

HOUSE FINANCE COMMITTEE
March 6, 2024
8:36 a.m.

8:36:46 AM

CALL TO ORDER

Co-Chair Johnson called the House Finance Committee meeting to order at 8:36 a.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative DeLena Johnson, Co-Chair
Representative Julie Coulombe
Representative Mike Cronk
Representative Alyse Galvin
Representative Sara Hannan
Representative Dan Ortiz
Representative Frank Tomaszewski

MEMBERS ABSENT

Representative Bryce Edgmon, Co-Chair
Representative Andy Josephson
Representative Will Stapp

ALSO PRESENT

John Boyle, Commissioner, Department of Natural Resources;
Theresa Cross, Administrative Services Director, Department of Natural Resources; Brent Goodrum, Deputy Commissioner, Department of Natural Resources.

PRESENT VIA TELECONFERENCE

Ricky Gease, Director, Division of Parks and Outdoor Recreation, Department of Natural Resources.

SUMMARY

HB 268 APPROP: OPERATING BUDGET; CAP; SUPP; AM

HB 268 was HEARD and HELD in committee for further consideration.

HB 270 APPROP: MENTAL HEALTH BUDGET

HB 268 was HEARD and HELD in committee for further consideration.

OVERVIEW: DEPARTMENT OF NATURAL RESOURCES

Co-Chair Johnson reviewed the meeting agenda.

#hb268

#hb270

HOUSE BILL NO. 268

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; making capital appropriations; making supplemental appropriations; making reappropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

HOUSE BILL NO. 270

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

^OVERVIEW: DEPARTMENT OF NATURAL RESOURCES

[8:38:28 AM](#)

JOHN BOYLE, COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, introduced the PowerPoint presentation "Department of Natural Resources Budget Overview" dated March 6, 2024 (copy on file). He began on slide 2 and shared a memorial for three members of the Department of Natural Resources (DNR) who had died in the line of duty in a helicopter crash. The three individuals who had died were all involved in performing hydrological surveying work on the North Slope. The department was profoundly impacted by the loss and it had responded by ensuring that the right safety procedures were in place to protect its employees.

Mr. Boyle continued to slide 3 and went over an organizational chart for DNR leadership. He thought that there was a special culture within DNR because the people who worked for the department wanted to make a difference by maximizing and conserving the state's resources for the benefit of its people. He remarked that DNR was the "breadwinner" for all of the other state departments and brought in the major share of revenue that the state relied upon to provide services to its citizens. The work of DNR had significant impacts on the state and would benefit future generations of Alaska. He relayed that two deputy commissioners reported to him: Brent Goodrum and John Crowther. Each deputy commissioner was responsible for a number of separate divisions within the department. He shared that DNR was working on new initiatives surrounding agriculture, mariculture, and food security.

[8:43:25 AM](#)

Mr. Boyle continued on slide 3 and offered information on some of the divisions within DNR. He relayed that the Division of Mining, Land, and Water (DMLW) was responsible for managing the state's lands and leases. He thought that the Division of Forestry and Fire Protection (DFFP) was an exciting part of DNR and an important industry. The department would continue to look for ways to improve and build upon the forestry sector as well as protect the state from wildfires. He argued that Alaska had the best state park portfolio of any state, which was partially due to the work done by the Division of Parks and Outdoor Recreation (DPOR).

Mr. Boyle continued that the Division of Oil and Gas (DOG) was experiencing changes as activity on the North Slope increased. He relayed that the Division of Geological and Geophysical Surveys (DGGs) was led by Director Melanie Werdon, who was a longtime DNR employee. He was pleased when Ms. Werdon agreed to serve as director. He noted that DGGs informed the science that helped the state understand its resources, particularly as it related to oil and gas. The Office of Project Management and Permitting (OPMP) was tasked with permitting large projects of all types and it would play a critical role in helping communities develop broadband infrastructure. He turned the presentation over to his colleague.

