

Department of Environmental Conservation

FY22 - Summary of Significant Budget Issues

(\$ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
1	Administration / State Support Services	Reduce Authority Associated with Three Positions Deleted in Administrative Services Due to Administrative Efficiencies	Total: (\$466.3) (\$152.7) Fed Rcpts (Fed) (\$4.2) GF/Match (UGF) (\$135.8) Gen Fund (UGF) (\$121.0) Oil/Haz Fd (DGF) (\$31.1) Clean Air (Other) (\$15.4) Vessel Com (Other) (\$6.1) Ocn Ranger (Other)	Total: (\$466.3) (\$152.7) Fed Rcpts (Fed) (\$4.2) GF/Match (UGF) (\$135.8) Gen Fund (UGF) (\$121.0) Oil/Haz Fd (DGF) (\$31.1) Clean Air (Other) (\$15.4) Vessel Com (Other) (\$6.1) Ocn Ranger (Other)	The Department has recognized operational efficiencies as a result of the implementation of the IRIS accounting system as well as changes to the processes and workflows of related administrative functions. In addition to this reduction, the following three vacant positions in the Financial Services section of the Administrative Services allocation were deleted due to these efficiencies: Full-time Accounting Technician II (18-7636), range 14, located in Juneau Full-time Accountant III (18-7786), range 18, located in Juneau Full-time Accountant III (18-7839), range 18, located in Anchorage
2	Environmental Health / Environmental Health	Replace Commercial Passenger Vessel Environmental Compliance Fees for Shellfish Testing Due to Non-Designated Use	Net Zero \$459.7 Gen Fund (UGF) (\$459.7) Vessel Com (Other)	Net Zero \$459.7 Gen Fund (UGF) (\$459.7) Vessel Com (Other)	The Department received an opinion from the Department of Law that the use of Commercial Passenger Vessel Environmental Compliance fees (CPVEC) to fund regulatory testing for commercial shellfish operations violates the Tonnage Clause of the U.S. Constitution. Fiscal Analyst Comment: In addition to the constitutional issues brought up by the Department of Law, the use of the CPEVC for shellfish testing is not a designated use of the fund. Shellfish and shellfish growing waters would require testing whether or not there was a cruise ship industry, and the tests are required regardless of whether there is nearby cruise ship activity. Items 2 and 3 are related

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3	Environmental Health / Environmental Health	Replace Commercial Passenger Vessel Environmental Compliance Fees for Shellfish Testing Supplemental	Net Zero \$457.7 Gen Fund (UGF) (\$457.7) Vessel Com (Other)	Net Zero \$457.7 Gen Fund (UGF) (\$457.7) Vessel Com (Other)	In addition to changing the fund source for shellfish testing for FY22, the legislature approved the fund source change in the FY21 supplemental budget. The legislature also included the following supplemental wordage: "It is the intent of the legislature that the Department of Environmental Conservation submit recommendations on how to reduce the cost of shellfish testing for both the industry and the State, to the Legislative Finance Division and Finance Committee Co-Chairs by December 1, 2021." Items 2 and 3 are related
4	Spill Prevention and Response / Spill Prevention and Response	Reduce Staffing Levels Due to Oil and Hazardous Substance Release Prevention and Response Account Revenue Shortfall	Total: (\$462.7) (\$29.8) Fed Rcpts (Fed) (\$411.3) Oil/Haz Fd (DGF) (\$21.6) Vessel Com (Other) (5) PFT Positions	Total: (\$462.7) (\$29.8) Fed Rcpts (Fed) (\$411.3) Oil/Haz Fd (DGF) (\$21.6) Vessel Com (Other) (5) PFT Positions	The Governor proposed this FY22 decrement, which was denied by the legislature, and then subsequently vetoed the funding. This is the second year in a row that the Department has proposed substantial position reductions due to a shortage in the Oil/Hazard Response fund. This is due in part to declining production of crude oil that provides the \$0.04 per/barrel surcharge, and in part to the \$0.0095 per/gallon refined fuel surcharge coming in at close to \$1 million below what was anticipated. The Governor previously vetoed \$1,019.1 and deleted seven positions in the FY21 operating budget [Ch. 8, SLA 2020 (HB205)]. The following five positions deleted in the FY22 budget are currently vacant. One position in the Program Support Unit One position in Aleutian/Western Alaska Preparedness and Response Unit Two positions in the Contaminated Sites Program One administrative support position Fiscal Analyst Comment: The legislature implemented a new \$0.0095 fuel surcharge in FY16 to better support the Department's spill response needs, and in anticipation of this new revenue some activities that were previously paid for with UGF were switched to the Oil/Hazard Response fund. In SLA 2020, SB 115 was put forward to increase that fuel surcharge to \$0.015, but it did not pass. Without a more stable revenue source going forward, the Department will likely be forced to further reduce staffing as the balance of the fund continues to decline.

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5	Water / Water Quality, Infrastructure Support & Financing	Replace State Revolving Loan Fund Administrative Fees with Federal Receipts	Net Zero \$600.0 Fed Rcpts (Fed) (\$462.5) CleanAdmin (Other) (\$137.5) DrinkAdmin (Other)	Net Zero \$600.0 Fed Rcpts (Fed) (\$462.5) CleanAdmin (Other) (\$137.5) DrinkAdmin (Other)	<p>The Department collects a 5% fee on all loans issued from the Alaska Clean Water and Alaska Drinking Water State Revolving Loan funds. These fees are used to administer the loan programs. This fund source change replaces some of this authority with available federal grant funds.</p> <p>Fiscal Analyst Comment: Annual federal capitalization grants for the State Revolving Fund allow DEC to use 4% of the grant to administer the loan program. In recent years, this equates to approximately \$400.0 thousand per loan fund per year. Alternately, that 4% can be placed in the loan fund and made available for new loans. Currently the Department has sufficient loan funds to meet the needs of all customers who are requesting loans. The Department believes that it is advantageous to make use of the federal set-aside funds for program administration and reserve the administrative fees. As demand for new loans increases, they plan to rely more heavily on the administrative fees and divert the set-asides to the loan fund to meet that demand.</p>
6	Various	SB 55, Ch. 9, SLA 2021 Employer Contributions to PERS	\$1,705.1 Gen Fund (UGF)	\$1,705.1 Gen Fund (UGF)	<p>SB 55 removes the 22% cap on payroll contributions to the Public Employee Retirement System (PERS) for the State of Alaska as a PERS employer. The budgetary impact of this legislation is reflected as a shift from the direct appropriation to PERS (which is typically funded with UGF) to agency payroll, where the cost can be spread across all fund sources. This shift results in a UGF increase to Agency Operations of \$72,871.7, and a UGF decrease to Statewide Items of \$95,794.5, for a net statewide UGF savings of \$22,922.8. Specifically, the UGF impact to the Department of Environmental Conservation is \$1,705.1 spread across multiple allocations.</p>