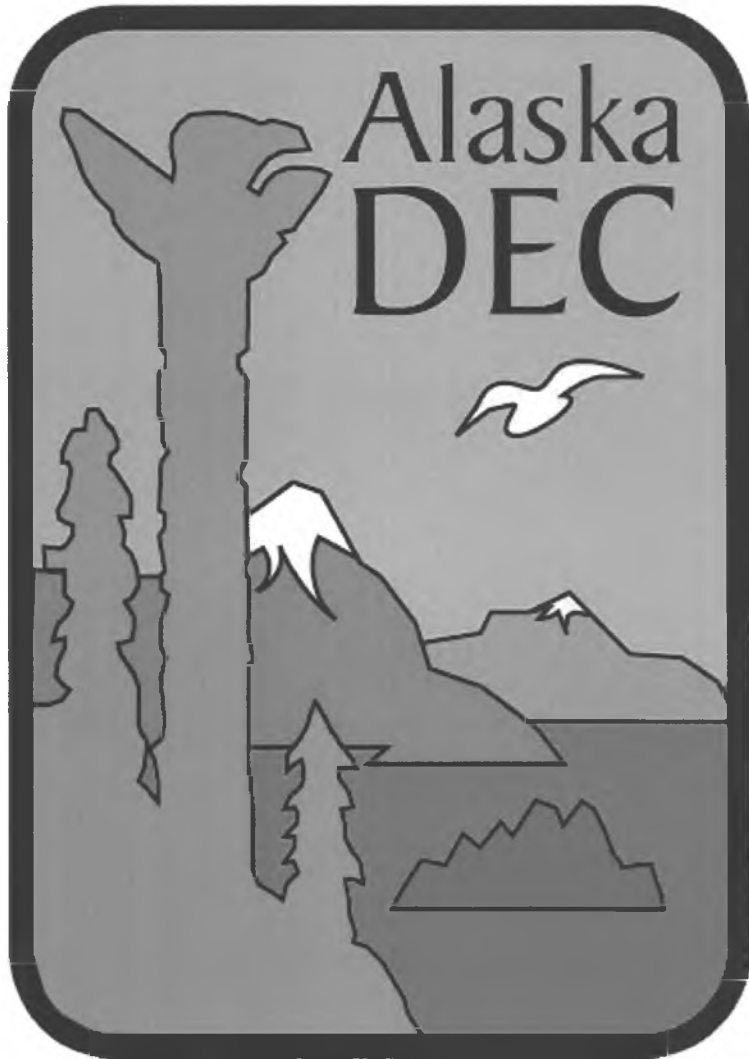


1/28/11
BUDGET
OVERVIEW:
DEPARTMENT OF
ENVIRONMENTAL
CONSERVATION

<TARGET><BILL></BILL><SUBJECT>1-28-11 BUDGET OVERVIEW
DEPARTMENT OF ENVIRONMENTAL
CONSERVATION</SUBJECT><COMM>HFIN27</COMM></TARGET>



Department of Environmental Conservation

House Finance Overview
Commissioner Larry Hartig

January 28, 2011

DEC's Mission

Protect human health and the environment.