[8:48:55 AM](#)

THERESA CROSS, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF NATURAL RESOURCES, continued on slide 4 and offered an overview of DNR's FY 25 operating budget. The chart on the slide represented the FY 23 actuals, followed by the FY 24 management plan, followed by the FY 25 governor's proposed amended budget. The most significant change from FY 24 to FY 25 was in the unrestricted general fund (UGF) category with an increase of approximately \$6.8 million. The second biggest change was an increase of \$3.5 million in designated general funds (DGF). She explained that the UGF increase was largely represented by four items within DFFP, one item within DGGs, and department-wide salary adjustments. The DGF increase was primarily due to fund changes and authority increments within DOG and DMLW as well as department-wide salary adjustments. The overall FY 25 budget increased by 5.9 percent from FY 24. She relayed that more details would be provided on each division on upcoming slides.

Ms. Cross highlighted that there was an increase of eight positions from the FY 24 management plan to the FY 25 governor's proposed amended budget across all position types. She noted that more information about new positions would be provided on each division slide. The pie charts on the bottom of the slide represented a high-level comparison of the four fund categories by total and percentage of the total operating budget. There were minor changes from FY 24 to FY 25.

Ms. Cross continued to slide 5 and shared that DNR had 20 different funding sources, all listed on the slide. The general fund included both UGF and DGF and totaled approximately \$128 million. She noted that UGF and DGF accounted for 61 percent of the department's total operating budget. Most of the general fund program receipt revenue was from park fees, leases, material sales, mining leases, recording fees, and seismic data sales. Most of the "other" category was made up of statutory designated program receipts, interagency receipts, capital improvement projects (CIP), the Alaska Mental Health Trust Authority (AMHTA), and Permanent Fund Dividend (PFD) receipts. Over the past ten years, there was an average of \$22 in revenue for every general fund dollar appropriated to DNR.

[8:53:05 AM](#)

Ms. Cross explained that in the next section of the presentation, she would provide a detailed look at each of the divisions within DNR. She began on slide 6 with DFFP. The division's UGF increase was its most significant adjustment at just under \$5 million. The remaining fund category increases were due to bargain salary and health insurance adjustments. The total DFFP budget increased by 7 percent and the number of positions within the division remained the same. The FY 25 proposed budget changes included \$1.8 million in UGF for mission critical incentive pay to invest in the state's wildlife firefighters. The increment would increase firefighters' compensation by 32 percent. The incentive pay increase would be accomplished by establishing a letter of agreement, which would be eventually followed by a permanent solution once the salary study was complete. Incentive pay played a critical role in the state's ability to maintain firefighter employment and to provide adequate and timely responses to wildlife fires. Firefighter vacancies continued to increase and recruitment was difficult because Alaska's firefighters received compensation that was approximately 46 percent less than that of firefighters in other states. The state lost approximately \$11,000 of its investment in specialized training when experienced firefighters transferred to other agencies. The increment would also assist in reducing costs related to importing firefighters from other states.

Ms. Cross continued on the second budget request for DFFP, which was \$1.5 million in UGF for the acquisition of two new facility leases for warehouse storage and crew purposes. The Fairbanks warehouse was in a state of disrepair and could no longer be safely maintained. The southcentral crew facility lease was set to expire in October of 2024 and needed an update. The division had worked closely with the Department of Transportation and Public Facilities (DOT) to gain the \$1.5 million lease estimate for both facilities and it had formerly requested interest from local contractors via the state procurement process. The facility leases were critical in providing public safety, protecting the state's investments and infrastructure, and reducing fire suppression costs.

Ms. Cross continued to the third budget request for DFFP, which was \$900,000 in UGF to fully fund foresters and prioritize forestry road infrastructure. The funding would decrease the division's reliance on timber sales receipts that partially funded nine foresters and support positions.

Realigning the funding and transferring \$879,000 in timber receipts to the services line item would allow for crucial bridge replacements, create road access for timber, provide access to lands and resources, reduce costs to individuals and businesses, and create an environment for economic growth. Initial construction projects would occur near Fairbanks, Haines, Tanana Valley, southeast, and southcentral regions of the state. The division would prepare a list of each construction maintenance project and each project would have a specific scope of work, timeline for completion, and clearly identified costs. There would be status updates provided on the projects at the end of each fiscal year.

