



Department of Environmental Conservation

House Finance Overview
Commissioner Larry Hartig
January 25, 2013



DEC's Mission

Protect human health
and the environment.





Responsibilities & Functions

- Develop standards
- Issue permits
- Provide compliance and financial assistance
- Respond to spills of oil and other hazardous substances
- Safeguard the quality of food and seafood
- Operate the State Environmental Health Lab
- House the Office of the State Veterinarian
- 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



Division of Administration

Components:

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

Commissioner: Larry Hartig

Deputy: Lynn Kent

Director: Tom Cherian

Challenges:

- Reintegration of Human Resources staff to Department
- Recruitment and Workforce Development
 - Aging workforce at or near retirement
 - Highly specialized job classes



Division of Environmental Health

Components:

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

Also:

- Building Maintenance & Operations

Acting Director: Elaine
Busse Floyd

Challenges:

- Drinking Water EPA Rule Implementation
- High Risk Food Safety Inspections
- Unique Laboratory Technology & Equipment Needs



Division of Air Quality

Components:

- Director's Office
- Air Quality

Director: Alice Edwards

Challenges:

- Fairbanks Air Quality
- Declining Federal Funding



Division of Spill Prevention & Response

Components:

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

Director: Larry Dietrick

Challenges:

- Declining Prevention Account Balance
- Increasing Natural Resource Activity



Division of Water

Components:

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

Director: Michelle Bonnet
Hale

Challenges:

- Continuing to build APDES permitting program
- Sustaining the Village Safe Water Program



