

## Department of Environmental Conservation

All Dollars in Thousands

	(GF Only)	Change	% Change	See Note:
<b>FY14 Conference Committee (GF Only)</b>	<b>\$49,089.4</b>			
FY14 Fiscal Notes	1,434.7			
CarryForward	332.6			4
Misc Adjustments	-			
Agency Transfers	214.9			
Vetoed	-			
<b>FY14 Management Plan (GF only)</b>	<b>\$51,071.6</b>	<b>\$1,982.2</b>	<b>4.0%</b>	
One-time Items Removed	(564.6)			
Agency Transfers	-			
Temporary Increments (IncTs)	-			
FY15 Health Insurance & Working Reserve Reductions	(111.9)			2
FY15 Contractual Salary Increases	317.3			
<b>FY15 Adjusted Base Budget (GF only)</b>	<b>\$50,712.4</b>	<b>(\$359.2)</b>	<b>-0.7%</b>	
Lang/Lang OTIs/MiscAdj/Carryforward/MultiYears/Contingent	-			
FY15 Governor's GF Increments/Decrements/Fund Changes	-			
<b>FY15 Governor's Agency Request (GF only)</b>	<b>\$50,712.4</b>	<b>\$0.0</b>	<b>0.0%</b>	
<b>FY15 Governor's Increments, Decrements, Fund Changes and Language</b>	<b>FY15 Adjusted Base Budget (GF Only)</b>	<b>FY15 Governor's Request (GF only)</b>	<b>Change from FY15 Adj Base to FY15 Governor's Request</b>	<b>See Note:</b>
<b>Allocation</b>			<b>\$0.0</b>	
<b>Non-General Fund Agency Summary</b>	<b>FY15 Adjusted Base Budget</b>	<b>FY15 Governor's Request</b>	<b>Change from FY15 Adj Base to FY15 Governor's Request</b>	<b>See Note:</b>
Other State Funds (all allocations)	11,610.7	12,612.7	1,002.0	3,5
Federal Funds (all allocations)	25,198.9	25,262.4	63.5	1,3
<b>Total Non-General Funds (all allocations)</b>	<b>\$36,809.6</b>	<b>\$37,875.1</b>	<b>\$1,065.5</b>	
<b>Position Changes (From FY14 Authorized to Gov)</b>				
PFT	566	565	(1)	
PPT	559	561	2	
Temp	-	-	-	
	7	4	(3)	
<b>Governor's Capital Request</b>	<b>State Funds (GF + Other)</b>	<b>Federal Funds</b>	<b>Total</b>	<b>See Note:</b>
Planning and Research	-	-	-	
Maintenance and Repairs	200.0	-	200.0	
Remodel, Reconstruction and Upgrades	17,228.2	16,900.0	34,128.2	
New Construction and Land Acquisition	6,580.0	25,350.0	31,930.0	
Equipment and Materials	-	-	-	
Information Systems and Technology	-	-	-	
Other	3,089.5	-	3,089.5	
<b>TOTAL CAPITAL</b>	<b>\$27,097.7</b>	<b>\$42,250.0</b>	<b>\$69,347.7</b>	

## **Department of Environmental Conservation**

The Department of Environmental Conservation (DEC) is responsible for protecting human health and the environment. This agency provides the following core services:

- develop regulatory standards and other requirements for protection of human health and the environment;
- issue permits and other authorizations for emissions, discharges and disposal – and monitor compliance with those authorizations;
- provide financial assistance in the form of grants or low-interest loans for public drinking water, wastewater and solid waste facilities;
- oversee oil discharge prevention and contingency planning and conduct drills to lower the probability and severity of spills;
- respond to oil spills, other releases of hazardous substances and contaminated sites;
- operate the State Environmental Health Lab providing testing not available through commercial laboratories;
- safeguard the quality of food and seafood offered to the public;
- house the Office of the State Veterinarian which regulates the import and export of domestic animals and responds to animal disease outbreaks;
- regulate pesticides and certain types of use;
- monitor and report on the quality of the environment and changes that could impact human health;
- educate and assist the public, communities, businesses and industry on all forms of environmental matters;
- interact with federal agency counterparts at the Environmental Protection Agency (EPA), the Food & Drug Administration (FDA), the United States Department of Agriculture (USDA), the Pipeline and Hazardous Materials Safety Administration (PHMSA), the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE), and others on federal environmental law and how it is applied in Alaska; and
- investigate violations and enforce state environmental law.