Responsibilities & Functions

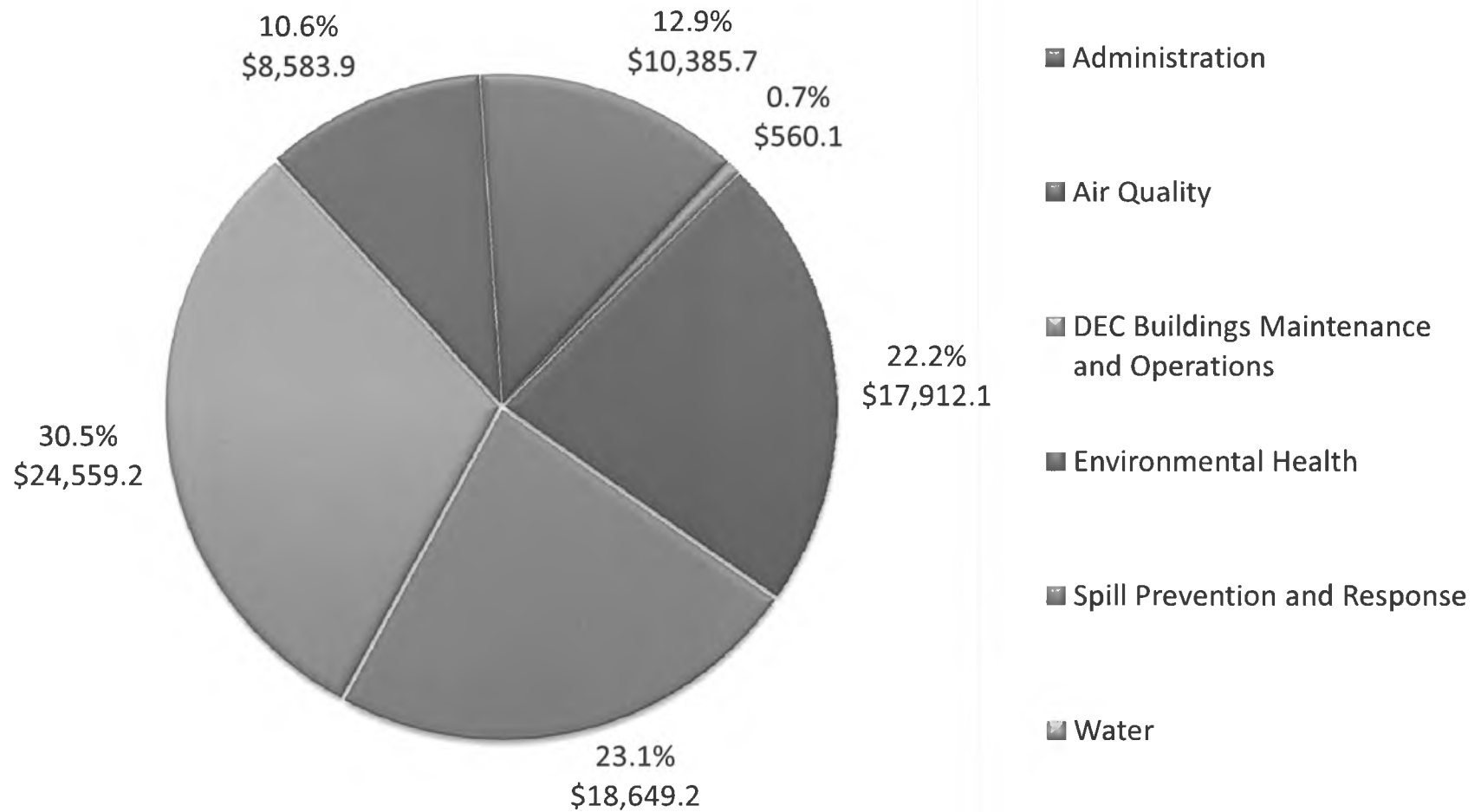
- Develop standards
- Issue permits
- Provide compliance and financial assistance
- Respond to spills of oil and other hazardous substances
- Safeguard the quality of food and seafood
- Operate the State Environmental Health Lab
- House the Office of the State Veterinarian
- Regulate pesticides and certain types of use
- Educate and assist the public
- Interact with our federal agency counterparts
- Investigate violations and enforce state law

Current Capacity & FY12 Request

	Undesignated General Fund (UGF)	Designated General Fund (DGF)	Federal (FED)	OTHER	TOTAL	PFT	PPT	NP	% Total UGF
FY11 Management Plan	\$18,822.7	\$25,616.3	\$22,596.3	\$10,554.0	\$77,589.5	537	1	13	24.3%
FY12 Governor's Operating Request	19,550.7	26,898.4	23,493.4	10,707.7	80,650.2	542	1	11	24.2%
Change from FY11 to FY12	\$728.0	\$1,282.1	\$897.1	\$153.7	\$3,060.9	5	0	-2	

FY12 Capital Budget Request: \$78,370.2

Breakout of FY12 Budget Request



Divisions

- Administration
- Environmental Health
 - Building Maintenance and Operations
- Air Quality
- Spill Prevention and Response
- Water Quality

Division of Administration

Components:

- Commissioner's Office
- Administrative Services
 - Environmental Crimes Unit
 - Information Services
 - Financial Services
 - Budget Services
 - Procurement & Building Management
- State Support Services

