

State of Alaska Office of Management and Budget

FY2020 Governor's Amended Budget

Presentation to the House Finance Committee

March 14, 2019

Budget Director Lacey Sanders



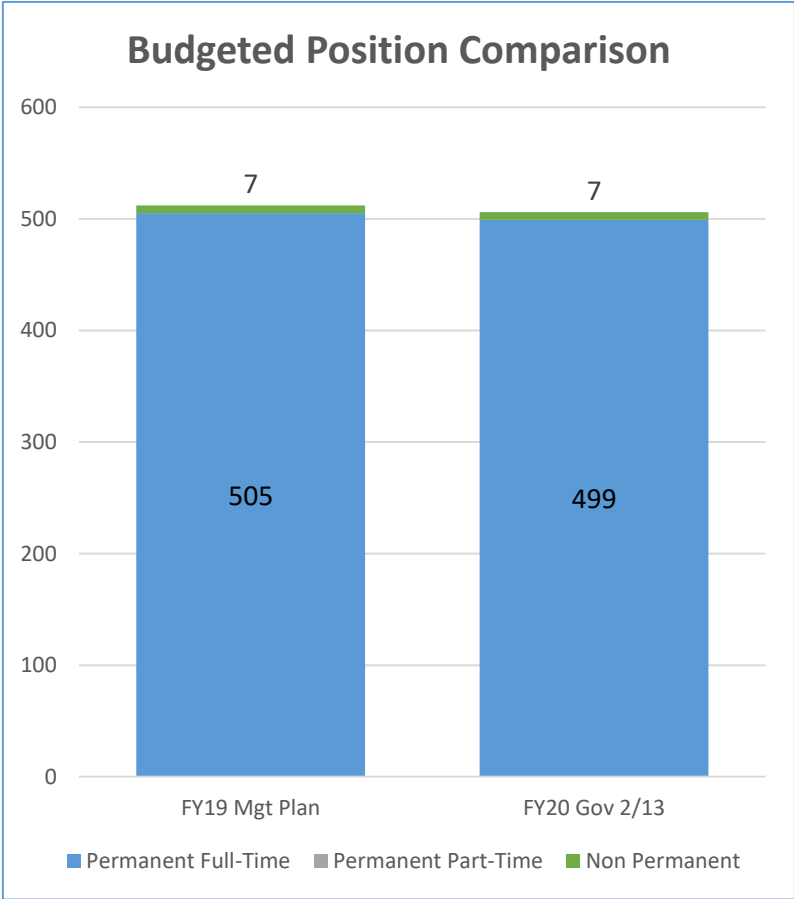
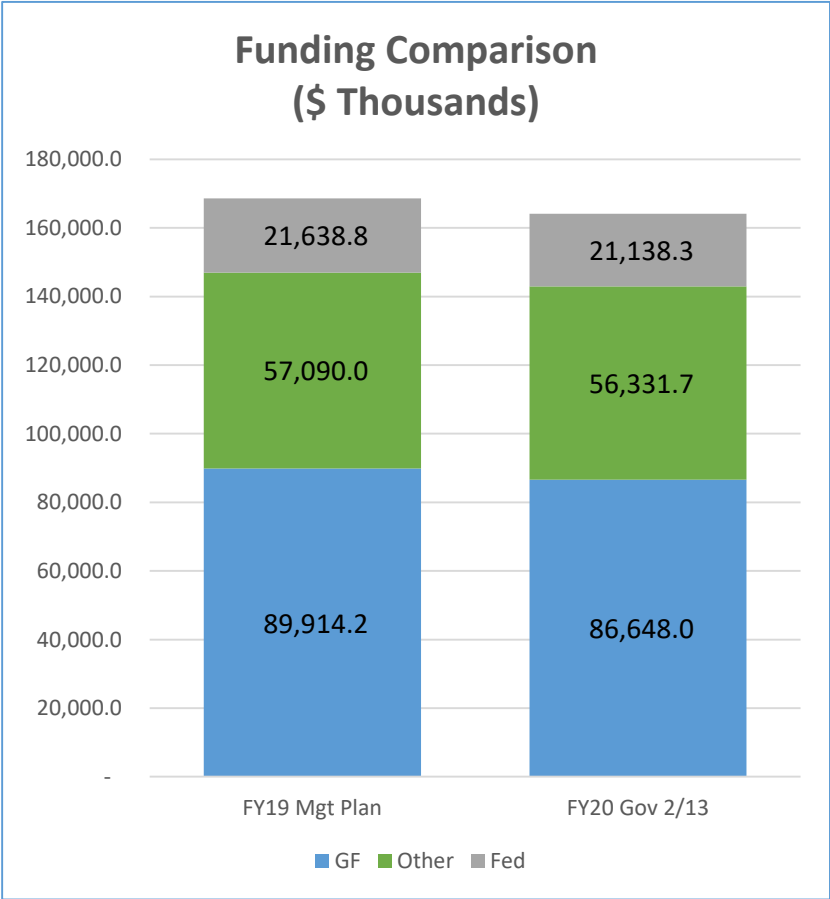
THE STATE
of **ALASKA**
GOVERNOR MICHAEL J. DUNLEAVY

