



30th Alaska State Legislature
House Finance Budget Subcommittee
Dept. of Natural Resources
FY18 Operating Budget

Chair:

Rep. David Guttenberg
Capitol Room 501
465-4457

Committee Aide:

Tom Atkinson
465-4955

FY2018 HOUSE FINANCE BUDGET SUBCOMMITTEE

DRAFT NARRATIVE REPORT

February 24, 2017

SUBCOMMITTEE MEETINGS:

The House Finance Budget Subcommittee for the Department of Natural Resources held twelve meetings with the department during our review of the FY18 budget request.

RECOMMENDATIONS:

As Chair of the House Finance Budget Subcommittee for the Department of Natural Resources, I recommend that the House Finance Committee accept the Governor's FY18 budget with one amendment.

The budget without amendment totals:

Fund Source: (Numbers Only and dollars are in thousands)

Unrestricted General Funds (UGF)	\$59,222.2
Designated General Funds (DGF)	30,694.2
Other Funds	38,509.1
Federal Funds	24,320.1
Total	\$152,745.6

The Unrestricted General Fund difference from FY15 Management Plan to the FY18 Governor Amended budget is a reduction of \$28,850.6 million, a decrease of 32.8 percent.

Positions FY18 Governor Amended:

Permanent Full-time	628
Permanent Part-time	213
Temporary	64
Total	905

The FY18 budget with recommended subcommittee amendment totals:

Fund Source: (Numbers Only and dollars are in thousands)

Unrestricted General Funds (UGF)	\$59,222.2
Designated General Funds (DGF)	30,694.2
Other Funds	38,259.1
Federal Funds	24,320.1
Total	\$152,495.6

I submit the following budget amendment to the House Finance Committee for consideration:

1. Administration & Support; Mental Health Trust Land Administration; H DNR 1

This amendment eliminates \$250.0 allocation level Mental Health Trust Authority Authorized Receipts (MHTAAR, fund code 1092) for the Trust Land Office's proposed public relations contract.

I plan to submit the following recommendations for statutory amendments to the House Resources Committee.

1. Repeal AS 27.30 to eliminate the mining Exploration Incentive Credit (EIC), which has not been used since FY11 and does not appear effective in spurring mineral exploration. When it was last used, it only benefitted one beneficiary per year. It costs DNR approximately \$2,500 per year to administer this credit program. In their January 2017 Indirect Expenditure Report, LFD recommended the legislature reconsider this EIC.
2. Repeal AS 38.05.160 or require legislative approval of any shale oil rent or royalty waiver the commissioner recommends. Because the department has never used this waiver, the waiver has not met its legislative intent. The commissioner's potential future use of this waiver could worsen the state's budget deficit. Requiring legislative approval would help to guard against that eventuality.
3. Repeal AS 38.05.180(f)(6) to eliminate royalty relief for Cook Inlet platforms, which benefits 6 producers, and between FY11 and FY16 cost the state \$69.1 million in foregone revenue. It is unclear how the state benefits from oil and gas production for which it receives no royalties or taxes. In their January 2017 Indirect Expenditure Report, LFD recommended the legislature reconsider this statute.
4. Repeal AS 38.05.180(f)(5) to eliminate royalty relief for Cook Inlet small discoveries. This provision has not been used since FY12, and appears to have served its purpose in restarting production from Cook Inlet leases. It is unclear how the state benefits from oil production for which it receives no royalties or taxes. In their January 2017 Indirect Expenditure Report, LFD recommended the legislature reconsider this statute.

OTHER INFORMATION:

The Subcommittee discussed other proposed amendments that I am not submitting the House Finance Committee for consideration. Those proposals would have:

1. Added a \$1,000.0 federal funds temporary increment in the Division of Mining, Land & Water to implement a hunting guide concession program,
2. Added \$117.0 UGF in the Division of Forestry to restore a non-permanent Forester II position in Haines,
3. Added \$76.0 UGF in the Division of Mining, Land & Water to maintain active management of the Denali Block,
4. Added \$328.4 DGF in the Division of Parks & Outdoor Recreation to maintain active management of the Fielding Lake and Donnelly State Recreation Sites,
5. Deleted all funding (\$832.5 UGF) for the Public Access and Defense Unit in the Division of Mining, Land & Water, and
6. Deleted all funding (\$200.0 UGF) for the Compensatory Mitigation Program in the Office of Project Management and Permitting.

GOVERNOR'S AMENDMENTS

The Governor did not submit any amendments for DNR's budget.

ATTACHED REPORTS:

Transaction Detail – House Structure Amendments Recommended by Subcommittee
Allocation Summary – House Structure

Respectfully submitted,

Representative David Guttenberg, Chair
House Finance Budget Subcommittee for the Department of Natural Resources