[8:57:02 AM](#)

Representative Hannan noted that there was a large supplemental for DFFP which was not reflected on the slide. She asked for the details of the supplemental for forestry and fire protection. She recalled that it was around \$61 million.

Ms. Cross responded that the \$61 million figure was the fire declaration that the state received in the fall of 2023. There were three additional supplementals: one to close out the fire season for \$26 million, one for spring fire prepositioning costs, and \$1.4 million for increased aviation costs. The supplemental for the division totaled approximately \$94 million including the fire declaration.

Representative Hannan thought that it was important that the budget reflected what had actually been spent. She thought the exclusion of the spending in the presentation made it appear that it never happened. She did not doubt that the \$94 million needed to be spent, but she thought that the money needed to be accounted for and the details needed to be communicated to the legislature. She was frustrated that the budget presentation did not reflect the entire picture. There was always a large supplemental and the lack of information made the budget difficult to balance.

Representative Cronk commented that it was important to have a proactive forestry industry to help manage the forests. He would rather see the money invested in the forestry industry than spent on fighting fires. He asked how the expedited timber bill [HB 104] would help.

Mr. Boyle responded that he believed HB 104 would provide DNR with more flexible tools to proactively respond to incidents like insect infestation. He argued that it would be better to thin the forest before it was infested in order to contain the problem before it worsened. He thought more flexible tools would help decrease the amount of wildfires. Another key element the department was focused on was making it easier for Alaskans to harvest spruce trees and the department appreciated the legislature's support in its effort. Much of the provisions were built around the historic timber industry, which was geared towards the southeast region of the state. He was uncertain whether the historic approach was the best approach as there were a myriad of opportunities across the state to manage the forests in different ways.

Mr. Boyle relayed that the department had an idea of how many acres burned each year and a rough estimate of annual wildfire costs based on the ten-year average; however, there was significant variability every year. For example, which entity was responsible for attacking the wildfires depended upon which area of the state in which the wildfires occurred. Sometimes the onus for heading wildfire efforts fell on the state and other times the onus fell on the federal government. He understood Representative Hannan's frustration and thought it was important that the department examined how to best manage the state's forests and how to be more proactive in preventing wildfires. He thought carbon offset projects could be helpful by incentivizing enhanced forest management techniques. The department was looking at a number of options for how the state could be more proactive. He stressed the importance of recruiting and retaining local firefighters as hiring firefighters from other states was difficult and costly. The climate was changing and the approach to wildfires needed to change as well.

[9:05:10 AM](#)

Representative Cronk remarked that the state's timber industry did not have a large profit margin. He noted that timber was a less valuable product when the state let it burn. He argued that either the state could cut, harvest it, and use the timber, or watch it burn up in smoke. He commended the department on its proactivity and support of

the timber industry, which could help build homes and create jobs.

Co-Chair Johnson asked if the department could compile a report breaking down the ways in which the funding was allocated in the supplementals. She thought utilizing a supplemental made sense because the department's costs varied greatly and were often unpredictable. She suggested that a short overview report would help the committee stay informed and help it make better decisions going forward.

[9:08:18 AM](#)

Representative Ortiz remarked that he agreed with the comments from Representative Cronk about needing to better manage the state's timber and prevent wildfires. He noted that the current budget request was significantly less than historical averages which made it hard for the committee to plan its spending in other areas when it was likely that there would be a significant supplemental. He asked if the department would be supportive of the idea of including a more realistic number in the budget.

Mr. Boyle responded that the department would be supportive of the idea. He noted that Representative Ortiz was asking many of the same questions that DNR was asking itself, such as how the department could better anticipate its costs. He would be happy to put together the report requested by Co-Chair Johnson. There were significant cost drivers, such as hiring fire suppression crews from other states. He suggested that asking the department to predict fire suppression costs was like asking someone to predict the stock market. In 2023, wildfires were minimal through July, but picked up quickly in August. Ensuring that roads remained operational during wildfires and that the military facilities were protected was important. He was happy to work with the committee and provide as much information as possible, but significant historic data was already available.

