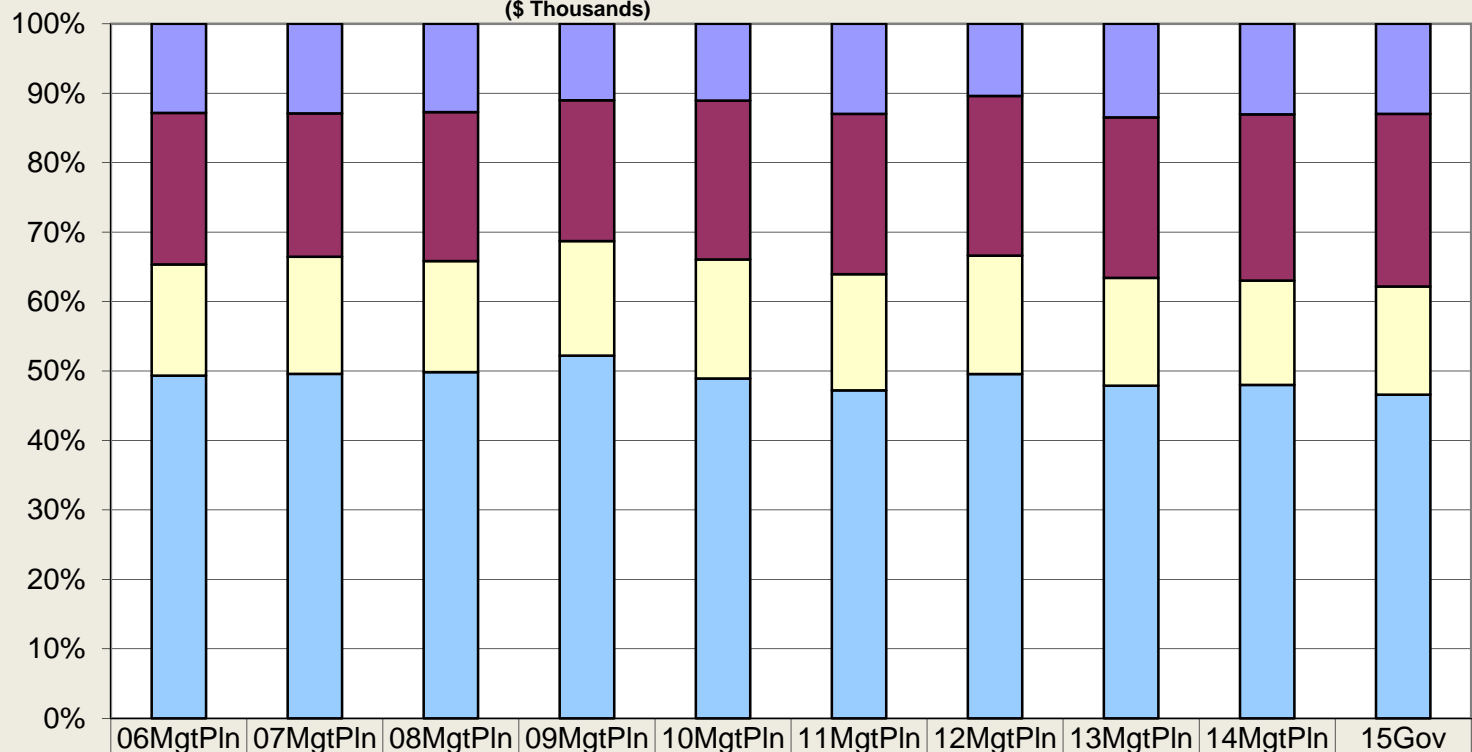
*Budget Growth Analysis (Prepared by
Legislative Finance)*



Department of Natural Resources Percent of the Total Department's Budget by Fund Group

(All Funds)
(\$ Thousands)

General Funds
(UGF & DGF) were
65% of the total
budget in FY06 and
now are 62% of the
FY15 Gov budget.



