

**1/29/10
OVERVIEWS :
DEPARTMENT
OF NATURAL
RESOURCES ,
DEPARTMENT
OF REVENUE**

<target><bill></bill><subject>1-29-10 OVERVIEWS DEPARTMENT
OF NATURAL RESOURCES, DEPARTMENT OF
REVENUE</subject><comm>HFIN26</comm></target>

1/29/10 1:37 pm

Alaska State Legislature
HOUSE FINANCE COMMITTEE

Agenda
1:30 PM

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Friday, January 29, 2010

FY11 Governor's Budget Overviews:

Department of Natural Resources

Presenters:

Tom Irwin, Commissioner

Leta Simons, Director, Division of Support Services

Department of Revenue

Presenters:

Pat Galvin, Commissioner

Ginger Blaisdell, Director, Division of Administrative Services

Available for questions:

Jerry Burnett, Deputy Commissioner



STATE OF ALASKA

SEAN PARNELL, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES & DEPARTMENT OF REVENUE

ALASKA GASLINE INDUCEMENT ACT

January 29, 2010

To: All Members of the Alaska State Legislature


Included with this letter is a report from the Department of Revenue (DOR) and Department of Natural Resources (DNR), submitted in accordance with reporting requirements under the Alaska Gasline Inducement Act ("AGIA").

AS 43.90.400(d) of AGIA requires the DOR and DNR Commissioners to submit a report to the legislature within the first 10 days of each regular session on the status of reimbursements from the AGIA reimbursement fund. This report must include a list of all disbursements made from the AGIA fund during the preceding fiscal year, a written justification for each disbursement and the projected amount of money that will be required for future disbursements during each of the next three fiscal years.

While this report is focused on information specific to AGIA fund disbursements, additional information related to the AGIA-licensed project is provided in administration's Alaska Pipeline Project Reports. These reports, along with other helpful resources are available on the AGIA website, at <http://www.state.ak.us/agia>.

We hope you find this information useful. If we can be of further assistance, please do not hesitate to contact us directly.

Sincerely,


Pat Galvin, Commissioner
Department of Revenue


Tom Irwin, Commissioner
Department of Natural Resources

Attachment: AGIA Fund Disbursement Report, January 29, 2010

AGIA Fund Disbursement Report
Department of Revenue and Department of Natural Resources
January 29, 2010

This report was produced by the Department of Revenue (DOR) and Department of Natural Resources (DNR) pursuant to reporting requirements under the Alaska Gasline Inducement Act ("AGIA" or "the Act").

AS 43.90.400(d) of AGIA requires the Department of Revenue (DOR) and Department of Natural Resources (DNR) Commissioners to submit a report to the legislature within the first 10 days of each regular session on the status of reimbursements from the AGIA reimbursement fund. This report must include a list of all disbursements made from the AGIA fund during the preceding fiscal year, a written justification for each disbursement and the projected amount of money that will be required for future disbursements during each of the next three fiscal years.

The information included in this report is focused on reimbursements issued from the AGIA Fund through December 2009, to the state's AGIA Licensee, TransCanada Alaska Company, LLC and Foothills Pipe Lines Ltd (referred to here as "TC Alaska"). For purposes of confidentiality, disbursements are summarized at the cost category level.

Reimbursement Process

Under the terms of the AGIA license, the state's licensee, TC Alaska, is entitled to receive certain benefits from the state in exchange for upholding specific commitments related to the project schedule, tariff and future expansions. These benefits include, among other things, matching reimbursement for up to \$500 million of qualified project expenditures.

Qualified expenditures include those which are determined to be directly and reasonably related to advancing the project, with the exception of overhead, lobbying and litigation costs, civil or criminal penalties or fines, or any expenditures for assets or work product acquired or developed by the licensee before the license was issued.¹

In order to ensure compliance with these and other regulatory requirements, expenditure information must be submitted by the Licensee for review by the state.

Due to the anticipated high volume and complexity of the licensee's submissions, the Department of Revenue undertook development of an electronic information management system, beginning in early 2009, which would allow individual expenditures to be tracked, monitored and reviewed throughout the various stages of the reimbursement process. The project was separated into two phases, with the first focusing on the design of the reimbursement process and workflow. The second phase focused on detailed technical design and construction of the electronic system, known as the AGIA Information Reimbursement System (AIRS).

¹ "Qualified Expenditures" are defined in AS 43.90.110(c) and 15 AAC 90.030

The first of these phases was largely completed in July 2009, with the assistance of a department contractor, PangoMedia, Inc. The resulting process includes a thorough and multi-stage review by staff within the department, and by state contractors working more directly with the Alaska Pipeline Project team.

Expenditure information is submitted by the licensee on a monthly basis, while formal Requests for Reimbursement are filed quarterly. This frequent exchange of information allows the department to review expenditures in a more consistent and timely manner, rather than trying to process a large volume of information at the end of each quarter.

Concurrent with this process design effort, the department has worked closely with TC Alaska to design technical reporting standards which enable submissions to be accepted electronically into state systems. While these standards will meet the needs of the future AIRS system, they have also allowed the department to implement a temporary information receiving method using DOR's existing Online Taxpayer Information System (OTIS). This temporary system was finalized and tested in November 2009, with TC Alaska successfully submitting its initial reimbursement request on November 21.

AGIA Fund Disbursements

TC Alaska's first Request for Reimbursement was filed in late November 2009 for work conducted during the first quarter (1Q) of 2009. The request was for work totaling \$2,463,999, with the state's share amounting \$1,231,000. After reviewing the request, the department issued an initial payment on December 21, 2009 for \$1,095,786, with \$272,427 of the total expenditures being set aside pending additional clarification and review.

Additional detail regarding TC Alaska's project expenditures and reimbursements to date is provided in Financial Accounting Reports section of this report. (See Pages 5-13)

Requested Reimbursement

Definition of the reimbursement process was completed in July 2009 with technical submission requirements completed in September 2009. The implementation of the submission requirements by TC Alaska took more time than anticipated and has slowed the reimbursement process to date. However, with many of these issues now being resolved, processing of future reimbursement requests is expected to occur much more quickly. While TC Alaska has only received reimbursement for \$1.1 million of qualified expenditures to date, reimbursement for work occurring throughout the remainder of the 2009 calendar year is expected to be substantially higher.

Earlier this month, TC Alaska submitted expenditure information for work conducted and paid during 2Q 2009. The department anticipates receiving a reimbursement request for this work by January 31, 2010. Review of the submission is expected to be complete within the subsequent 30 days, and payment issued on or before February 28, 2010.

The department expects to receive the 3Q 2009 and 4Q 2009 monthly submissions, as well as the related reimbursement requests, shortly after processing 2Q, with review and payment by the end of March and April 2010 respectively.

Estimated Project Spending

The figures in Table 1 are based on TC Alaska's 1Q 2010 Budget Report, provided to the department in mid-January. They show the projected amount of money required for reimbursement during each fiscal year until the Licensee is scheduled to obtain a FERC Certificate. The Governor's proposed budget for FY2011 will be amended to request an amount sufficient to meet this projected reimbursement schedule. It is important to note that the rate of spending could vary as the project moves forward. For example, if the Alaska Pipeline Project and shippers execute precedent agreements for sufficient volumes to Alberta or Valdez post the upcoming Open Season, the project may decide to substantially accelerate or increase the rate of spending based on the degree to which project uncertainties and conditions precedent can be resolved.

