

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.

The FY14 Department of Environmental Conservation general fund operating budget submitted by the Governor is \$1,052.2 above the FY14 Adjusted Base [\$1,038.2 Unrestricted General Funds (UGF)/ \$14.0 Designated General Funds (DGF)]. Significant issues are highlighted in the notes below and correspond to the numbers in the last column on the preceding spreadsheet.

MAINTENANCE OF SERVICES

- 1. Water Quality – Additional Permitting Needs for Oil and Gas Development: \$543.0 UGF/ \$14.0 GF/PR (DGF) plus one PFT position.** On October 31, 2012, the Department assumed responsibility for the final and most complex phase of oil and gas wastewater discharge permitting from the Environmental Protection Agency. New responsibilities include oil and gas, cooling water intake structures, munitions, and other previously unregulated discharges (e.g., pesticides). With this transfer of authority for the Alaska Pollutant Discharge Elimination System (APDES) program, the state will have assumed full responsibility for

all permitting activities. In FY13, the Department received an increment of \$372.1 to support preparation for this final phase and to start addressing increased oil and gas activities. Even with the FY14 Governor's increment request, the Department is projecting that elimination of the backlog will take until FY17.

2. **Drinking Water – Adoption of Two Drinking Water Rules Under the Safe Drinking Water Act: \$350.0 UGF.** The Department is ready to adopt and implement two new drinking water rules required under the Safe Drinking Water Act. Currently, Alaska has primacy for 19 of the 21 promulgated federal drinking water rules required by the Environmental Protection Agency (EPA). The new rules (Reduction of Lead in Drinking Water Act and the Revised Total Coliform Rule) will become effective in January 2014. Leading up to this point, the Department requires additional review, regulations updates, engineering plan reviews, compliance monitoring, and technical assistance. If these rules are not adopted, the EPA will revoke approvals already given and withdraw primacy. This funding will also support increased travel and overtime pay for staff to provide monitoring and technical assistance to rural communities that may be challenged by the new federal rules.
3. **Department of Administration's "Core Services" Increases: \$145.2 UGF.** Charges for core services provided by the Department of Administration—including Risk Management, Personnel, Information Technology services, the Public Building Fund and the Working Reserve Account—are estimated to be \$12.1 million higher in FY14 than in FY13. The ability (of DOA) to scoop lapsing balances for working reserves and risk management may reduce the perceived impact to \$7.3 million. The Governor requests that a total of \$4 million general funds be appropriated to agencies for core services cost increases—which means that departments may absorb up to \$3.3 million of the increase. The share of the \$7.3 million increase allocated to the Department of Environmental Conservation is \$221.7, leaving \$76.6 to be absorbed by the Department. Although a portion of the absorbed costs would be non-general funds, the Governor requests no additional non-GF authority to pay these costs.
4. **Federal Receipts**
 - **Administrative Services – Increased Indirect Revenues Related to Federal Grants: \$400.0 Federal Receipts.** The number of federal grants in the Department has increased by 53% since FY07 and has generated a growing demand on central DEC accounting and information technology services to fulfill federal reporting requirements. The Division of Administrative Services applies an administrative or indirect cost to billable services paid out of those grants for services rendered. The Governor's request for \$400.0 in increased Federal Receipt authority will allow the Department to pay for managing increased federal awards and for human resource positions recently transferred in from the Department of Administration. Funds will also be used for information technology development contracts critical for the efficient and responsible management of federal awards.
 - **Laboratory Services – Increased Federal Grants and Reimbursements: \$300.0 Federal Receipts.** The Governor is requesting additional Federal Receipt Authority to enable Laboratory Services to fully expend grant funds available for FY14 work as well as future years. For example, in FY13, the Division received a five-year \$1.5 million grant from the Food and Drug Administration for the Accreditation for State Food Testing Laboratories Cooperative Agreement Program which is expected to continue into FY14. Other existing federal funding received in FY13 (including tsunami marine debris removal grants and federal reimbursement for a position on loan to the EPA) is also expected to be available in FY14. The current level of federal receipt authority (\$818.9) is not sufficient to complete these tasks.

5. **Air Quality – *Decrement* for the Anchorage Vehicle Inspection and Maintenance Program: (\$100.0) Statutory Designated Program Receipts (Other).** The Governor has included this decrement due to the March 2012 suspension of the vehicle inspection and maintenance (I/M) program in Anchorage, for which receipt authority is no longer needed.

OTHER ISSUES

6. **Laboratory Services – *Carryforward* funds for the Recreational Shellfish Beach Monitoring Pilot Program (SB 46 [Ch. 5, FSSLA2011] FY12-FY15).** \$400.0 UGF is available between FY13-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 to begin in FY12, but as of June 30, 2012, no expenditures had been made. All four communities have signed a Memorandum of Agreement and three of the communities have now begun sampling. It is likely that partial funding will carryover into FY14, but the amount will not be known until the beginning of that fiscal year. This project was initiated after several occurrences of Alaskans eating recreational and subsistence harvested shellfish became ill or died from shellfish-related pathogens.
7. **Air Quality – *Fiscal Note* addition for HB 258 (Ch. 13, SLA2012): \$27.8 UGF.** Funds have been added to the base budget, beginning with FY13, to develop standards and operating procedures to allow the use of gravel or aggregate material that contains naturally occurring asbestos in transportation and public facilities construction projects. DEC is working with the Department of Transportation and Public Facilities on this project. Funds continue into FY14 for this purpose.
8. **Declining Balance of the Oil and Hazardous Substance Release Prevention and Response Fund.** The Department has noted in their detail budget submission that managing this fund as a viable, long-term funding source for the state's core spill prevention and response initiatives is critical. Departmental 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 FY15, annual funding available from this account will be at least \$5 million less than will be required to continue the current level of service. The Governor's budget submission does not address this issue.

ORGANIZATIONAL CHANGES

There are no significant organizational or structural changes requested. As part of the decentralization of Human Resources from the Division of Personnel in the Department of Administration, two PFT positions in Juneau are transferred back to the Department of Environmental Conservation.

CAPITAL REQUEST

The agency's \$96.9 million capital budget, of which \$50.8 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.

- **Municipal Water, Sewage, and Solid Waste Facilities Grants: \$34,009.0 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.
- **Drinking Water Capitalization Grant – Subsidy Funding: \$2,692.8 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: \$704.0 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.
- **Statewide Contaminated Sites Cleanup: \$3 million UGF.** This project will provide funding for assessment, cleanup and monitoring of activities at high-risk contaminated sites, state-owned sites and sites where the responsible party is unknown or has refused to take appropriate action.
- **Village Safe Water Service and Infrastructure Protection Projects and New Technology Approaches: \$5 million UGF.** Given the decline in available funding for rural sanitation projects during the last ten years and the steady increase in construction costs, the Governor is requesting \$5 million to research and develop innovative sanitation technologies and to initiate several longevity-enhancement (“band-aid”) projects. These initiatives are designed to stretch limited rural sanitation funds and will assist DEC in protecting public health. The FY13 Budget included \$1 million to begin these efforts. The FY14 project will allow the Department to continue this undertaking and support the efforts of selected research and development teams to design, construct, pilot test, and refine prototypes of their proposed technology.
- **Reappropriation for Water Quality Enhancement, Water Supply, Sewage, and Solid Waste Facilities Grants to Municipalities: \$0.** This project is a reappropriation of the remaining Engineering Management and Travel (EMT) funds (estimated to be a total of \$359.5) from closed Municipal Matching Grant (MMG) projects to active projects where EMT was not included or was not sufficient. Reappropriated funds will be used to close out projects that lack sufficient EMT funding to be completed.