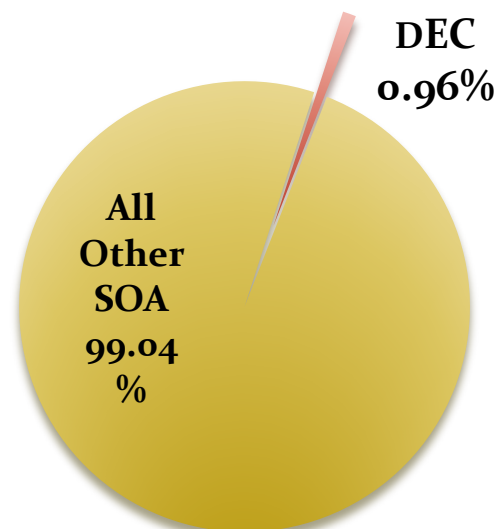
FY2014 Budget Request

Operating Request: \$85,271.1

2.2% growth*

\$1,052.2 GF

Capital Request: \$96,905.8

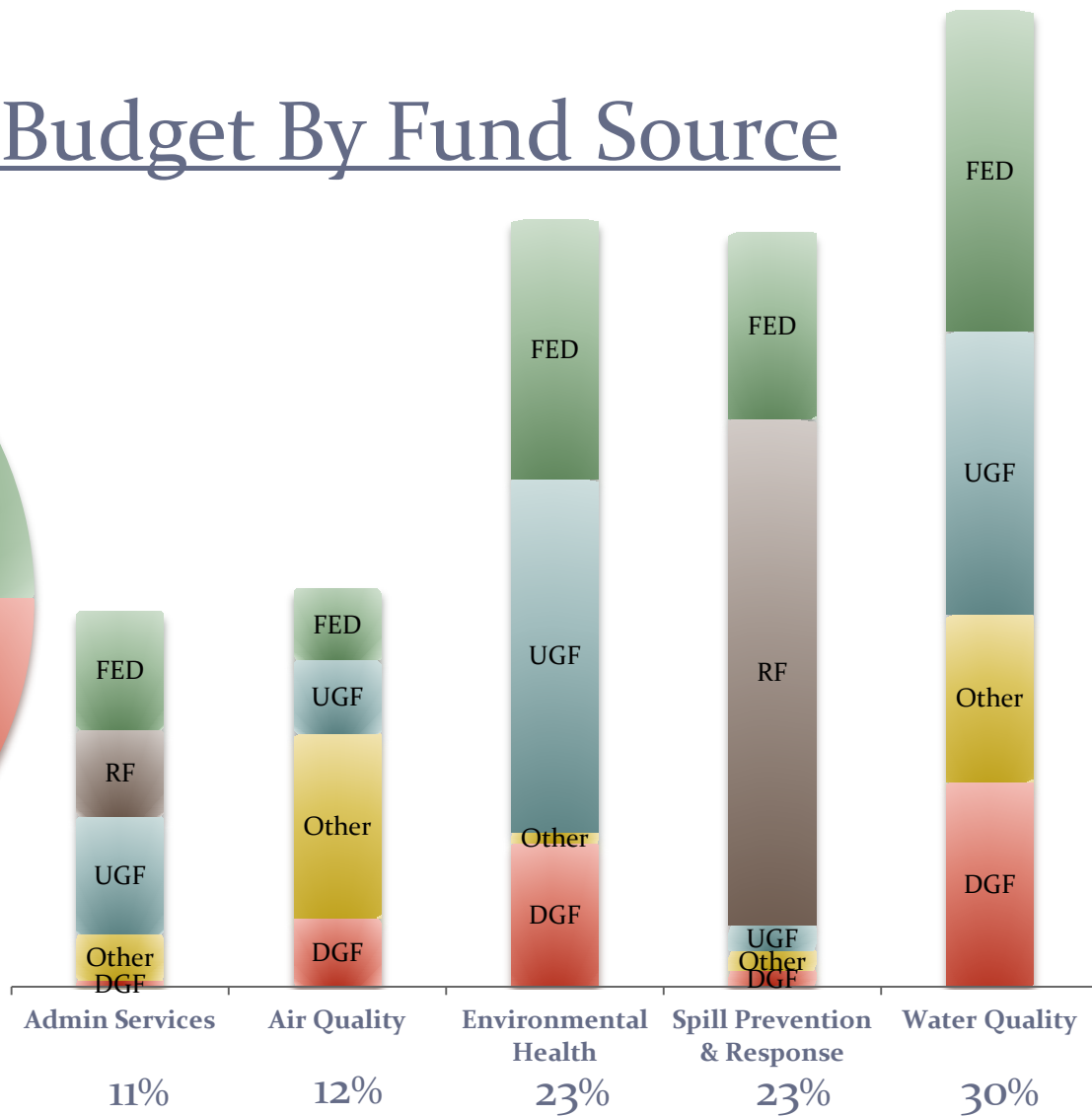
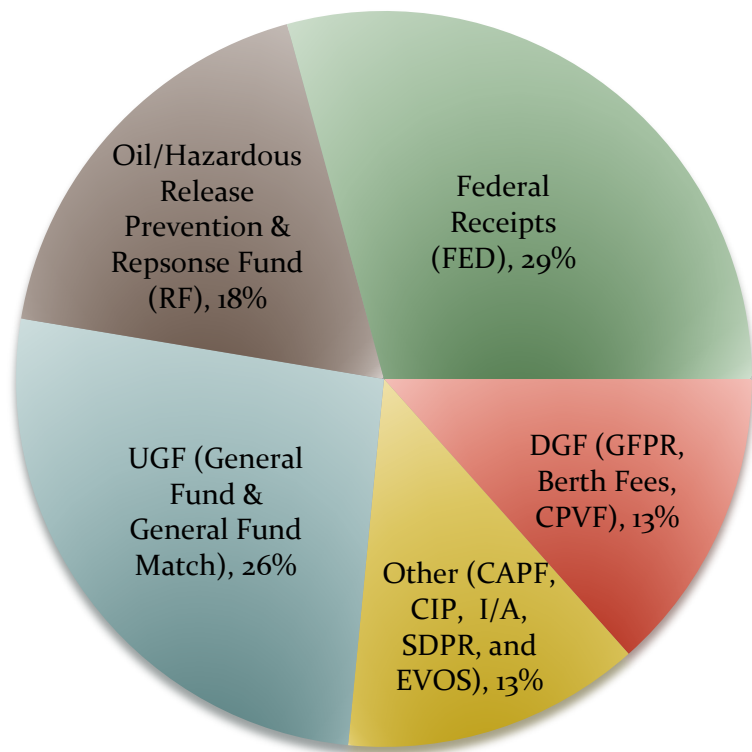