Table 1²

Estimated Project Spending Through FERC Certification (Thousands \$)								
Fiscal Year	Pre-License	2009	2010	2011	2012	2013	2014	TOTAL
Total Annual	\$2,527	\$17,812	\$126,498	\$139,517	\$137,128	\$137,128	\$137,128	
TC Alaska/EM	\$2,527	\$11,431	\$68,833	\$18,573	\$13,713	\$13,713	\$68,950	
State of Alaska	\$0	\$6,381	\$57,666	\$120,944	\$123,415	\$123,415	\$68,178	
Total Cumulative	\$2,527	\$20,339	\$146,837	\$286,354	\$423,482	\$560,610	\$697,738	\$697,738
TC Alaska/EM	\$2,527	\$13,958	\$82,791	\$101,363	\$115,076	\$128,789	\$197,738	\$197,738
State of Alaska	\$0	\$6,381	\$64,047	\$184,991	\$308,406	\$431,821	\$500,000	\$500,000

² Numbers are based on TC Alaska's Q1 2010 Budget Report. The report was prepared in Canadian Dollars and converted to US dollars @ 1.15 FX rate (based on Dollar @ December 2008); comparative spending after, 2010 reflects a change in the state's matching contribution from 50/50 to 90/10 following the Open Season in July 31.

Annual Audit

The AGIA statute also requires periodic audit of the Licensee. The department has contracted with Martindale Consultants Inc. to conduct the first annual audit. Initial meetings with the audit firm took place in November 2009 and coordination with TC Alaska is forthcoming. The audit will most likely begin after the first quarter of 2010. Specifically, the audit will review expenditures made by TC Alaska for which the licensee received payments of state matching funds to ensure that the expenditures were eligible under AGIA and applicable regulations. The audit will cover the 2009 calendar year plus the relevant portion of December 2008.

The contractor will prepare an audit plan, assign deadlines for each audit step subject to department approval, review TC Alaska's accounting records and reimbursement requests for compliance with AGIA's reimbursement provisions, conduct appropriate audit test, and complete an audit report including findings and claims. The contractor will also be required to assist the department in resolving audit claims. We anticipate all phases of the audit will consume roughly 320 hours which includes roughly 160 field hours at the Licensee's place of business in Calgary Canada. As part of the audit, the contractor will also be required to meet with personnel at the Department of Revenue's offices and at the Licensee's office in Calgary.

Financial Accounting Reports

- Table 2: 1Q 2009 AGIA Reimbursement Request Summary
 Table 3a: 1Q 2009 Monthly Costs by Account Category – All Regions
 Table 3b: 1Q 2009 Monthly Costs by Account Category – Alaska Region
 Table 3c: 1Q 2009 Monthly Costs by Account Category – Southern Yukon Region
 Table 3d: 1Q 2009 Monthly Costs by Account Category – British Columbia Region
 Table 4a: 1Q 2009 Monthly Costs by Cost Breakdown Structure – All Regions
 Table 4b: 1Q 2009 Monthly Costs by Cost Breakdown Structure – Alaska Region
 Table 4c: 1Q 2009 Monthly Costs by Cost Breakdown Structure – Southern Yukon Region
 Table 4d: 1Q 2009 Monthly Costs by Cost Breakdown Structure – British Columbia Region

Table 2

1Q 2009 AGIA Reimbursement Request Summary

Month	Year	Region	Total Claimed Gross Expenditures	Total Gross Exceptions	Approved Gross Qualified Expenditures	Reimbursed Qualified Expenditures @50%
Jan	2009	AK	\$202,935.44	(\$44,298.71)	\$158,636.73	\$79,318.37
Jan	2009	BC	\$47,034.17	(\$14,288.17)	\$32,746.00	\$16,373.00
Jan	2009	YK	\$48,963.73	(\$12,839.28)	\$36,124.45	\$18,062.23
Feb	2009	AK	\$585,560.93	(\$112,612.78)	\$472,948.15	\$236,474.08
Feb	2009	BC	\$148,612.97	(\$2,270.18)	\$146,342.79	\$73,171.40
Feb	2009	YK	\$187,631.24	(\$350.20)	\$187,281.04	\$93,640.52
March	2009	AK	\$1,020,739.25	(\$37,407.44)	\$983,331.81	\$491,665.91
March	2009	BC	\$95,951.93	(\$31,288.73)	\$64,663.20	\$32,331.60
March	2009	YK	\$126,569.80	(\$17,071.20)	\$109,498.60	\$54,749.30
Total			\$2,463,999.46	(\$272,426.69)	\$2,191,572.77	\$1,095,786.39

Table 3a
1Q 2009 Monthly Costs by Account Category - All Regions

Expenditure Account Category	January	February	March	Total Claimed Gross Expenditures	Total Gross Exceptions	Approved Gross Qualified Expenditures	Reimbursed Qualified Expenditures @ 50%
Bonds	-	2,905	-	2,905	-	2,905	1,453
Consulting Contracting External	91,175	671,153	801,662	1,563,990	(133,698)	1,430,292	715,146
Consulting Contracting Internal	10,512	18,382	50,979	79,873	(77,060)	2,814	1,407
Corporate Memberships	-	-	461	461	(461)	-	-
Ground Transportation	387	348	918	1,653	-	1,653	826
Integrated Network & Lease Circuits	130	129	-	259	(259)	-	-
Land - Aboriginal	-	-	39,607	39,607	(18,413)	21,194	10,597
Land Rights	-	-	24,041	24,041	-	24,041	12,020
Legal	-	29,216	73,126	102,343	-	102,343	51,171
License & Permits	10,000	-	-	10,000	-	10,000	5,000
Office Costs	4,867	-	-	4,867	-	4,867	2,434
Other Communication Expense	-	-	2,706	2,706	-	2,706	1,353
Premise Rent/ Lease	5,468	5,468	5,468	16,403	-	16,403	8,202
Salaries & Benefits	176,223	193,982	243,992	614,197	(41,841)	572,355	286,178
Stationery & Office Supplies	103	-	237	341	(341)	-	-
Utilities	68	221	64	353	(353)	-	-
Total	298,933	921,805	1,243,261	2,463,999	(272,427)	2,191,573	1,095,786

Table 3b
1Q 2009 Monthly Costs by Account Category - Alaska Region

Expenditure Account Category	January	February	March	Total Claimed Gross Expenditures	Total Gross Exceptions	Approved Gross Qualified Expenditures	Reimbursed Qualified Expenditures @ 50%
Bonds	-	2,905	-	2,905	-	2,905	1,453
Consulting Contracting External	50,142	401,375	745,921	1,197,438	(116,741)	1,080,697	540,348
Consulting Contracting Internal	5,710	13,338	29,082	48,131	(48,090)	40	20
Corporate Memberships	-	-	-	-	-	-	-
Ground Transportation	-	-	-	-	-	-	-
Integrated Network & Lease Circuits	-	-	-	-	-	-	-
Land - Aboriginal	-	-	-	-	-	-	-
Land Rights	-	-	-	-	-	-	-
Legal	-	28,892	73,126	102,019	-	102,019	51,009
License & Permits	10,000	-	-	10,000	-	10,000	5,000
Office Costs	4,867	-	-	4,867	-	4,867	2,434
Other Communication Expense	-	-	2,706	2,706	-	2,706	1,353
Premise Rent/ Lease	5,468	5,468	5,468	16,403	-	16,403	8,202
Salaries & Benefits	126,749	133,582	164,436	424,767	(29,488)	395,280	197,640
Stationery & Office Supplies	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Total	202,935	585,561	1,020,739	1,809,236	(194,319)	1,614,917	807,458