## **BUDGET SUMMARY**

The FY15 Department of Environmental Conservation general fund operating budget submitted by the Governor shows no increase over the FY15 Adjusted Base. Significant issues are highlighted in the notes below and correspond to the numbers in the last column on the preceding spreadsheet.

## **NEW PROGRAMS/PROGRAM EXPANSION**

1. **Contaminated Sites Program – Increased Federal Receipt Authority: \$959.5.** The Spill Prevention and Response Contaminated Sites Program has an opportunity to receive increased federal grants to perform contaminated site cleanup and oversight of cleanup activities of military facilities, formerly used defense sites, and other federally contaminated sites. The state must exercise regulatory oversight of cleanup activities to ensure compliance with state

standards. These funds will come from multiple federal agencies including the Department of Defense, U.S. Coast Guard, Federal Aviation Administration, and the Bureau of Land Management. No general funds or response funds are required for this work. An identical amount of federal receipt authority was requested and approved in a FY14 RPL. No new positions are required to accomplish this work and available funds are unaffected by sequestration.

## **FUNDING REDUCTIONS AND MAINTENANCE OF SERVICES**

2. **Health Insurance and Working Reserve Rate Decreases.** The Governor's FY15 budget request contains several reductions common to all agencies. Reductions for the Department of Environmental Conservation are shown below.

<b>Description</b>	<b>Funding Amount</b>	<b>Fund Group</b>
<b>Health Insurance and Working Reserve Rate Decreases</b>	<b>(\$57.7)</b>	<b>UGF</b>
• Health Insurance decrease from \$1,389 to \$1,371 per month (a decrease of \$18/month)	(\$54.2)	DGF
• Working Reserve Rate (i.e., leave cash-in, terminal leave and unemployment insurance) decrease from 3.94% to 3.56%	(\$23.4)	Other
	(\$42.8)	Fed

## 3. **Net Zero Fund Changes**

- **Office of the Commissioner – Replace Uncollectible Authority: \$90.0 Interagency Receipts/ (\$90.0) EVOS Trust (Other).** This change amounts to a technical update to funding sources in this allocation. Authorization to spend Exxon Valdez Oil Spill Trust funding is substantially overstated. During the past several fiscal years, funding received has ranged from a high of \$4,100 to a low of zero. This fund change replaces EVOS authority with budgeted interagency receipt authority for an existing unbudgeted reimbursable services agreement with all divisions of the department for department-wide workforce development activities.
- **Replace Declining Federal Receipts with Fees for Loans Made from the Clean/Drinking Water Funds.**
  - **Administration/ Administrative Services Allocation :** \$48.0 CleanWater (Other)/ \$48.0 DrinkWater (Other)/ (\$96.0) Federal Receipts; and
  - **Water/ Facility Construction Allocation:** \$400.0 CleanWater (Other)/ \$400.0 DrinkWater (Other)/ (\$800.0) Federal Receipts.

Each drinking water and wastewater project loan issued by the Municipal Grant and Loan program is charged a 0.5% administrative fee. These changes from Federal Receipt authority to funds from the Clean Water and Drinking Water Funds will allow the department to access administrative fees that have been collected to maintain the loan processing capacity and to cover expenses associated with managing the loans. Under federal and state law, the state may use these fee receipts only for the purpose of managing loans made under the program. This change will maintain the department's capacity to administer the programs.