Percent of State
GF Spending

* GF Adj Base to FY2014 Governor's Request



FY2014 Operating Budget By Fund Source





How the Response Fund Works

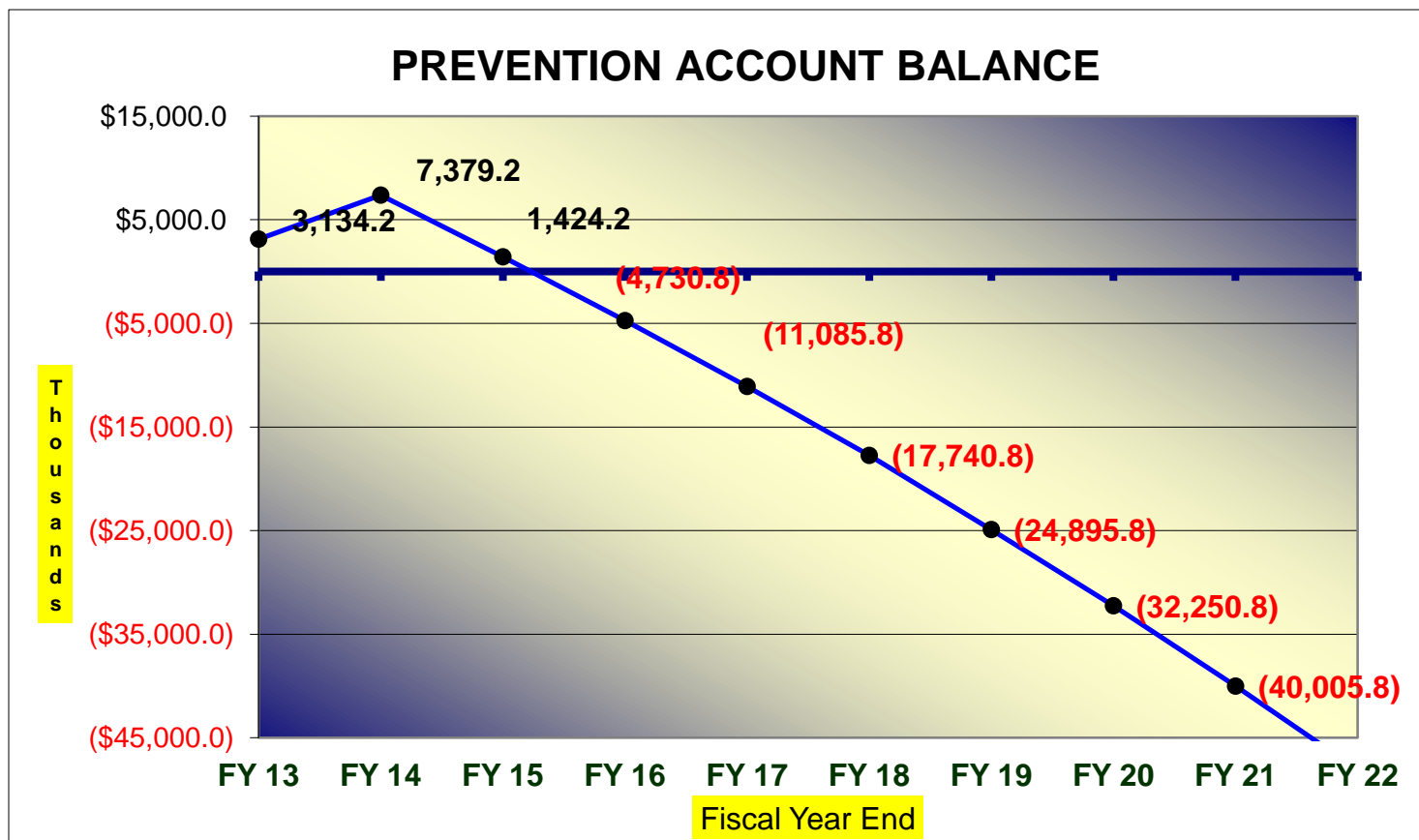
- Response Account
 - Funded by 1¢ surcharge on each barrel of oil.
 - Surcharge suspended when fund exceeds \$50 Million.
 - Suspended as of January 1, 2013
 - Pays for emergency response activities.
 - Department recovers costs from identified responsible parties.
- Prevention Account
 - Funded by a 4¢ surcharge on each barrel of oil.
 - Pays for operational costs and readiness activities within the Spill Prevention & Response Division.