Commissioner: Larry Hartig

Deputy: Dan Easton

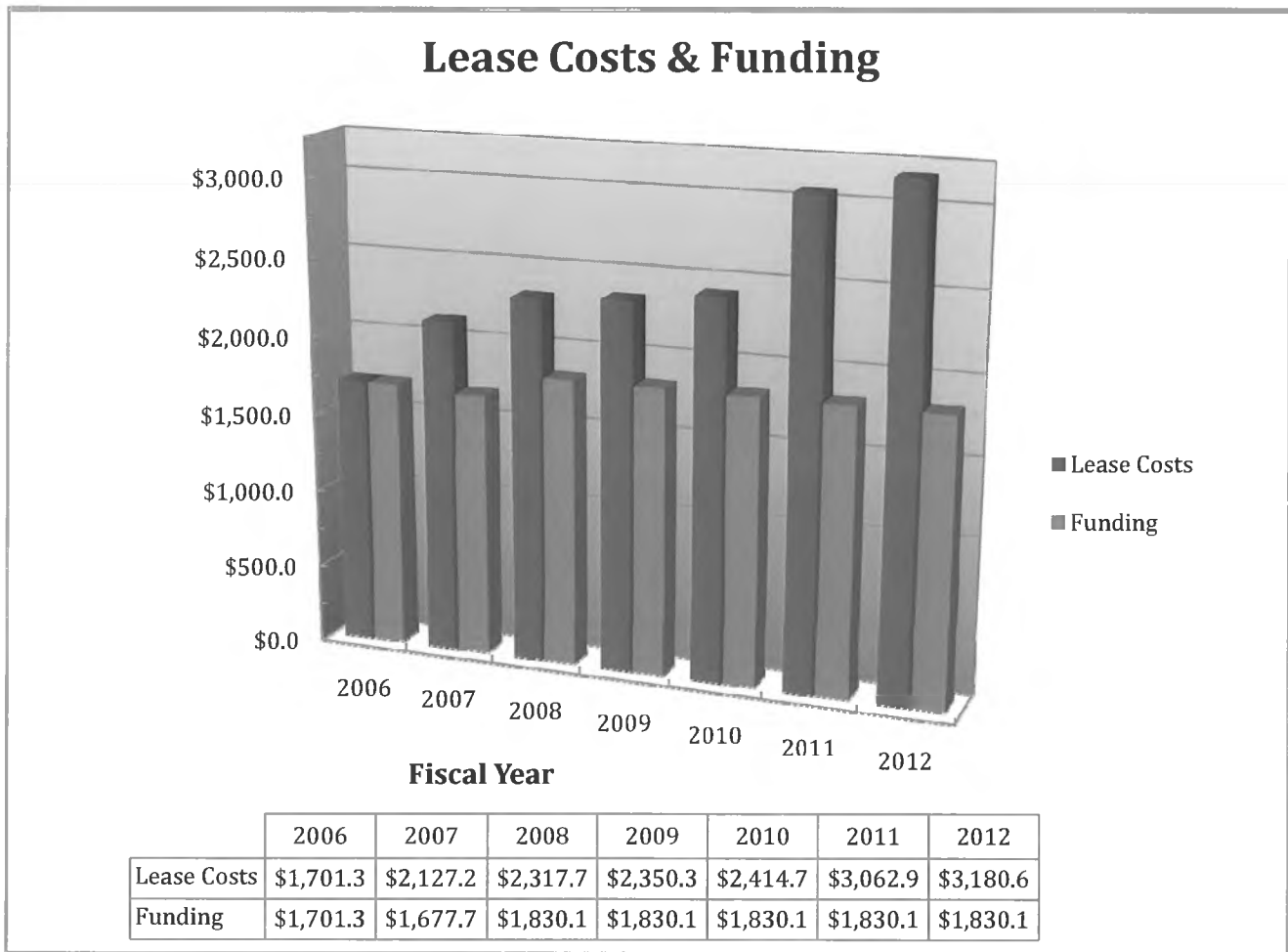
Director: Mary Siroky

- Challenges:
 - Increased Lease Costs
- New Initiatives:
 - No Significant New Initiatives

Department of Environmental Conservation Annual Lease Cost Analysis

Lease costs for the department have increased 87% (over \$1.4 million) over the last seven years with no comparable increase in available funding.