Department of Commerce, Community & Economic Development

April Wilkerson
Administrative Services Director



FY2020 Budget: Department of Commerce, Community & Economic Development



FY2020 Budget: Department of Commerce, Community & Economic Development Snapshot (\$ Thousands)

- Reorganize and Consolidate the Division of Economic Development (-\$243.4 GF & -2 PFT)
- Realign Local Government Support and Services (-\$1,000.0 GF)
- Withdraw Subsidy to Alaska Legal Services Corporation (-\$450.0 GF)
- Power Cost Equalization (PCE) Program Fund Source Change (+/- \$32,355 Net Zero Change)
- Statewide Support – Executive Branch 50% Travel Reduction (-\$354.2 GF)

FY2020 Budget: Department of Commerce, Community & Economic Development Snapshot (\$ Thousands)

- Reorganize and Consolidate the Economic Development component (-\$243.4 GF & -2 PFT)
 - Transfer the economic development activities from the Department of Commerce, Community, and Economic Development to the Office of the Governor
 - This realignment will allow an elevated cabinet-level focus on the Alaska economy and continue to engage the business community, provide and oversee outreach efforts, as well as coordinate and advise the Governor on the economic impact of policies across all departments
 - This change will realign business processes, provide more efficiencies through higher level coordination and reduce State costs due to the deletion of two positions with funding

FY2020 Budget: Department of Commerce, Community & Economic Development Snapshot (\$ Thousands)

- Realign Local Government Support and Services (-\$1,000.0 GF)
 - Funds the Division of Community and Regional Affairs budget at approximately FY2018 actual expenditure levels
 - Division leadership is currently identifying areas for efficiencies, including alternate methods of service delivery, increased collaboration with local community organizations, and options to collaborate with other divisions and departments for shared rural travel and outreach to reduce expenditures and dependence on government

FY2020 Budget: Department of Commerce, Community & Economic Development Snapshot (\$ Thousands)

- Withdraw Named Recipient Grant to Alaska Legal Services Corporation (ALSC) (-\$450.0 GF)
 - Through evaluation of the DCCEDs programs and grants, this funding was identified for elimination as this program does not align with the core services of the department
 - ALSC's budget is derived from a wide variety of sources: federal, state, and local governments; tribal organizations; foundations; and private donations
 - The anticipation is that this non-profit will exercise it's fund raising ability to replace state funds
 - The non-profit corporation's ability to continue obtaining alternative funding and provide services allows the elimination of this state support

FY2020 Budget: Department of Commerce, Community & Economic Development Snapshot (\$ Thousands)