Table 3c
1Q 2009 Monthly Costs by Account Category - Southern Yukon Region

Expenditure Account Category	Total Claimed				Approved Gross Qualified Expenditures	Reimbursed Qualified Expenditures @ 50%
	January	February	March	Gross Expenditures		
Bonds	-	-	-	-	-	-
Consulting Contracting External	20,967	143,506	29,494	193,967	(14,194)	89,886
Consulting Contracting Internal	2,868	2,774	11,784	17,425	(14,652)	1,387
Corporate Memberships	-	-	461	461	(461)	-
Ground Transportation	387	348	918	1,653	-	826
Integrated Network & Lease Circuits	130	129	-	259	(259)	-
Land - Aboriginal	-	-	21,194	21,194	-	10,597
Land Rights	-	-	24,041	24,041	-	12,020
Legal	-	324	-	324	-	162
License & Permits	-	-	-	-	-	-
Office Costs	-	-	-	-	-	-
Other Communication Expense	-	-	-	-	-	-
Premise Rent/ Lease	-	-	-	-	-	-
Salaries & Benefits	24,440	40,330	38,377	103,146	-	51,573
Stationery & Office Supplies	103	-	237	341	(341)	-
Utilities	68	221	64	353	(353)	-
Total	48,964	187,631	126,570	363,165	(30,261)	166,452

Table 3d
1Q 2009 Monthly Costs by Account Category - British Columbia Region

Expenditure Account Category	January	February	March	Total Claimed Gross Expenditures	Total Gross Exemptions	Approved Gross Qualified Expenditures	Reimbursed Qualified Expenditures @ 50%
Bonds	-	-	-	-	-	-	-
Consulting Contracting External	20,066	126,272	26,248	172,586	(2,763)	169,823	84,991
Consulting Contracting Internal	1,935	2,270	10,113	14,318	(14,318)	-	-
Corporate Memberships	-	-	-	-	-	-	-
Ground Transportation	-	-	-	-	-	-	-
Integrated Network & Lease Circuits	-	-	-	-	-	-	-
Land - Aboriginal	-	-	18,413	18,413	(18,413)	-	-
Land Rights	-	-	-	-	-	-	-
Legal	-	-	-	-	-	-	-
License & Permits	-	-	-	-	-	-	-
Office Costs	-	-	-	-	-	-	-
Other Communication Expense	-	-	-	-	-	-	-
Premise Rent/ Lease	-	-	-	-	-	-	-
Salaries & Benefits	25,034	20,070	41,179	86,283	(12,354)	73,929	36,965
Stationery & Office Supplies	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-
Total	47,034	148,613	95,952	291,599	(47,847)	243,752	121,876

Table 4a

1Q 2009 Monthly Costs by Cost Breakdown Structure - All Regions

Expenditure Cost Category	January	February	March	Total Claimed Gross Expenditures	Total Gross Exceptions	Approved Gross Qualified Expenditures	Reimbursed Qualified Expenditures @ 50%
Aboriginal Affairs	19,776	33,590	33,508	86,874	(15,613)	71,261	35,631
Commercial	11,630	9,870	1,235	22,736	-	22,736	11,368
Compression Design	-	23,743	-	23,743	-	23,743	11,871
Contract Admin	46	-	-	46	(11)	34	17
Design	-	-	9,071	9,071	(4,069)	5,002	2,501
Engineering	1,487	830	3,866	6,182	-	6,182	3,091
Estimating Services	-	-	36,530	36,530	(8,325)	28,205	14,103
External Design Pipeline	-	121,584	(2,582)	119,002	-	119,002	59,501
External Environment	34,280	69,656	94,000	197,936	(34,280)	163,656	81,828
External Legal	11,522	47,936	132,415	191,873	(18,413)	173,460	86,730
External Legal / Regulatory	-	-	22,791	22,791	-	22,791	11,396
External Pipeline Design	4,139	109,108	10,083	123,330	-	123,330	61,665
Geotechnical Testing	-	18,006	142,912	160,918	-	160,918	80,459
GTP Coordination	19,105	5,320	8,213	32,638	-	32,638	16,319
Legal Agreements	-	49	-	49	-	49	25
Market & Competitive Analysis	3,009	3,083	-	6,092	-	6,092	3,046
Mechanical	-	10,822	-	10,822	-	10,822	5,411
Office Costs	302	5,468	8,174	13,944	(302)	13,642	6,821
Office Lease Costs	10,335	350	762	11,447	(1,112)	10,335	5,167
Pipeline Design	-	153,660	299,548	453,208	-	453,208	226,604
Project Consulting	-	2,643	-	2,643	-	2,643	1,321
Project Coordination	153,145	146,959	193,431	493,536	(60,296)	433,240	216,620
Project Services	1,003	-	8,337	9,340	(8,334)	1,006	503
System Design	4,240	32,789	35,631	72,660	(39,210)	33,450	16,725
Technical Support	382	-	-	382	-	382	191
Technology	6,208	4,922	14,306	25,435	-	25,435	12,718
Technology Coordination	2,687	-	-	2,687	-	2,687	1,343
Technology Development	15,637	43,296	50,578	109,512	(4,339)	105,172	52,586
Terrain Mapping	-	78,121	140,450	218,572	(78,121)	140,450	70,225
Total	298,933	921,805	1,243,261	2,463,999	(272,427)	2,191,573	1,095,786

Table 4b
1Q 2009 Monthly Costs by Cost Breakdown Structure - Alaska Region

Expenditure Cost Category	January	February	March	Total Claimed Gross Expenditures	Total Gross Exceptions	Approved Gross Qualified Expenditures	Reimbursed Qualified Expenditures @ 50%
Aboriginal Affairs	-	-	-	-	-	-	-
Commercial	6,521	6,045	618	13,184	-	13,184	6,592
Compression Design	-	23,743	-	23,743	-	23,743	11,871
Contract Admin	46	-	-	46	(11)	34	17
Design	-	-	-	-	-	-	-
Engineering	1,487	830	3,866	6,182	-	6,182	3,091
Estimating Services	-	-	36,339	36,339	(8,325)	28,014	14,007
External Design Pipeline	-	-	-	-	-	-	-
External Environment	34,280	69,016	94,000	197,296	(34,280)	163,016	81,508
External Legal	11,522	47,330	91,559	150,411	-	150,411	75,206
External Legal / Regulatory	-	-	-	-	-	-	-
External Pipeline Design	-	-	-	-	-	-	-
Geotechnical Testing	-	18,006	142,912	160,918	-	160,918	80,459
GTP Coordination	19,105	5,320	8,213	32,638	-	32,638	16,319
Legal Agreements	-	49	-	49	-	49	25
Market & Competitive Analysis	-	-	-	-	-	-	-
Mechanical	-	-	-	-	-	-	-
Office Costs	-	5,468	8,174	13,642	-	13,642	6,821
Office Lease Costs	10,335	-	-	10,335	-	10,335	5,167
Pipeline Design	-	153,660	299,548	453,208	-	453,208	226,604
Project Consulting	-	-	-	-	-	-	-
Project Coordination	111,015	103,653	115,014	329,682	(29,466)	300,216	150,108
Project Services	491	-	8,337	8,828	(7,822)	1,006	503
System Design	3,288	31,024	21,130	55,443	(31,953)	23,489	11,745
Technical Support	-	-	-	-	-	-	-
Technology	-	-	-	-	-	-	-
Technology Coordination	506	-	-	506	-	506	253
Technology Development	4,339	43,296	50,578	98,214	(4,339)	93,875	46,937
Terrain Mapping	-	78,121	140,450	218,572	(78,121)	140,450	70,225
Total	202,935	585,561	1,020,739	1,809,236	(194,319)	1,614,917	807,458