## **OTHER ISSUES**

4. **Laboratory Services – Carryforward funds for the Recreational Shellfish Beach Monitoring Pilot Program (SB 46 [Ch. 5, FSSLA2011] FY12-FY15).** \$332.6 UGF remains available between FY14-FY15 for this pilot program to collaborate with four communities to monitor recreational shellfish harvesting areas for paralytic shellfish poison (PSP). This multi-year project was authorized in FY12 and was initiated after several Alaskans eating recreational and subsistence harvested shellfish became ill or died from shellfish-related pathogens. All four communities have signed a Memorandum of Agreement and have been submitting samples for testing. Haines, Kodiak, and Sand Point have each had some samples that tested about 80 ug/100g, which is considered an unsafe level of PSP for shellfish consumption, but the majority of samples submitted indicate PSP is at acceptable levels. Kachemak Bay Research Reserve has had no samples that tested positive for PSP, and has expanded their beach monitoring to beaches in Clam Gulch, Port Graham Bay, and Jakalof Bay.
5. **Air Quality – Fiscal Note additions for HB 4 (Ch. 11, SLA2013): \$106.0 Gas Pipeline Fund (Other).** This is the second year of funding required for Air Quality to meet the directives outlined in HB4 (2013) which mandated the Alaska Gasline Development Corporation move forward with building a small-diameter in-state gas pipeline. The increase reflects the need for additional term contractors to work on construction and permit applications in FY15. The process involves pre-application assistance, data reviews, modeling, engineering plan review and approval for air quality permits in conjunction with development of the pipeline. The Air Quality Division assumes four construction applications in FY15. This includes one Prevention of Significant Deterioration (PSD) permit and three Minor Source Specific (MSS) permits. Operation permits and compliance reviews would begin in FY17.
6. **Declining Balance of the Oil and Hazardous Substance Release Prevention and Response Fund.** Both the legislature and the department recognize that the declining balance of this fund is a problem. Projections show that revenues collected from the four-cent per barrel conservation surcharge are not adequate to fund spill prevention and response programs. The surcharge revenue is the primary funding source for the prevention account and that revenue is not sufficient to sustain Alaska's core spill prevention and response program over the long term. Beginning with FY16, it is anticipated that annual funding available from this account will be at least \$6 million less than will be required to continue the current level of service.  
  
In FY14, the legislature added intent that (among other things) DEC provide recommendations at the beginning of the 2014 session to identify ways to finance and manage the oil and hazardous substance release prevention and response fund as a viable, long-term funding source for the state's core spill prevention and response initiatives. Although the department is exploring options to address the declining balance of the fund, the Governor's budget submission does not address this issue.

## **ORGANIZATIONAL CHANGES**

The Department of Environmental Conservation added an appropriation for Air Quality to the FY15 budget. Two allocations—Air Quality Director and Air Quality are contained within this appropriation. In previous budget submissions, these two allocations were part of the Environmental Health appropriation; however, the departmental RDU (Results Delivery Unit) organization had reflected Air Quality as a separate division within the department. This structural change is intended to bring budgetary and organizational clarity and bring all structures into sync.

## **CAPITAL REQUEST**

The agency's \$69.3 million capital budget, of which \$23.5 million is UGF, includes the following:

- **Village Safe Water and Wastewater Infrastructure Projects: \$51.5 million Total (\$8,750.0 G/F Match/ \$500.0 Statutory Designated Program Receipts (Other)/ \$42,250.0 Federal Receipts).** This request provides financial and technical assistance to rural communities to plan, design and construct water and sewer system improvements. Of the total amount, 60% will provide first-time service to communities and 40% will be used for expansions, upgrades, and replacements of existing service.
- **Drinking Water Capitalization Grant – Subsidy Funding: \$2,526.3 Alaska Drinking Water Fund (Other).** The federal Drinking Water Capitalization Grant requires states to issue 30% of the funding as subsidies (a loan forgiveness process).
- **Clean Water Capitalization Grant – Subsidy Funding: \$563.2 Alaska Clean Water Fund (Other).** The federal Clean Water Capitalization Grant requires states to issue subsidies (a loan forgiveness process). The subsidy amount required was identified under grant terms the Environmental Protection Agency has identified for Alaska.
- **Municipal Water, Sewage, and Solid Waste Facilities Grants: \$14,558.2 UGF.** This request provides grant funding to communities to plan, design and construct drinking water and sanitation facilities and the associated operating costs of the Facility Construction component within the Division of Water.
- **Deferred Maintenance, Renewal, Repair and Equipment: \$200.0 UGF.** This project will address deferred maintenance items in the state Environmental Health Laboratory Building. Examples of immediate deferred maintenance needs in the lab include water main back-flow backup, autoclave, door locks, and window blast films.