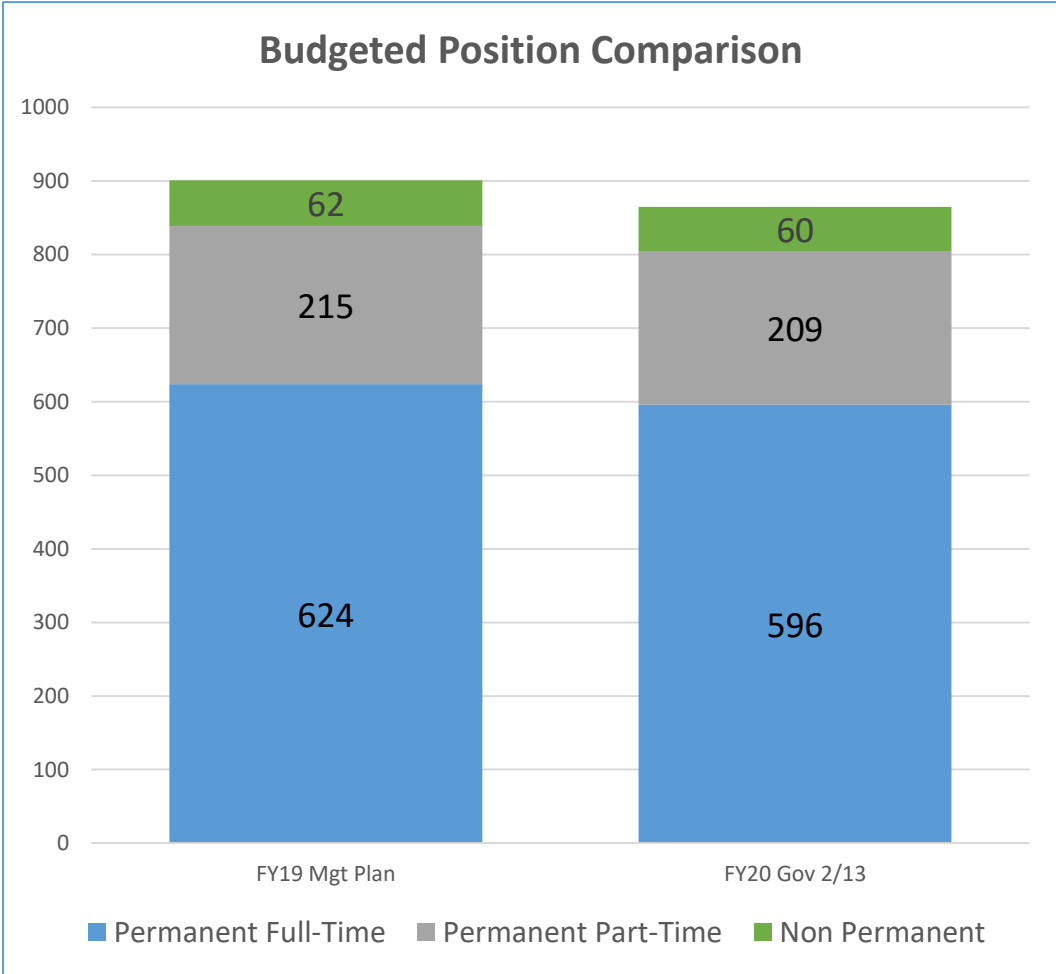
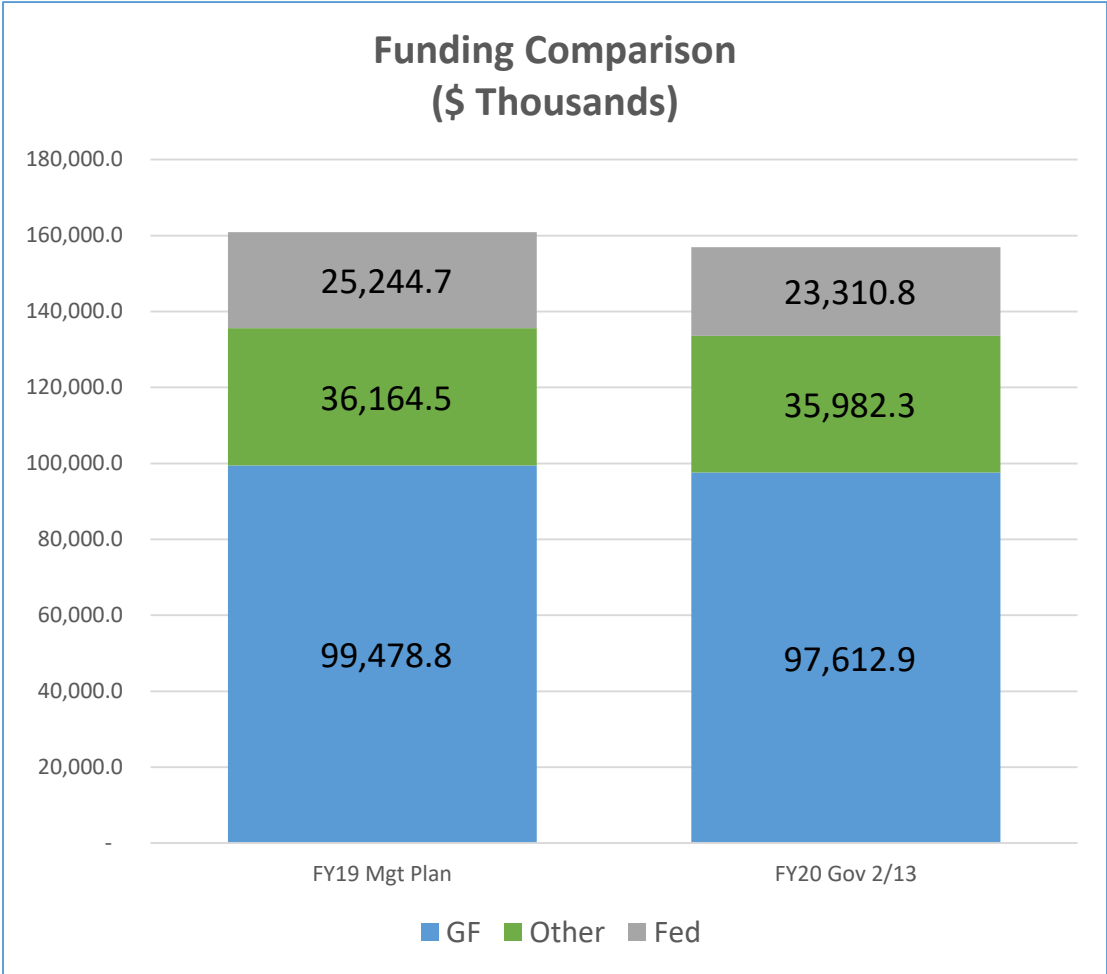
- Power Cost Equalization (PCE) Program Fund Source Change (+/--\$32,355 Net Zero Change)
 - This funding change returns the Rural Energy Assistance Program to a general funded program and will require annual general fund appropriations in the same fashion as other state funded programs through the legislative process
 - In FY2020, Power Cost Equalization payments and associated program management will be funded by general funds