Table 4c

1Q 2009 Monthly Costs by Cost Breakdown Structure - Southern Yukon Region

Expenditure Cost Category	January	February	March	Total Claimed Gross Expenditures	Total Gross Exceptions	Approved Gross Qualified Expenditures	Reimbursed Qualified Expenditures @ 50%
Aboriginal Affairs	10,057	17,003	17,398	44,457	(12,850)	31,607	15,803
Commercial	-	-	308	308	-	308	154
Compression Design	-	-	-	-	-	-	-
Contract Admin	-	-	-	-	-	-	-
Design	-	-	9,071	9,071	(4,069)	5,002	2,501
Engineering	-	-	-	-	-	-	-
Estimating Services	-	-	-	-	-	-	-
External Design Pipeline	-	121,584	(2,582)	119,002	-	119,002	59,501
External Environment	-	344	-	344	-	344	172
External Legal	-	324	22,443	22,767	-	22,767	11,384
External Legal / Regulatory	-	-	22,791	22,791	-	22,791	11,396
External Pipeline Design	-	2,710	7,817	10,527	-	10,527	5,264
Geotechnical Testing	-	-	-	-	-	-	-
GTP Coordination	-	-	-	-	-	-	-
Legal Agreements	-	-	-	-	-	-	-
Market & Competitive Analysis	3,009	3,083	-	6,092	-	6,092	3,046
Mechanical	-	10,822	-	10,822	-	10,822	5,411
Office Costs	302	-	-	302	(302)	-	-
Office Lease Costs	-	350	762	1,112	(1,112)	-	-
Pipeline Design	-	-	-	-	-	-	-
Project Consulting	-	2,643	-	2,643	-	2,643	1,321
Project Coordination	22,428	26,556	39,485	88,469	(10,481)	77,989	38,994
Project Services	-	-	-	-	-	-	-
System Design	-	-	2,641	2,641	(1,446)	1,195	598
Technical Support	382	-	-	382	-	382	191
Technology	-	2,213	6,434	8,648	-	8,648	4,324
Technology Coordination	1,487	-	-	1,487	-	1,487	744
Technology Development	11,298	-	-	11,298	-	11,298	5,649
Terrain Mapping	-	-	-	-	-	-	-
Total	48,964	187,631	126,570	363,165	(30,261)	332,904	166,452

Table 4d

1Q 2009 Monthly Costs by Cost Breakdown Structure - British Columbia Region

Expenditure Cost Category	January	February	March	Total Claimed Gross Expenditures	Total Gross Exceptions	Approved Gross Qualified Expenditures	Reimbursed Qualified Expenditures @ 50%
Aboriginal Affairs	9,719	16,588	16,110	42,417	(2,763)	39,654	19,827
Commercial	5,110	3,825	309	9,244	-	9,244	4,622
Compression Design	-	-	-	-	-	-	-
Contract Admin	-	-	-	-	-	-	-
Design	-	-	-	-	-	-	-
Engineering	-	-	-	-	-	-	-
Estimating Services	-	-	191	191	-	191	96
External Design Pipeline	-	-	-	-	-	-	-
External Environment	-	296	-	296	-	296	148
External Legal	-	282	18,413	18,694	(18,413)	282	141
External Legal / Regulatory	-	-	-	-	-	-	-
External Pipeline Design	4,139	106,398	2,266	112,803	-	112,803	56,402
Geotechnical Testing	-	-	-	-	-	-	-
GTP Coordination	-	-	-	-	-	-	-
Legal Agreements	-	-	-	-	-	-	-
Market & Competitive Analysis	-	-	-	-	-	-	-
Mechanical	-	-	-	-	-	-	-
Office Costs	-	-	-	-	-	-	-
Office Lease Costs	-	-	-	-	-	-	-
Pipeline Design	-	-	-	-	-	-	-
Project Consulting	-	-	-	-	-	-	-
Project Coordination	19,702	16,751	38,932	75,385	(20,349)	55,036	27,518
Project Services	512	-	-	512	(512)	-	-
System Design	952	1,765	11,860	14,576	(5,811)	8,765	4,383
Technical Support	-	-	-	-	-	-	-
Technology	6,208	2,708	7,871	16,788	-	16,788	8,394
Technology Coordination	693	-	-	693	-	693	346
Technology Development	-	-	-	-	-	-	-
Terrain Mapping	-	-	-	-	-	-	-
Total	47,034	148,613	95,952	291,599	(47,847)	243,752	121,876

FY11 Budget Overview



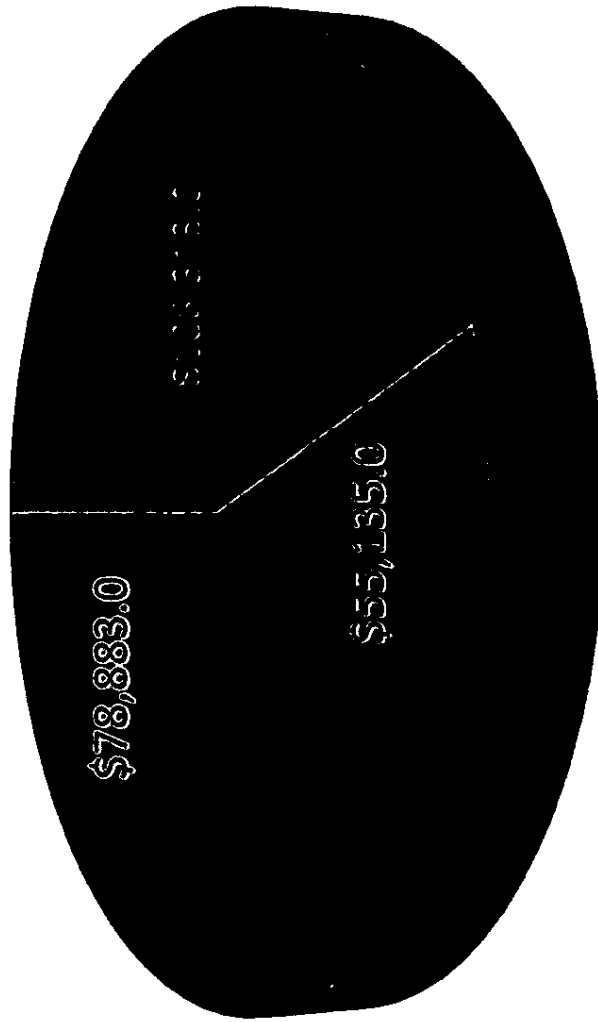
Presentation to the House Finance Committee
January 29, 2010
Alaska Department of Revenue

Oil and Gas Requests

- AGIA Information Reporting System (Tax Division)
 - \$300,000
- Petroleum Commercial Analyst Positions for Gasline and Production Tax Analysis (Tax Division)
 - \$800,000
- Audit of AGIA Reimbursement Fund (Nat Gas Com)
 - \$50,000
- Fiscal Systems Analysis to Support Negotiations of Gasline Fiscal Terms (Nat Gas Com)
 - \$1,500,000

