

01/25/13

BUDGET

OVERVIEW

FY 14:

DEPARTMENT OF

ENVIRONMENTAL

CONSERVATION

<TARGET><BILL></BILL><SUBJECT>01-25-13 BUDGET OVERVIEW
FY 14 DEPARTMENT OF ENVIRONMENTAL
CONSERVATION</SUBJECT><COMM>HF IN28</COMM></TARGET>



Department of Environmental Conservation

House Finance Overview
Commissioner Larry Hartig
January 25, 2013



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



Divisions

- Administration
- Environmental Health
- Air Quality
- Spill Prevention and Response
- Water



Division of Administration

Components:

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

Commissioner: Larry Hartig

Deputy: Lynn Kent

Director: Tom Cherian

Challenges:

- Reintegration of Human Resources staff to Department
- Recruitment and Workforce Development
 - Aging workforce at or near retirement
 - Highly specialized job classes



Division of Environmental Health

Components:

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

Also:

- Building Maintenance & Operations

Acting Director: Elaine
Busse Floyd

Challenges:

- Drinking Water EPA Rule Implementation
- High Risk Food Safety Inspections
- Unique Laboratory Technology & Equipment Needs



Division of Air Quality

Components:

- Director's Office
- Air Quality

Director: Alice Edwards

Challenges:

- Fairbanks Air Quality
- Declining Federal Funding



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
- Increasing Natural Resource Activity



Division of Water

Components:

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

Director: Michelle Bonnet
Hale

Challenges:

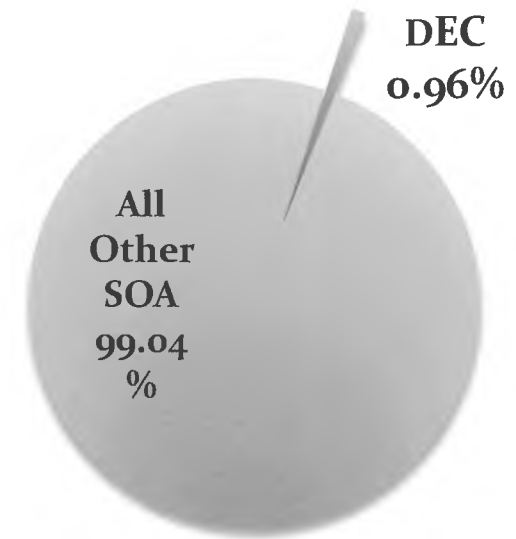
- Continuing to build APDES permitting program
- Sustaining the Village Safe Water Program



