

SB

47

<TARGET><BILL>SB 47</BILL><SUBJECT>SB
47</SUBJECT><COMM>SFIN27</COMM></TARGET>

STATE OF ALASKA

OFFICE OF THE GOVERNOR

OFFICE OF MANAGEMENT AND BUDGET

SEAN PARNELL, GOVERNOR

P.O. BOX 110020
JUNEAU, ALASKA 99811-0020
TELEPHONE: (907) 465-4660
FAX: (907) 465-3640

March 4, 2011

The Honorable Lyman Hoffman
Co-Chair, Senate Finance Committee
Alaska State Legislature
State Capitol, Room 518
Juneau, AK 99801-1182

The Honorable Bert Stedman
Co-Chair, Senate Finance Committee
Alaska State Legislature
State Capitol, Room 516
Juneau, AK 99801-1182

Re: FY2012 Budget Amendments Hearing Follow Up

Dear Co-Chair Hoffman and Co-Chair Stedman,

Thank you for the opportunity to present highlights of the Governor's FY2012 budget amendments before the Senate Finance Committee on February 21. The enclosed information is in response to questions posed by the committee for distribution to the finance committee members.

How much of the Department of Natural Resources (DNR) permitting request is attributable to the "one stop shop" and DNR taking over other department's responsibilities? What other reasons are contributing to the backlog?

The Division of Mining, Land, and Water has not been able to keep up with an increasing number of applications to use State land and water, and currently has an estimated backlog of 2,500 applications. This is partly due to inadequate staffing and more activity on State land. While a combination of factors has contributed to the backlog, none of this backlog is attributable to the department's "one-stop shop" model. The one-stop-shop model is currently used only for larger projects where the applicant is willing to reimburse state agency costs, and there is no backlog of these large projects. The Department of Natural Resources, Division of Mining, Land, and Water is conducting an evaluation of the permitting process that will identify inefficiencies that have contributed to the backlog. Enclosed is a one-page summary of the work plan to address the permitting backlog.

Please provide more information on the administration of renewable energy projects and positions. When were positions added, what is the cost, and will the positions go away when the provisions of HB152 sunset?

The enclosed summary contains information on the administration of the renewable energy grant program.

The Honorable Lyman Hoffman
The Honorable Bert Stedman
March 4, 2011
Page 2

The Renewable Energy Grant Fund was established by Chapter 31, (HB152) SLA 2008. The fiscal note for the Alaska Energy Authority (AEA) did not provide personal services authorization or positions. AEA may not, by statute, have positions. The Alaska Industrial Development and Export Authority (AIDEA) fiscal note included one position, and \$100,000 in personal services, which was added in FY2009. AIDEA added two additional full-time positions and one non-permanent position in FY2010 Management Plan for a total of three full-time and one non-permanent position to support and administer the Renewable Energy Grant Program. Personal services costs include funding for these positions and time specifically charged by other AIDEA staff in support of the Renewable Energy Fund program.

The grant fund established in AS 42.45.045 is repealed on June 30, 2013. Even though the Renewable Energy Grant Fund may sunset at the end of FY2013, there will be ongoing costs in monitoring these capital grants for technical viability and cost savings.

Did the Governor make a request to the federal government not to cut the Low Income Heating Assistance Program (LIHEAP)? How much will we need to backfill?

The Governor has not made a request to the federal government not to cut specific programs. The Administration reviews the President's budget and alerts Alaska's Congressional Delegation to areas in the budget that are of specific concern such as federal heating assistance programs, fisheries research and management, public safety, and surface transportation. This is an ongoing dialogue as the budget process continues over the next several months.

The State's Alaska Heating Assistance Program (AKHAP) passed in May 2008 and expanded eligibility to households with income between 151 percent and 225 percent of the federal poverty guidelines (FPG).

SB220 passed in 2010 and replaced AKHAP with the Alaska Affordable Heating Program. The Department of Health and Social Services, Division of Public Assistance (DPA) administers this program. This program ties the dollar value of Community Heating Points (CHP) used to calculate heating assistance grants for eligible households to the average price of a barrel of North Slope Crude Oil (NSCO). It also sets income limits at 151 percent to 225 percent FPG with a provision that allows income eligibility up to 250 percent FPG when NSCO exceeds \$150 per barrel.

