



# Department of Environmental Conservation

House Finance Sub-Committee

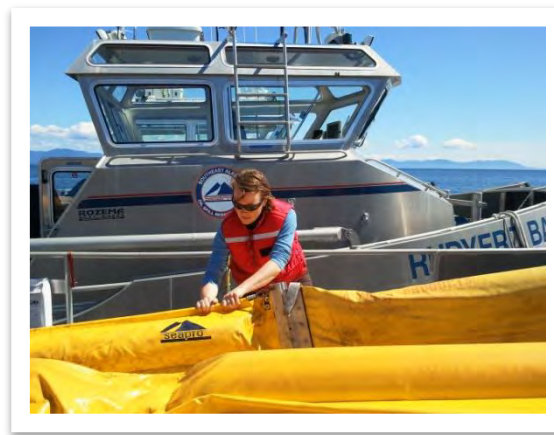
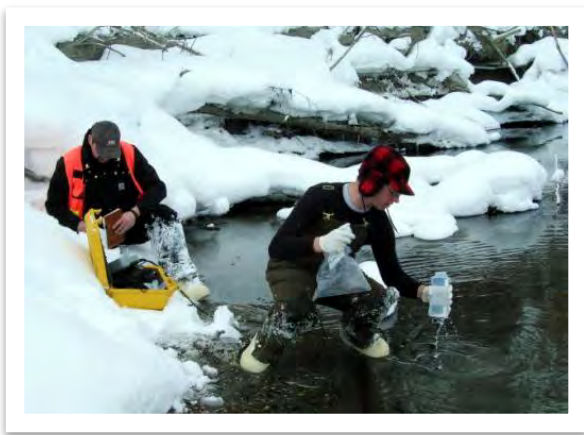
Lynn Kent, Deputy Commissioner  
Tom Cherian, Administrative Services  
Director

February 6, 2014



# DEC's Mission

Protect human health  
and the environment.





# Environmental Quality and Public Health

Water and Sanitation is one of the primary drivers of public health. I often refer to it as “Health 101”, which means that once we can secure access to clean water and to adequate sanitation facilities for all people, irrespective of the difference in their living conditions, a huge battle against all kinds of diseases will be won.

Dr. Lee Jong-wook,  
Director-General, World Health Organization  
November 2004



# What Alaskans Get for Their Money

According to calculations by Legislative Finance, DEC's FY2015 general fund budget is equal to \$153 per year per resident worker



that's just **42¢** a day for

clean air to breathe      clean water to drink

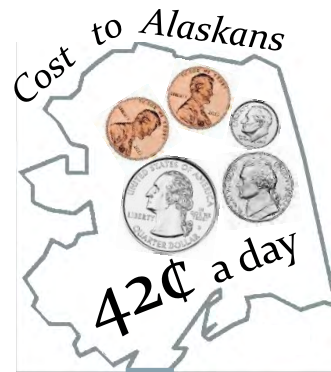
safe food to eat      pristine land and waters

responsible resource development



# Responsibilities & Functions

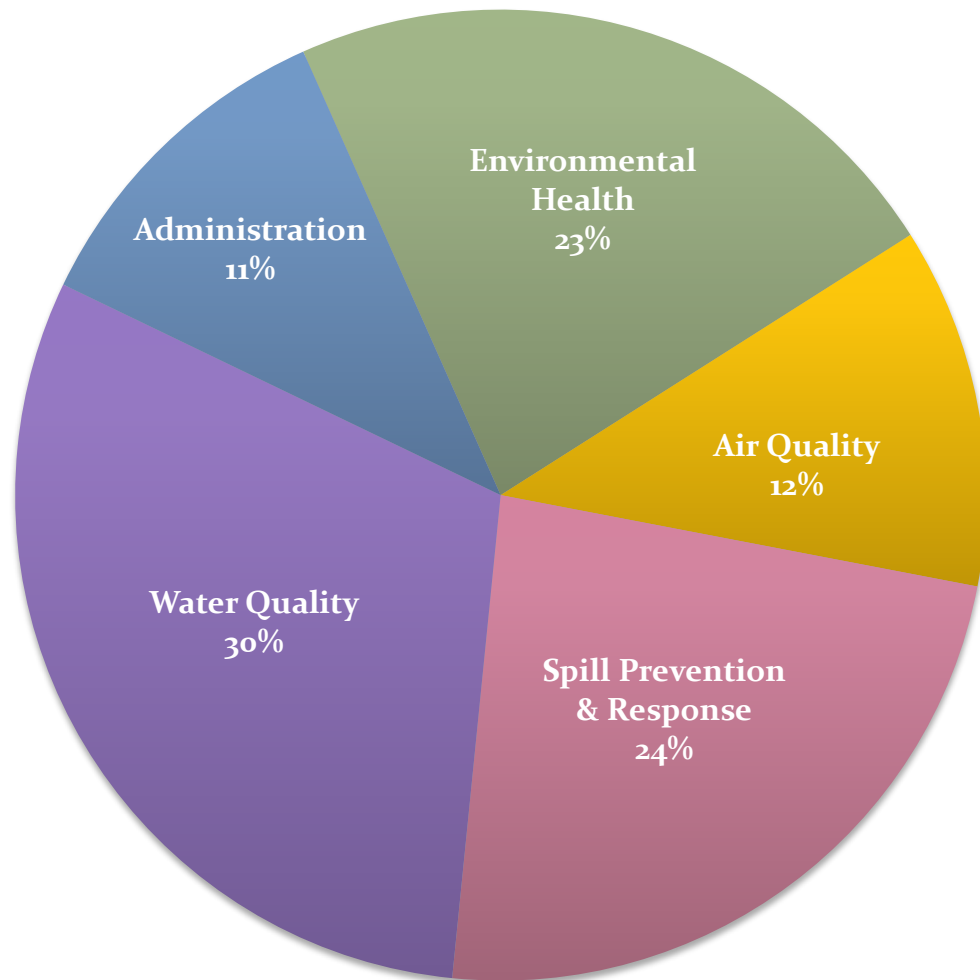
- Develop standards
- Issue permits
- Provide compliance and financial assistance
- Safeguard the quality of food and seafood
- Operate the State Environmental Health Lab
- House the Office of the State Veterinarian
- Respond to spills of oil and other hazardous substances
- Regulate pesticides and certain types of use
- Educate and assist the public
- Interact with our federal agency counterparts
- Investigate violations and enforce state law





# Divisions

- Administration
- Environmental Health
- Air Quality
- Spill Prevention and Response
- Water



Percent Funding per Division (All Funds)  
FY2015 Governor's Operating Budget Request



# Division of Administration

## **Components:**

- Commissioner's Office
- Administrative Services
  - Information Services
  - Financial Services
  - Budget Services
  - Procurement & Building Management
  - Environmental Crimes Unit
- State Support Services
  - Lease & Contracts

Commissioner: Larry Hartig

Deputy: Lynn Kent

Director: Tom Cherian

## **Challenges & Opportunities:**

- Unfunded Administrative Cost Increases
- Succession Planning and Workforce Development
- Technological Advancements and Efficiencies





# Division of Environmental Health

## **Components:**

- Director's Office
- Food Safety & Sanitation
- Laboratory Services
- Drinking Water Oversight
- Solid Waste Management

## **Also:**

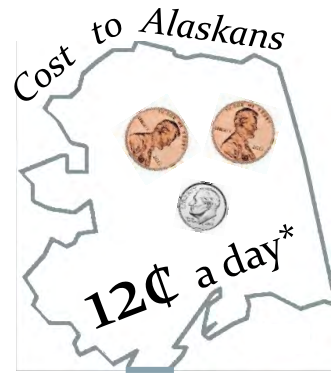
- Building Maintenance & Operations –  
Environmental Health Lab

Director:

Elaine Busse Floyd

## **Challenges & Opportunities:**

- Complex EPA Rules & Reduced Federal Funding
- High Risk Food Safety Inspections
- Unique Laboratory Technology & Equipment Needs



*\* Division & Admin GF divided by 331,081 resident workers over 365 days*





# Division of Air Quality

## **Components:**

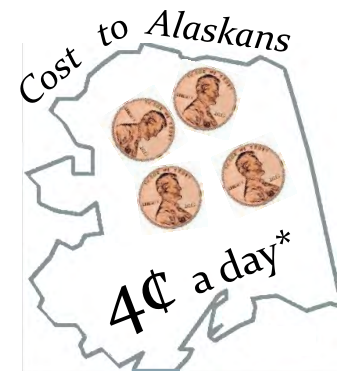
- Director's Office
- Air Quality
  - State Implementation Plan
  - Permitting
  - Monitoring

**Director:**

Alice Edwards

## **Challenges & Opportunities:**

- Fairbanks Air Quality
- Change to Federal Funding Formula
- New Federal Standards



*\* Division & Admin GF divided by 331,081 resident workers over 365 days*



# Division of Spill Prevention & Response

## **Components:**

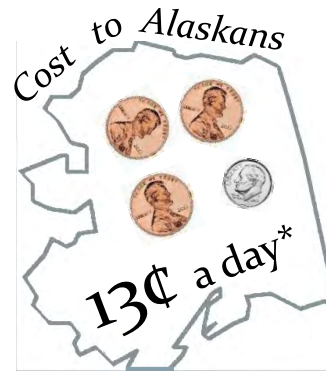
- Director's Office
- Industry Preparedness & Pipeline Operations
- Prevention & Emergency Response
- Contaminated Sites Program
- Response Fund Administration

Director:

Kristin Ryan

## **Challenges & Opportunities:**

- Declining Prevention Account Balance
- Increasing Workload Associated with Natural Resource Development
- Increasing Arctic Activity



*\* Division & Admin GF divided by 331,081 resident workers over 365 days*



# Division of Water

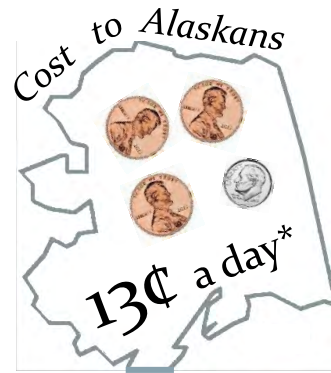
## **Components:**

- Water Quality
- Facility Construction
  - Village Safe Water Program
  - Municipal Grants & Loan Program

**Director:**  
**Michelle Hale**

## **Challenges & Opportunities :**

- 404 Dredge & Fill Permitting Evaluation Pace
- Declining Federal Funding in the Village Safe Water Program



*\* Division & Admin GF divided by 331,081 resident workers over 365 days*



# FY2015 Budget Request

Operating Request: \$ 88,587.5

- Unrestricted GF \$23,498.7
- Designated GF \$27,213.7
- Other State Funds \$12,612.7
- Federal Receipts \$25,262.4