Core and Corporations

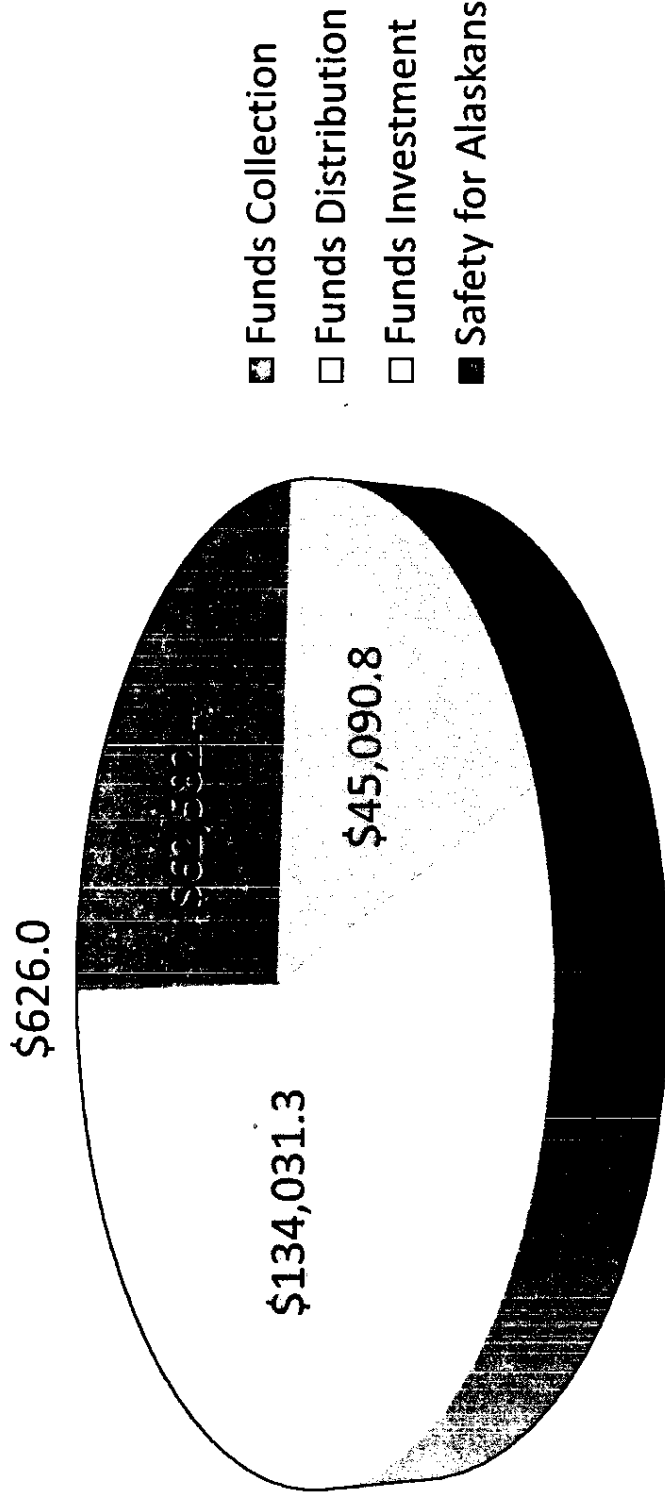
“who we are”



- Dept Core Services
- AK Housing Finance Corp
- AK Permanent Fund Corp

Priority Programs

“what we do”



Long Term Care Ombudsman

- Population aged 65+ in Alaska has grown 34% between July 1, 2001 and July 1, 2008. They predict tripling the size of this age group over the next 25 years.
- During FY09, the overall number of complaints were 337 compared to 162 in FY08. (108% increase)
- Currently 15 nursing homes with 708 beds and more than 250 assisted living homes with 2,013 beds that are serviced by the LTCO investigators.
 - \$91,500 GF request



Tax Division

- Along with oil and gas production tax, the division is responsible for the administration of 21 other tax types and the regulation of charitable gaming.
- Fall 2009 Revenue Source Book
- Annual Tax Report as of June 30, 2009



Treasury Division

- Investment of the retirement accounts and the State's treasury including the General Fund, sub-accounts of the GF, CBR, and SBR.
 - \$387,000 increment for management fees of the CBR
- ARM Board
- Unclaimed Property



6

Permanent Fund Dividend Division

- Significant change in operations to be able to expedite service to Alaskans with call center routing and redistributing staff efforts with the public need.
- Significant change in distribution practices by reducing printing and postage costs due to increased online filing.
- IT application development
 - \$100,000 increment for Dot.Net training



7

Child Support Services Division

- Alaska CSSD is the honored recipient of the “PAC-10 Challenge Preventing Arrears Cup for 2009.”
 - The Division was selected for the award based on having the most effective arrears management in Region X.
- Fund source change to balance the agency’s budget with the ARRA funding changes that occurred during the past year.
 - Additional adjustments will be forthcoming in the FY10 supplemental and FY11 amended budget request

Child Support Services Division

Commissioner's Office

- Oversight of Administrative Services, ANGDA and Natural Gas Commercialization
 - No budget changes to Commissioner's Office and Administrative Services
 - Anticipate IT support related increment in the FY10 supplemental and FY11 amended request
- AGIA Project Report- October 31, 2010
- ACES Status Report- January 14, 2010



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AK Municipal Bond Bank Authority

- Legislation introduced regarding bonding and debt issuances
 - HB 299 / SB 226 Certificates of Participation for the crime lab and the University life sciences building
- Reviewing legislation for:
 - Recovery Zone Bond Authorization
 - AMBBA Authorization adjustments



210

Alaska Housing Finance Corporation

- Slight increases in their operating budget to account for ARRA funding and fixed costs increases
- Presenting to the budget subcommittee on Monday, Feb 1
- Legislation Introduced:
 - HB291 / SB217 Revenue Bonds for Veterans
 - HB296 / SB223 Energy Efficiency Bonds and Loan Program with AIDEA



10
11

Alaska Permanent Fund Corporation

- Variety of increments including
 - Board meeting travel
 - Contractual increases
 - State support chargeback increases
 - Investment analysis system increases
 - Network security
 - Funding to lower the vacancy factor
- Presenting to the budget subcommittee on Monday, Feb 15

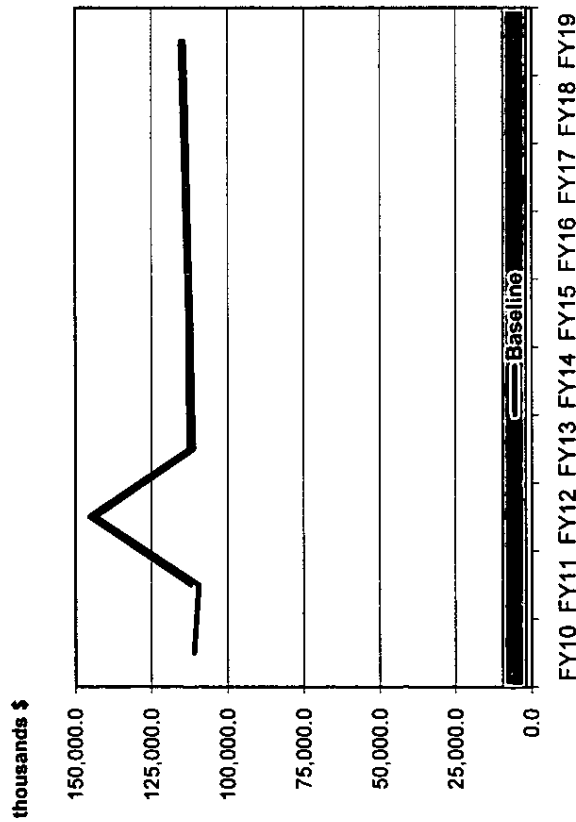


11,2

10 Year Plan

- The overall budget growth is determined by:
 - The growth of fund balances assuming an increase of 7% per year
 - Fixed cost increases to select operating costs of approximately 11% per year
 - One time increase of System Management fees increases once the integrated Tax MIS is developed
 - We do not anticipate the need for other program growth unless new/changed legislation impacts the department's current capacity