Because the average value of a barrel of NSCO between 09/10 and 02/11 was between \$75 and \$100, the program must base payments for FY2012 on a CHP value of \$140 per point. Under state law, payments for LIHEAP eligible households (i.e. households with incomes up to 150 percent FPG) must also be based on \$140 per CHP.

Under the proposed federal LIHEAP budget, projected federal funds would only cover \$60 per point and state funds would be expected to cover the balance. If the President's proposed FY2012

The Honorable Lyman Hoffman
The Honorable Bert Stedman
March 4, 2011
Page 3

budget passes, the DPA estimates an additional general fund (GF) need beyond the \$5 million GF in the current budget of approximately \$10.7 million. This additional GF would be needed to ensure that payments for the projected number of eligible households receive payments at \$140 per CHP.

There is no statutory or regulatory authority allowing proration of payments if State funds are not appropriated to back fill the loss of general funds. To address reduced federal funding, it would be necessary to serve households on a first come first served basis until the funding runs out. Enclosed is a fact sheet on the Alaska Affordable Heating Program.

Please contact me if you have additional questions.

Sincerely,



Karen J. Rehfeld
Director

Enclosure

Department of Natural Resources
Division of Mining, Land and Water Permitting Backlog Work Plan Analysis

Issue:

The Division of Mining, Land and Water has not been able to keep up with an increasing number of applications to use State land and water, and currently has an estimated backlog of 2,500 applications. This is partly due to inadequate staffing and more activity on State land, but we are certain that a process evaluation will identify inefficiencies that have contributed to the backlog. The backlog is seriously hampering the ability of Alaskans to use state land and water resources, and is halting economic development and private sector job growth.

Goal:

To make immediate improvements in the timely processing of all incoming land and water use applications, and to eliminate the backlog within three years.

Strategies:

- 1) Increase permitting efficiencies.
- 2) Increase staffing.
- 3) Prioritize applications.

FY2012 Increment:

Improve Efficiency of Land and Water Use Application Process \$1,421.1 GF

- This increment adds funding for six new positions and five existing unfunded positions to process the backlogged authorizations.
- The division will review and prioritize all of the backlog applications to focus first on applications critical for development or other private sector job growth projects and those that are tied to funding that has critical timelines.
- The division will implement targets and timelines for addressing the backlog and document results.

Focused Efforts

- A. **Process Evaluation & Redesign.** We are currently starting a process evaluation and redesign that will assess the existing process, evaluate the staff structure within the division, document statutory and regulatory obstacles, and identify efficiency opportunities in automation, work flow, inter-agency collaboration, and appeals. We will implement immediate improvements, as well as long-term improvements.
- B. **Staff Recruitment.** New staff will be hired within the first two months of the fiscal year and although initial training will be given, training will be provided throughout that first year.
- C. **Prioritization.** Within 3 months, we will inventory the backlog, and identify the priority applications that most affect development projects, or other private sector job growth. We will identify authorizations that need minimal effort to complete, and identify the older applications to ascertain whether applications need to be modified or withdrawn.

Renewable Energy Grant Fund - Cost of Managing the Fund
 Prepared by the Alaska Energy Authority
 February 25, 2011

Costs of Managing the Renewable Energy Grant Fund					
	FY 2009	FY 2010	FY 2011 (to date)	FY 2011 Projected	Total (FY09, FY10, FY11 Projected)
Expenditures:					
Personal Services Costs	490,230	703,191	478,069	956,138	2,149,559
Travel Costs	13,444	13,687	22,308	44,617	71,748
Contractual Services Costs	66,334	200,267	255,283	283,881	550,481
Other	-	2,198	2,647	5,294	7,492
Total Costs	570,008	919,343	758,307	1,289,930	2,779,280
Funding Sources:					
RE Fund Interest	-	-	729,458	1,232,231	1,232,231
State GF - Capital	570,008	900,146	-	-	1,470,153
RE Fund (Managed Grants)	-	19,198	28,849	57,699	76,896
Total Funding Sources	570,008	919,343	758,307	1,289,930	2,779,280

Percent of Personal Services Costs of Managing the RE Fund Compared to Total AEA Personal Services Costs			
	FY 2009	FY 2010	FY 2011 Projected
	11%	13%	16%
Personal Svcs. Cost	490,230	703,191	956,138
I/A Receipts	4,478,900	5,445,400	6,027,600

Note: Computed as a % of Pers. Svcs. costs of managing the RE Fund relative to total AEA Personal Svcs. (AIDEA's authorized I/A receipts).