Representative Coulombe asked Ms. Cross for clarification on the \$900,000 increment. She understood that money was withdrawn taken from personal services to fund a capital request and the withdrawn funds would be replaced with UGF. She asked if her understanding was correct.

[9:13:16 AM](#)

Ms. Cross responded that the majority of timber sales receipts were currently being used to pay for nine personal services positions. The cost was hindering the department's ability to fund crucial bridge and road projects. The \$900,000 increment would allow the department to continue to build the timber industry by paying for the nine positions with UGF. There would then be a transfer of timber sales receipts to perform the necessary maintenance and construction work.

Representative Coulombe asked whether the issue was temporary or would the increment be included in the base.

Ms. Cross responded that the bridge and road projects would be funded with the timber sales receipts and personal services positions would be funded with UGF. The department was open to moving some of the timber sales receipts to a capital appropriation in the future.

Representative Coulombe asked how much of the \$1.8 million increment was going towards incentive pay. She asked for a breakdown of how much money was going directly to firefighters.

Ms. Cross responded that the supplementals requested for FY 24 were not for incentive pay, but to pay for costs that had been incurred over the past fire season. The \$1.8 million increment in FY 25 would be entirely for incentive pay.

Co-Chair Johnson noted that the committee had a hard stop at 10:00 a.m. and she suggested that Ms. Cross continue the presentation to allow for time for more questions.

[9:16:49 AM](#)

Ms. Cross relayed that the last item within DFFP was \$84,000 for annual maintenance on heavy equipment. She explained that regular maintenance on the equipment would ensure the safety of Alaskans. The funding would allow the division to complete annual maintenance on nine new pieces of equipment through DOT's State Equipment Fleet Program (SEFP). The division had been coordinating with the SEFP team to order and receive new heavy equipment and annual maintenance was required in order to protect the initial investment and maximize the lifespan of the equipment. The

new equipment would help maintain 400 miles of existing logging roads in the interior region of the state, facilitate projects in the southcentral region of the state, and create new roads to create access to forests. The increment would also enable tree planting, timber harvest, and carbon offset projects.

Ms. Cross continued to slide 7 and detailed the request for DPOR. The division's most significant increase was the other funds category. There was an increase of 53 percent in UGF because the division's UGF authority for FY 24 was minimal, which made the new boating safety language item appear more significant than it was. The remaining fund category increases were due to bargain salary and health insurance adjustments and increased by just over 7 percent. The number of positions increased by five for a total of 174 positions in the division.

Ms. Cross relayed that the first item of the division's FY 25 governor's amended budget request was for \$300,000 in DGF to maintain the fleet to ensure reliable emergency responses for the safety of Alaskans. The division was responsible for ensuring funding for crucial offroad vehicles and boats that were not part of SEFP. The current fleet was aging and some parts were no longer available for repairs. The second request was for an increase of \$375,000 in CIP receipts for two Engineering Assistant II positions and one Engineer/Architect II position to meet the demand of increased design and construction infrastructure work. The three new permanent positions would focus on enhancing capital projects, ensuring public safety, complying with regulations, and providing timely technical support to other state agencies. An influx of federal funding through the Land and Water Conservation Fund and the National Recreation Trails Program provided many opportunities for parks projects to enhance the experience of visitors, and the three new positions would contribute to the improvements.

Ms. Cross shared that the next request was for a Park Ranger I position and a Park Specialist to restore the management of Delta Area Parks and Recreation. The division was asking for an increase of \$210,000 in DGF to pay for the two new permanent fulltime positions. The division would restore the management of seven Delta state park units that needed maintenance and upgrades. She stressed that both positions would be stationed in Delta and would

be co-located in the DFFP office. The final request was for \$281,300 in UGF for boating safety receipts. The request would remove \$306,300 of boat registration fee authority from the numbers section of the budget and would add the \$281,300 in UGF in the language section. The intention was to allow boat registration fees to lapse in the general fund, then appropriate an equal amount of general funds in the following year. The approach would allow for more predictability because the amount of boat registration fees collected each year was uncertain and not available for appropriation until late in the fiscal year. The language item would be updated based on actual revenue collected.