Increment:	\$ 468.9
\$ 250.0 Federal	\$ 59.0 CAPF
\$ 100.0 RF	\$ 18.3 CPVF
\$ (19.9) I/A	\$ 61.5 OR



Cost Cutting Measures Taken To Cover Increased Lease Costs:

- Equipment replacement schedules have been delayed or discontinued indefinitely. Replacement is only occurring as equipment fails and only after a determination that it meets a vital need.
- Positions are being held vacant resulting in diminished customer service levels.
- Funding for new air monitoring sites and special studies has been dropped from current spending plans.
- The number of site visits for compliance monitoring has been reduced.
- Contracts for petroleum research and shore zone mapping have been cancelled.
- Travel expenditures have been reduced beyond the 10% travel reduction absorbed in FY11.

Division of Environmental Health

Components:

- Director's Office
- Food Safety & Sanitation
- Laboratory Services
- Drinking Water
- Solid Waste Management



- Building Maintenance & Operations

Director: Kristin Ryan

• Challenges:

- High Risk Food Safety Inspections
- Environmental Health Lab Revenues

• New Initiatives:

- Shellfish Pilot Program
- Deregulating Low Risk Small Business and Community Event Foods

Division of Air Quality

Components:

- Director's Office
- Air Quality



Director: Alice Edwards

- Challenges:
 - Federal Rules for Greenhouse Gas
 - Fairbanks Air Quality
- New Initiatives:
 - Gasline Permitting
 - North Slope Cumulative Air Quality

Division of Spill Prevention & Response

Components:

- Director's Office
- Industry Preparedness & Pipeline Operations
- Prevention & Emergency Response
- Contaminated Sites Program
- Response Fund Administration



Director: Larry Dietrick

- Challenges:
 - Declining Prevention Account Balance
- New Initiatives:
 - Contaminated Site Identification for Gasline Work
 - Deepwater Horizon Lessons and Risk Assessment Work Plan
 - Aleutian Island Marine Traffic Risk Assessment

How the Response Fund Works

- Response Account
 - Funded by 1¢ surcharge on each barrel of oil
 - Surcharge suspended when fund exceeds \$50 M
 - Pays for situations deemed emergency or imminent threat
- Prevention Account
 - Funded by a 4¢ surcharge on each barrel of oil
 - Pays for the programs within the Spill Prevention & Response Division and associated capital projects