0.0% growth\*

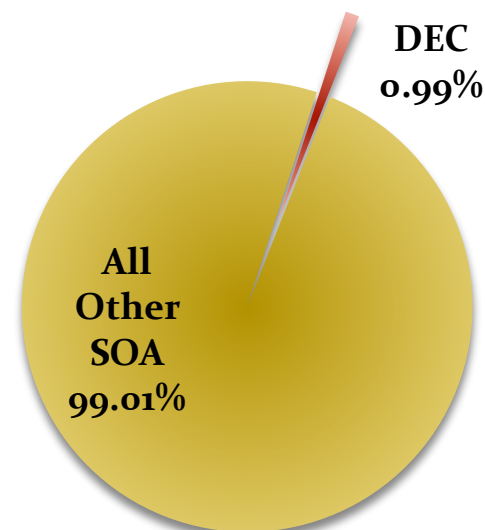
\$ 0.0 GF Increase

No new PCNs

Capital Request: \$ 69,347.7

- Unrestricted GF \$23,508.2
- Other State Funds \$3,589.5
- Federal Receipts \$42,250.0

*lowest capital request since FY2006*



Percent of State  
GF Spending

\* GF Adj Base to FY2015 Governor's Request



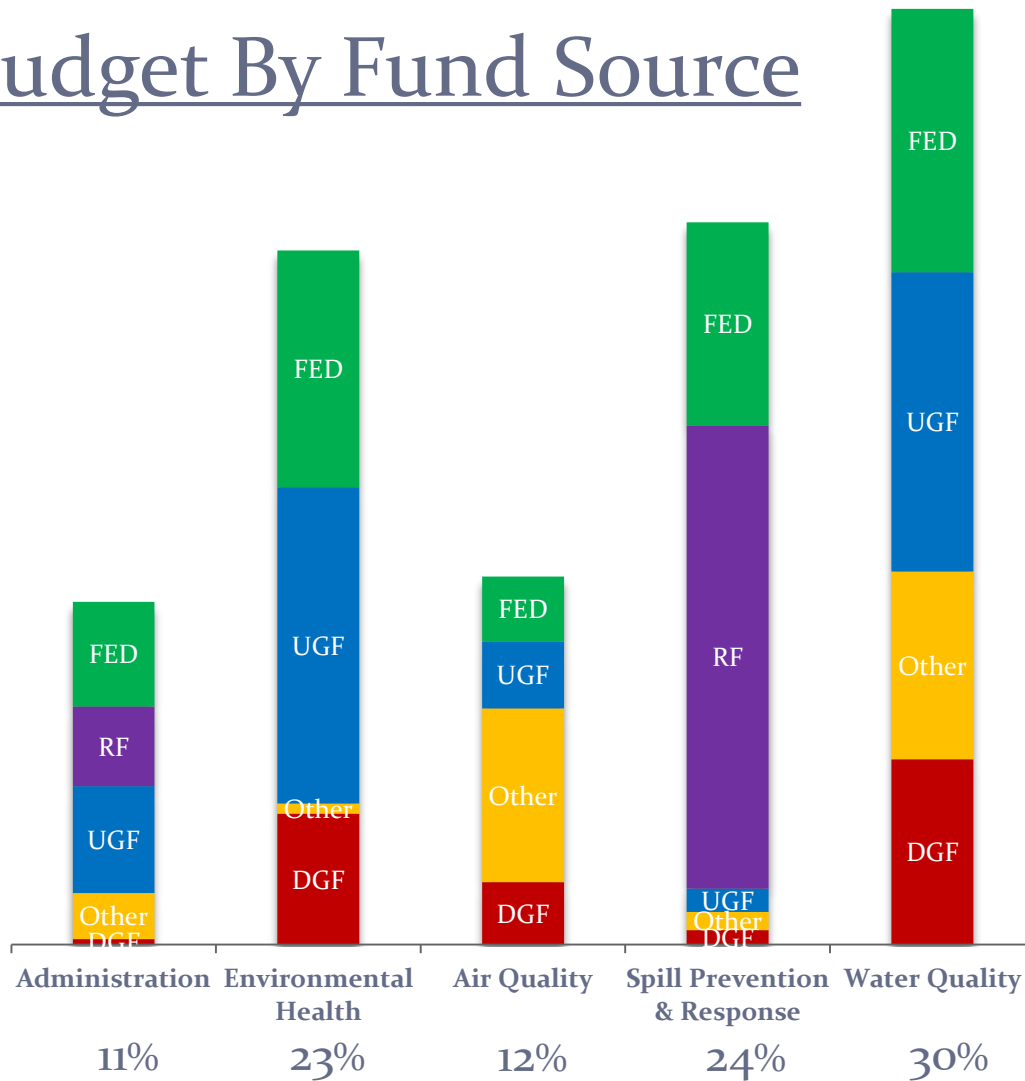
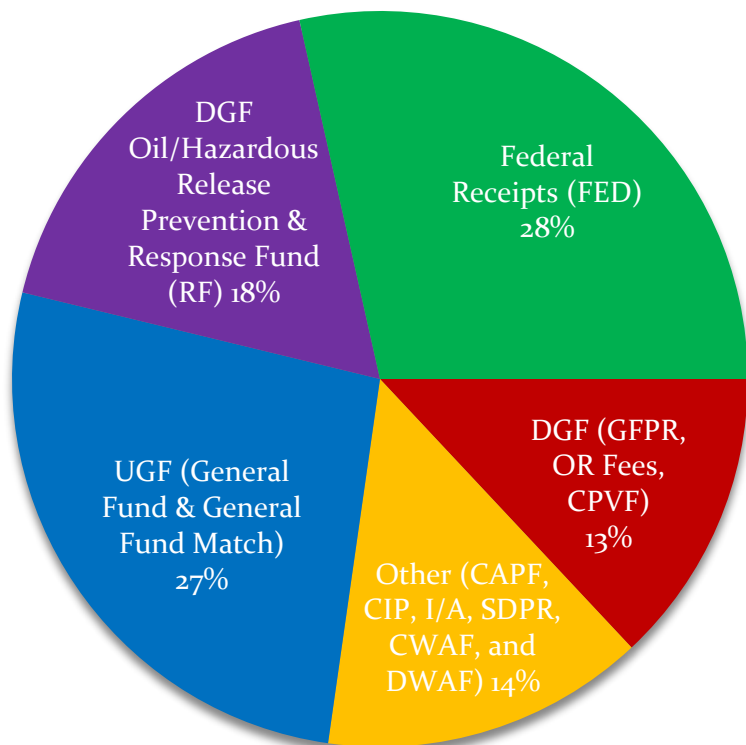
# FY2015 Budget Changes

- Administration
  - AS – Sustain Clean Water and Drinking Water Loan Administration with Existing Fee Receipts **\$0.0**  
(\$96.0 Other / - \$96.0 Fed)
- Environmental Health
  - No changes.
- Air Quality
  - AQ – Alaska Gasline Development HB4 (2013) Fiscal Note – 2<sup>nd</sup> Year **\$106.0 GasPipeFnd**
- Spill Prevention & Response
  - CS – Oversight of Federal Contaminated Site Cleanup **\$959.5 Fed**
- Water
  - FC – Sustain Clean Water and Drinking Water Loan Administration with Existing Fee Receipts **\$0.0**  
(\$800.0 Other / - \$800.0 Fed)

*Does not include salary and health increments, or other technical adjustments.*



# FY2015 Operating Budget By Fund Source





# Status of FY2014 Budget Increments

- **Federal Authority for Administrative Services    \$400.0 Fed**
  - Allows the Division of Administrative Services to collect and expend indirect federal revenues to support the management of the federal grant process
  - A portion effectively backfills the shortfall between the increase in DOA Core Service rates and the general fund increment appropriated to pay them
  - Also supports a new Analyst/Programmer position supports database development for several high-priority programs that assist in managing the Department's federal grants
  - The Division expects to fully expend this increment in FY2014
- **Environmental Health Lab Accreditation            \$300.0 Fed**
  - Allows the Environmental Health Laboratory to collect and expend federal revenues related to the FDA's "Accreditation for State Food Testing Laboratories Cooperative Agreement Program."
  - Due to the effects of sequestration on the Division as a whole, this incremental federal authority may not be fully expended in FY2014
- **Drinking Water Rule Adoption            \$175.0 UGF**
  - Intended to fund the implementation of EPA Rule 19 (Reduction in Lead) and Rule 20 (Revised Total Coliform)
  - This increment dampens the impact of sequestration (\$267.2 in lost federal revenue) and rising fixed costs, but it has yielded little additional capacity for implementing the new drinking water rules
  - Rule 19 went into effect January 4<sup>th</sup>, 2014 and the compliance date for Rule 20 has been delayed to April 1<sup>st</sup>, 2016
  - The Division expects to fully expend this increment in FY2014





# Status of FY2014 Budget Increments

- **Alaska Pollutant Discharge Elimination System (APDES)      \$271.5 UGF/\$7.0 DGF + 1 PCN  
for Oil and Gas Permitting**
  - Department continues to fully implement the Alaska Pollutant Discharge Elimination System (APDES)
  - Provides funding for personal services and contractual support, as well as one new engineering position. The position was filled on 10/16/2014, and RFPs for contracts have been issued
  - The Division expects to fully expend this increment in FY2014
  
- **404 Wetlands Program (SB27)      \$1,434.7 UGF + 5 PCNs**
  - SB27 (2013) directed the Department of Environmental Conservation to work with the Department of Natural Resources to evaluate the costs, benefits, and consequences of assuming Section 404 of the Clean Water Act, Wetlands Dredge and Fill Permitting, from the Corps of Engineers
  - Three positions are hired and the two remaining positions are in the final stages of recruitment.
  - Lower than expected personal services costs will be offset by increased spending on contractual services
  - Lower than expected charges from DNR will be offset by higher than expected costs from DOL
  - The Division expects to fully expend this increment in FY2014



# Concerns and Updates

- Significant Concerns
  - Prevention Account Sustainability
  - Village Safe Water
    - Federal Funding Decline
    - Alaska Challenge Project
- Updates
  - Tsunami Debris Cleanup
  - Federal Sequestration & Future Outlook