Program Costs				
	FY 2009	FY 2010	FY 2011 (to date)	Total Actuals
Grant Expenditures	8,475,272	24,769,463	16,262,346	49,507,081

Program Statistics					
	Round I	Round II	Round III	Round IV	Total
Applications Received	112	118	123	108	461
Projects Funded	78	30	25	TBD	133
Grants in Place	76	29	13	TBD	118

Interest Earnings - Renewable Energy Fund				
	FY 2009	FY 2010	FY 2011 (to date)	Balance of Int. Earnings
Treasury Investment Earnings	3,326,882	2,612,061	713,399	
Less Transfer to AEA		(2,000,000)		4,652,343

Note: SB230 SLA 2010 Sec 28, page 160, lines 26-29 appropriated interest earnings estimated to be \$2M to AEA for administration of the renewable energy grant fund (AS 42.45.045) for fiscal year ending June 30, 2011.

Fact Sheet
Alaska Affordable Heating Program
February 1, 2011

What is the Alaska Affordable Heating Program?

- AKAHP provides financial assistance in the form of one-time payments to heating vendors for qualified Alaskan households with incomes up to 225% of the federal poverty income guidelines. Under specific circumstances, the income limit may be increased to 250%. Payments are usually made directly to the applicant's heating and/or electric vendor(s).
- The same application is used for all state-administered heating assistance programs, regardless of funding source, to help ensure easier program access.
- The state legislature appropriated \$5 million to finance the Alaska Affordable Heating Program for SFY 2011.
- Heating Assistance payments are based on a number of different factors such as dwelling type and heating source, family size and composition, income and Community Heating Points (CHP).
- Under AKAHP the Department sets a dollar value per CHP used statewide to calculate each household's heating assistance payment. The dollar value set for the CHP is based on the average price of a barrel of North Slope Crude Oil between September and February of the preceding fiscal year. During this period in FY10 the average price was \$75.20 resulting in a CHP value of \$140 for FY11.

<i>Price NSC</i>	<i>\$75 or less</i>	<i>\$75-\$100</i>	<i>\$100-\$150</i>	<i>More than \$150</i>
<i>CHP Value</i>	<i>\$130</i>	<i>\$140</i>	<i>\$150</i>	<i>\$165</i>

- SB 220 also allows the Department to use AKAHP funding to supplemental benefits to LIHEAP clients if the state does not receive enough federal funding to pay the price per community heating point as established in SB 220.
- AKAHP is currently administered by the State and seven tribal organizations: Aleutian Pribilof Island Association (APIA), Bristol Bay Native Association (BBNA), Kenaitze Indian Tribe (KIT), Kuskokwim Native Association (KNA), Orutsaramiut Native Council (ONC), Tanana Chief Conference (TCC), and Tlingit-Haida Regional Housing Authority (THRHA). The following tribes opted out of participating for various reasons: Association of Village Council Presidents (AVCP), Kodiak Area Native Association (KANA), Yakutat Tlingit Tribe (YTT) and Seldovia Village Tribe (SVT). The state administers for households served by these four organizations.

Recap of FY 2010

- In fiscal year 2010, a total of 2,618 households statewide received heating benefits through State and tribal organizations administering AKHAP, the predecessor to the Alaska Affordable Heating Program. More than half of these applicants (53%) had income between 151% and 175% of poverty level.
- 74 percent of households served through AKHAP by the State included a person who is over the age 60, under the age of 6, or disabled.
- The average AKHAP grant was \$ 712 (this includes a supplemental payment).

FY 2011 Year-To-Date

- To date, 1,247 households have been served. This is a 31% increase over the 952 applicants served during the same time period in FY 2010.
- As of December 2010, the average AKAHP payment was approximately \$549.
- The program year started October 1, with the first benefits issued on October 20, 2010. Applications are accepted until April 30, 2011 and can be found online at www.heatinghelp.alaska.gov. Applications are also available at local DPA offices, or can be mailed to individuals who contact the Heating Assistance Program at 1-800-470-3058.
- Tribal grant agreements have been updated to reflect changes to the former Alaska Heating Assistance Program. The tribal organizations have all received their grants and are paying out benefits to their respective applicants.