Revenue- All Funds



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13



Alaska Department of Natural Resources

House Finance Committee Overview

January 29, 2010

Presented by Commissioner Tom Irwin

Who We Are and What We Do

Department Mission:

Develop, conserve and maximize the use of Alaska's natural resources consistent with the public interest

DNR manages the state's land. Its primary core service is to provide opportunities for responsible and best use of state land and water resources

Divisions

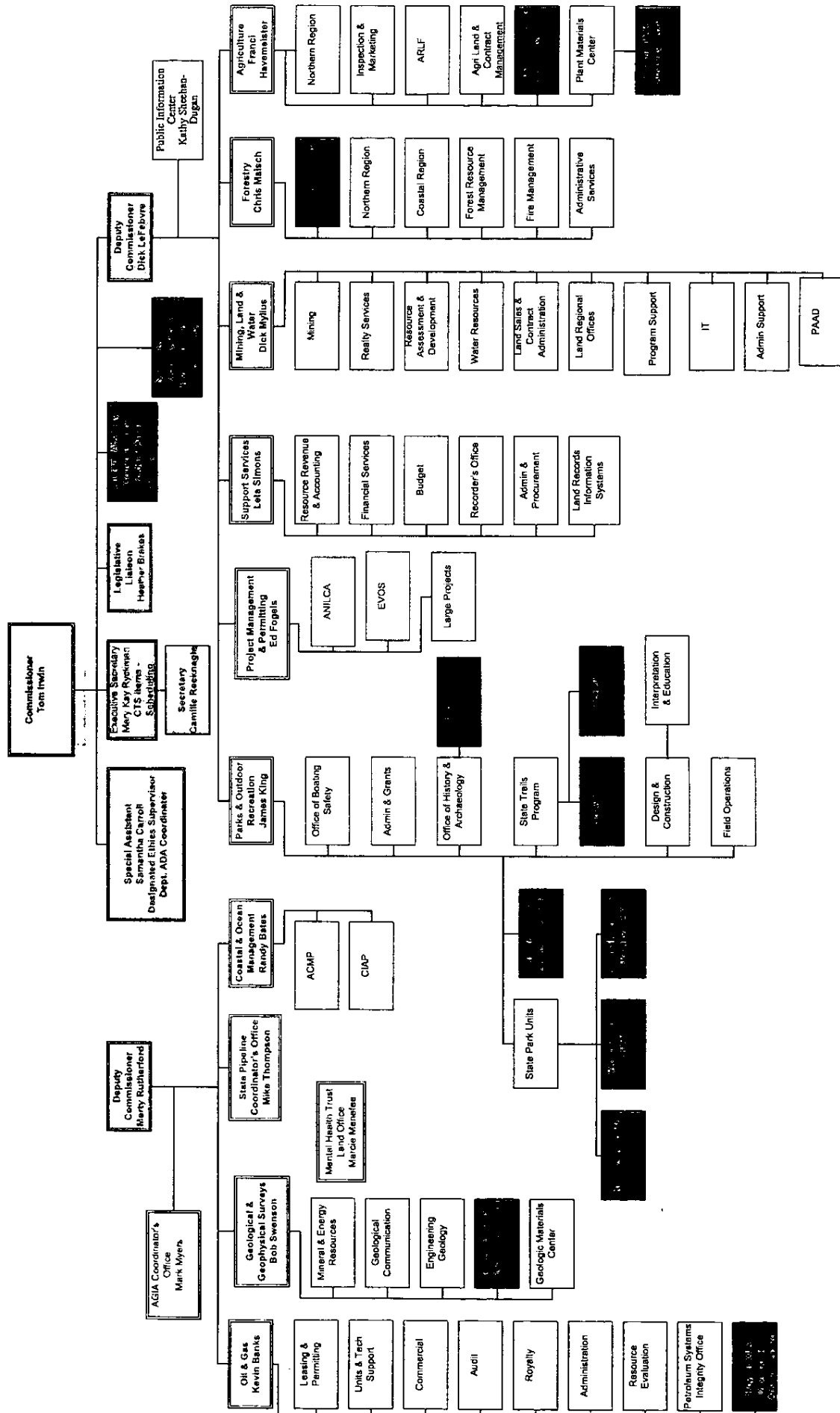
Oil & Gas
Mining, Land & Water
Forestry
Geological & Geophysical Surveys
Agriculture
Parks & Outdoor Recreation
Coastal & Ocean Management
Support Services

Offices

State Pipeline Coordinator (JPO)
Project Mgmt. & Permitting
Mental Health Trust Land
AGIA Coordinator
Public Services
Commissioner

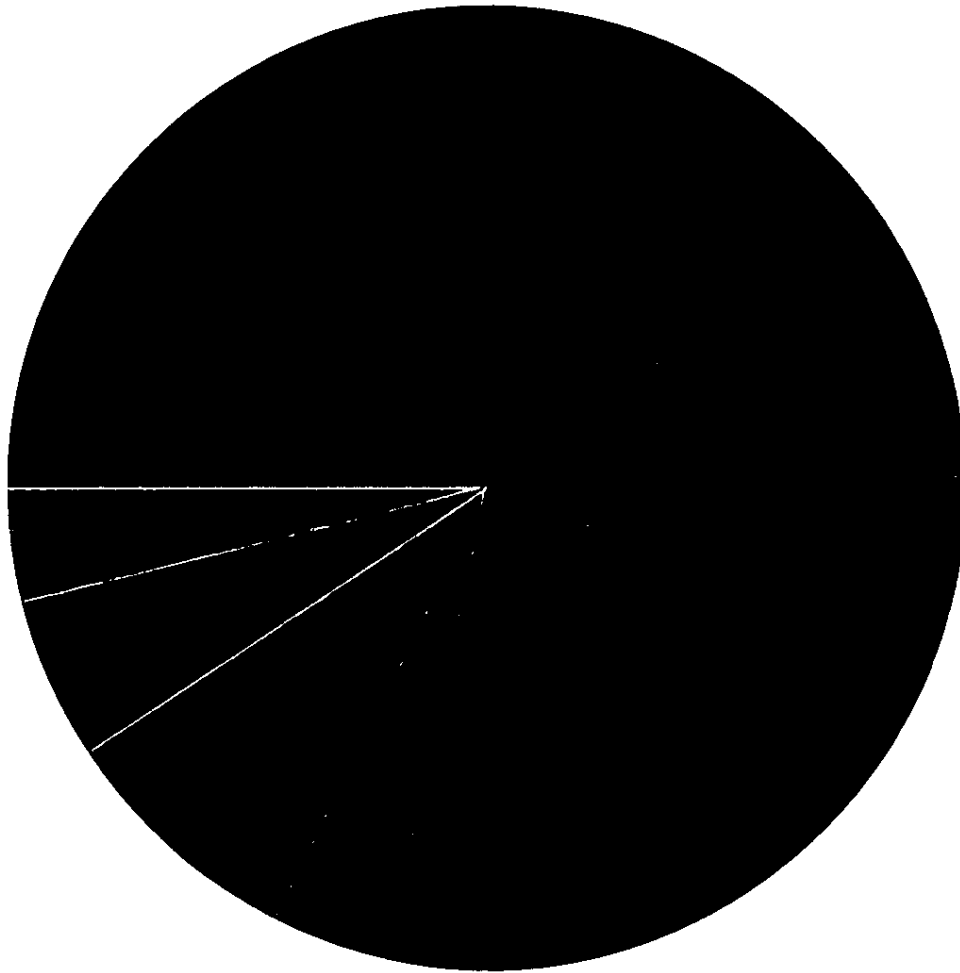
Boards and Commissions

Natural Resource Development
Board (Soil & Water Districts)
Citizen's Advisory Commission
on Federal Areas (CACFA)