FY2014 Budget Request

Operating Request: \$85,271.1 2.2% growth*
\$1,052.2 GF

Capital Request: \$96,905.8

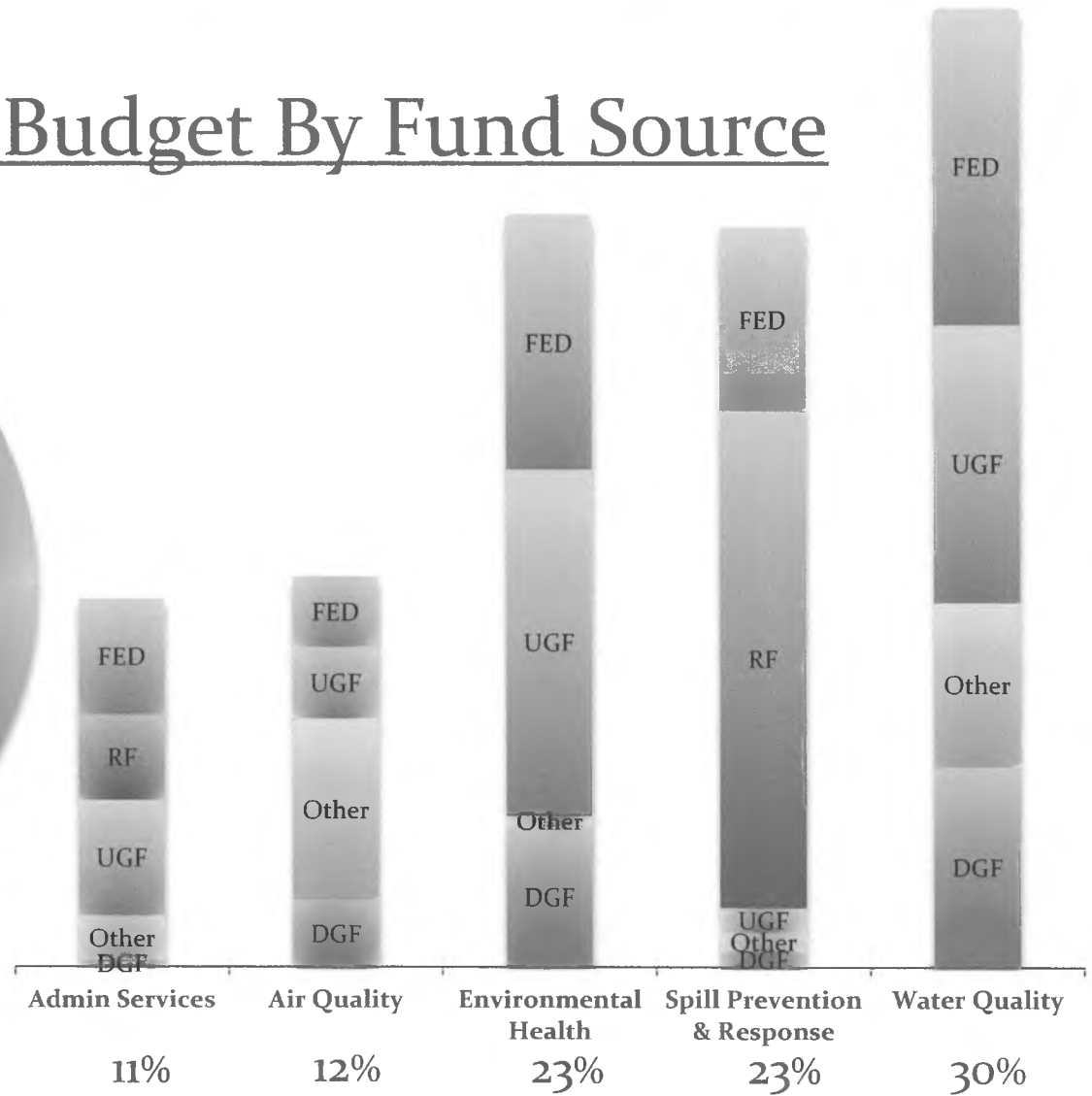
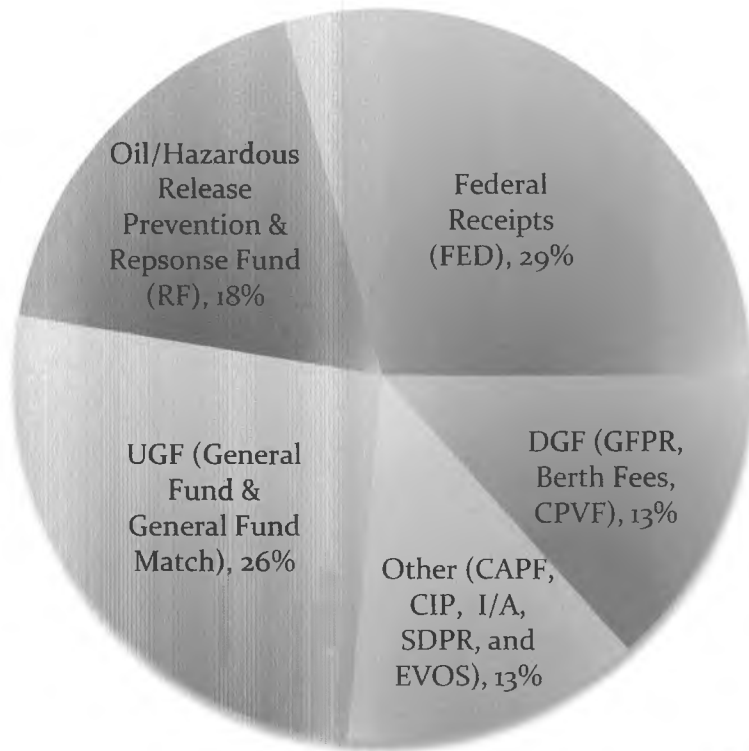