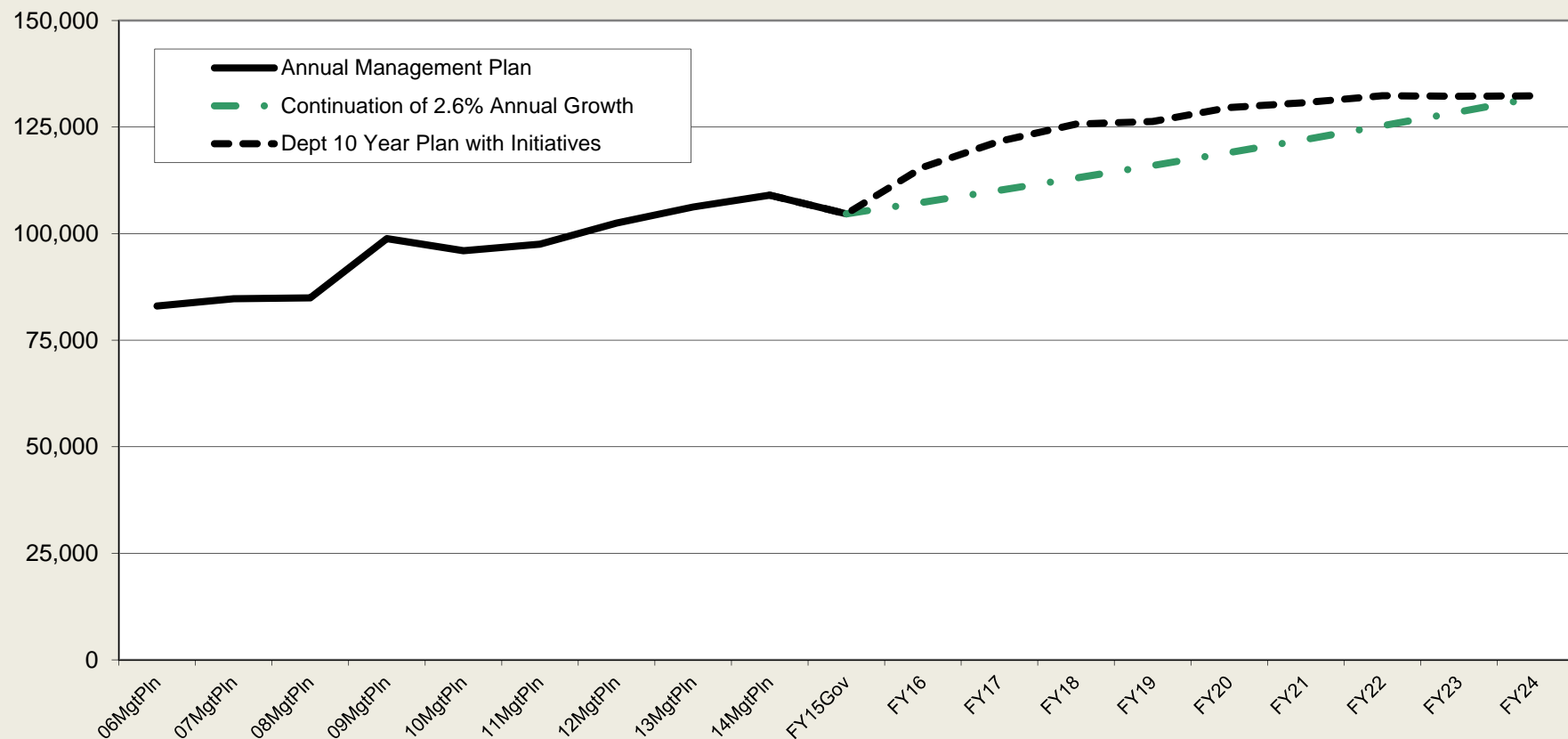
	06MgtPln	07MgtPln	08MgtPln	09MgtPln	10MgtPln	11MgtPln	12MgtPln	13MgtPln	14MgtPln	15Gov
■ Federal Receipts (Fed)	16,302.3	16,445.1	16,392.9	15,835.0	16,054.3	19,782.7	15,961.7	22,555.2	22,546.0	21,819.1
■ Other State Funds (Other)	27,717.9	26,313.9	27,696.2	29,164.5	33,216.9	35,185.3	35,353.9	38,727.1	41,399.5	41,820.0
□ Designated General (DGF)	20,326.3	21,511.8	20,635.7	23,715.7	24,919.8	25,513.6	26,229.9	26,027.7	25,986.2	26,218.5
■ Unrestricted General (UGF)	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	78,414.2