DNR FY10 Operating Budget By Priority Program

Chart 1



(in thousands)

- Natural Resource Development - \$58,295.7 (40.1%)
- Natural Resource Information - \$13,797.7 (9.5%)
- State Land Transfers & Access - \$9,303.3 (6.4%)
- Wildland Fire Management - \$32,522.8 (22.4%)
- Conservation & Protection - \$5,644.2 (3.9%)
- State Parks Management - \$12,209.0 (8.4%)
- Agricultural Industry Support - \$7,897.2 (5.4%)
- Public Information & Recorder - \$5,586.9 (3.8%)

Total FY10 Operating Budget - \$145,256.8

Current Status

FY10 Budget

Adjusted Base \$133 million

Management Plan \$145 million

Difference: One-time items, multi-year operating appropriations and Mental Health Trust Land Office budget (zero-based)

Funding sources:

53% general fund

11% federal

36% other (CIP, interagency receipts, receipt-support services, SDPR, land disposal income fund, and others)

Positions

1,101 Permanent and Non-Permanent Budgeted Positions

Average vacancy 11.5% (130 positions)

RECENT HIGHLIGHTS

- Managed state land that generated more than 70% of the state's general fund revenue – about \$5.7 billion in FY09
- First drilling activity at the Pt. Thomson field on the North Slope since 1983
- ExxonMobil joined TransCanada to progress the Alaska Pipeline Project (AGIA)
- Advanced large development projects throughout Alaska
- Acquired 8.3 million acres of new state land over the last four years
- Limited 93% of fires in Critical and Full state managed areas to 10 acres or less in the ninth largest fire season on record (518 fires on over 2.9 million acres)
- Secured and winterized abandoned oil and gas production facilities on state lease land, preserving the value of the facilities for eventual buyer
- Awarded contracts to replace 36 dilapidated outhouse facilities in state park facilities
- Competed for and received \$10.7 million in ARRA funds (federal stimulus)

FY11 PRIORITIES INCLUDE:

Alaska Pipeline Project (AGIA)

Improved service delivery

Navigability reports to assert state ownership and management rights

Maintain facilities and equipment

Continually improve use of technology resources

DNR'S 10-YEAR PLAN

Gasline – DNR Costs

DNR's budget for the Alaska Pipeline Project (AGIA) will peak in FY11 and FY12,
as project approaches construction phase

DNR Core Services – General Fund increases, FY11-FY20

- ✓ Promote increasing development of state oil and gas resources
- ✓ Increase staffing and technology resources to provide reasonable levels of service to industry, the public and other agencies
- ✓ Address \$150 million in deferred maintenance, facility replacement, and equipment replacement and upgrades

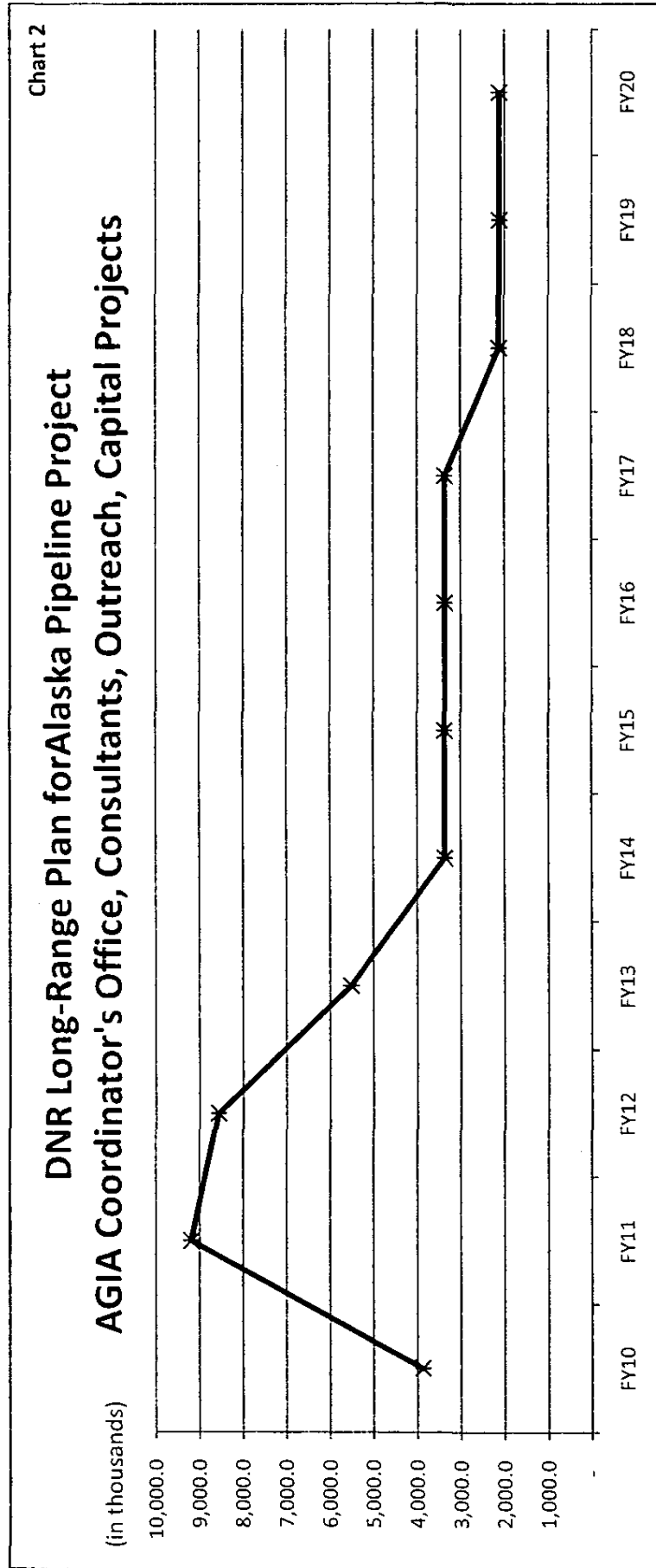


Chart 3

DNR Long-Range Plan General Fund Operating Budget FY11-FY20 (excluding gasoline)

(in thousands)