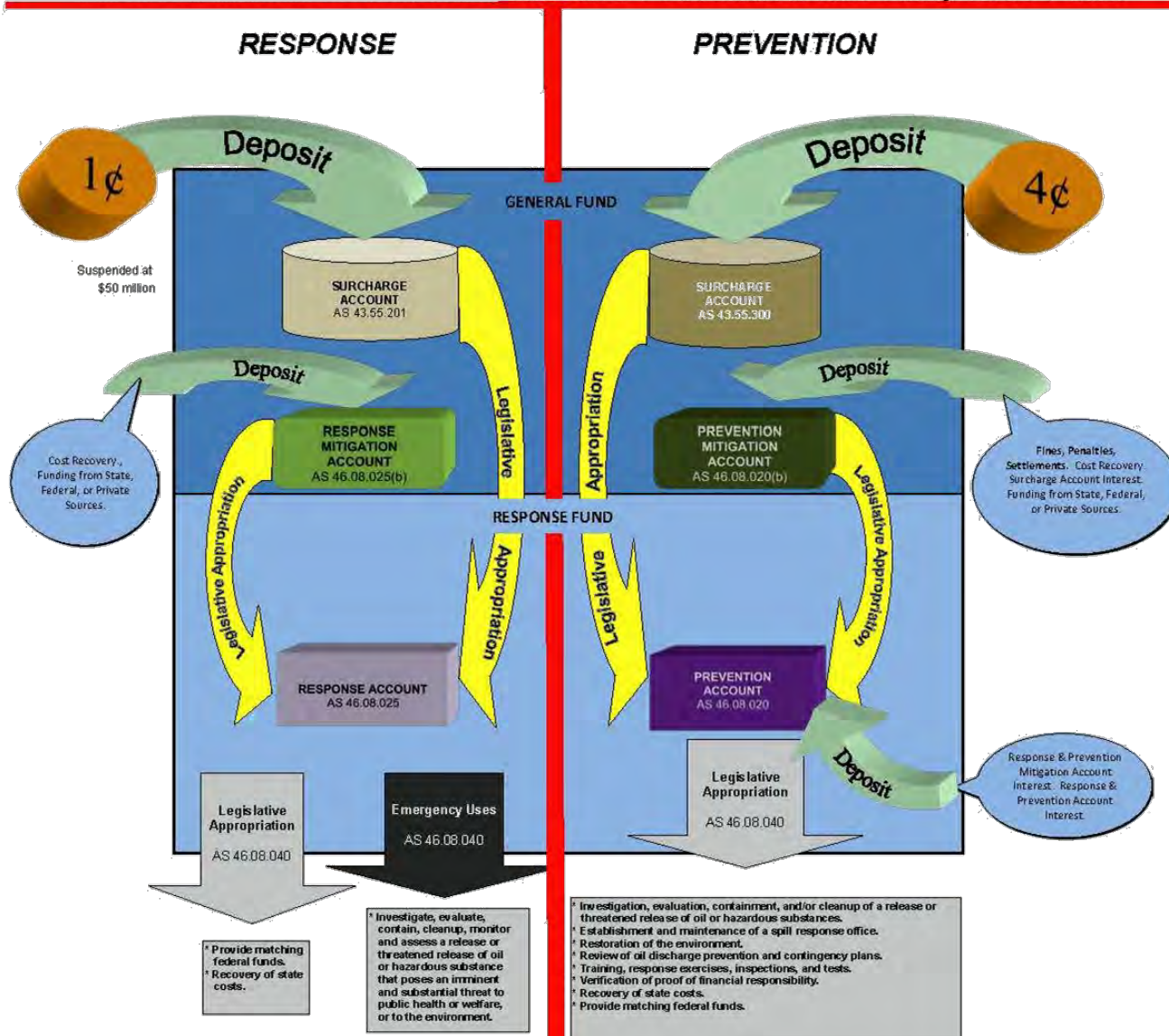


# How the Response Fund Works

- *“It is the intent of the Legislature and declared to be the public policy of the State that funds for the abatement of a release of oil or a hazardous substance will always be available.” (A.S. 46.08.030)*
- Response Account
  - Funded by 1¢ surcharge on each barrel of oil.
  - Surcharge suspended when fund exceeds \$50 Million.
  - Pays for emergency response activities.
  - Department recovers costs from identified responsible parties.
- Prevention Account
  - Funded by a 4¢ surcharge on each barrel of oil.
  - Pays for operational costs and readiness activities within the Spill Prevention & Response Division.



# Oil & Hazardous Substance Release Prevention and Response Fund

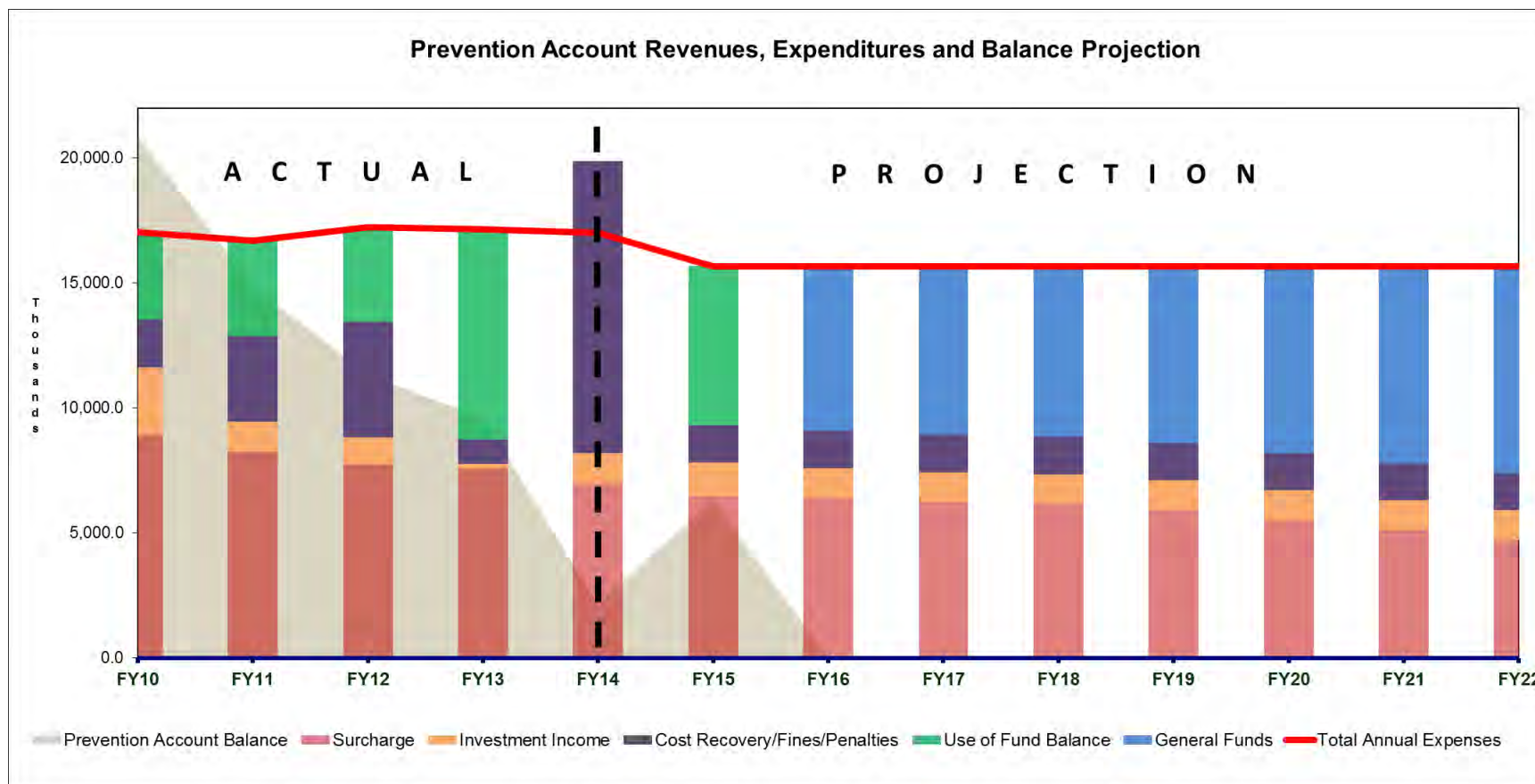




# Status of the Prevention Account

## PREVENTION ACCOUNT REVENUES, EXPENDITURES, AND BALANCE PROJECTION

Actuals FY2010 – FY2013, Projected FY2014 – FY2022 based on 12.05.2013 Fall 2013 Forecast - 4¢ Surcharge





# Status of the Prevention Account

## PREVENTION ACCOUNT REVENUES, EXPENDITURES, AND BALANCE PROJECTION

*Actuals FY2010 – FY2013, Projected FY2014 – FY2022 based on 12.05.2013 Fall 2013 Forecast - 4¢ Surcharge*

Line	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
1 Unobligated Beginning Balance	20,891.9	14,870.3	11,323.0	9,599.2	2,139.3	6,325.6	(40.2)	0.0	0.0	0.0	0.0	0.0	0.0
<b>2 REVENUE to PREVENTION ACCOUNT</b>													
3 Surcharge Revenue	8,922.5	8,255.2	7,736.1	7,558.6	6,951.2	6,480.0	6,400.0	6,240.0	6,160.0	5,920.0	5,520.0	5,120.0	4,720.0
4 Cost Recovery/Fines/Penalties	1,911.9	3,425.0	4,625.4	976.4	11,689.3	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0
5 Investment Income	2,690.2	1,199.7	1,079.8	215.8	1,238.5	1,334.9	1,185.0	1,185.0	1,185.0	1,185.0	1,185.0	1,185.0	1,185.0
<b>6 Total Annual Revenue</b>	<b>13,524.6</b>	<b>12,879.9</b>	<b>13,441.3</b>	<b>8,750.8</b>	<b>19,879.0</b>	<b>9,314.9</b>	<b>9,085.0</b>	<b>8,925.0</b>	<b>8,845.0</b>	<b>8,605.0</b>	<b>8,205.0</b>	<b>7,805.0</b>	<b>7,405.0</b>
<b>7 EXPENSES from PREVENTION ACCOUNT</b>													
8 Operating	13,334.3	14,447.3	15,030.7	15,344.8	15,692.7	15,680.7	15,680.7	15,680.7	15,680.7	15,680.7	15,680.7	15,680.7	15,680.7
9 Capital	3,710.3	2,250.4	2,210.5	1,806.3	1,320.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>10 Total Annual Expenses</b>	<b>17,044.6</b>	<b>16,697.7</b>	<b>17,241.2</b>	<b>17,151.1</b>	<b>17,013.5</b>	<b>15,680.7</b>	<b>15,680.7</b>	<b>15,680.7</b>	<b>15,680.7</b>	<b>15,680.7</b>	<b>15,680.7</b>	<b>15,680.7</b>	<b>15,680.7</b>
11 Use of Fund Balance	3,520.0	3,817.8	3,799.9	8,400.3	0.0	6,365.8							
<b>12 Obligations and Other Activity</b>													
13 New Capital Appropriations	5,750.0	2,000.0	100.0	750.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14 Less: Capital Expenses	(3,710.3)	(2,250.4)	(2,210.5)	(1,806.3)	(1,320.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15 Increase (Decrease) in Outstanding Capital Appropriations	2,039.7	(250.4)	(2,110.5)	(1,056.3)	(1,320.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
16 Other Activity - Changes in Receivables and Liabilities	461.9	(20.1)	34.4	115.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>17 Total Increase (Decrease) in Obligations and Other Activity</b>	<b>2,501.6</b>	<b>(270.5)</b>	<b>(2,076.1)</b>	<b>(940.4)</b>	<b>(1,320.8)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>18 Summary</b>													
19 Unobligated Beginning Balance	20,891.9	14,870.3	11,323.0	9,599.2	2,139.3	6,325.6							
20 Add: Total Annual Revenue	13,524.6	12,879.9	13,441.3	8,750.8	19,879.0	9,314.9							
21 Less: Total Annual Expenses	(17,044.6)	(16,697.7)	(17,241.2)	(17,151.1)	(17,013.5)	(15,680.7)							
22 Less: Total Increase (Decrease) in Obligations and Other Activity	(2,501.6)	270.5	2,076.1	940.4	1,320.8	0.0							
<b>23 Unobligated Ending Balance</b>	<b>14,870.3</b>	<b>11,323.0</b>	<b>9,599.2</b>	<b>2,139.3</b>	<b>6,325.6</b>	<b>(40.2)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>24 Other Appropriations:</b>													
25 General Fund Other							6,595.7	6,755.7	6,835.7	7,075.7	7,475.7	7,875.7	8,275.7
26 Transfers from Other Funds	0.0	0.0	0.0	0.0	0.0	0.0	6,595.7	6,755.7	6,835.7	7,075.7	7,475.7	7,875.7	8,275.7

