

**DEPARTMENT OF NATURAL RESOURCES
FY20 - Summary of Significant Budget Issues**

Governor's Budget Items Approved as Requested

Item #	Approp/Allocation	Description	Amount/Fund Source	Comment
1	Various	Executive Branch 50% Travel Reduction	Total: (\$530.8) (\$228.0) UGF (\$126.7) DGF (\$102.1) Other (\$74.0) Fed	The legislature approved all of the Governor's travel reductions. The reductions were based on 50% of actual travel expenditures in FY18. The impact by appropriation is as follows: <u>Administration & Support:</u> (\$136.8) total, (\$74.3) UGF <u>Oil & Gas:</u> (\$74.7) total, (\$34.3) UGF <u>Fire Suppression, Land & Water Resources:</u> (\$235.4) total, (\$115.1) UGF <u>Agriculture:</u> (\$6.3) total, (\$3.0) UGF <u>Parks & Outdoor Recreation:</u> (\$77.6) total, (\$1.3) UGF
2	Oil & Gas/ Oil & Gas	Fully Integrate Pipeline Section into Division of Oil & Gas	(\$300.0) UGF (3) PFT Positions	The Pipeline Coordinator's Office was merged into the Division of Oil & Gas in FY17. This reduction completes its integration into the division, deleting three administrative positions and associated funding.
3	Oil & Gas/ Oil & Gas	Add Reservoir Modeling Contractual Services to Base Budget	\$250.0 UGF	In FY19, the legislature approved a one-time increment of \$250.0 UGF for reservoir modeling. The Governor requested that the item be made permanent in FY20, as the need for reservoir modeling is ongoing. The legislature approved the request.
4	Oil & Gas; Fire Suppression, Land & Water Resources/ Geological & Geophysical Surveys	Geologic Materials Center Seismic Data Distribution and Public Release	\$300.0 GF/Program Receipts (DGF) 1 PPT Position	The legislature approved the Governor's request to add \$300.0 of GF/Program Receipt authority to collect fee revenue from the release of seismic data. The department plans to spend \$250.0 of the fee revenue in the Division of Oil & Gas to support two existing positions to manage this data. The remaining \$50.0 of fee revenue will be used in the Geological & Geophysical Surveys allocation to support a part-time position to help staff the Geologic Materials Center, which stores the data.
5	Fire Suppression, Land & Water Resources/ Mining, Land & Water	Unified Permit Program Reduction	(\$187.0) UGF (1) PFT & (2) Temp Positions	The Unified Permit Program began in FY18 with an increment of \$1,385.0 with a planned step down in funding through FY22. In FY20, \$187.0 and three positions were deleted as the work continues to progress.

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Governor's Budget Items Approved as Requested (continued)

Item #	Approp/Allocation	Description	Amount/Fund Source	Comment
6	Fire Suppression, Land & Water Resources/ Geological & Geophysical Surveys	Alaska Geospatial Council	\$260.0 GF/Program Receipts (DGF)	<p>The Alaska Geospatial Council is a multi-agency effort to coordinate geospatial data, create a unified data portal, and communicate state mapping priorities to federal and local mapping agencies. It was originally funded with a capital project, but that funding ran out in FY19. In FY20, the legislature approved the Governor's request to transfer the Council from the Office of Project Management & Permitting to the Division of Geological & Geophysical Surveys and fund its continued activities with fee revenue from the release of seismic data.</p> <p>Legislative Fiscal Analyst Comment: AS 37.05.144 states that program receipts "may be used by the legislature to make appropriations to state agencies to administer the programs generating the program receipts, to implement the laws related to the functions generating the program receipts, or to cover costs associated with the collection of program receipts." The Geospatial Council does not clearly fall within any of those three categories relating to fee revenue from the release of seismic data. Since the Geospatial Council was moved into the same allocation that generates the program receipts, this activity is related enough that the appropriations are likely legally defensible. However, it is pushing the limits of allowable uses of program receipts.</p>
7	Fire Suppression, Land & Water Resources/ Fire Suppression Activity	Increase Wildland Fire Suppression Activity Base Budget	\$8,400.0 UGF	The legislature approved the Governor's request to increase the base budget for Fire Suppression Activity from \$5.2 million to \$13.6 million. This brings the base budget in line with the lowest-cost fire years in the past decade and will reduce the program's reliance on supplemental appropriations. However, the historically destructive 2019 fire season ensures that the department will still require a large supplemental budget request. See also Item 16.
8	Agriculture/ Agriculture Revolving Loan Program Administration	Eliminate Funding for Programs in the Agriculture Revolving Loan Fund	(\$421.7) Ag RLF (DGF) (2) PFT Positions	The Governor's amended budget eliminated funding for the Agriculture Revolving Loan Fund's administration. The legislature restored approximately three-quarters of its funding (\$319.6), but the Governor vetoed the funding. The legislature restored funding in HB 2001 but it was vetoed again. Other department staff are servicing existing loans while a plan for the outstanding loans is being developed. No new loans will be issued.
9	Parks & Outdoor Recreation/ Parks Management & Access	Reorganization of Field Administrative Staff	(\$150.0) UGF (1) PFT & (2) PPT Positions	The legislature approved the Governor's request to delete three administrative positions in field offices around the state, shifting duties to Anchorage. The deleted positions were in Anchorage, Palmer, and Soldotna.