[9:21:14 AM](#)

Ms. Cross advanced to slide 8 and detailed the budget changes for DMLW. The division's budget increased by just under \$1.9 million and the other funds category increased by approximately \$500,000. There was a UGF decrease and federal funds decrease due to fund changes and the end of a three-year, one-time UGF increment related to Revised Statute (RS) 2477. The remaining fund category changes were due to bargain salary and health insurance adjustments for a total budget increase of 5.3 percent. The first budget change was an increase of \$741,000 in DGF to advance the state's rights in navigability and RS 2477. The division appropriated a one-time, three-year increment between FY 22 and FY 24 of \$695,000 to accomplish the governor's initiative of managing uplands, developing resources, and increasing Alaskan's ownership of land consistent with unique federal and state laws.

Co-Chair Johnson suggested that Ms. Cross summarize the items.

Ms. Cross continued that the funding would pay for three permanent positions and the necessary ongoing work related to RS 2477. The next budget request was for an increase of \$500,000 in CIP authority to increase capital receipt authority to accommodate additional project activity. The request was in response to the increased number of capital projects over the last few years.

Ms. Cross relayed that the next budget request was to realign personal services funding to assist with employee retention efforts. The request was for a fund change of \$400,000 in DGF. The division requested to realign personal

services authority to reflect the actual spending through a fund change. The request would reduce statutory designated program receipt authority by \$100,000 and federal authority by \$300,000.

[9:24:43 AM](#)

Ms. Cross continued to slide 9 and the Division of Support Services (DSS). The division's UGF increased by approximately \$800,000 and the remaining fund category increases were due to bargain salary and health insurance adjustments. The division's total budget increased by 6.1 percent. The number of positions remained the same at 89. The division only had one budget change, which was an increase of \$578,000 in UGF for the Fairbanks Denali building lease renewal. The increment within the DSS facilities component would provide DGGs with the funding required for its building lease in Fairbanks. She explained that DOT began a search for an alternative building location in 2022 and concluded that there were none that were suitable.

Ms. Cross advanced to slide 10 and the Division of Agriculture (DOA). She relayed that the division's minimal fund category increases were due to bargain salary and health insurance adjustments and its total budget increased by 2.2 percent. The number of positions remained the same at 37. She noted that the division had no FY 25 budget changes but she would highlight a few of the division's accomplishments on the slide. The division continued to administer over \$6 million in United States Department of Agriculture (USDA) grants in recent years with \$2.3 million in microgrants for food security.

Co-Chair Johnson shared that she had the privilege to tour some of the agricultural facilities in Delta in 2023. She understood that one of the requests was for more storage space and to set aside monies to keep the co-op fully funded throughout the year. She asked for an update on the situation.

Mr. Boyle responded that he understood that Co-Chair Johnson was referring to the Delta Grain Barley Reserve Program. The state was helping to support a co-op that could buy a certain quantity of barley grown every year to ensure there was a consistent level of demand for farmers, create more market opportunities, and ensure a measure of

food security. A recent rainy year impacted the amount of barley that was harvestable across the state which meant that livestock producers needed to import barley from other states in order to feed the livestock. The purpose of the program was to start building out a safety net to ensure that every year, there would be a backstock of barley that could provide grain to the agricultural community when necessary. He thought the program would be a smart investment in infrastructure and help grow more consistent demand, which would enable farmers to grow higher quantities and to expand operations.

[9:29:02 AM](#)

Representative Hannan referred to DMLW on slide 8. She was hoping to see some interest in increasing funding to study invasive species. She noted that there was an experimental farm in Palmer working on an invasive species project and she did not see any funds listed for the efforts. She asked if there was a reason for the lack of funds.

Mr. Boyle responded that the experimental farm was at the plant material center in Palmer and was led by DOA. He understood the director of DOA was online and could provide additional details.