Department of Natural Resources

Fabienne Peter-Contesse
Administrative Services Director



FY2020 Budget: Department of Natural Resources



FY2020 Budget: Department of Natural Resources Snapshot (\$ Thousands)

Recorder's Office Consolidation and Efficiencies (-\$408.0 GF & -3 PFT, -2 PPT)

- Close Fairbanks, Kenai, Juneau, and Palmer Recorder's Offices.
- Delete five positions (4 filled), transfer seven positions to Anchorage (6 filled).
- Revenue averages \$5.1M/year, expenditures average \$3.8M/year. As long as recording activity remains stable there will be a positive impact on the general fund.
- Electronic and mail-in recording available statewide, walk-in for Anchorage.
- Evaluating solutions to address seasonal influx of mining documents.

Fully Integrate Pipeline Section into Division of Oil & Gas (-\$300.0 GF & -3 PFT)

- Fully integrate the section and build synergies with related tasks such as leasing, permitting, and compliance.
- Reduce administrative positions, reduce confusion for applicants, and increase both efficiency and oversight of common-carrier pipeline Right-of-Way.

FY2020 Budget: Department of Natural Resources Snapshot (\$ Thousands)

Reduce Lower Priority Programs in Division of Agriculture

(-\$1,796.0 GF & -15 PFT, -4 PPT)

- Marketing – The state has fostered the expansion of the “Alaska Grown” brand program to the point that private industry could further advance the program without state assistance.
- Agricultural Veterinarian – Program not yet implemented; Department of Environmental Conservation has a State Vet.
- Farm to Institution – Promotes Alaska Grown in schools, correctional institutions and hospitals; more appropriately accomplished by industry.

Delete Agriculture Revolving Loan (-\$421.7 GF & -2 PFT)

- Promotes the development of agriculture via moderate interest rate loans but competes with private lenders.
- Currently 57 loans, \$7.3M owed, \$12.6M cash on hand. Loans will be transferred to Department of Revenue who will sell them; proceeds will go to the general fund.

FY2020 Budget: Department of Natural Resources Snapshot (\$ Thousands)

Maintain Higher Priority Programs in Division of Agriculture

- Phytosanitary Inspections – For timber, wood products, peony, and mushroom exports.
- Invasive Species Program – Identifies and treats plant and freshwater invasives.
- Seed Production, Cleaning, and Testing
 - Grass seed used for reclamation and revegetation projects
 - Seed potatoes to produce virus and disease-free stock that are the foundation of Alaska's potato industry.
- Agricultural Land Sales – Fosters economic development by selling state land to individuals and businesses engaged in agriculture. Combining with Division of Mining, Land & Water's more robust land sales program to increase effectiveness and reduce costs.

FY2020 Budget: Department of Natural Resources Snapshot (\$ Thousands)

Consolidate Parks Administrative Staff (-\$150.0 GF & -1 PFT, -2 PPT)

- Three filled positions eliminated in Palmer, Soldotna, and Anchorage.
- These administrative staff are the front line staff answering questions from the public, processing funds collected in Iron Rangers, and issuing permits.
- The division will maintain services by continuing to modernize the fee collection system, going cashless, and transferring some duties to Anchorage.

Statewide Support – Executive Branch 50% Travel Reduction (-\$354.7 GF)

- Excludes fire, federal funding for the Tongass Roadless Rule, and the coal inspection program.