Status of the Prevention Account

PREVENTION ACCOUNT - BALANCE PROJECTION

12.4.2013 UPDATE - 4¢ Surcharge





Status of the Prevention Account

PREVENTION ACCOUNT - BALANCE PROJECTION

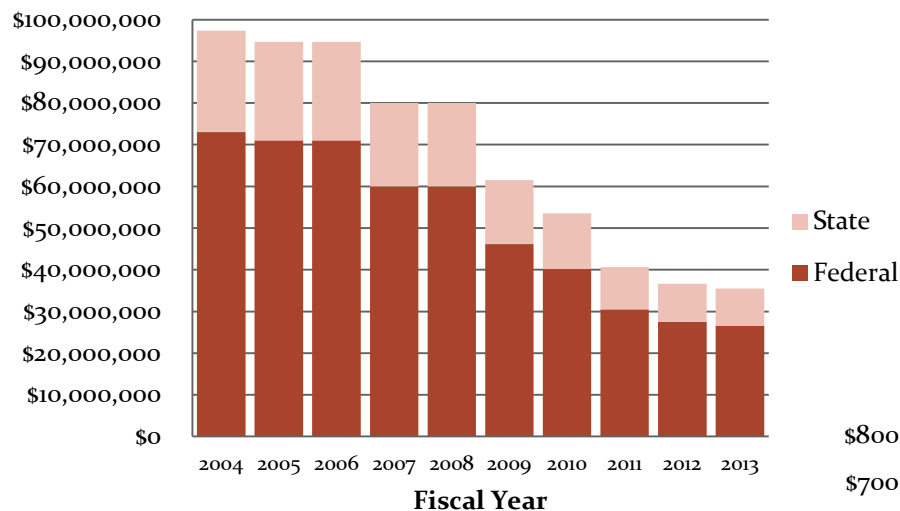
12.4.2013 UPDATE - 4¢ Surcharge

FY 12 YEAR END PREVENTION ACCOUNT BALANCE	9,599.2									
	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22
REVENUE to PREVENTION ACCOUNT										
4¢ Surcharge (Fall 2012 Revenue Sources)	7,558.6	7,000.0	6,800.0	6,600.0	6,400.0	6,100.0	5,600.0	5,400.0	5,000.0	4,700.0
Cost Recovery/Fines/Penalties	976.4	11,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0
Investment Income	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0
Total Projected Annual Revenue	9,735.0	19,700.0	9,500.0	9,300.0	9,100.0	8,800.0	8,300.0	8,100.0	7,700.0	7,400.0
EXPENSES from PREVENTION ACCOUNT										
Governor's Operating Budget	15,450.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0
Governor's Capital Budget	750.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Projected Annual Expenses	16,200.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0
Projected Annual Surplus (Deficit)	(6,465.0)	4,245.0	(5,955.0)	(6,155.0)	(6,355.0)	(6,655.0)	(7,155.0)	(7,355.0)	(7,755.0)	(8,055.0)
PROJECTED YEAR END PREVENTION ACCOUNT BALANCE	3,134.2	7,379.2	1,424.2	(4,730.8)	(11,085.8)	(17,740.8)	(24,895.8)	(32,250.8)	(40,005.8)	(48,060.8)



Rural Alaska Water & Sewer

State & Federal Rural Sanitation Funding Levels

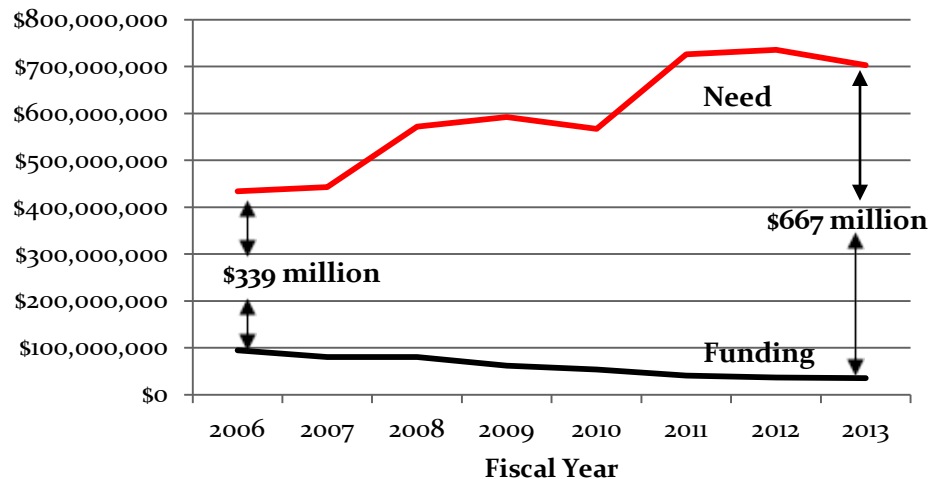


The graph on the right includes two types of needs:

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 2013.