DNR FY2015 Budget

*Budget Growth Analysis (Prepared by
Legislative Finance)*



**Department of Natural Resources
Continued Budget Growth Compared to 10-Year Plan**
(GF Only)
(\$ Thousands)

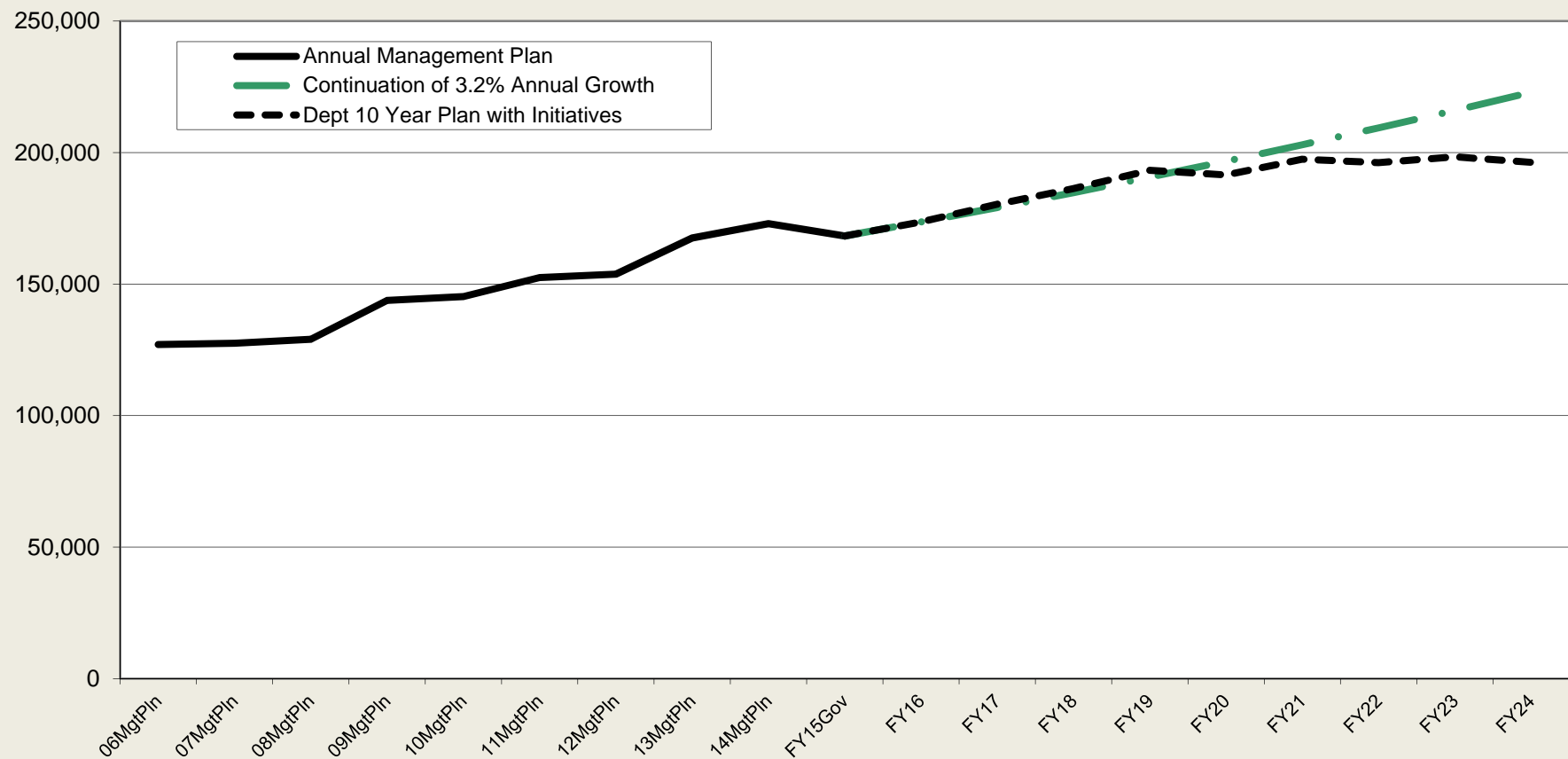


DNR FY2015 Budget

*Budget Growth Analysis (Prepared by
Legislative Finance)*