FY2020 Budget: Department of Natural Resources Snapshot (\$ Thousands)

Increase Wildland Fire Suppression Activity Base Budget (+\$8,400.0 GF)

- Wildland fires are a fact of life in Alaska and the budget should reflect that reality.
- Increases base budget from \$5.2M to \$13.6M, the lowest spent in the last 10 years.
- In low fire years this will eliminate the need for emergency declarations.
- On average over the last ten years \$35.7M UGF is spent annually.

Add Reservoir Modeling Contractual Services to Base Budget (+250.0 GF)

- Funding previously in the capital budget, and one time item of \$250.0 GF in FY2019.
- Cost effective to hire consultants to analyze reservoirs on the North Slope and Cook Inlet.
- Models are used to calculate where production originates in the reservoir and under which leases to ensure the State is getting the correct royalty share.
- A recent study resulted in an additional \$100 million in state revenue.



FY2020 Budget: Department of Natural Resources Snapshot (\$ Thousands)

Alaska Geospatial Council (+\$260.0 GF & transfer 1 PFT)

- The Alaska Geospatial Council (AGC) was funded by a capital project which runs out this fiscal year, and a one-time \$100.0 increment for FY2019. The AGC improves geospatial coordination in Alaska, and fosters data sharing. Mapping is necessary to conduct business and manage resources, and rather than having multiple agencies spending money on data collection this model collects data once, and uses it many times.
- Funded from the sales of seismic tax credit data.

Seismic Data Distribution and Public Release (+\$300.0 GF & +1 PPT)

Division of Oil & Gas (DOG) receives and prepares seismic data for release ten years after collection per AS 43.55.025. This includes large, complex datasets (25-250 terabytes) which can take upwards of one year to prepare for release and sale.

In mid-FY2017 Division of Geological & Geophysical Surveys began selling seismic data to the public. The price of seismic data is well below market rate and can be increased up to 50% by a Director's Order; it will still be below market rates and will not discourage future sales.

- \$50.0 to fund 1 PPT at the Geologic Materials Center to distribute seismic data.
- \$250.0 to fund the preparation of seismic data for release in DOG.

