

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 139
 (S) Publish Date: 3/13/01
 Dept. Affected: Natural Resources
 BRU: Minerals, Land & Water
 Component: Water Development
 Component Number: 916

Revision Date/Time (Note if correction): _____
 Title: Water Fees-Temporary Water Use
 Sponsor: Rules
 Requester: Governor

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services	275.0	275.0	275.0	275.0	275.0	275.0
Travel	7.0	7.0	7.0	7.0	7.0	7.0
Contractual	10.0	15.0	15.0	15.0	15.0	15.0
Supplies	3.0	3.0	3.0	3.0	3.0	3.0
Equipment	5.0					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	300.0	300.0	300.0	300.0	300.0	300.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES (Wtr Res Inc)	0.0	200.0	400.0	400.0	400.0	400.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	300.0	100.0				
1005 GF/Program Receipts	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)	(100.0)
1037 GF/Mental Health						
Water Resources Income Acct	100.0	300.0	400.0	400.0	400.0	400.0
TOTAL	300.0	300.0	300.0	300.0	300.0	300.0

Estimate of any current year (FY2001) cost: none

Check this box (X) if funding for this bill is included in the Governor's FY2002 budget proposal:

POSITIONS

Full-time	5	5	5	5	5	5
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

The fundamental issue facing the Water Development component is the fact that there is no longer enough staff to conduct the program required by statute. The problem is exacerbated by a court ruling that requires procedures for temporary water use permits that have historically not been conducted and that significantly increase staff time required to process these permits. The consequence of this problem is that the Department of Natural Resources has a backlog of over 600 applications for water rights and over 3,000 total actions (including permit extensions, transfers, etc.). Thus, many industries and citizens are frustrated by their inability to receive authorization to proceed with their projects, or to gain the security of a water right. **[cont.]**

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 Division: Mining, Land and Water Date/Time 09-Mar-01
 Approved by: Pat Pourchot Date 09-Mar-01
 Agency: Natural Resources

For distribution information, call the Governor's Legislative Office

ANALYSIS: (continued)

Water Use Fee

This bill would provide for a sliding-scale water use fee — that is, an annual fee that escalates depending on the amount of water permitted or used. The bill would also establish a water income account to separately account for water receipts and to allow the legislature to use this source to fund the program.

The fee and income account would create a secure funding source that is large enough to run the water management program. DNR expects that the water use fee would generate approximately \$400,000 more than is currently generated through its administrative fees program when it is fully implemented. (In FY2002 we have \$100,000 existing program receipt authorization that switches to the Water Resources Income Account. In FY2003, an estimated additional \$200,000 can be generated, and in FY2004, the full amount of the program can be funded from the Water Resources Income Account).

The actual fee structure would be set forth in regulations. DNR expects to propose a fee structure that exempts water use below 500 gallons per day (and residential use below 1500 gallons per day), and that includes a sliding scale fee structure. Those who use more than a million gallons of water per day would pay the highest fee of \$400 or \$500 per year. DNR also expects to discount fees for non-consumptive use of water (water that is returned to its source in undiminished quantity and quality and therefore does not diminish the amount available for appropriation to others). At this fee structure, no industry would cumulatively pay more than \$100,000 and most would pay considerably less.

Industries that are most affected by this fee include the mining industry, although most placer water use is non-consumptive use or recycled. The next largest use group is for public water supply. These two industries would likely pay between \$50,000 and \$100,000. Other industries, such as for agricultural, commercial, fish hatcheries, logging, hydroelectric, etc., would each pay less than \$50,000 per year under this new use fee structure.

DNR also expects to set annual fees on a graduated-scale basis for temporary water use permits. DNR expects to generate approximately \$150,000 in revenue from this source. The temporary water use permits with the largest volume of water (and hence with the largest annual fee) are issued to the oil and gas industry for development of the North Slope.

The generation of water use revenue is consistent with the philosophy that, "Those who benefit from the service should pay for it."

The effect of the fees would not be immediate. The establishment of a water use fee system will require a year to promulgate regulations, set up a revenue and billing system, and update the water right files to be included in the water use fee billing system. Within one year of the revised regulations, updated water rights and revenue and billing systems should be in place. At that time, it would be possible for the legislature to allow DNR to receive a portion of these funds as Water Resources Income Account receipts and decrease our general fund appropriation revenues by the amount anticipated to be received that year.

To complement the water use fee, DNR is currently writing regulations that will allow it to more efficiently process water right applications.

Lastly, DNR's FY 02 budget proposes a \$300,000 increment to adequately fund the program as outlined above. The general fund budget increment is necessary because the income from the fees will not be available to fully fund the program in the first couple of years. (NOTE: the \$100.0 fund change from program receipts to the new Water Resources Income Account was not included in the Governor's FY2002 budget proposal).

Statutory changes, regulatory changes, and \$300,000 increment: all three of these solutions are necessary to make the program function reasonably.

Personal Services New Position Detail

DRAFT

Department of Natural Resources

Scenario: FY2002 Governor Amended (1743)
Component: Water Development (916)
BRU Name: Minerals, Land, and Water Development (330)

PCN	Job Class Title	Time Status	Retire Code	Barg Unit	Location	Salary Sched	Range & Steps	Budgeted Months	Split / Count	Annual Salary	COLA	Premium Pay	Annual Benefits	Total Costs
10-#032	Administrative Clerk II	FT	A	GG	Anchorage	2A	8 A / B	12.0		23,079	280	0	11,951	35,310
Justification:							Funding Detail:							
Water use Rights Adjudication.							1004	General Fund Receipts					100.00%	35,310
												Total Funding:	100.00%	35,310
10-#033	Natural Resource Off I	FT	A	GG	Anchorage	2A	14 C	12.0		35,148	427	0	14,532	50,107
Justification:							Funding Detail:							
Water Use Rights Adjudication							1004	General Fund Receipts					100.00%	50,107
												Total Funding:	100.00%	50,107
10-#034	Natural Resource Off I	FT	A	GG	Juneau	2A	14 C	12.0		35,148	427	0	14,532	50,107
Justification:							Funding Detail:							
Water Use Rights Adjudication							1004	General Fund Receipts					100.00%	50,107
												Total Funding:	100.00%	50,107
10-#037	Natural Resource Off II	FT	A	GG	Anchorage	2A	16 D	12.0		41,928	509	0	15,982	58,419
Justification:							Funding Detail:							
Water Use Rights Adjudication							1004	General Fund Receipts					100.00%	58,419
												Total Funding:	100.00%	58,419
10-#038	Natural Resource Off II	FT	A	GG	Fairbanks	2B	16 D	12.0		43,608	529	0	16,342	60,479
Justification:							Funding Detail:							
Water Use Rights Adjudication							1004	General Fund Receipts					100.00%	60,479
												Total Funding:	100.00%	60,479

Note: If a position is split, an asterisk (*) will appear in the Split/Count column. If the split position is also counted in the component, two asterisks (**) will appear in this column.

Personal Services New Position Detail

DRAFT

Department of Natural Resources

Scenario: FY2002 Governor Amended (1743)

Component: Water Development (916)

BRU Name: Minerals, Land, and Water Development (330)

Component Summary:

Total New Positions: 5

Fund Description	Fund Percent	Fund Amount
1004 General Fund Receipts	100.00%	254,422
Total Funding:	100.00%	254,422

Note: If a position is split, an asterisk (*) will appear in the Split/Count column. If the split position is also counted in the component, two asterisks (**) will appear in this column.