Co-Chair Johnson confirmed that the director was not online.

Mr. Boyle asked if the deputy director was online.

Co-Chair Johnson confirmed that the deputy director was not online.

Mr. Boyle replied that he would follow up with Representative Hannan on the status of the project.

Representative Hannan referred to the first budget request for DMLW, which was \$741,000 in DGF to advance state's rights in navigability and RS 2477. She understood that \$365,000 of the \$741,000 was for legal services and she asked for more details about the request. The Department of Law (DOL) had millions of dollars in its budget allocated to legal services and she wondered why the funds also needed to be in DMLW's budget if the funding was already present within DOL.

BRENT GOODRUM, DEPUTY COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, responded that much of the work done by DNR and DMLW, such as gathering information and working in the field, was encumbered by DMLW. He relayed that oftentimes, the department would hire experts prior to litigation to join department employees in the field. There were many locations that could not be accessed via road and transportation via airplane was required, which meant contracting with aviation entities. He explained that any legal cost that occurred prior to a court setting or a filing in court was encumbered by DMLW. After there was a formal filing within the Alaska Court System, DOL would contract with the experts in the field on subjects such as geomorphology and navigability. He noted that DNR was responsible for a significant portion of the upfront legal services work. He stressed that it was critical that the department conducted the "boots on the ground" gathering of information up front so that it could relay the information to DOL quickly, especially when the state had disagreements with the federal government.

Representative Coulombe referred to DPOR on slide 7. She understood that there would be two new positions for Delta parks. She was concerned that Chugach Park was getting overrun, as it was the park with the highest levels of traffic. She understood that there was an increase in funding for Chugach and asked if there were any active plans to improve access to the park.

Mr. Boyle suggested that the director of DPOR respond to the question.

[9:34:25 AM](#)

RICKY GEASE, DIRECTOR, DIVISION OF PARKS AND OUTDOOR RECREATION, DEPARTMENT OF NATURAL RESOURCES (via teleconference), responded that the Delta State Park areas needed more staff members. Typically, the division would meet with the superintendents and rank the areas of greatest need. There were about six units in Delta that had been under passive management and consignment and concessionaires had been operating in the area. The division has been proactive and had been making requests for the Delta State Park area. He noted that Chugach was the most visited public land in Alaska. The division was trying to allocate as many resources to the park as possible through the budget. The division currently had a

significant amount of capital money that was allocated to paving parking lots and providing additional parking as an effort to address the increased demand.

Representative Coulombe asked if there were any plans to add new positions around the Chugach Park access areas.

Mr. Gease responded that the division was looking at adding more employees. There could be a request in 2025, 2026, or a subsequent year's budget for additional employees. The division was examining its resources in terms of the general fund program receipts and the vehicle rental tax, which funded the operating budget. If the division had the capacity to take on additional people, Chugach would likely be one of the priority investment areas.

[9:37:37 AM](#)

Ms. Cross continued on slide 11 and detailed the budget changes for DOG. The division's DGF increased by just under \$1 million, and the federal funds category increased by approximately \$100,000. There was a UGF reduction and other fund category reduction due to fund changes. The remaining fund category changes were due to bargain salary and health insurance adjustments. The division's total budget increased by 2.2 percent and the number of positions remained the same at 92. There were three governor's budget changes which were all fund changes. The division requested multiple fund changes by reducing \$500,000 in UGF authority and a total of \$485,000 in statutory designated program receipt authority, while increasing general fund program receipt authority by \$885,000 and federal authority by \$100,000. The changes would align the expenditures and the revenue related to the services the division provided.

Ms. Cross continued to slide 12 and the budget changes for OPMP. The office's UGF increased by just over \$200,000 and the remaining fund category changes were due to bargain salary and health insurance adjustments. The total budget increased by 3 percent and the number of positions increased by one, bringing the total number of positions to 14. The office had one governor's budget change for administrative support for the carbon offset program [in SB 48] for a cost of \$176,000 in UGF. The office was requesting a new Administrative Officer I position to provide administrative and project support for the carbon offset program on state land. The position would support

the newly appointed carbon manager in successfully developing and implementing state projects for the state carbon offset program. The program would boost the state's economy with new state revenue.