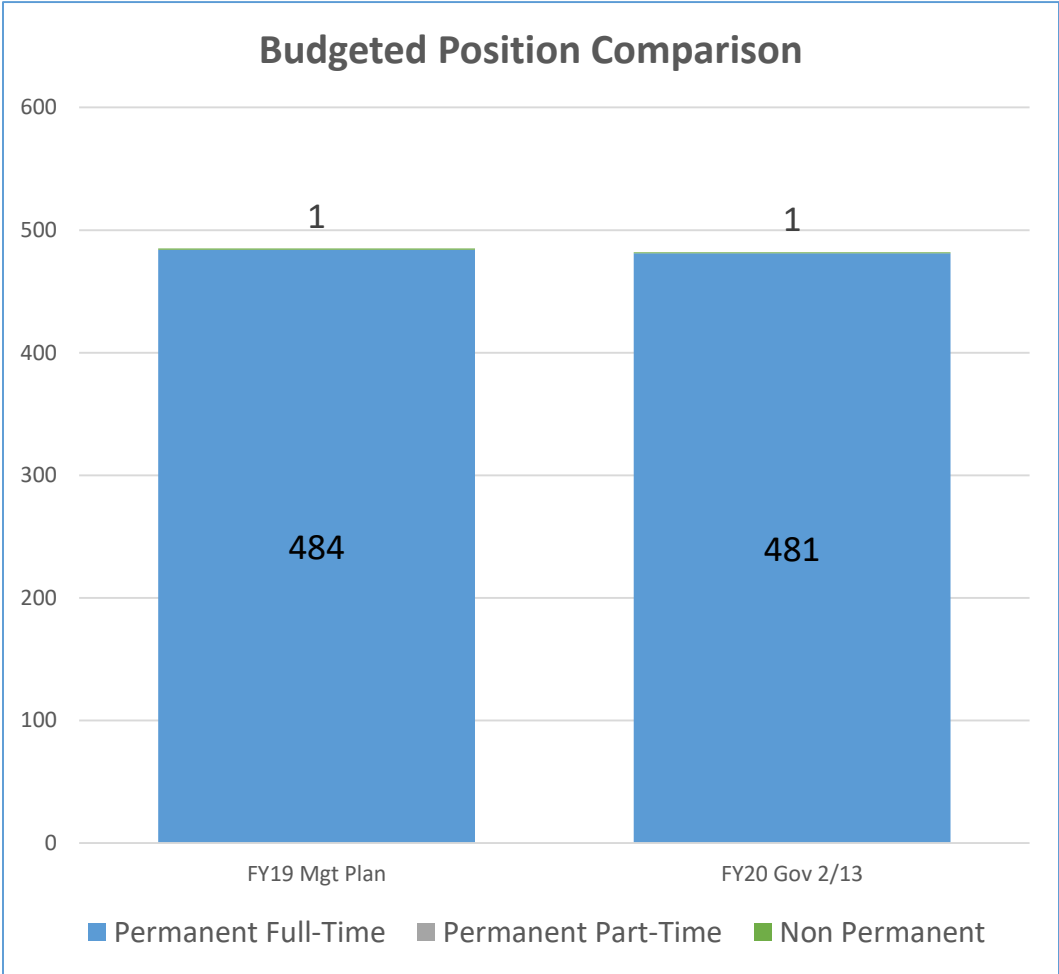
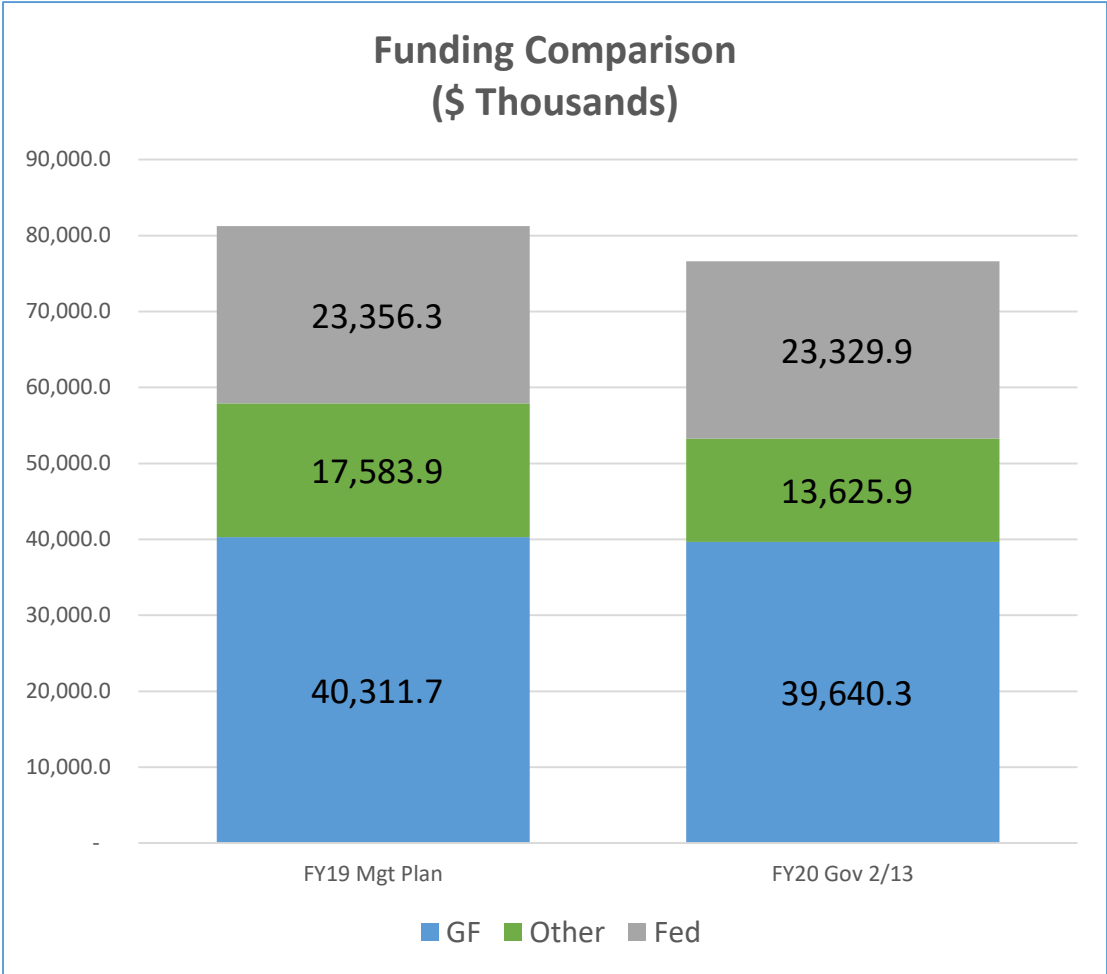


Department of Environmental Conservation

Jeff Rogers
Administrative Services Director



FY2020 Budget: Department of Environmental Conservation



FY2020 Budget: Department of Environmental Conservation Snapshot (\$ Thousands)

