

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: 3
 Bill Version: CSSB 139(RES)
 (S) Publish Date: 5/5/01

Revision Date/Time (Note if correction): 05/03/2001
 Title: State Water Use

Dept. Affected: Natural Resources
 BRU: Minerals, Land & Water
 Component: Water Development

Sponsor: (S) Rules
 Requester: (S) FIN

Component Number: 916

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 | 170.2 |
| Travel | | 7.0 | 7.0 | 7.0 | 7.0 | 5.0 |
| Contractual | | 15.0 | 15.0 | 15.0 | 15.0 | 7.0 |
| Supplies | | 3.0 | 3.0 | 3.0 | 3.0 | 2.0 |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 0.0 | 300.0 | 300.0 | 300.0 | 300.0 | 184.2 |

| | | | | | | |
|-----------------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|-----------------------------|--|--|--|--|--|--|

| | | | | | | |
|----------------------------------|------------|-------------|--------------|--------------|--------------|--------------|
| CHANGE IN REVENUES (Fees) | 0.0 | 84.2 | 184.2 | 184.2 | 184.2 | 184.2 |
|----------------------------------|------------|-------------|--------------|--------------|--------------|--------------|

FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|---------------------------------|------------|--------------|--------------|--------------|--------------|--------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | 215.8 | 115.8 | 115.8 | 115.8 | |
| 1005 GF/Program Receipts | (135.8) | (135.8) | (135.8) | (135.8) | (135.8) | (135.8) |
| 1037 GF/Mental Health | | | | | | |
| 1156 Receipt-Supported Services | 135.8 | 220.0 | 320.0 | 320.0 | 320.0 | 320.0 |
| TOTAL | 0.0 | 300.0 | 300.0 | 300.0 | 300.0 | 184.2 |

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 | 2.5 |
| 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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 Agency: Natural Resources

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Fee-Supported Services.

This bill would provide for a method of funding the water management program. It would require the water management program to use the application-fee methodology provided in AS 37.10.050 - 37.10.058. This methodology was pioneered by the legislature last year in HB 361, commonly known as the "DEC fees bill."

The fees methodology would allow DNR to set application fees for a temporary water use authorization or a water right at a price up to the estimated average reasonable direct cost incurred. These application fees, in addition to the existing general fund amount, would provide a secure funding source for program. That is, applicants would pay for the reasonable direct cost, and remaining indirect costs would remain the responsibility of the general fund. If applications increased, fees and therefore funds to the program would increase. If applications decreased, the opposite would occur.

The Department estimates that the new fees would be approximately double the existing fees for most water right applications. For some of the more complex types of applications, fees would increase further.

The additional funds would allow DNR to adjudicate a typical, new temporary water use authorization within 15 days, and a typical water right application within 60 days. It would also allow DNR to eliminate the backlog of over 600 water right applications and over 3,000 total actions within 5 years. The Department estimates that it will require \$300K in additional funds to accomplish these performance measures. Of this amount, approximately \$125K would be dedicated to eliminating the backlog of applications and other actions within 5 years. After five years, the funds used to eliminate the backlog would no longer be needed.

The effect of the fees would not be immediate. The establishment of a application-fee system that reflects the reasonable direct cost of providing the service will require up to two years to promulgate regulations, set up a revenue and billing system, and update the water right files. For this reason, this fiscal note includes the additional \$300K in general funds for the first year, FY 02 while regulations are being developed and implemented (it also transfers existing general fund program receipts to receipt-supported services). In the second year, \$215.8 included general funds with the balance in receipt supported services. In the years three through five, the fee program is fully operational. In that year, the department estimates that it will need only \$115.8 in new general funds, all of which would be used to eliminate the backlog. After year five, we project the water rights backlog to be eliminated, the fee program to remain fully operational, and no additional general funds would be required.

This program is consistent with the philosophy that, "Those who benefit from the service should pay for it."

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