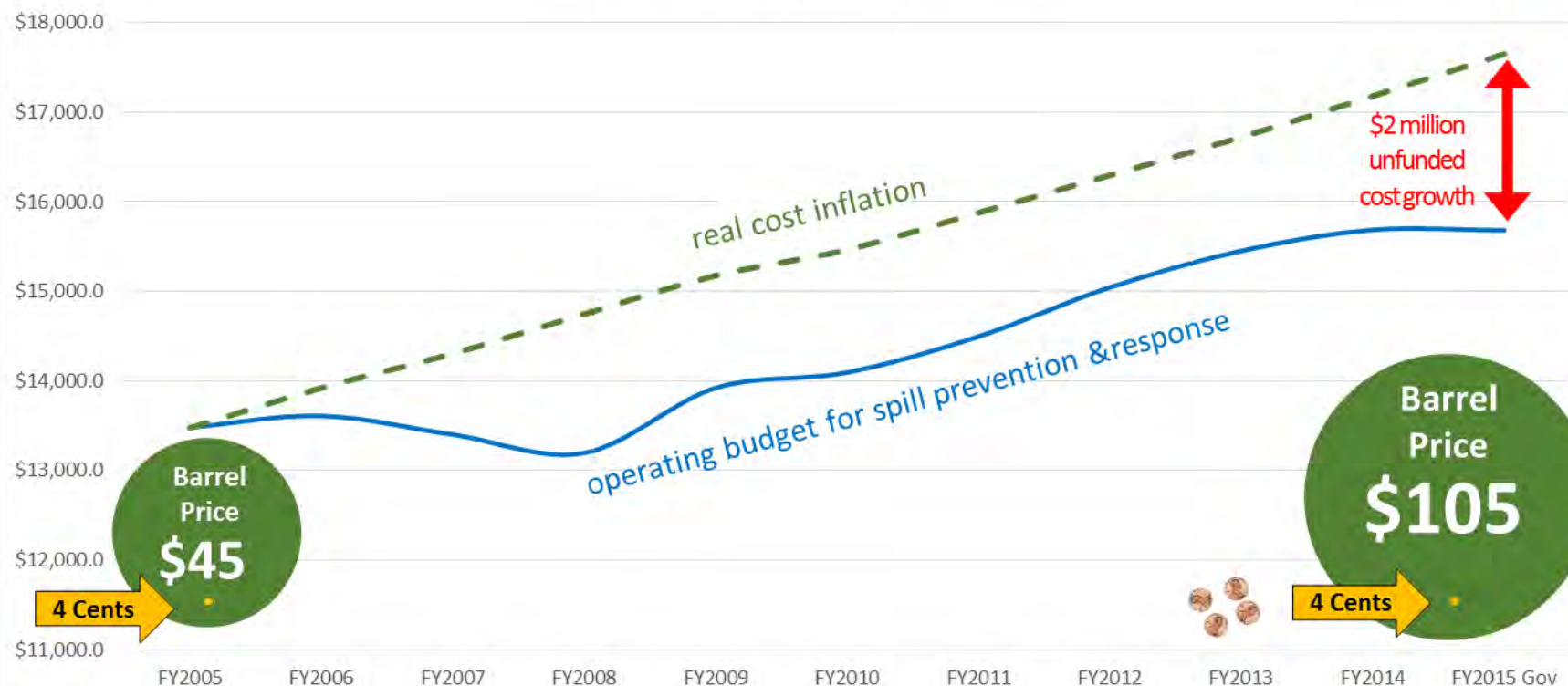




# Prevention Account & Inflation

## Response Funds to DEC: FY2005 to FY2015

Authorized RF Appropriations vs. Inflation  
using Anchorage CPI

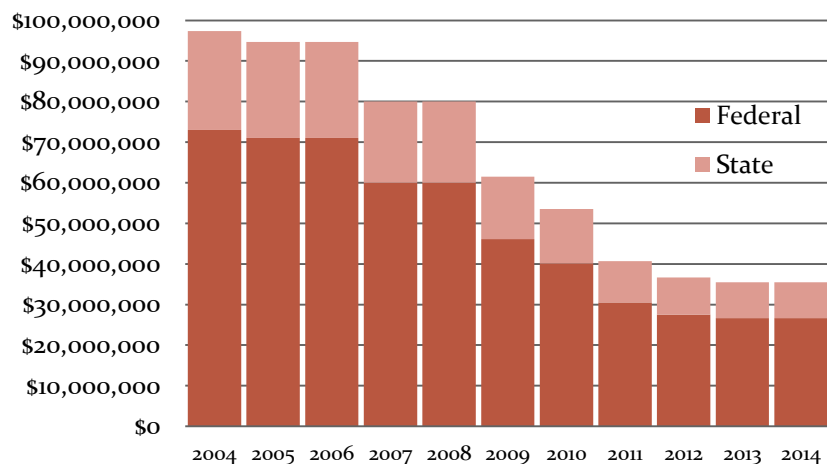






# Rural Alaska Water & Sewer

## State & Federal Funding for Village Safe Water

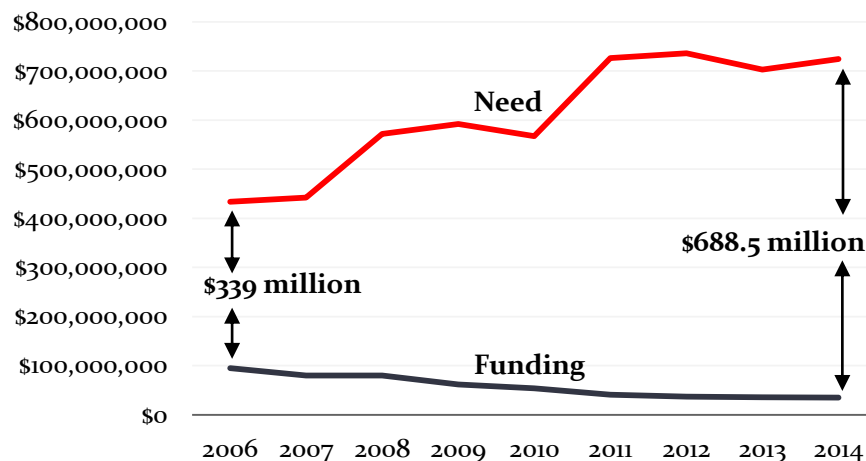


The graph on the right includes two types of needs:

1. First time service for homes without piped or covered haul.
2. Upgrades or replacement to address significant health threats.

Funding for rural Alaska sanitation projects has declined by over \$61 Million, or 64% between 2004 and 2014.

## Village Safe Water Funding vs. Need





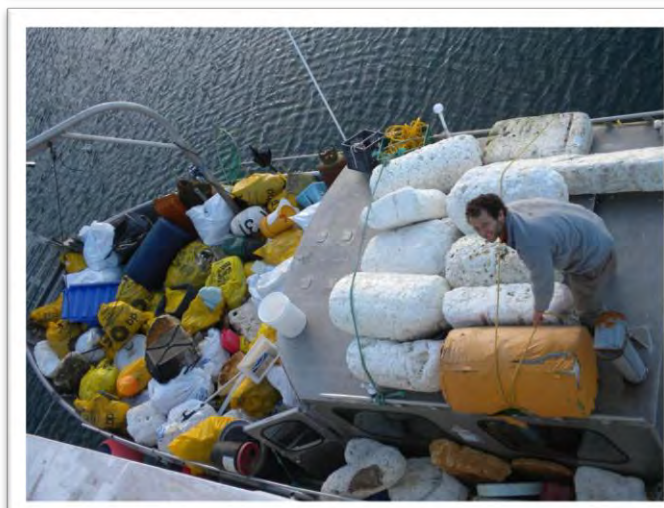
# Village Safe Water: The Alaska Challenge

- \$667 Million = Current Cost of unfunded significant health related water and sewer needs in rural Alaska.
- State/Federal funding insufficient to construct new systems or ensure continued functionality of aging systems.
- Alaska Challenge Project
  - Innovative and new approaches are needed in Alaska villages in order to cut capital and operating costs of providing running water and sewer.
  - Issues a challenge to the private sector.
  - Three-Phased Approach:
    - Phase 1: Request For Proposals (RFP) and selection for funding.
    - Phase 2: Demonstration of projects, research and development.
    - Phase 3: Initial pilot testing and refinement for implementation.
  - The Legislature funded Phase 1 in FY2013, and the Department is working with stakeholders to secure funding for Phases 2 & 3



# Tsunami Marine Debris

- Government of Japan estimates 5 million tons of tsunami-related marine debris
  - Estimated 70% sank almost immediately
  - 1.5 million tons floating off coast of Japan, caught by wind and ocean currents
- Concerns include:
  - Potential toxicity of components
  - Smothering sensitive habitats
  - Invasive species
  - Impact of small Styrofoam pieces on marine and terrestrial life
  - Unknown quantity and composition
  - Disposal
  - Safety risks to removal crews
- DEC is working with multiple partners and funding sources on a multi-year effort on coastal cleanup.





# Federal Sequestration & Future Outlook

- **Drinking Water**

- \$267.2 of lost federal revenue in FY2014 (more than 3% of all funds)
- Received a small increment (\$175.0 GF) in FY2014
  - To assist with the implementation of new drinking water rules
  - Increment dampens the impact of sequestration

- **Village Safe Water**

- Federal funding has plummeted by nearly two-thirds over the last nine years, from \$73 million to less than \$27 million

- **Air Quality**

- 5% reduction to the Performance Partnership Grant (PPG)
- EPA has plans for a new federal funding formula allocation to Alaska, which would reduce funding distributed to Region 10 states by 42% phased in over several years
  - Implementation has been delayed by the new federal fiscal year 2014 spending bill

- **Water Quality**

- 5% reduction to the Performance Partnership Grant (PPG)

- **Food Safety and Sanitation, Environmental Health Laboratory, Contaminated Sites, and Administrative Services** are receiving new federal revenues



# Legislative Finance

## 10-Year Look Back Charts





## Department of Environmental Conservation Share of Total Agency Operations (GF Only) (\$ Thousands)

The department's GF budget grew by about \$18.6 million (58%) between FY06 and the FY15 Governor's Request - an average annual growth rate for that period of 5.2%.