Rural Sanitation Total Funding vs. Need



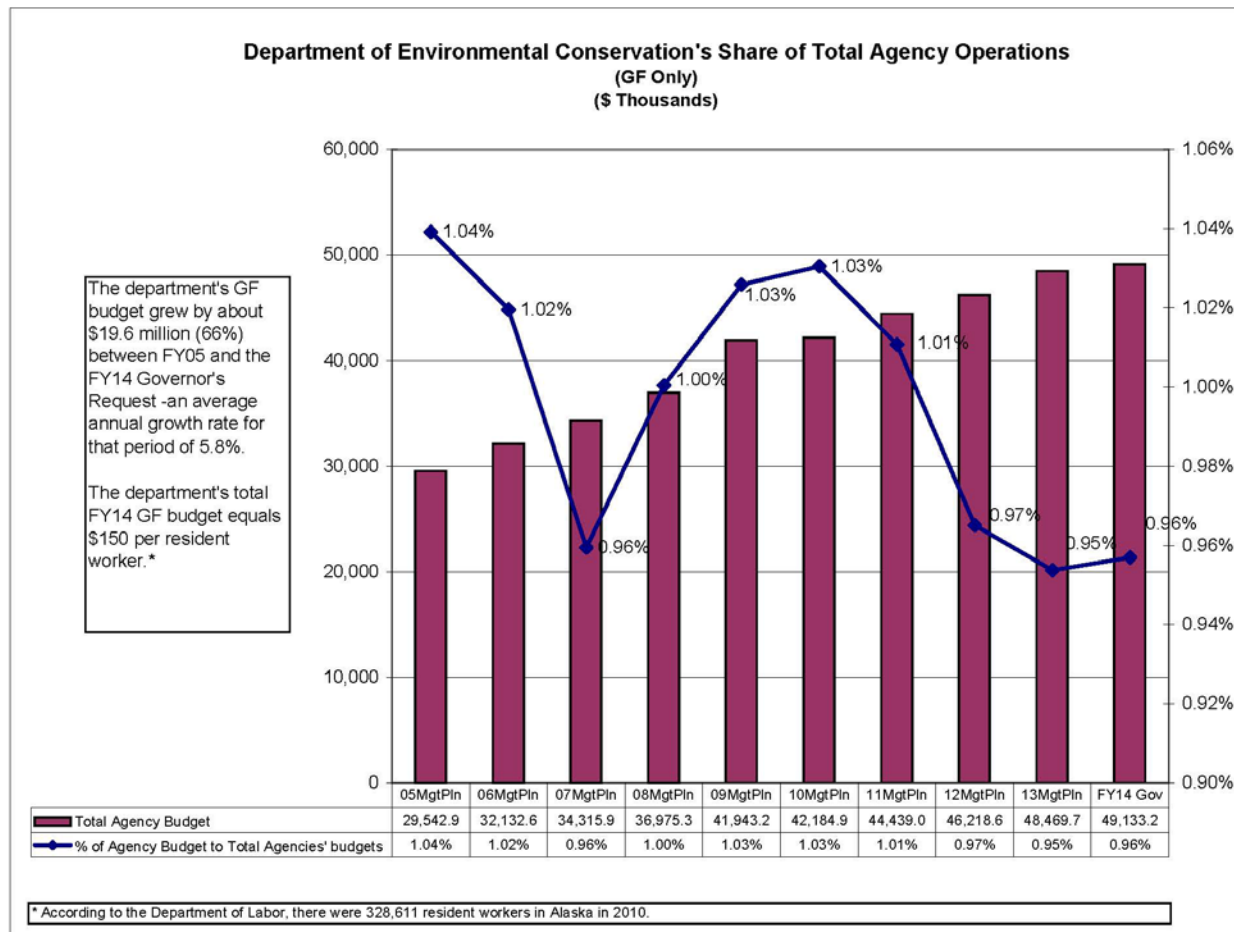


Village Safe Water: New Approaches

- \$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.
- New Technologies
 - 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:
 - FY13: Request For Proposals (RFP) and selection for funding.
 - FY14: Demonstration of projects, research and development.
 - FY15: Initial pilot testing and refinement for implementation.
- “Band-Aid” Projects
 - Repairs and enhancements to prolong useable life of select systems.