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Governor's Budget Items Approved with Modifications

Item #	Approp/Allocation	Description	Amount/Fund Source Requested	Amount/Fund Source Approved	Comment
10	Administration & Support/ Recorder's Office	Recorder's Office Consolidation and Efficiencies	(\$408.0) GF/Program Receipts (DGF) (3) PFT & (2) PPT Positions	(\$300.7) GF/Program Receipts (DGF) (2) PFT & (2) PPT Positions	The Governor's amended budget included a reduction of \$408.0 of GF/Program Receipts, which was to be achieved by closing Recorder's Offices in Juneau, Palmer, Fairbanks, and Kenai. The legislature approved closing only the office in Palmer, a reduction of \$134.8 and two positions. The Governor's vetoes also closed the office in Juneau, reducing the budget by another \$165.9 and two more positions. The Kenai and Fairbanks offices will remain open.
11	Agriculture/ Agricultural Development	Reduce Lower Priority Programs in Agricultural Development	Total: (\$1,687.1) (\$700.5) UGF (\$6.5) GF/Pgrm (DGF) (\$79.3) Ag RLF (DGF) (\$169.3) State Land (DGF) (\$20.0) I/A (Other) (\$700.5) Fed (10) PFT Positions	(\$210.8) UGF (2) PFT Positions	<p>The Governor's amended budget reduced the Division of Agriculture by approximately two-thirds (see also Item 12). The legislature denied the majority of this request: the legislature reduced funding by \$210.8 UGF to delete two vacant positions in the livestock program. The Governor vetoed a reduction similar to his initial request, but with an adjustment to several fund sources due to updated information. The legislature added the funding once again in HB 2001, and it was not vetoed a second time.</p> <p>While the reductions were ultimately reversed, the employees were laid off in early July of 2019 and were recalled in late August, causing a disruption to division operations.</p> <p>More details about the impacts of the proposed cuts are in Item 12.</p>

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Governor's Budget Items Denied

Item #	Approp/Allocation	Description	Amount/Fund Source	Comment
12	Agriculture/ North Latitude Plant Material Center	Reduce Lower Priority Programs in North Latitude Plant Material Center	Total: (\$1,061.1) (\$840.2) UGF (\$0.2) GF/Prgm (DGF) (\$70.3) I/A (Other) (\$2.0) Stat Desig (Other) (\$148.4) Fed (5) PFT Positions (4) PPT Positions	<p>The requested reductions to the Division of Agriculture would have eliminated many services that the administration identified as lower priority. These deleted services include: inspection, marketing, the agricultural veterinarian, the invasive plant and pest program, Plant Materials Center services, Plant Materials Center Production, and the Farm to Institution program. In addition, agricultural land sales were combined with other land sales under the Division of Mining, Land & Water. Retained programs would have included: phytosanitary inspections, the invasive species program, seed production, and cleaning and testing for grass seed used in reclamation projects and for seed potatoes.</p> <p>The legislature added the funding once again in HB 2001, and it was not vetoed a second time.</p> <p>While the reductions were ultimately reversed, the employees were laid off in early July of 2019 and were recalled in late August, causing a disruption to division operations.</p>

Governor's Vetoes of Increments

Item #	Approp/Allocation	Description	Amount/Fund Source	Comment
13	Administration & Support/ Commissioner's Office	Reconstitute the CACFA Executive Director Position	(\$200.0) UGF	The legislature added an increment of \$200.0 to reinstate the Executive Director position to support the Citizens' Advisory Commission on Federal Areas. This position was deleted by a Governor's veto in FY17 and not funded since. The Governor once again vetoed the funding in FY20.
14	Fire Suppression, Land & Water Resources/ Mining, Land & Water	Federal Receipt Authority for the Hunting Guide Concession Program	(\$1,000.0) Fed	The Governor requested an increment of \$1,000.0 of Federal receipt authority for the Hunting Guide Concession Program. The same authority had been in the budget in FY18 and FY19, but no federal funding was received. The legislature approved the Governor's request to add the receipt authority back in HB 39, but the Governor then vetoed the funding. This cycle was repeated in HB 2001.

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Legislative Additions

Item #	Approp/Allocation	Description	Amount/Fund Source	Comment
15	Agriculture/ North Latitude Plant Material Center	Implementation of the Industrial Hemp Program	\$375.0 GF/Prgm (DGF)	In 2018, the legislature passed SB 6, which authorized the creation of an industrial hemp pilot program, to be funded entirely with fees on the industry. The Governor's budget did not include funding to implement the program, but the legislature added \$375.0 of program receipts to allow the program to move forward. The Governor vetoed the funding from HB 39, but did not veto it from HB 2001.

FY19 Supplemental Appropriations

Item #	Approp/Allocation	Description	Amount/Fund Source	Comment
16	Fire Suppression, Land & Water Resources/ Fire Suppression Activity	Wildland Fire Protection for Spring 2019	\$7,900.0 UGF	The legislature approved the Governor's request for a \$7.9 million supplemental appropriation for fire suppression. The base budget had \$5,241.0, of which all but \$1 million was used for the first half of FY19. The combined \$8.9 million available would be enough for a typical year, but was likely insufficient for the summer of 2019, which was a much worse fire year than average, meaning that a ratification is likely. A cost overrun of \$10 million or less would be covered by the existing Constitutional Budget Reserve (CBR) draw authorized by the legislature for FY19. A larger ratification would require an additional CBR vote.