Department of Natural Resources Continued Budget Growth Compared to 10-Year Plan (All Funds) (\$ Thousands)

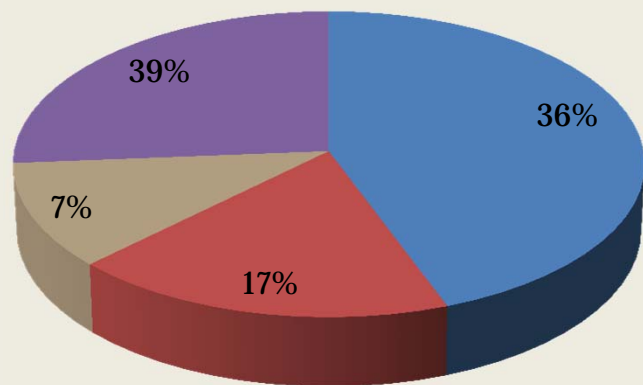


DNR FY2013/FY2015 Budget

Operating Budget by Core Services

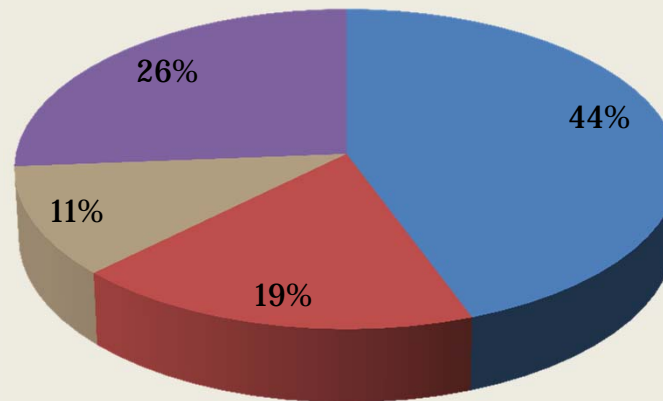


FY2013 Actuals



- Foster Responsible Development
- Provide Access to State Lands
- Sufficient Data Acquisition and Assessment
- Mitigate Natural Hazard Threats