Ms. Cross advanced to slide 13 and the DGGs budget changes. The division's UGF increased by just under \$1.2 million. The remaining fund category changes were due to salary and health insurance adjustments. The total budget increased by 11.9 percent and the number of positions in the division increased by two, bringing the total to 68 positions. The division had one budget request for \$1 million in UGF to power Alaska's future with geothermal energy and two full-time positions to support the mission. The increment would create a three-person geothermal program to begin the geothermal characterization work. One existing permanent full-time Geologist IV would be repurposed to the program and there would be one new Geologist III and one Analyst III recruited for Anchorage or Fairbanks. The division's initial stage of geothermal characterization work was distinct and would be coordinated with the University of Alaska, federal partners, Alaska Native partners, and private sector partners' ongoing initiatives. In order for the state to attract industry capital and develop geothermal power plants, the state needed regional scale geologic information to identify the most promising geothermal areas to target. All data and results would be published and freely available to the public and the industry through the division's easily accessible databases and published technical reports online.

[9:41:32 AM](#)

Representative Hannan referred to slide 12 on OPMP and the carbon offset program addition. She recalled that SB 48 had a fiscal note for staffing costs. She asked Ms. Cross to remind her of the details of the fiscal note, such as the overall cost, the number of positions that were added in SB 48, and whether there had been an increase in demand. She wanted to determine whether the fiscal note was written incorrectly and if it needed to be updated.

Ms. Cross responded that the fiscal note included \$493,600 in UGF and the addition of three permanent full-time positions. One position was within DMLW, one was within OPMP, and one was within DFFP. Both positions within DMLW and OPMP had been filled and the new employee hired for

DFFP would start later in the month. The funding would be a continuation for FY 25 in order to add the additional administrative support position once the program was established.

Mr. Boyle added that the department was currently in the regulation promulgation process and it was working on getting the state's forest assets program off the ground. He thought that the department had received close to a dozen different proposals from prospective project developers to date. The regulation process needed to be completed in order to establish a framework to evaluate the different proposals and then determine which of the potential projects was within the state's best interests. The regulation process should be completed by roughly the middle of 2024. From the point of completion on, the department should be in a position to start working through the proposals to determine which proposals had actually materialized into a project on state land.

Representative Hannan expressed her concern about the supplemental nature of the funding. She was surprised that an administrative support position was not included in the fiscal note for the bill and that the funding would be an additional add-on to the base budget. She thought it seemed logical that there would be a need for the administrative support position to execute the program. She suggested that either the process was not thought through well enough or that the response was too overwhelming. She hoped that the state would see some revenue coming from the project in the following year.

Ms. Cross replied that an administrative support position was included in the fiscal note. The three positions that she discussed previously were for FY 24 and the upcoming positions were slated for FY 25. The department wanted to ensure that the three positions were filled and stable before an additional position was incorporated. She reiterated that the cost was part of the original fiscal note.

Representative Hannan asked if a multi-year fiscal note was not automatically included in a bill. She had assumed that the fiscal note would be automatically included. She relayed that Ms. Cross had just stated that the fiscal note only outlined the costs for FY 24, but the administrative support position was always set to be incorporated in FY 25

and the funding needed to be added in again to the base. She would have presumed that when the fiscal note was adopted, the position would have already been included in the costs.

Ms. Cross replied that it was the department's understanding that even when positions were added in the fiscal note, the department would still have to go through the process with the Office of Management and Budget (OMB) to request the positions, which was the approach it took for FY 25. A representative from OMB was available to answer the question in more detail. She noted that Representative Cronk was the DNR subcommittee co-chair and he and his staff were extremely knowledgeable about the process. According to Representative Cronk's staff, the department prepared the fiscal note in the proper manner.

[9:47:20 AM](#)

Representative Galvin referred to slide 13 and the geothermal energy project. She asked if the \$1 million increment would be allocated for two positions or for three positions. She also asked for more information about the geothermal project, such as whether sites had been identified and how the money would be spent.