- Repeal Ocean Ranger Program (-\$3,846.8 Other)
 - Created by ballot initiative in 2006
 - Funded by \$4/berth fee (paid “below the line” directly by the passenger, not the cruise agency)
 - Program not required by state constitution or federal law
 - Program duplicates water and air discharge and other compliance activities
 - No other permitted industry is subject to “24/7 onsite observers”
 - Program conducted primarily by out-of-state contractor with non-Alaskan employees
 - Department retains environmental compliance authority over cruise ships under AS 46.03.710 *Pollution Prohibited* and AS 46.03.020 *Powers of the Department*
 - Partially offset by \$420.8 fund source change from Ocean Ranger receipts to Commercial Passenger Vessel Environmental Compliance (CPVEC) Funds for fish tissue monitoring and indirect costs

FY2020 Budget: Department of Environmental Conservation Snapshot (\$ Thousands)

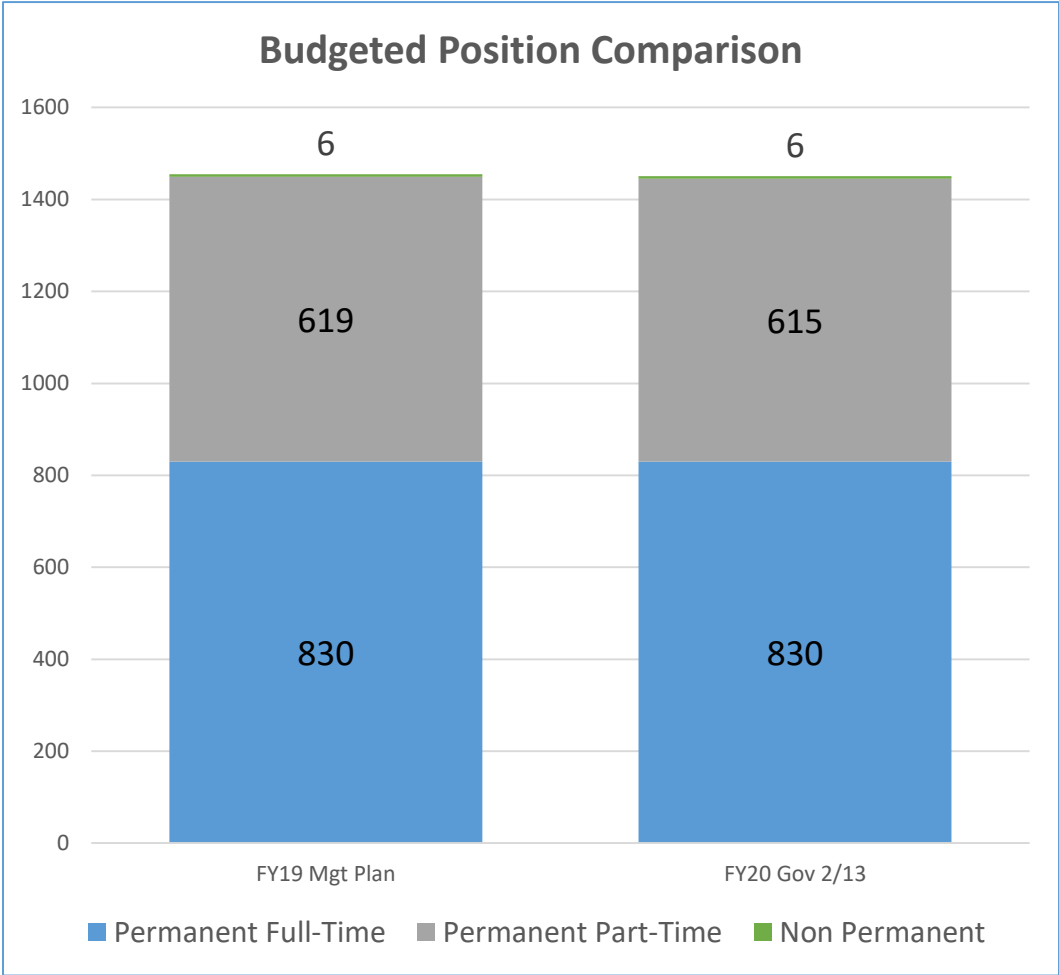
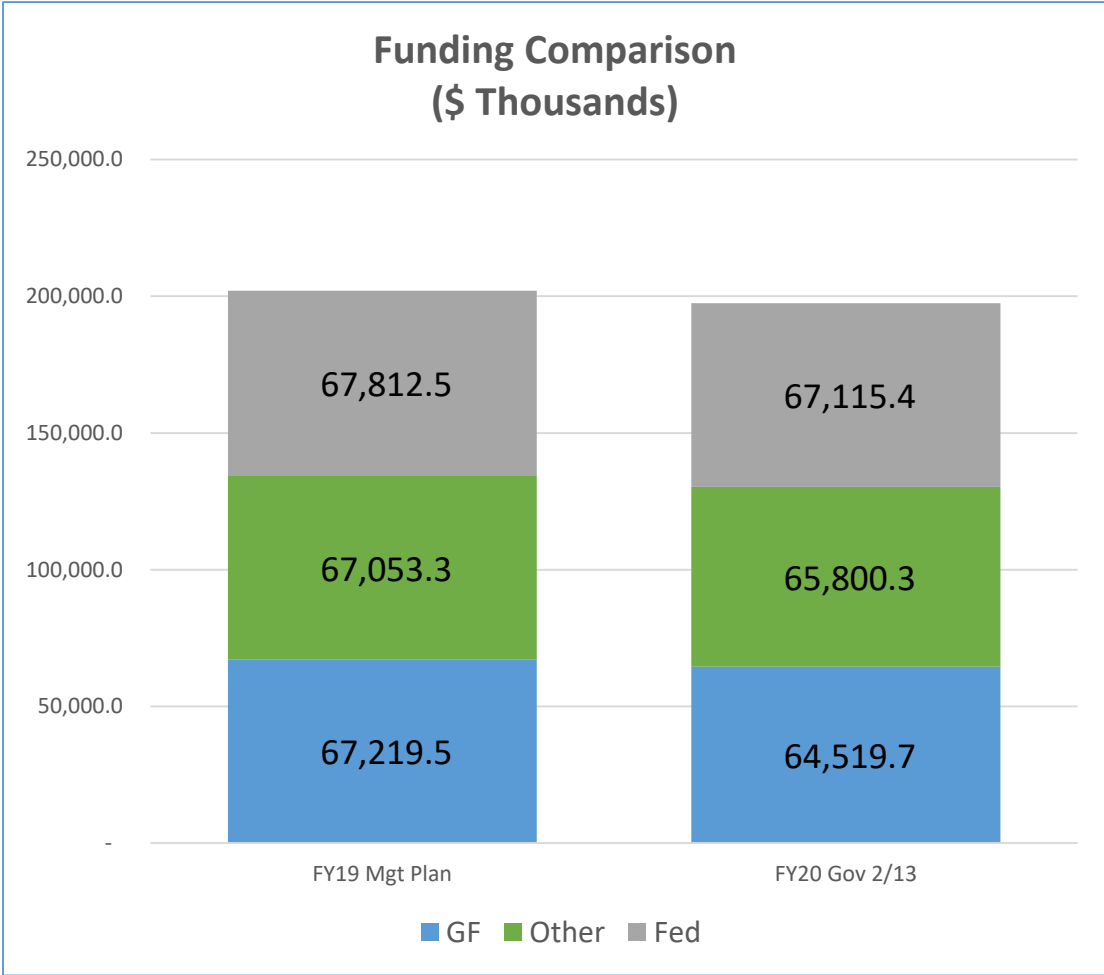
- Withdraw Funding for Dairy Regulation (-\$179.6 GF & -1 PFT)
 - Alaska's dairy industry has declined from 65 dairies to one operating bovine dairy today
 - Federally required program requires significant state subsidization