The department's total FY15 GF budget equals \$153 per resident worker.\*

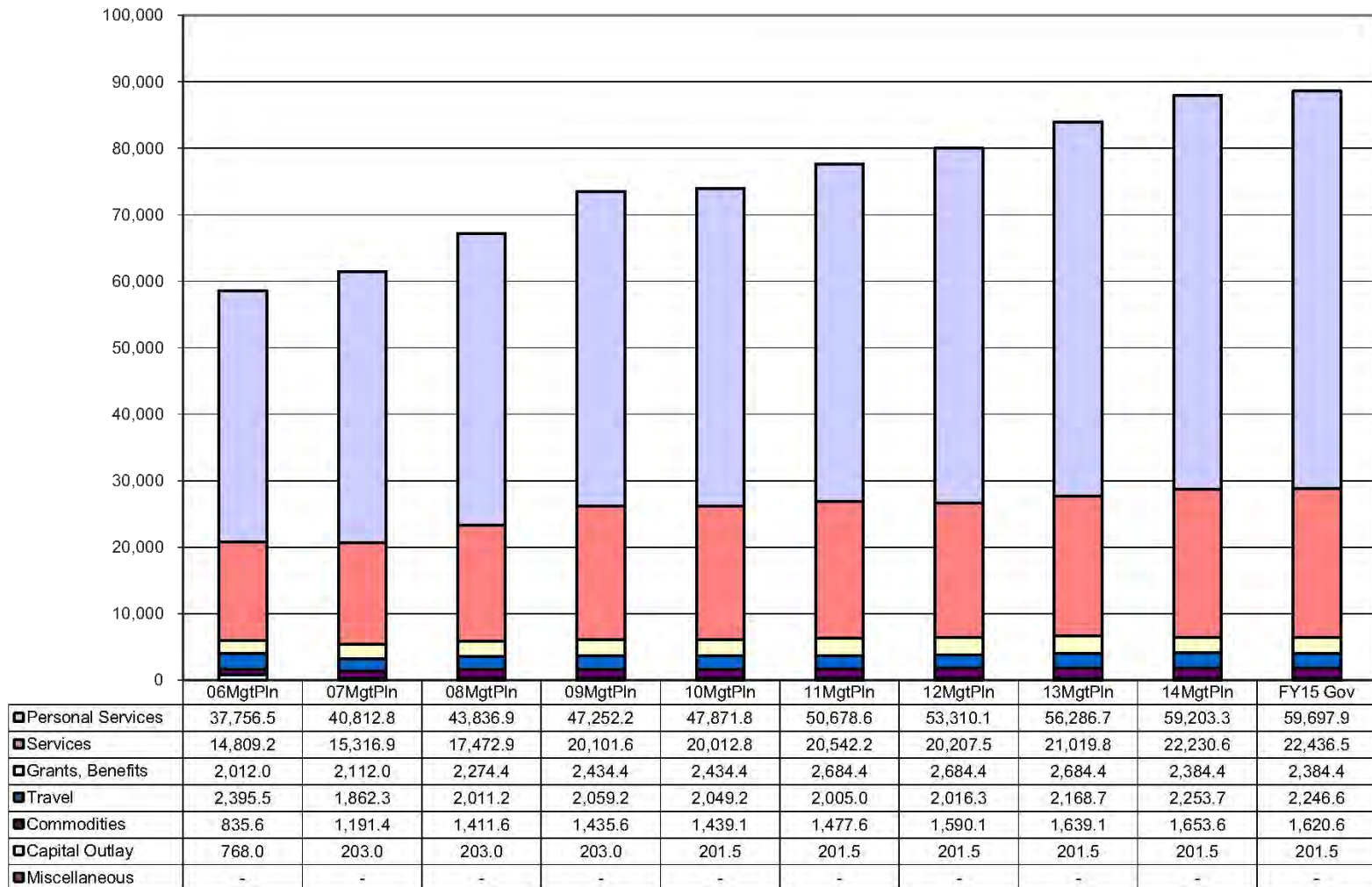


\* According to the Department of Labor and Workforce Development, there were 331,081 resident workers in Alaska in 2011.



The majority of FY15 funding in DEC is comprised of the following two line items:  
**Personal Services--67%**  
**Services--25%**

### Department of Environmental Conservation Line Items (All Funds) (\$ Thousands)







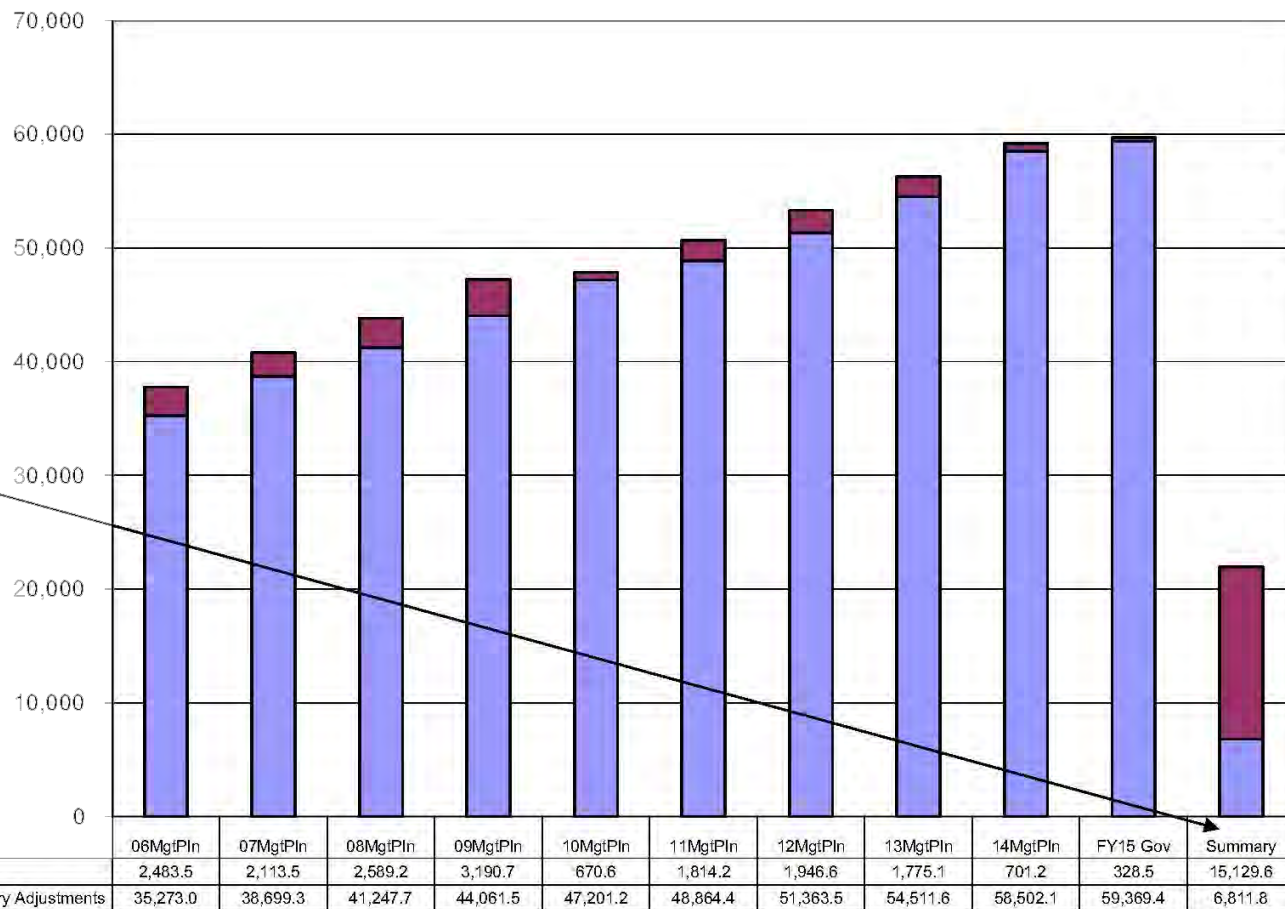
# Department of Environmental Conservation Salary Adjustment Increases and Personal Services Costs (All Funds) (\$ Thousands)

Personal Services increased by \$21.9 million from FY06 to FY15 Gov, an increase of about 58%.

## **Summary**

The Personal Services change consists of the following:

- \$15.1 million (69%) of contractual salary adjustments; and
- \$6.8 million (31%) of non-contractual personal services costs.