FY2015 Governor

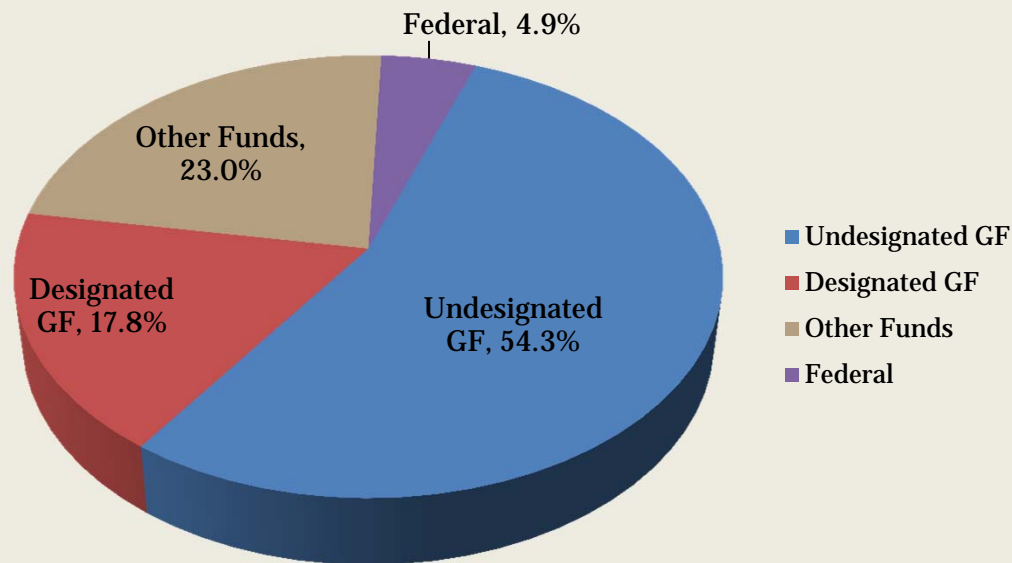


DNR FY2013 /FY2015 Budgets

Operating Budget by Fund Type

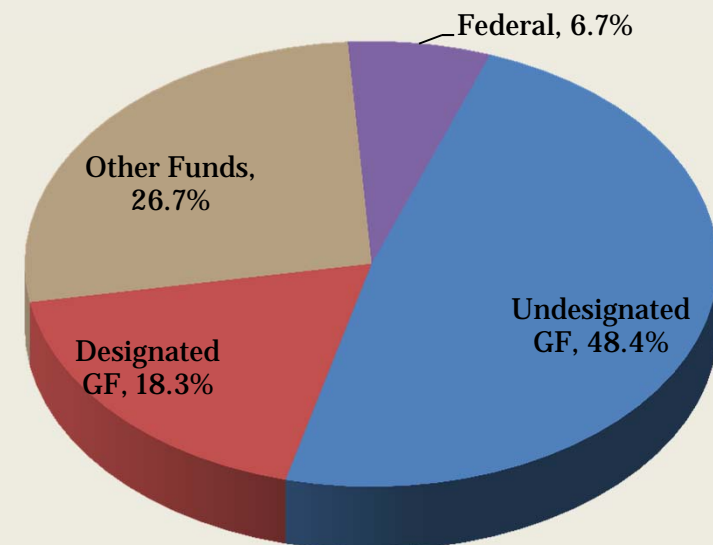


FY2013 Actuals



Undesignated GF	\$ 70,918.6
Designated GF	\$ 23,239.6
Other Funds	\$ 30,096.6
Federal	\$ 6,391.4
Total	\$130,646.2