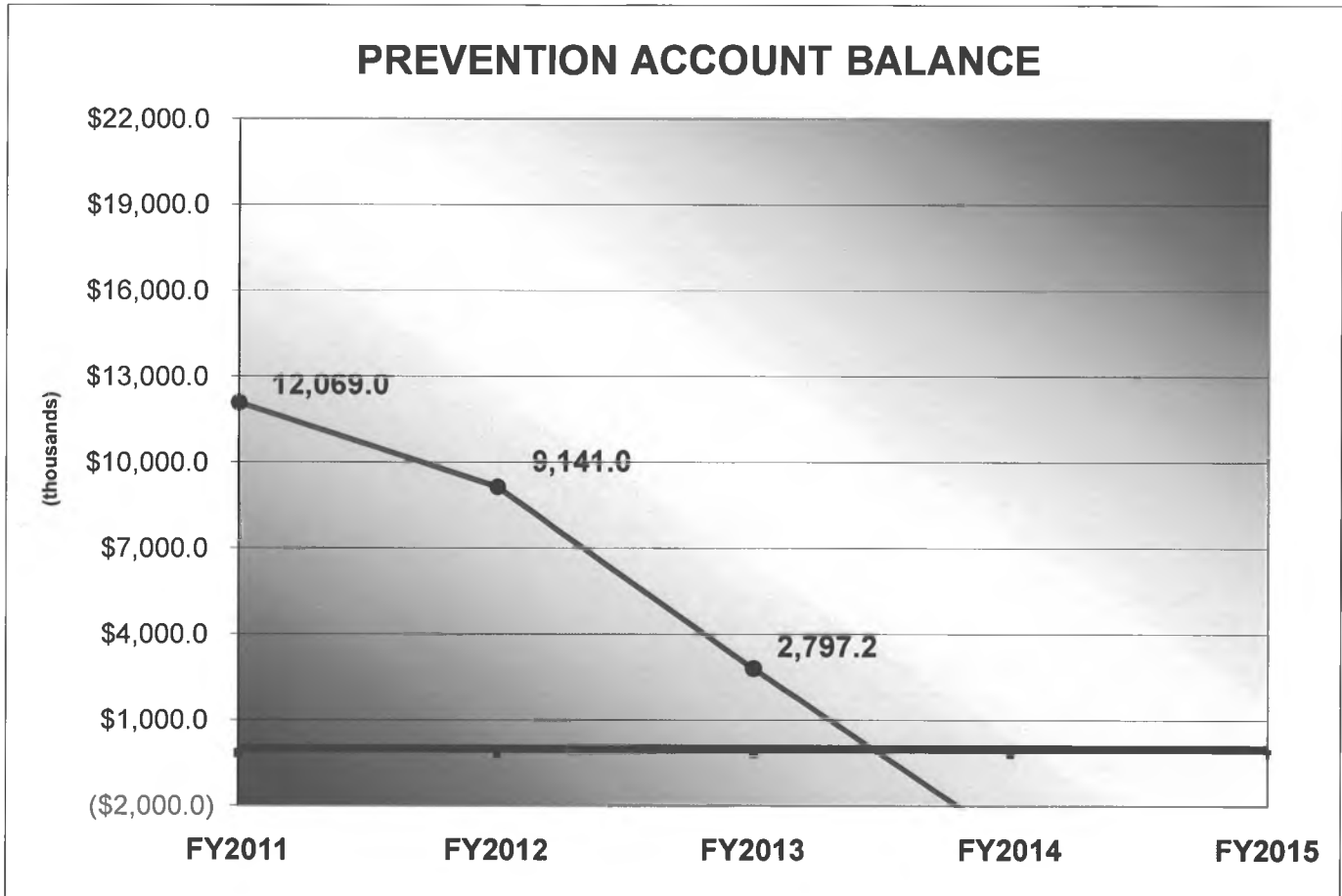
Response Fund Revenue

- Each 1¢ surcharge generates about \$1.9 M
- Cost recovery is initiated on any identified responsible party
- Fines, settlements and cost recovery deposited back into the appropriate Mitigation account

DEPARTMENT OF ENVIRONMENTAL CONSERVATION RESPONSE FUND

PREVENTION ACCOUNT - BALANCE PROJECTION 12.15.10 UPDATE - Current 4 ¢ Surcharge

	FY2010 FUND BALANCE	14,870.3	FY2011	FY2012	FY2013	FY2014	FY2015
REVENUE to PREVENTION ACCOUNT		13,694.8	12,185.8	10,670.0	10,990.0	10,910.0	10,910.0
4¢ Surcharge (Fall 2010 Revenue Sources Update)		8,255.2	7,840.0	7,920.0	8,240.0	8,160.0	8,160.0
Cost Recovery/Fines/Penalties		3,439.6	3,095.8	1,500.0	1,500.0	1,500.0	1,500.0
Interest		2,000.0	1,250.0	1,250.0	1,250.0	1,250.0	1,250.0
GOVERNOR'S BUDGETED OPERATING EXPENDITURES		14,496.1	15,013.8	15,013.8	15,013.8	15,013.8	15,013.8
Environmental Conservation (annual salary increases not included in FY13-15)		14,496.1	15,013.8	15,013.8	15,013.8	15,013.8	15,013.8
CAPITAL EXPENDITURES		2,000.0	100.0	2,000.0	2,000.0	2,000.0	2,000.0
ESTIMATED PREVENTION ACCOUNT BALANCE		12,069.0	9,141.0	2,797.2	(3,226.6)	(9,330.4)	(9,330.4)
EXPENDITURES IN EXCESS OF REVENUE		(2,801.3)	(2,928.0)	(6,343.8)	(6,023.8)	(6,103.8)	(6,103.8)



NOTE: Change to surcharge rates must be implemented 1 year prior to actual need. For example, to realize revenue in FY13, a surcharge increase would need to be implemented on July 1, 2011.

Division of Water Quality

Components:

- Water Quality
- Facility Construction
 - Village Safe Water Program
 - Municipal Grants & Loan Program



Director: Lynn Kent

• Challenges:

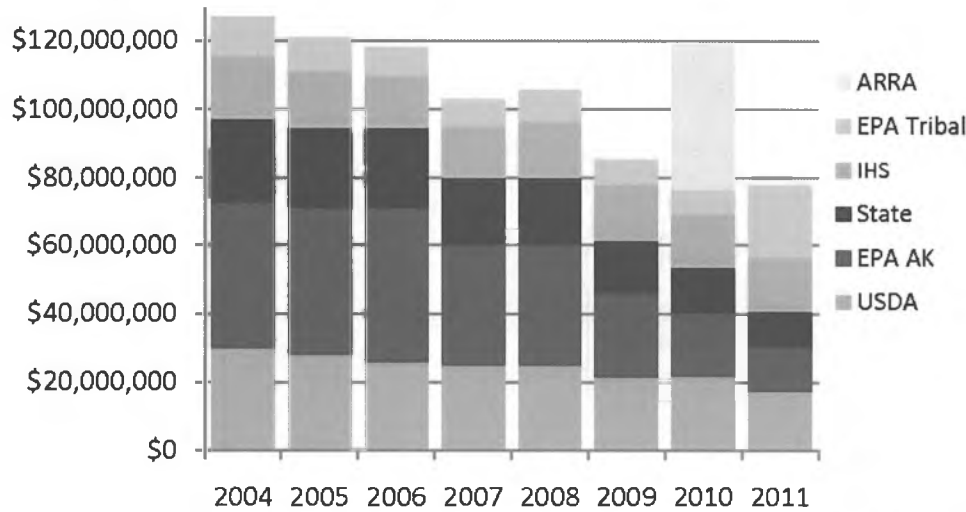
- Declining Federal Funding in the Village Safe Water Program
- Completing and Maintaining Permitting Primacy
- Water Quality Standards

• New Initiatives:

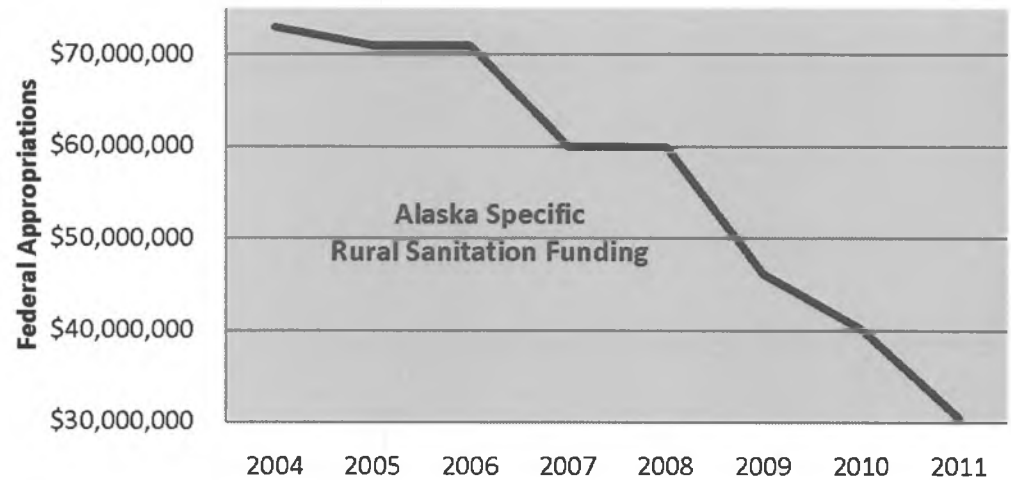
- Gasline Permitting

Rural Alaska Water & Sewer

Funding for Rural Alaska Sanitation Projects SFY 2004 - 2011



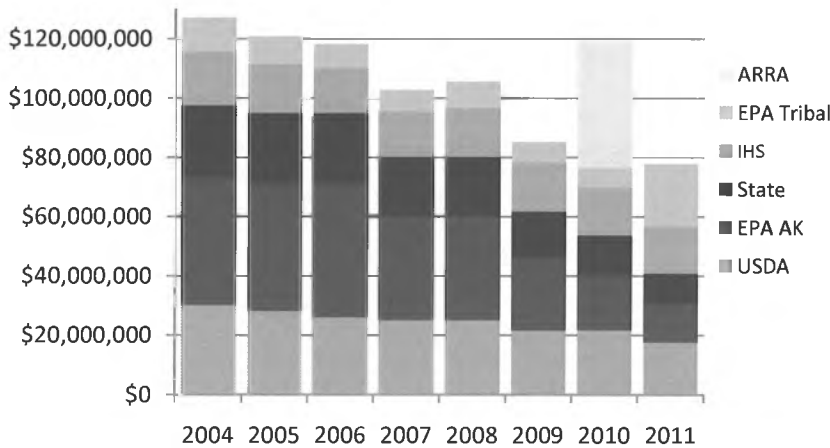
Funding for rural Alaska sanitation projects has declined by over \$49 M, or 39% between 2004 and 2011.