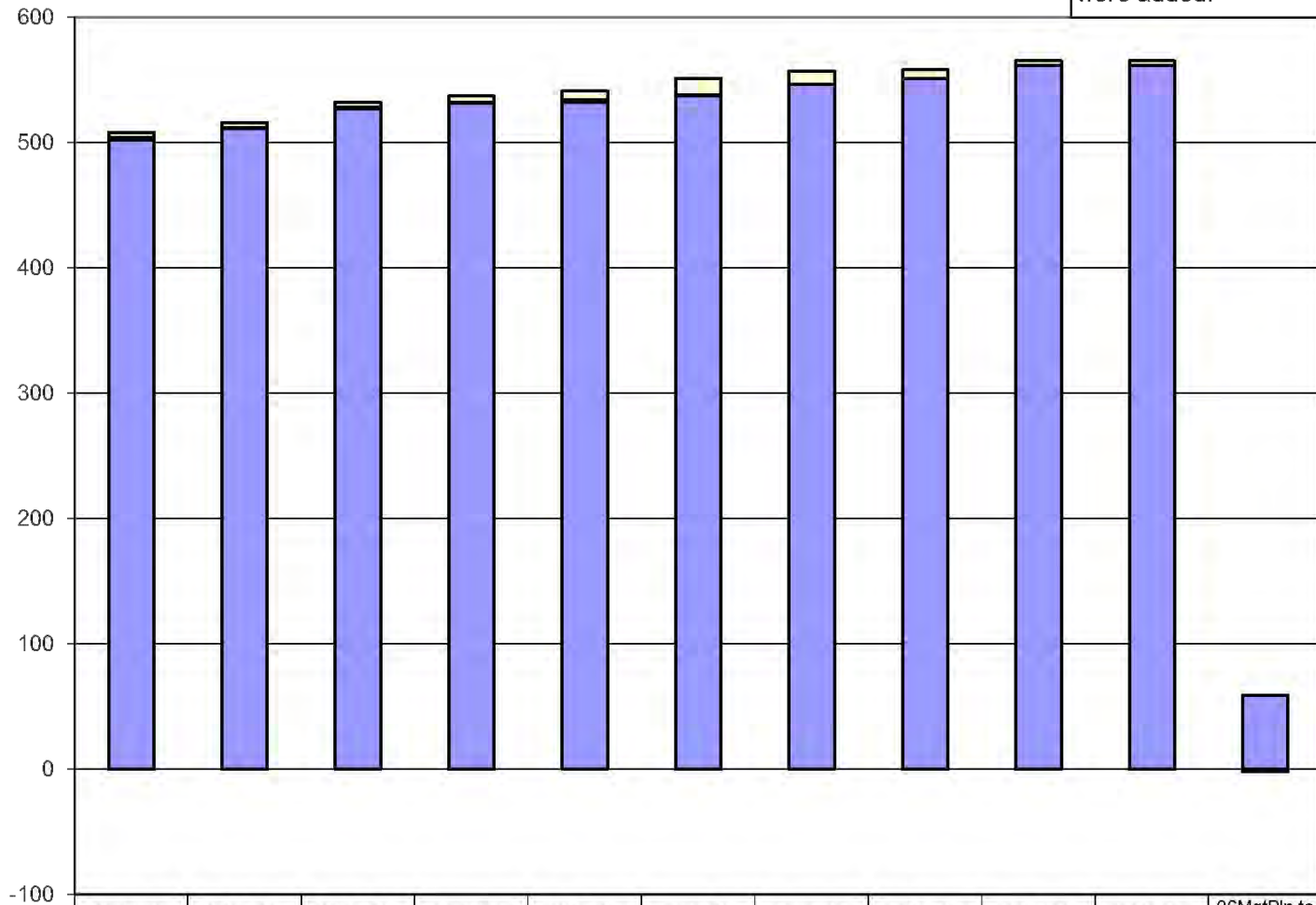


\* Changes in the personal services line from FY06 to FY15 Gov are segregated into two parts: (1) base increases (primarily due to contractual negotiations) and (2) other personal services increases such as transfers between line items or increases from new positions. The final column sums the two types of changes during the period.



## Department of Environmental Conservation Budgeted Positions

Between FY06 & FY15,  
a net of 57 positions  
were added.



	06MgtPln	07MgtPln	08MgtPln	09MgtPln	10MgtPln	11MgtPln	12MgtPln	13MgtPln	14MgtPln	FY15 Gov	06MgtPln to 15 Gov
Temporary	4	4	4	5	7	13	11	7	4	4	0
Perm Part Time	2	1	1	1	2	1	0	0	0	0	(2)
Perm Full Time	502	511	527	531	532	537	546	551	561	561	59



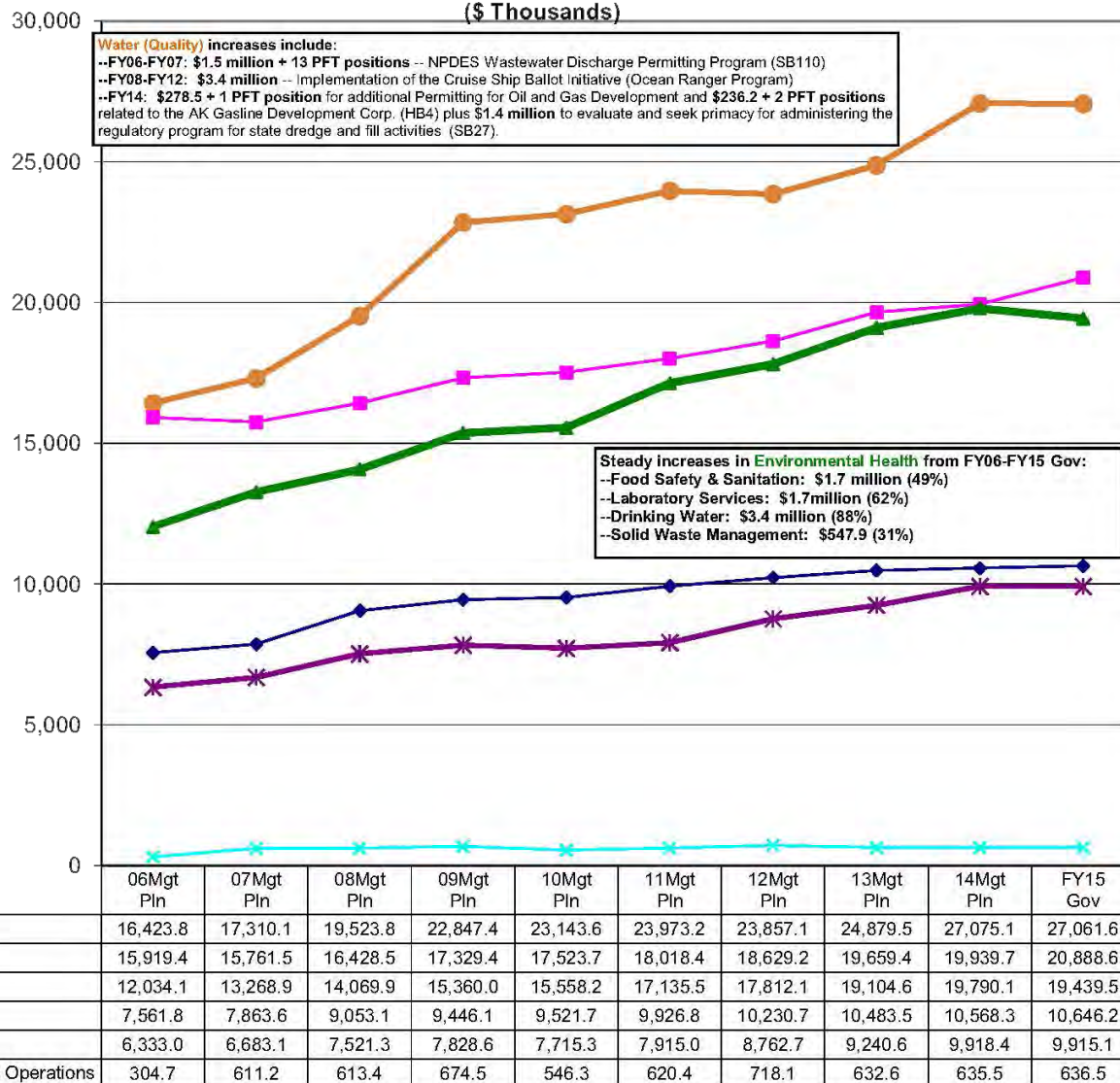
## Appropriations within the Department of Environmental Conservation (All Funds) (\$ Thousands)

Overall growth for the department (all funding sources) is over \$30 million (51%).

--the **Water** appropriation grew by 65% (a \$10.6 million increase) from FY06-FY15 Gov. Of this growth, 76% is due to the Water Quality allocation which increased \$8 million (from \$10.4 million to \$18.5 million).

--the **Environmental Health** appropriation grew over 61% (a \$7.4 million increase) from FY06-FY15 Gov.

**NOTE:** In FY15 Gov, Air Quality became a new appropriation rather than an allocation within Environmental Health.







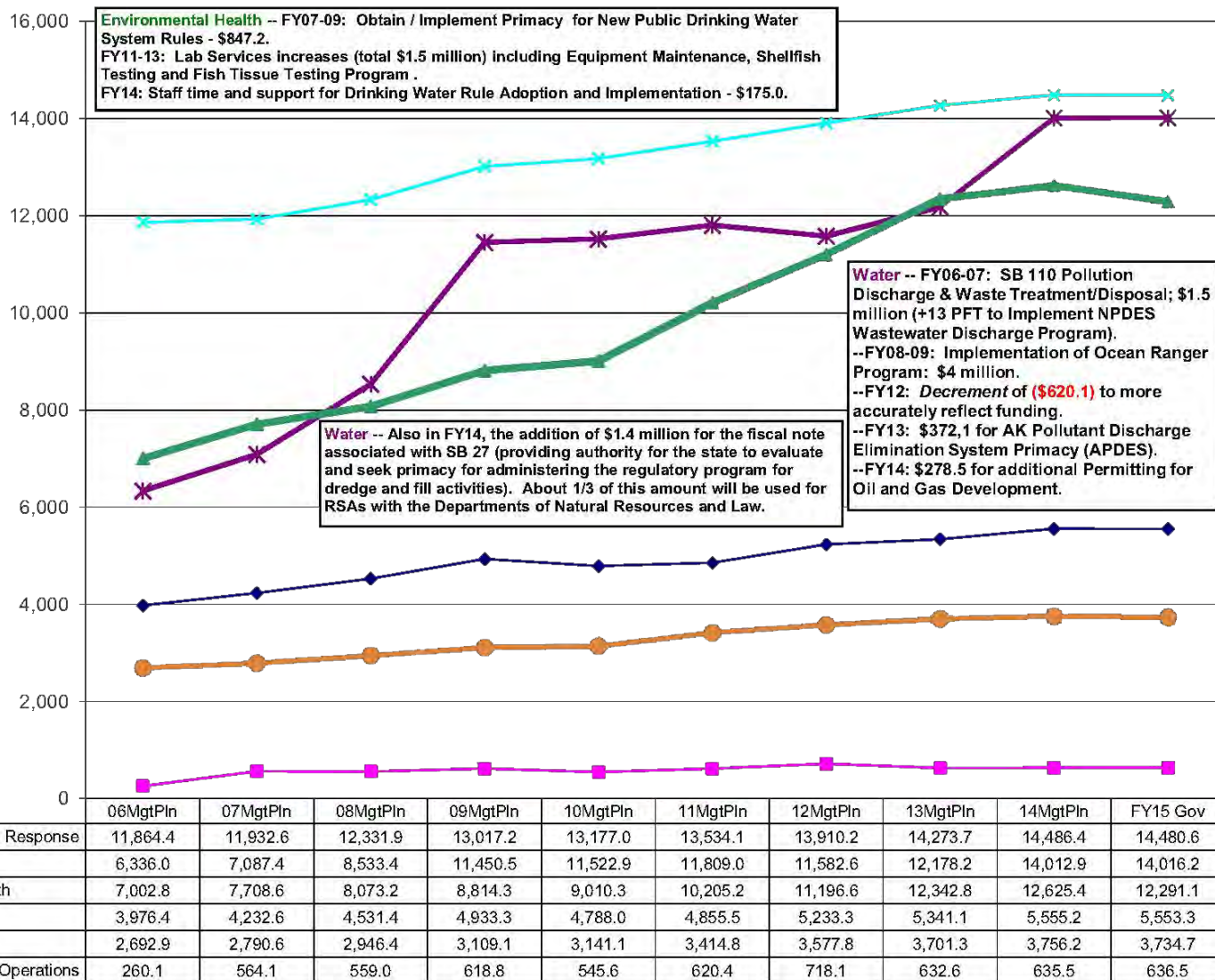
## Appropriations within the Department of Environmental Conservation (GF Only) (\$ Thousands)

DEC has grown about 58% in all GF sources during the 9-yr period.

**Environmental Health** appropriation increased over 75% (\$5.3 million) between FY06 and FY15 Gov.

An even larger percentage GF increase is in the **Water** appropriation, showing growth of 121% -- or \$7.7 million.

Although **Spill Prevention and Response** is the largest GF appropriation (\$14.5 million), growth during this timeframe is only 22%.