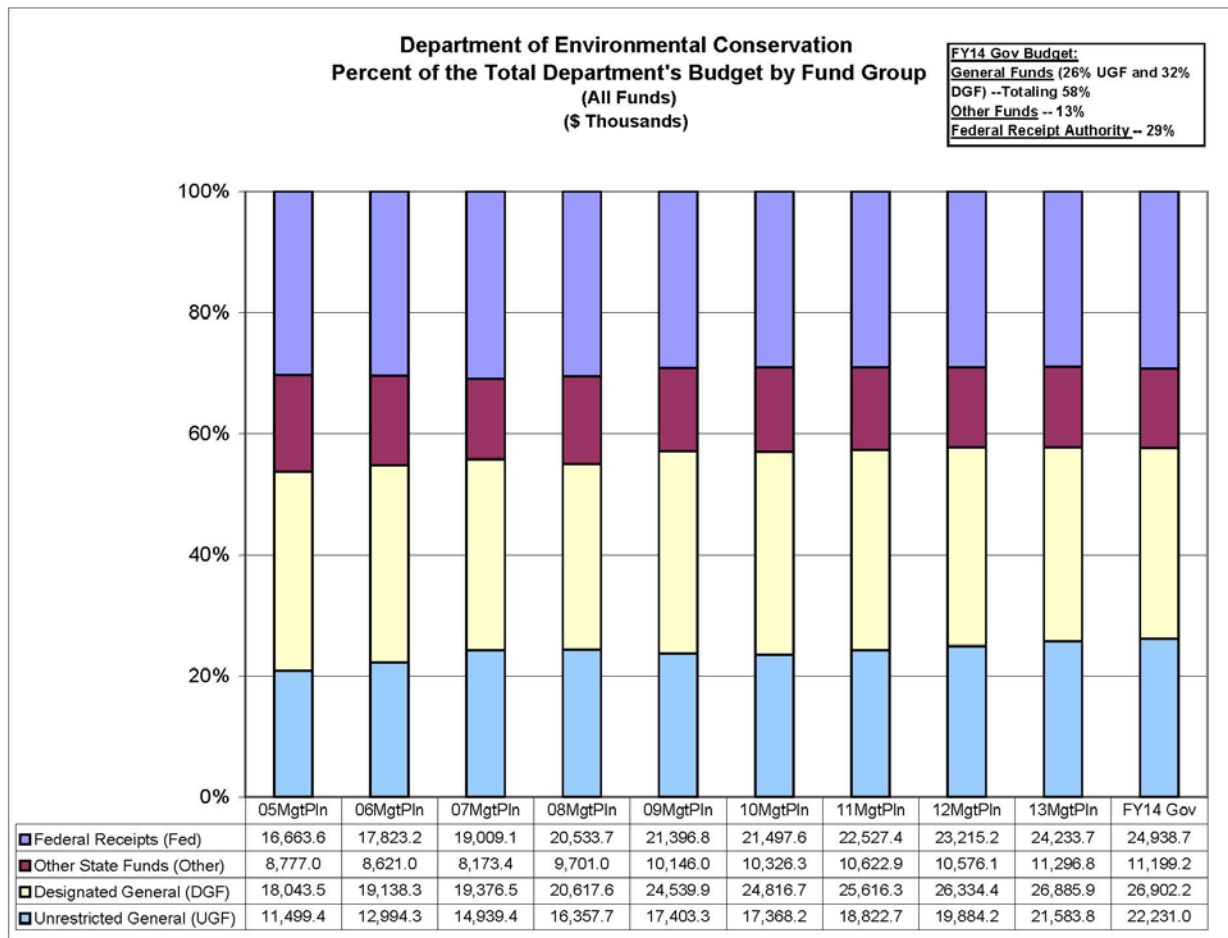


Leg. Finance: 10-Year Look Back (GF Only)



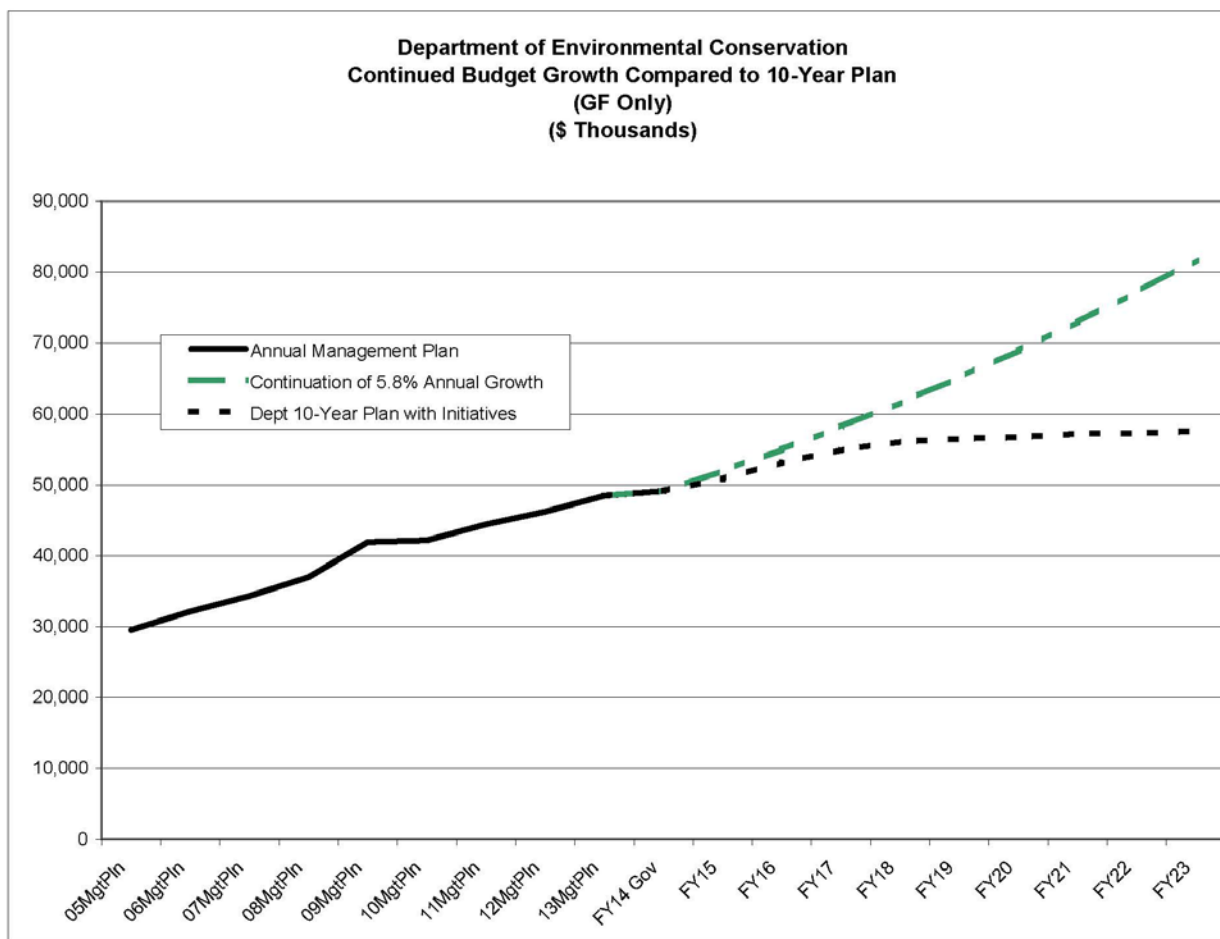


Leg. Finance: 10-Year Look Back (All Funds)