 - Small-scale industry could not likely bear full-cost of required regulatory program
 - Eliminating program will not increase risk to public health, as dairies would not be able to sell milk or milk products commercially
 - Outsourcing regulatory program to another state is not likely feasible
 - Deletes one Environmental Program Specialist position (Dairy Sanitarian)
- Remove Economist Position (-\$124.3 GF & -1 PFT)
- Statewide Support – Executive Branch 50% Travel Reduction (-\$167.5 GF)

Department of Fish and Game

Samantha Gatton
Acting Administrative Services Director



FY2020 Budget: Department of Fish and Game



FY2020 Budget: Department of Fish and Game Snapshot (\$ Thousands)

Commercial Fisheries:

- Remove projects funding with Charter Revolving Loan funds (-997.0)
 - Southeast Region Fisheries Management (-131.0)
 - Central Region Fisheries Management (-161.0)
 - AYK Region Fisheries Management (-465.0)
 - Westward Region Fisheries Management (-240.0)

Wildlife Conservation:

- Adjust the Scope of Management of Special Areas Wildlife Viewing (-\$280.0 GF) -- This program is being reduced not eliminated

Statewide Support Services:

- Statewide Support – Executive Branch 50% Travel Reduction (-\$565.4 GF)



Sustainable, Predictable, Affordable