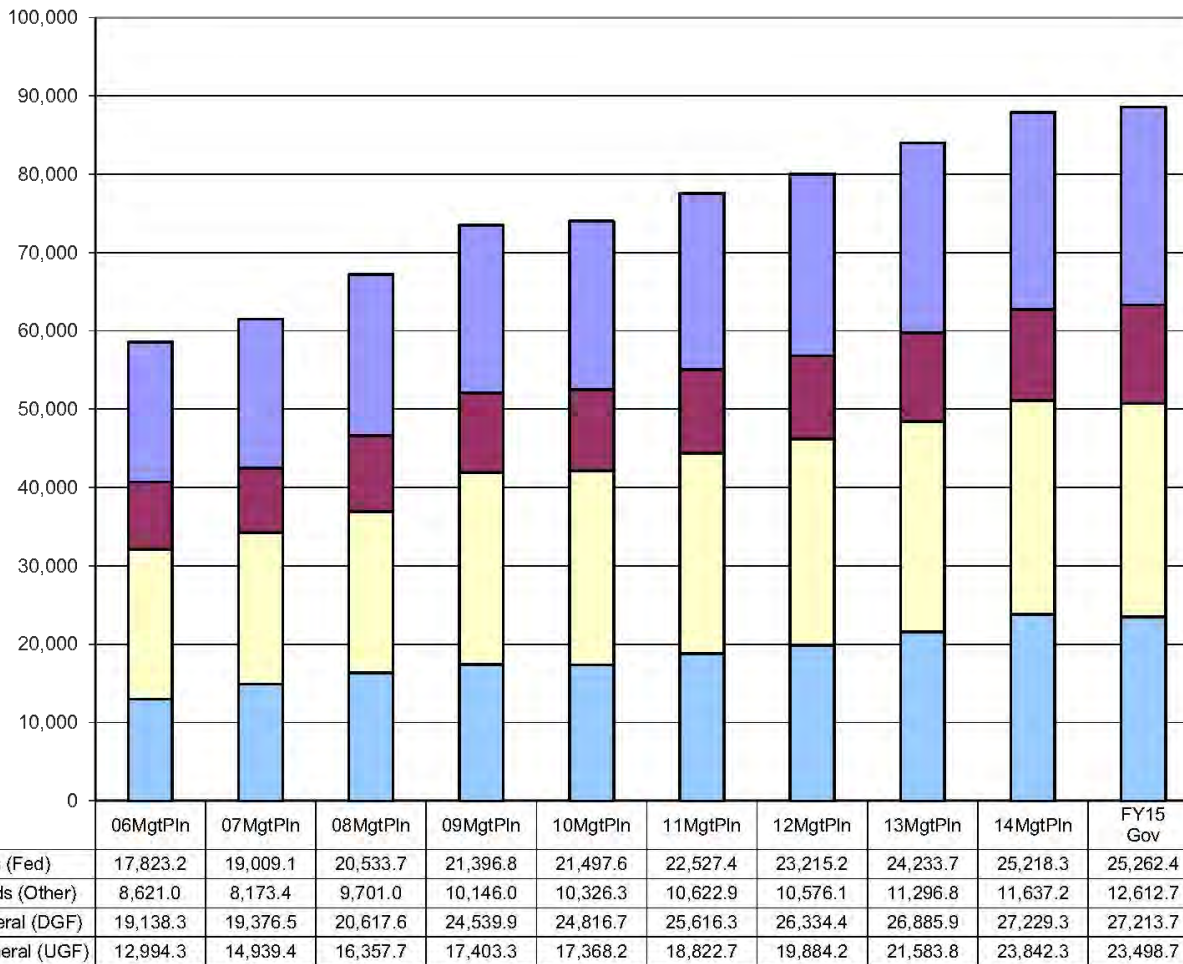


## Department of Environmental Conservation Total Funding Comparison by Fund Group

(All Funds)  
(\$ Thousands)

Between FY06 & FY15:

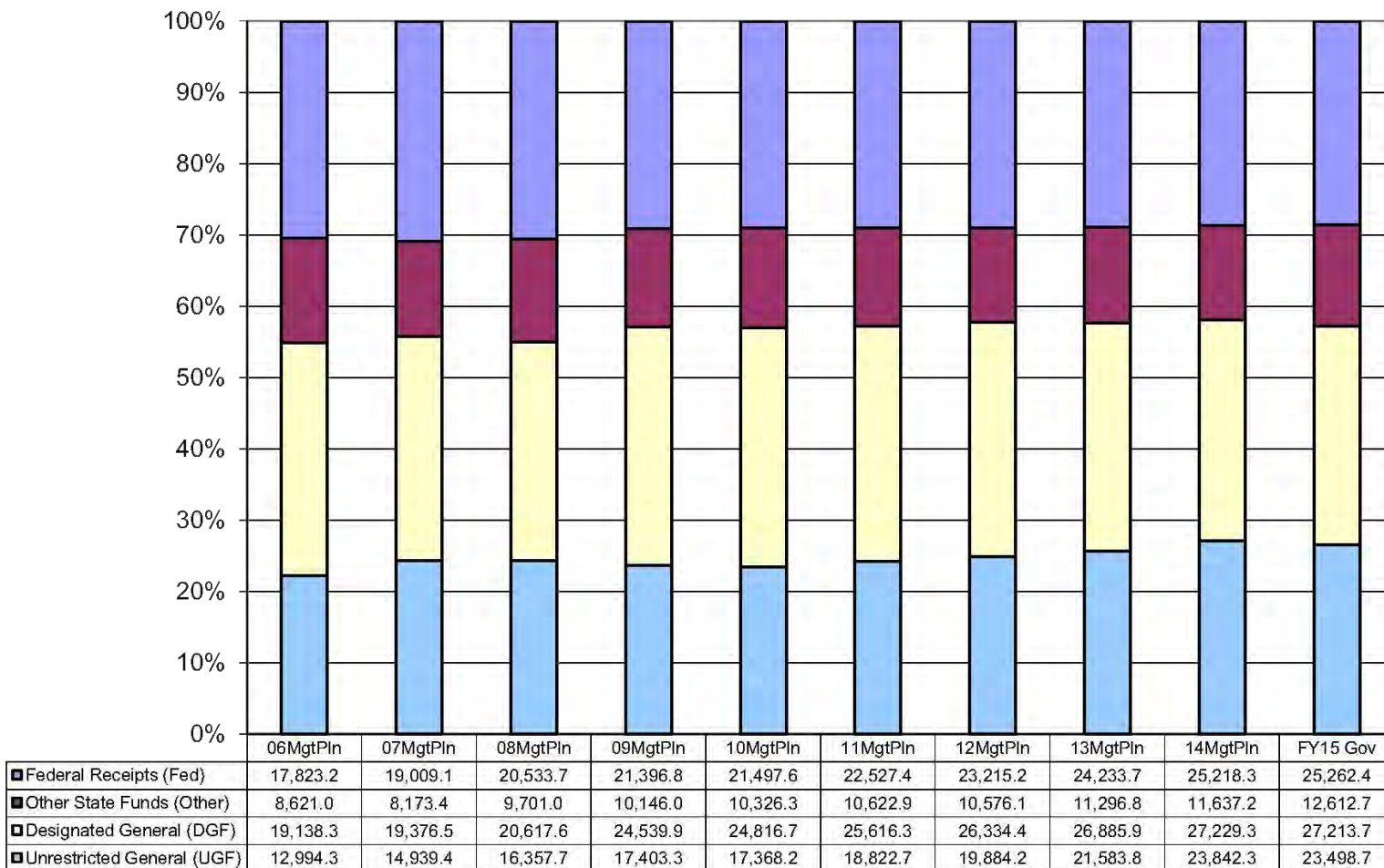
- UGF increased by \$10.5 million (81%)
- DGF increased by \$8.1 million (42%)
- Other Funds increased by \$4.0 million (46%)
- Federal Receipts increased by \$7.4 million (42%)





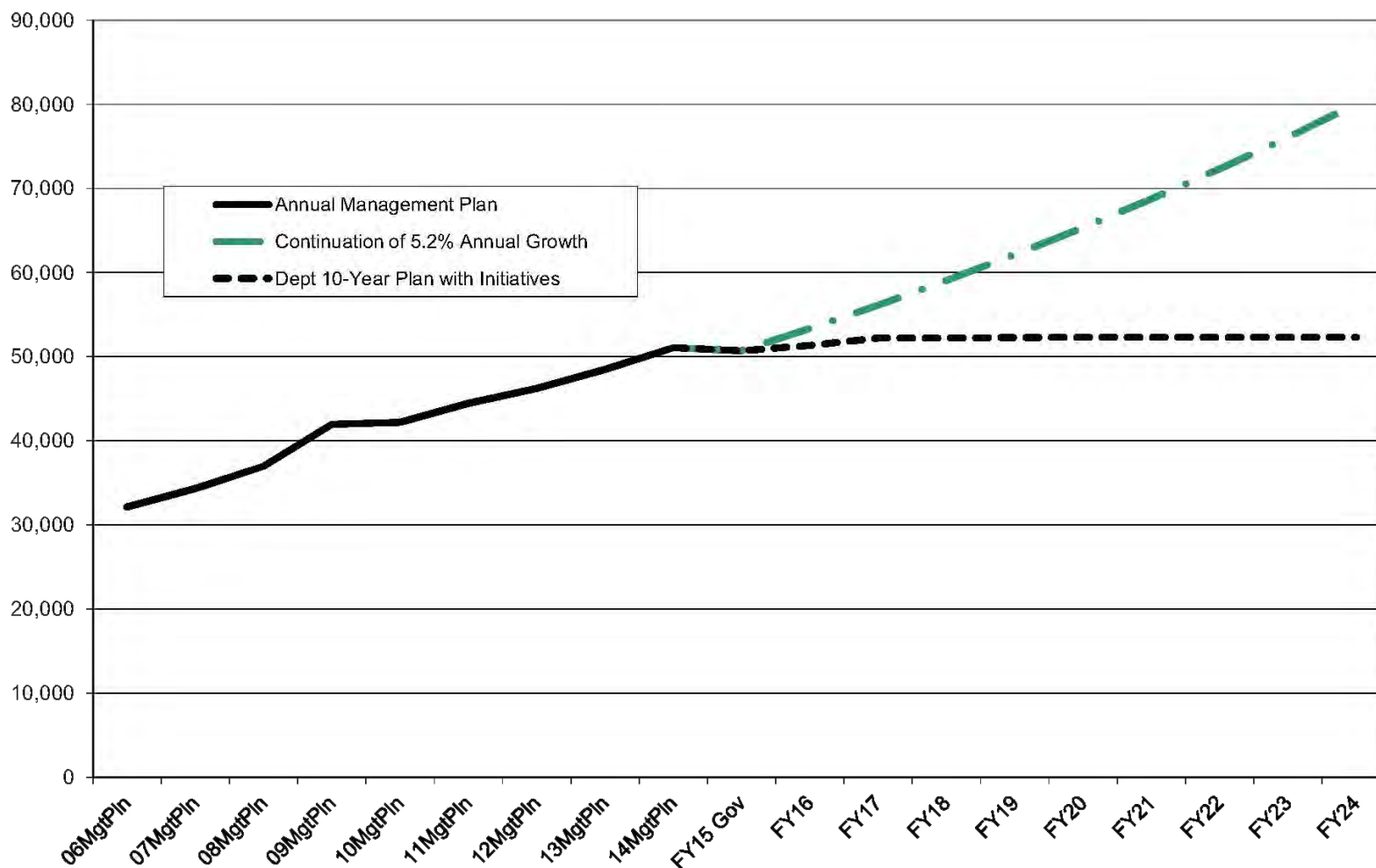
**Department of Environmental Conservation**  
**Percent of the Total Department's Budget by Fund Group**  
 (All Funds)  
 (\$ Thousands)