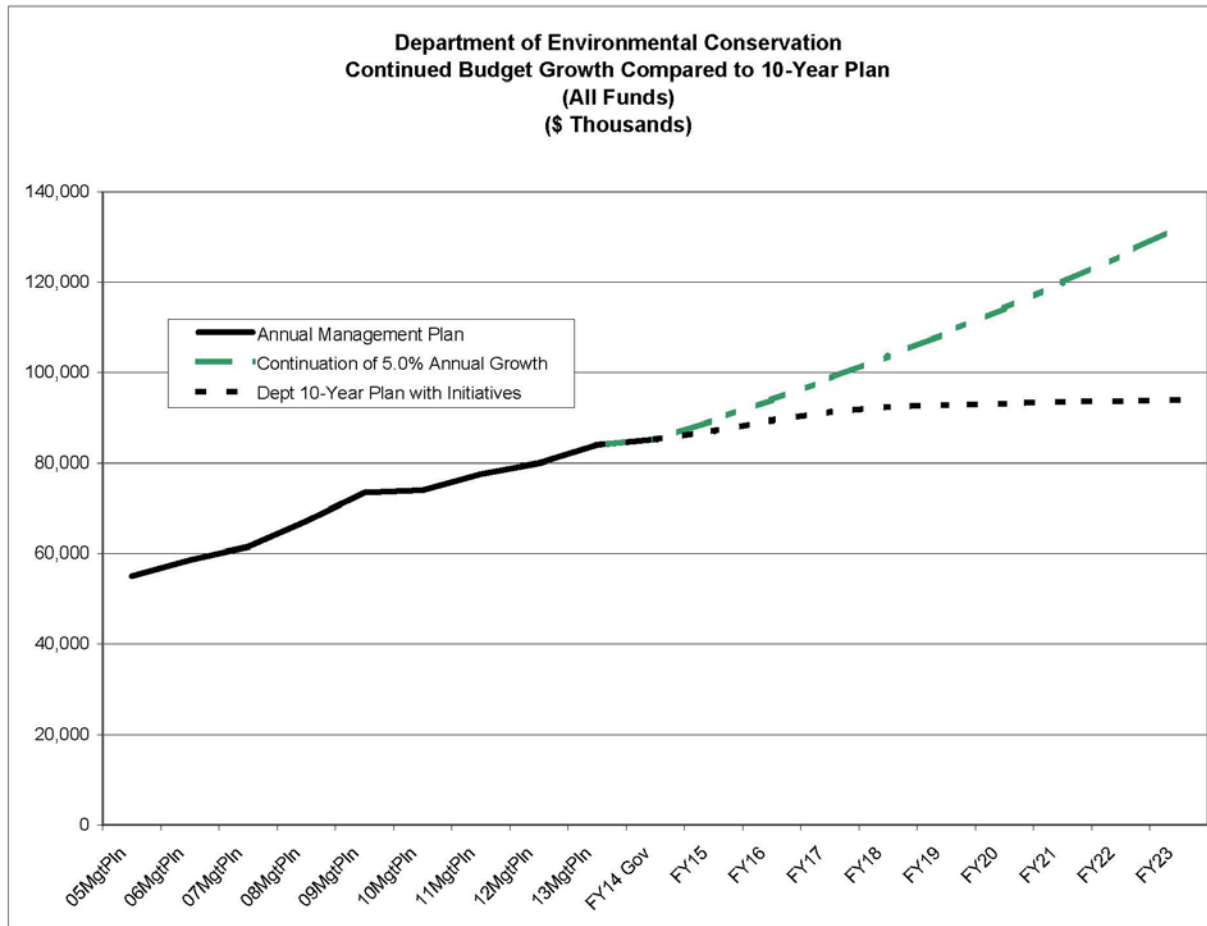


Leg. Finance: 10-Year Plan Growth (GF Only)





Leg. Finance: 10-Year Plan Growth (All Funds)