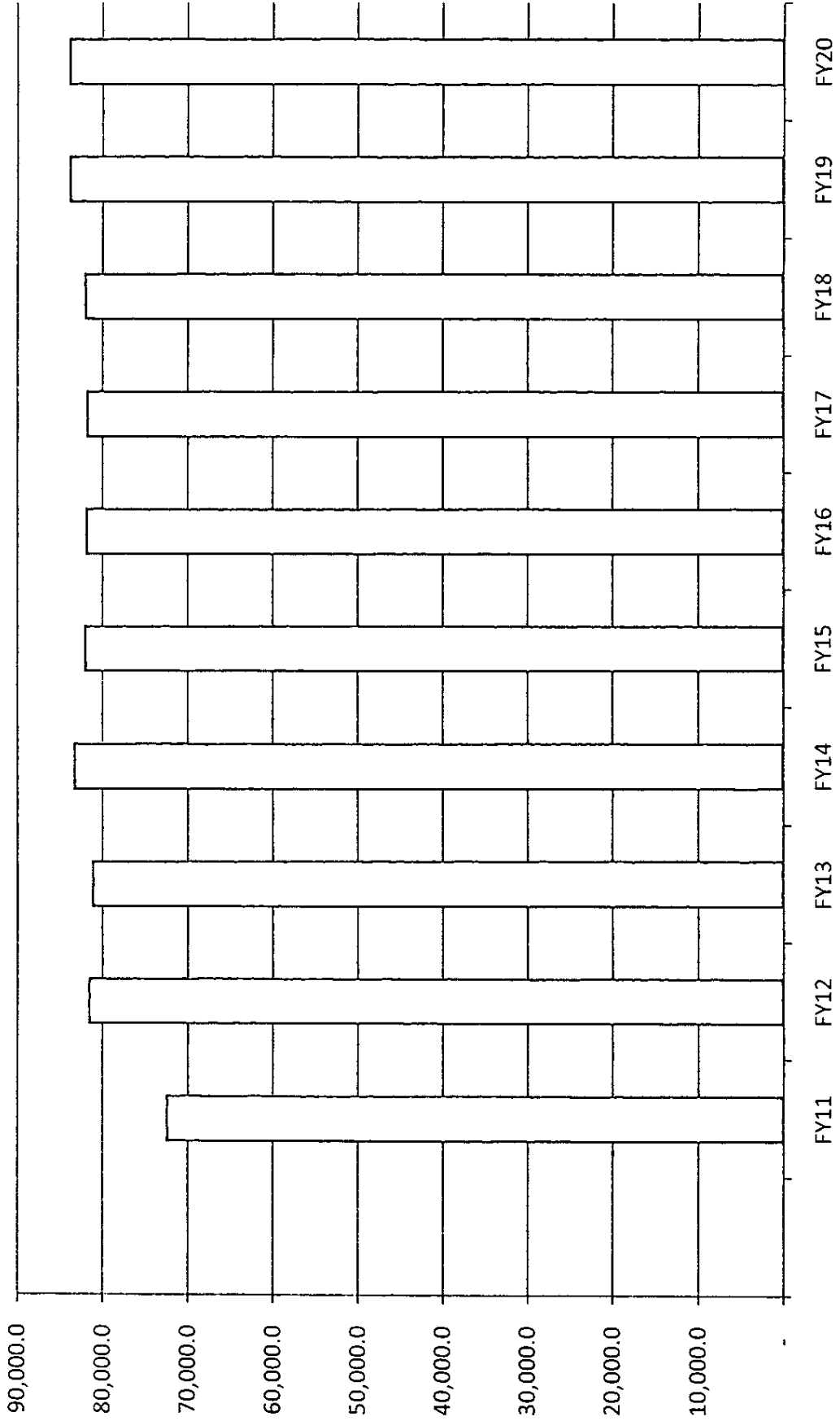
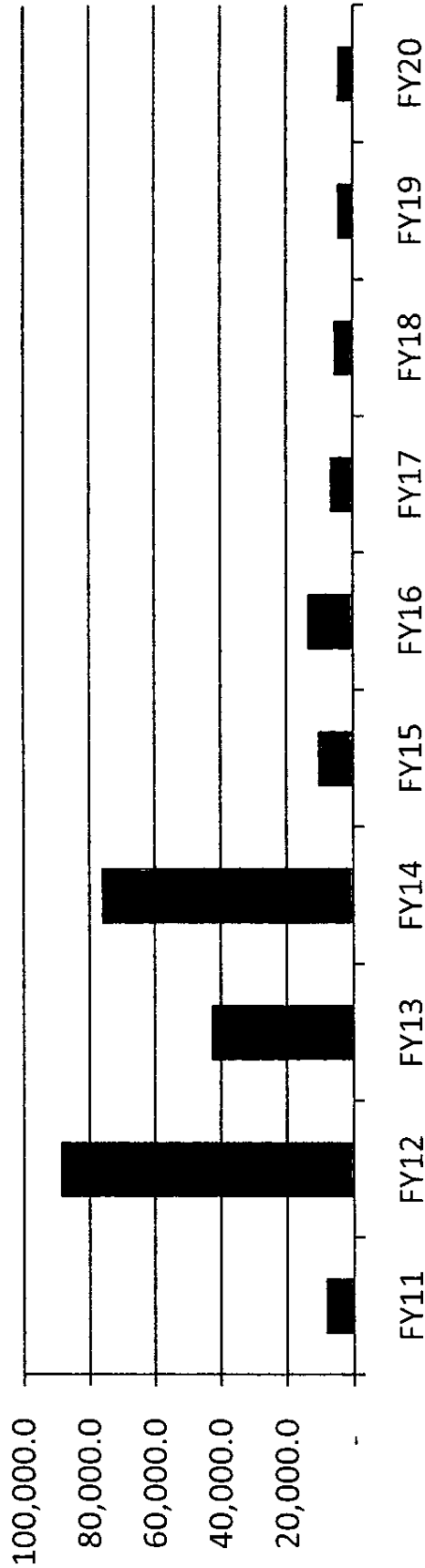


Chart 4

DNR Long-Range Plan General Fund Capital Projects FY11-FY20 (excludes gasoline)

(in thousands)



Legislative Fiscal Analyst's Overview of the Governor's FY2011 Request

* **Sec. 19. GAS PIPELINE DEVELOPMENT.** The following amounts are appropriated to the named department and components from receipts of the Alaska Housing Capital Corporation created under AS 18.56.086 in the amounts stated for work associated with development of a natural gas pipeline for the fiscal year ending June 30, 2011:

DEPARTMENT AND COMPONENT	APPROPRIATION AMOUNT
(1) Administration	
Alaska Oil and Gas Conservation Commission	1,150,900
(2) Law	
Oil, gas, and mining	2,500,000
(3) Natural Resources	
Gas pipeline implementation	4,217,500
(4) Revenue	
Tax Division	1,100,000
Natural gas commercialization	1,550,000

Legislative Fiscal Analyst Comment: In FY09, the legislature consolidated oil and gas development funding requests in the Office of the Governor, with direction to distribute the one-time funding of \$7.3 million GF to the Departments of Labor and Workforce Development, Natural Resources, Law, and Revenue as needed for work associated with the Natural Gas Pipeline. Consolidation was intended to increase flexibility while easing the process of tracking statewide gasline appropriations. Although the Governor's Office distributed money at the beginning of the fiscal year (rather than on an as-needed basis as the legislature intended), the wisdom of a consolidated appropriation was demonstrated when the Department of Law transferred \$550.0 to the Department of Revenue.

Legislative Fiscal Analyst Recommendation: Consolidate gasline appropriations (including those in section 16(f)). Make a single appropriation to the Office of the Governor, with direction to distribute the money to the Departments/allocations and for the purposes listed. Include the estimated allocations to various Departments as information.

* **Sec. 20. FEDERAL AND OTHER PROGRAM RECEIPTS.** (a) Federal receipts, designated program receipts as defined in AS 37.05.146(b)(3), information services fund program receipts as described in AS 44.21.045(b), Exxon Valdez oil spill trust receipts described in AS 37.05.146(b)(4), receipts of the Alaska Housing Finance Corporation, receipts of the Alaska marine highway system fund described in AS 19.65.060(a), receipts of the University of Alaska as described in AS 37.05.146(b)(2), and receipts of the Alaska Fire Standards Council described in AS 37.05.146(b)(5) that are received during the fiscal year ending June 30, 2011, and that exceed the amounts appropriated by this Act, are appropriated conditioned on compliance with the program review provisions of AS 37.07.080(h).

(b) If federal or other program receipts as defined in AS 37.05.146 and in AS 44.21.045(b) that are received during the fiscal year ending June 30, 2011, exceed the amounts

Dst By: Co-Chair Hunter