Rural Alaska Water and Sewer

The Cost of Addressing Needs is Escalating While Funding Declines

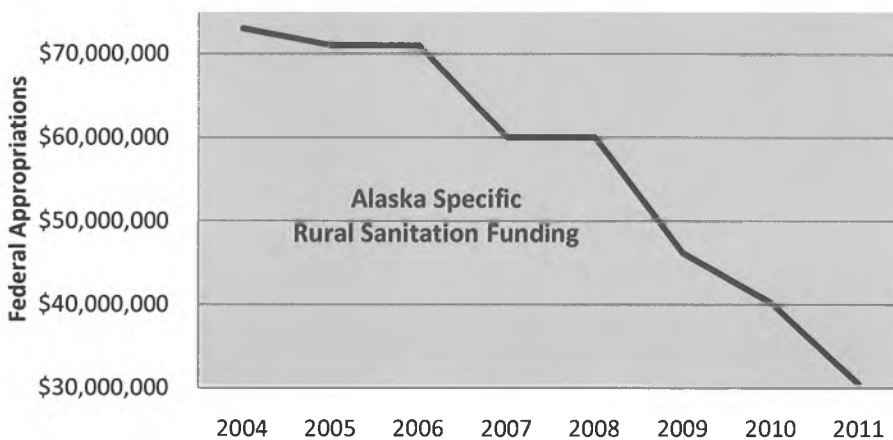
Funding for Rural Alaska Sanitation Projects SFY 2004 - 2011



Funding from all sources (national tribal allocations, Alaska specific appropriations, and required State match) for rural Alaska sanitation projects has declined by over \$49 million, or 39% between State Fiscal Years 2004-2011. Alaska specific appropriations and required State match (shaded purple in the graph below) have plummeted by \$57 million or 58%. Although the American Recovery and Reinvestment Act (ARRA) provided a one-time boost to rural sanitation projects in SFY 2010, in SFY

2011 rural Alaska received increased funding through the EPA "Tribal Set-Aside" when Congress upped the percentage of State Revolving Loan Fund (SRF) appropriations reserved for Tribes and Alaska Native Villages to 2% and increased SRF appropriations from \$1.5 billion to \$3.5 billion. Given the current fiscal environment, it is highly questionable whether these SRF funding levels will be sustained. Even with the spike in tribal funding, the Federal 2010 (SFY 2011) budget represented the lowest funding levels for rural Alaska water and sewer projects in over 10 years – a \$41 million decrease from SFY 2010 levels.

SFY	USDA-AK	EPA AK	State	IHS	EPA Tribal	ARRA	Total
2004	\$30,000,000	\$43,000,000	\$24,333,331	\$18,210,163	\$11,598,171		\$127,141,665
2005	\$28,000,000	\$43,000,000	\$23,666,664	\$16,617,560	\$9,466,700		\$120,750,924
2006	\$26,000,000	\$45,000,000	\$23,666,664	\$15,280,000	\$8,207,000		\$118,153,664
2007	\$25,000,000	\$35,000,000	\$19,999,998	\$15,411,000	\$7,436,100		\$102,847,098
2008	\$25,000,000	\$35,000,000	\$19,999,998	\$16,543,204	\$9,055,500		\$105,598,702
2009	\$21,515,000	\$24,610,000	\$15,374,998	\$16,726,000	\$7,020,900		\$85,246,898
2010	\$21,667,000	\$18,500,000	\$13,388,999	\$16,036,000	\$6,888,052	\$42,257,600	\$118,737,651
2011	\$17,500,000	\$13,000,000	\$10,166,666	\$16,000,000	\$21,195,000		\$77,861,666



While funding has decreased significantly, the cost of addressing critical rural Alaska sanitation needs (such as homes without running water and flush toilets or inadequately treated drinking water) has increased dramatically. This increase is due to a number of factors including inflation, population changes, aging facilities, and more stringent regulations.

Recent appropriations for the EPA and USDA Alaska specific programs are charted in the diagram above.

The disparity between available funding and the cost of addressing rural Alaska sanitation needs is approximately \$648 million – a 91% increase over SFY 2007. If current funding and cost trends do not change, this gap will continue to widen.

Questions?