FY2015 Governor

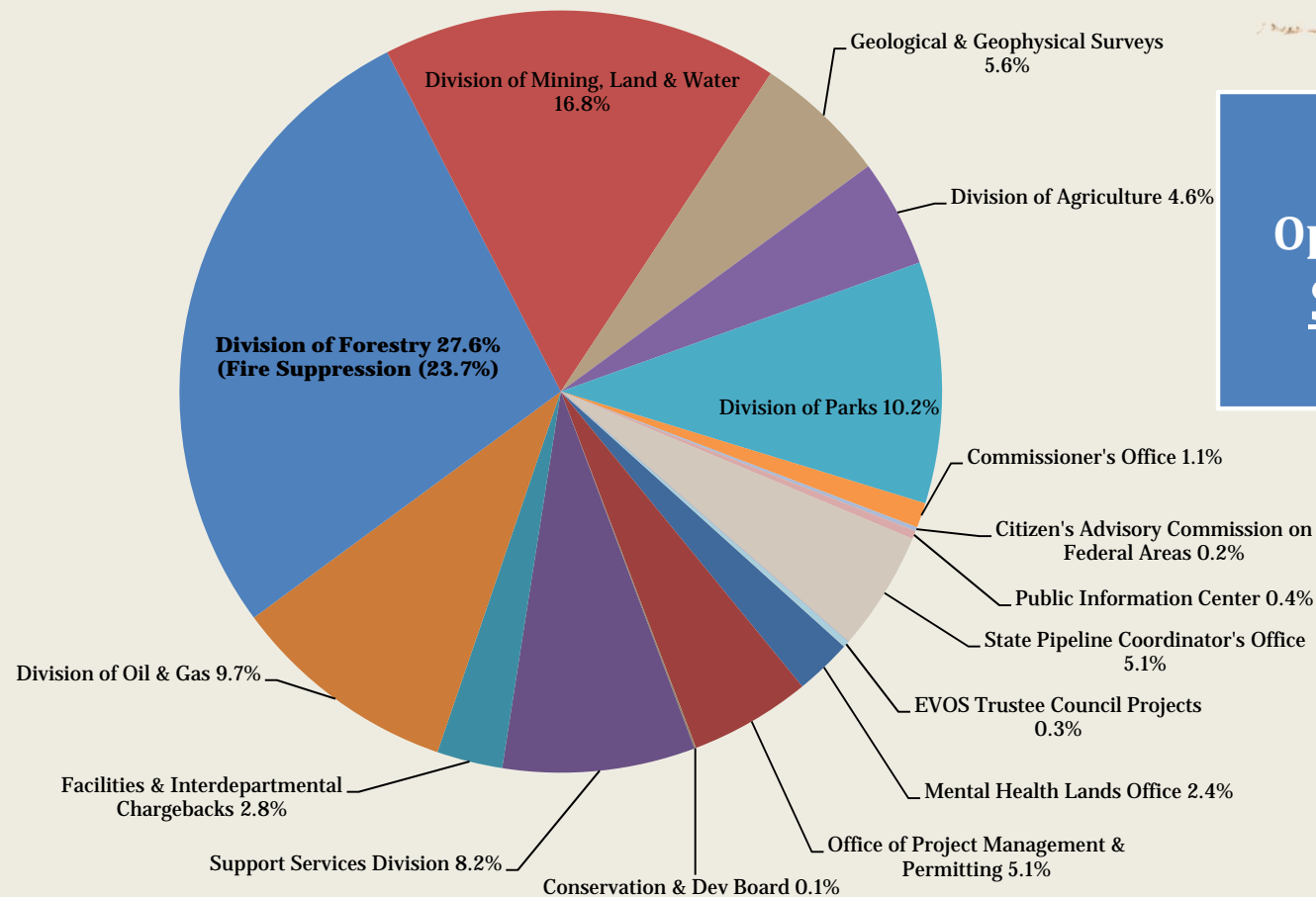


Undesignated GF	\$ 71,750.9
Designated GF	\$ 27,038.8
Other Funds	\$ 39,499.7
Federal	\$ 9,858.7
Total	\$ 148,148.1

Fire Activity Component Actuals and Budget Excluded

DNR FY2015 Budget

Operating Budget by Division/Office



**Total FY2015
Operating Budget:
\$168,271.8**

**FY2014
Management
Plan Operating
Budget :
\$172,975.0**

DNR FY2015 Budget

Operating Budget by Core Services



Department of Natural Resources Operating Budget by Core Service FY2014 Management Plan To FY2015 Adjusted Base Comparison