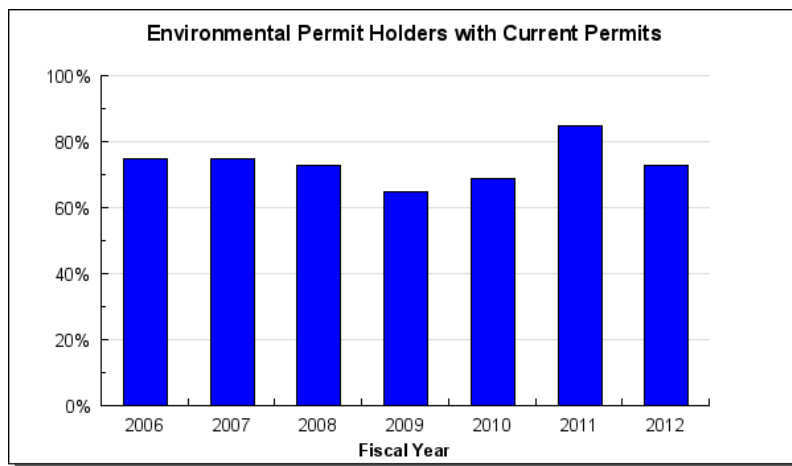


Department: 10-Year Plan Highlights

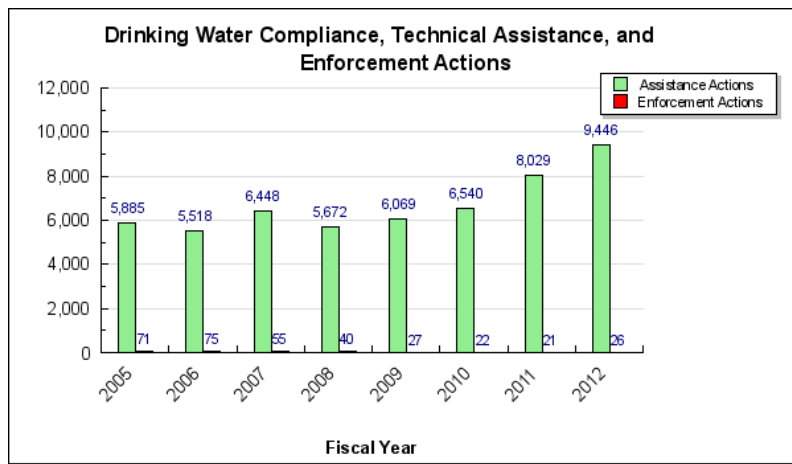
- Operating Budget
 - Assumes AGIA startup in FY2016.
 - General funds to address inspection rates at high-risk food establishments from FY2015 to FY2023.
 - Retain drinking water primacy by adopting additional required rules.
 - Permits, approvals, oversight, and response of large mining projects throughout the state starting in FY2015.
- Capital Budget
 - Replaces declining federal funds with general funds in the Village Safe Water program beginning in FY2015.



Current Challenges to Departmental Performance



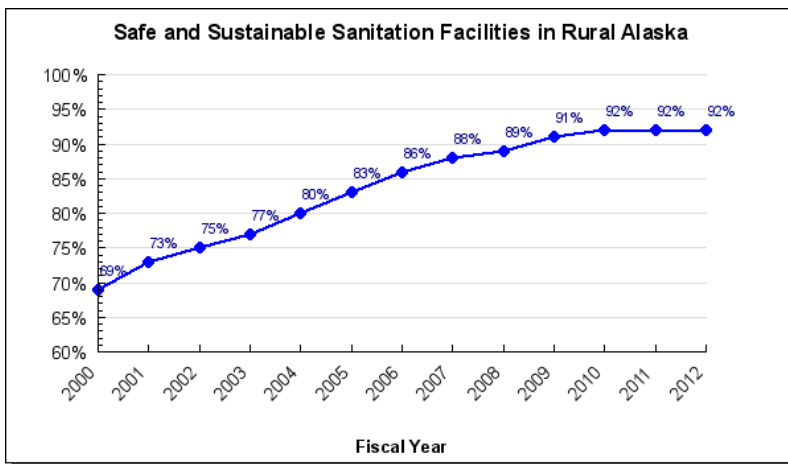
Increasing development activity and strained personnel resources threatens permitting timeliness



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

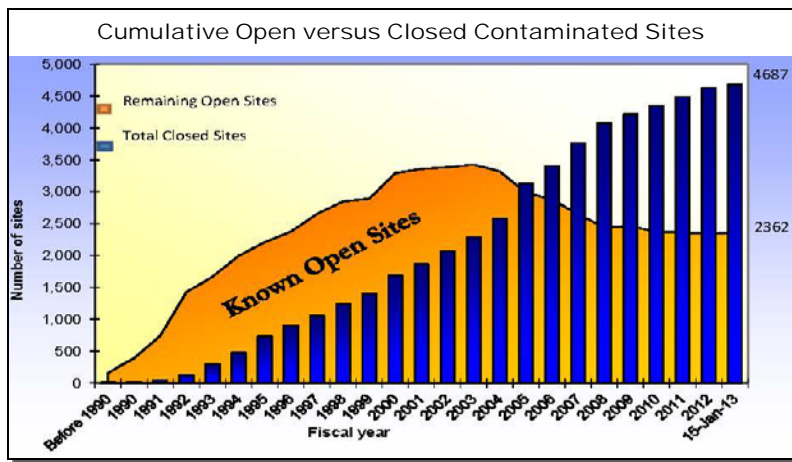


Long-term Challenges to Departmental Performance



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?