**FY15 Gov Budget:**  
General Funds (27% UGF and 31% DGF) --Totaling 58%  
Other Funds -- 14%  
Federal Receipt Authority -- 28%





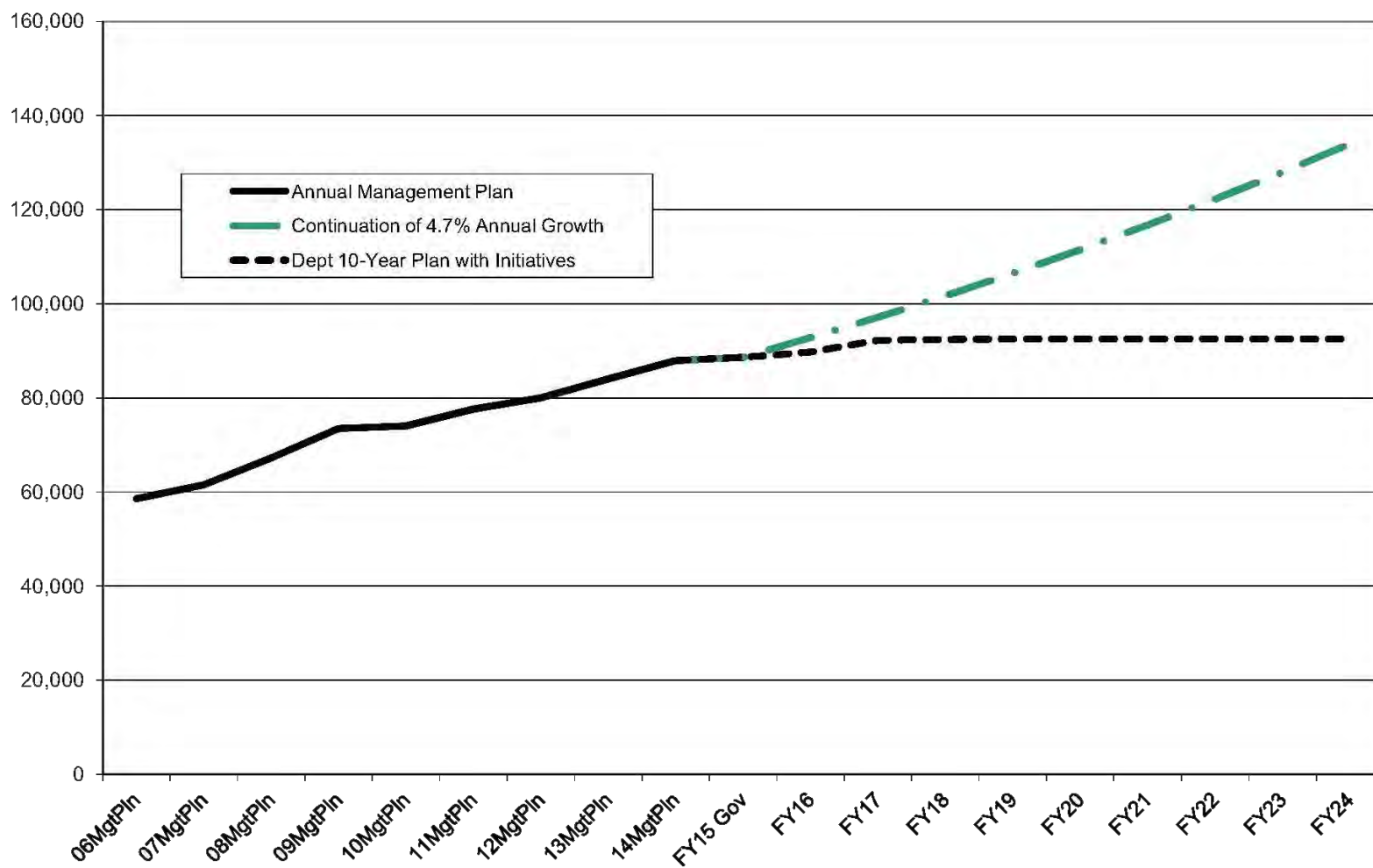
Department of Environmental Conservation  
Continued Budget Growth Compared to 10-Year Plan  
(GF Only)  
(\$ Thousands)







**Department of Environmental Conservation  
Continued Budget Growth Compared to 10-Year Plan  
(All Funds)  
(\$ Thousands)**



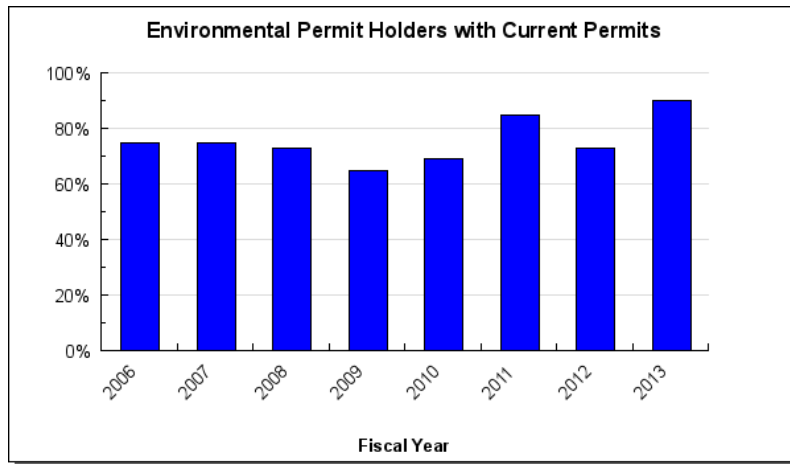


# Department: 10-Year Plan Highlights

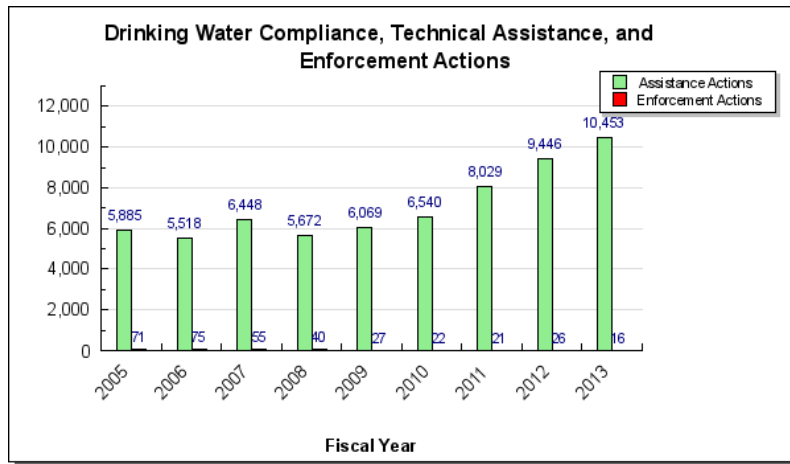
- Operating Budget
  - Permit a gasline project under HB4 (2013)
  - Permits, approvals, oversight, and response of large mining projects throughout the state starting in FY2016
  - Adopt additional required drinking water rules
  - Address rural landfill compliance challenges
  - Does not include: merit increases or inflationary cost growth
- Capital Budget
  - General funds to replace declining federal funds in the Village Safe Water program beginning in FY2016
  - General Funds to sustain essential spill prevention and response programs beginning in FY2016



# Current Challenges to Departmental Performance



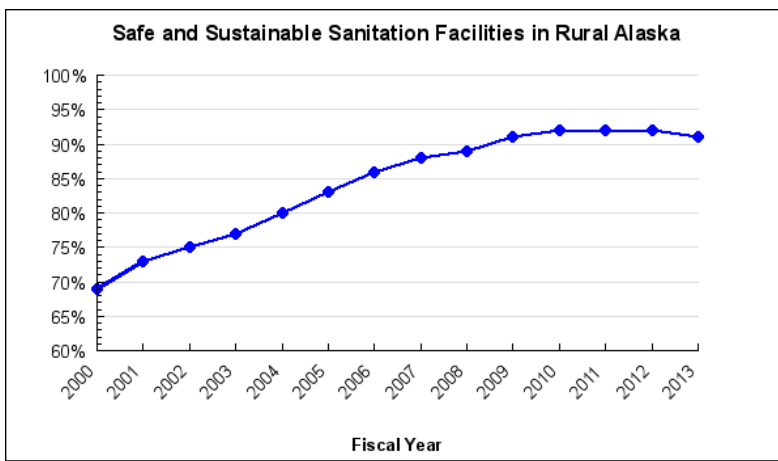
Increasing development activity and strained personnel resources threatens permitting timeliness



Burden of new EPA rules threatens drinking water safety by limiting resources for technical assistance

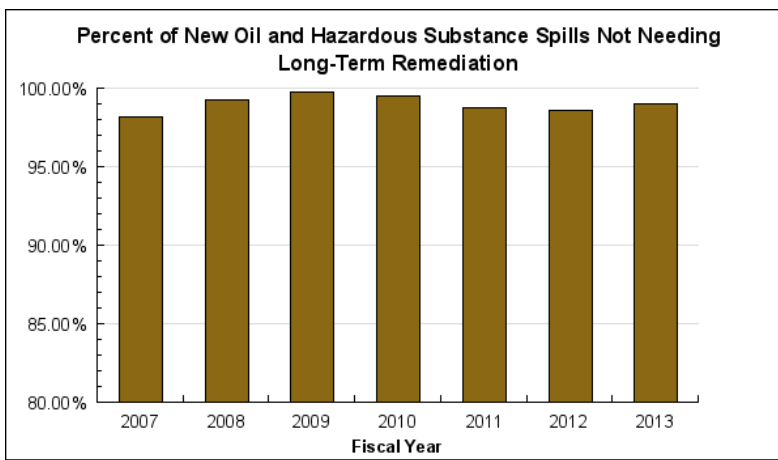


# Long-term Challenges to Departmental Performance



Village homes served by safe water:

- More challenging communities
- Declining Funding
- Increasing Costs
- Innovation & Sustainability



Spill prevention and response  
threatened by declining Response  
Fund receipts as a result of  
declining TAPS throughput



# Questions?