	FY2014 Management Plan					FY2015 Adjusted Base					Change from FY2014 Management Plan
	UGF	DGF	Other	Federal	Total	UGF	DGF	Other	Federal	Total	
Foster Responsible Development	35,755.9	12,308.8	27,375.5	3,263.8	78,704.0	32,497.7	12,291.8	27,496.1	3,251.1	75,536.7	(3,167.3)
Provide Access to State Lands	12,307.1	11,129.3	6,021.8	1,980.6	31,438.8	12,288.0	11,116.5	6,017.4	1,979.1	31,401.0	(37.8)
Sufficient Data Acquisition and Assessment	9,169.8	1,745.5	4,444.6	3,591.5	18,951.4	9,344.6	1,742.7	4,440.1	3,589.7	19,117.1	165.7
Mitigate Natural Hazard Threats	25,810.5	802.6	3,557.6	13,710.1	43,880.8	25,774.2	800.0	3,554.7	13,705.3	43,834.2	(46.6)
TOTALS	83,043.3	25,986.2	41,399.5	22,546.0	172,975.0	79,904.5	25,951.0	41,508.3	22,525.2	169,889.0	(3,086.0)

Key Changes from FY2014 Mgt Plan to FY2015 Adjusted Base

	UGF	DGF	Other	Federal	Total
FY2015 Contractual Salary Increases	417.8	152.6	167.1	47.2	784.7
FY2015 Health Insurance and Working Reserve Rate Reductions	(152.1)	(54.6)	(67.1)	(15.9)	(289.7)
Transfer of Alaska Geospatial Council Position from Dept. of Transportation and Public Facilities			133.8		133.8
Reversal of Multiple One-Time Appropriations	(3,404.5)	(133.2)	(125.0)	(52.1)	(3,714.8)
	(3,138.8)	(35.2)	108.8	(20.8)	(3,086.0)

DNR FY2015 Budget

Operating Budget by Core Services



Department of Natural Resources Operating Budget by Core Service FY2015 Adjusted Base To Governor Budget Comparison

	FY2015 Adjusted Base					FY2015 Governor Budget					Change from FY2015 Adj Base	
	UGF	DGF	Other	Federal	Total	UGF	DGF	Other	Federal	Total	Base	% Change
Foster Responsible Development	32,497.7	12,291.8	27,496.1	3,251.1	75,536.7	30,537.1	12,291.8	28,088.4	3,251.1	74,168.4	(1,368.3)	-1.8%
Provide Access to State Lands	12,288.0	11,116.5	6,017.4	1,979.1	31,401.0	12,421.6	11,384.0	6,113.7	1,979.1	31,898.4	497.4	1.6%
Sufficient Data Acquisition and Assessment	9,344.6	1,742.7	4,440.1	3,589.7	19,117.1	9,735.1	1,742.7	4,149.4	3,124.7	18,751.9	(365.2)	-1.9%
Mitigate Natural Hazard Threats	25,774.2	800.0	3,554.7	13,705.3	43,834.2	25,720.4	800.0	3,468.5	13,464.2	43,453.1	(381.1)	-0.9%
TOTALS	79,904.5	25,951.0	41,508.3	22,525.2	169,889.0	78,414.2	26,218.5	41,820.0	21,819.1	168,271.8	(1,617.2)	-1.0%

% Change from FY2015 Adjusted Base to FY2015 Governor Request (GF Only)