Mr. Boyle responded that the \$1 million funding would apply to two positions, as denoted on the slide. The purpose of the program was to recognize that the state had not dedicated resources to understanding its geothermal potential. The state was currently facing an energy shortfall in the Cook Inlet and he thought that it was incumbent upon the state to look at developing all of its potential energy resources of all types. Geothermal energy was a topic of significance because Alaska was a seismically active area. The first priority would be to conduct early characterization work, particularly in the Cook Inlet, in order to better understand what the hydrological and geothermal systems were in the area. The goal was to use the data to help incentivize companies and entities interested in developing geothermal power to consider Alaska. Geothermal technology was rapidly advancing and the toolkit of different geothermal options had expanded significantly in the last few years. The goal was to focus on delivering energy solutions for the state, including the Railbelt. Geothermal systems could help provide reliable, renewable, low-cost energy for

communities that were not currently connected to the grid. He expressed that he was enthusiastic about the idea and thought that there was a lot of potential in the state.

Representative Galvin asked if there was a plan for the \$1 million request.

Mr. Boyle responded that there was a scope of work already in process.

[9:51:52 AM](#)

Ms. Cross advanced to slide 14 and the budget for the Trust Land Office (TLO), which was supported by AMHTA funding. The office followed a zero-based budget in each fiscal year and the \$100,000 increase in the other category was due to salary adjustments. The total budget increased by 2.1 percent and the number of positions in the office remained the same. The office did not experience significant budget changes, but some of its accomplishments and priorities were listed on the slide.

Ms. Cross continued to slide 15 and the Office of the Commissioner. There were minor fund changes due to salary adjustments and the total budget increased by 1.6 percent. The number of positions remained the same at 10. Some of the accomplishments of the office were listed on the slide, most notably the adjudication of 35 appeals in FY 23.

Ms. Cross moved to slide 16 and provided an overview of DNR's vacancy data and recruitment initiatives. The overall department vacancy rate was 16.1 percent as of January 31, 2024. The vacancy rate had continued to decline over the last 14 months. The division with the lowest vacancy rate was TLO at 0 percent and the highest rate was OPMP at 30.8; however, OPMP's high vacancy rate was due to there being very few positions within the office. The department's recruitment and retention initiatives included transitioning 11 job classes to a competency-based minimum qualifications (MQ) system, which impacted roughly 300 positions at DNR. The change included expanding natural resource specialist jobs to accommodate non-supervisory career paths. The department had reduced processing of its recruitment timelines to under two business days for postings and hire approvals and it had also successfully utilized hybrid telework to promote a better work-life balance. Currently, 44 percent of DNR's employees were

utilizing a hybrid telework schedule and 56 percent were in the office fulltime.

Ms. Cross explained that the department was utilizing a number of strategies to address the vacancy and recruitment challenges, such as reclassifying and modifying positions, utilizing acting status, broadening the applicant pools, hiring for short term and long term non-permanent positions, offering advanced step placements, and extending seasonal work options. She relayed that DNR was one of four departments that would begin utilizing the new recruitment tool called Attract later in the month. The new tool would leverage the database of prospective jobseekers by categorizing work experience and history into a searchable system and issue automated notifications to up to 66,000 jobseekers in Alaska that could be suitable for open positions. She shared that Attract had shown to increase the applicant pool by 36 percent on average during its beta testing phase.

[9:56:01 AM](#)

Representative Cronk relayed that he had a comment about the earlier conversation on timber. He explained that if a forest fire burned through a timber section of birch trees, the trees would rot and the wood would be wasted. He thought that bureaucracy was slowing down the timber industry and wood was becoming worthless. He urged that the state view its timber as a resource rather than allowing it to burn or rot.

HB 268 was HEARD and HELD in committee for further consideration.

HB 270 was HEARD and HELD in committee for further consideration.

Co-Chair Johnson reviewed the agenda for the afternoon's meeting.

ADJOURNMENT

[9:58:14 AM](#)

The meeting was adjourned at 9:58 a.m.