-1.2%

Key Changes from FY2015 Adjusted Base to FY2015 Governor

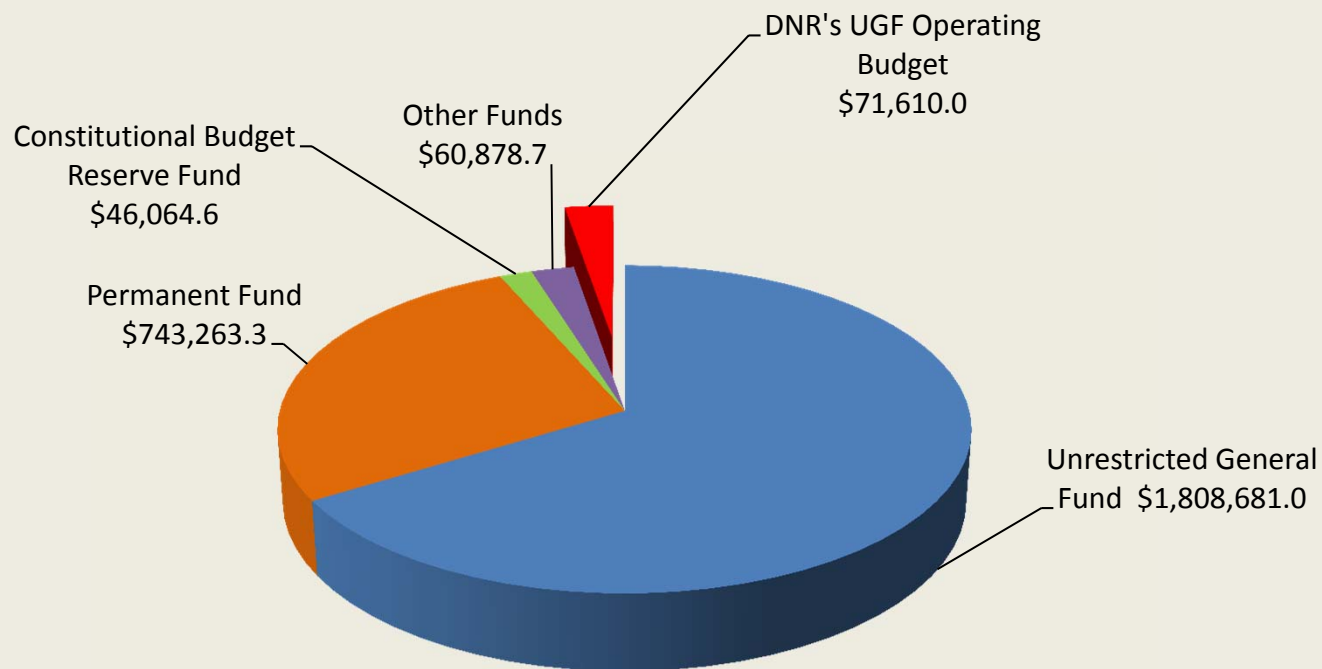
	UGF	DGF	Other	Federal	Total
Delete Gas Pipeline Project Office	(2,616.8)				(2,616.8)
Delete Long Term Vacant Positions	(242.1)	0.0	(102.2)	(206.1)	(550.4)
Continue Farm to School Program Funding	181.0				181.0
Restore Arbitration of Oil & Gas Royalty Issues	650.0				650.0
Partially Fund Existing and Vacant Parks Field Operations Staff Including South Denali Implementation	150.0	267.5			417.5
Geologic Material Center (GMC) Annual Occupancy/Rent Payment	350.0				350.0
Oil and Gas Workload Increase and Federal Resource Planning	37.6		112.9		150.5
(HB4) Reimb. for AGDC Stand Alone Pipeline Permitting, Construction Oversight and Oper. Monitoring			670.3		670.3
Kids Don't Float Life Jackets and Education Program Expansion			100.0		100.0
Expand MH Trust Lands Administration Budget			57.7		57.7
Net Change to Cook Inlet Energy Reclamation Bond Interest Estimate			(100.0)		(100.0)
Regulation of Dredge and Fill Activities - Year 2 Fiscal Note CH12 SLA2013 SB27 (adj to Governor's Budget)			5.0		5.0
Delete Excess Authorization			(432.0)	(500.0)	(932.0)
	(1,490.3)	267.5	311.7	(706.1)	(1,617.2)

DNR FY2015 Budget

Operating Budget by Core Services



Annual DNR Generated Revenues Compared to DNR's Unrestricted General Fund Budget Annual Averages for FY2006 - FY2013 (in thousands)



DNR generates an average of \$2.6 billion in revenue annually.

In Conclusion



- The FY2015 Budget reflects our focus on DNR's core services and the Administration's major statewide initiatives
- Opportunities far outweigh the challenges, in large measure due to our abundant natural resource wealth