Percent of State
GF Spending

* GF Adj Base to FY2014 Governor's Request



FY2014 Operating Budget By Fund Source





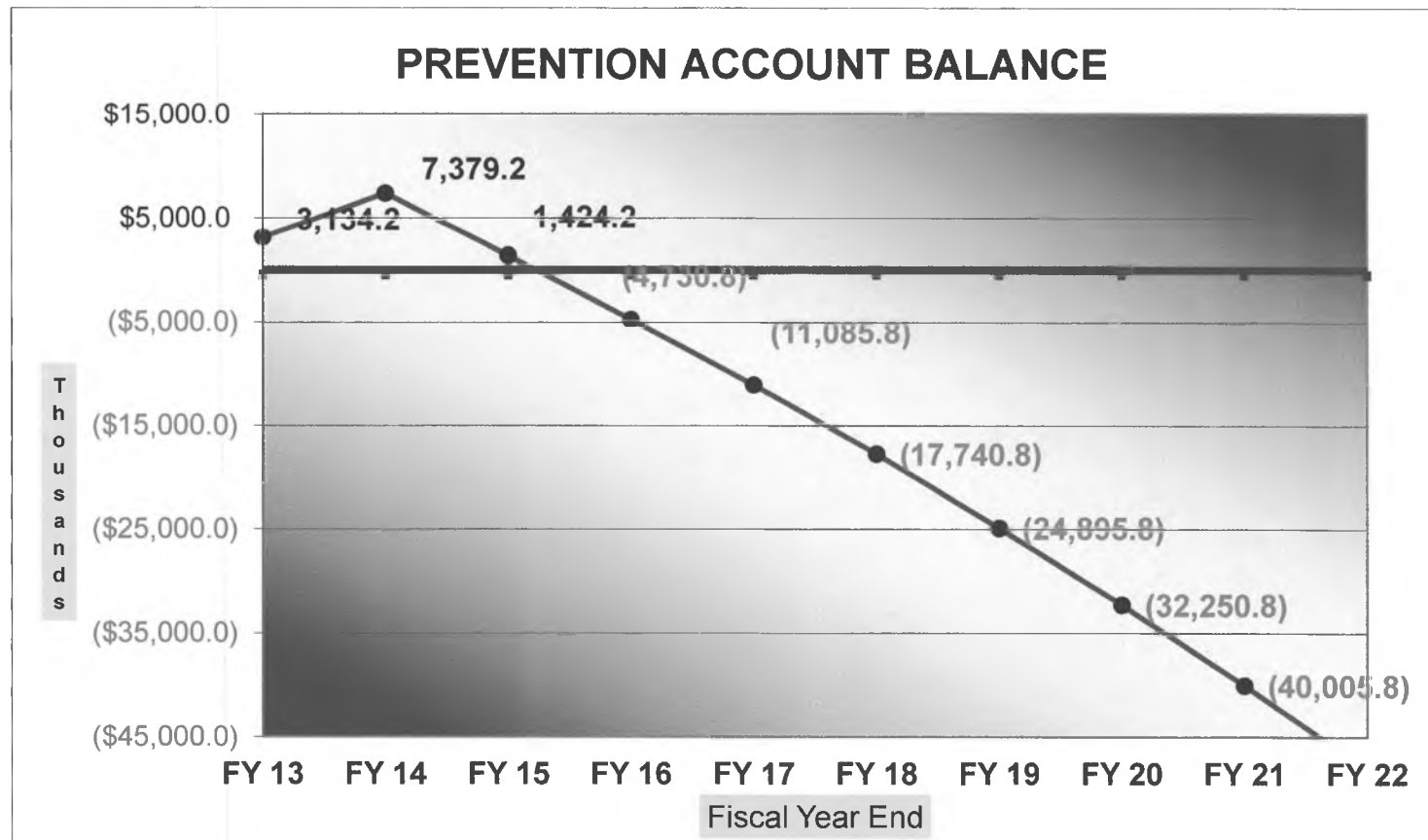
How the Response Fund Works

- Response Account
 - Funded by 1¢ surcharge on each barrel of oil.
 - Surcharge suspended when fund exceeds \$50 Million.
 - Suspended as of January 1, 2013
 - Pays for emergency response activities.
 - Department recovers costs from identified responsible parties.
- Prevention Account
 - Funded by a 4¢ surcharge on each barrel of oil.
 - Pays for operational costs and readiness activities within the Spill Prevention & Response Division.



Status of the Prevention Account

PREVENTION ACCOUNT - BALANCE PROJECTION
 12.4.2013 UPDATE - 4¢ Surcharge





Status of the Prevention Account

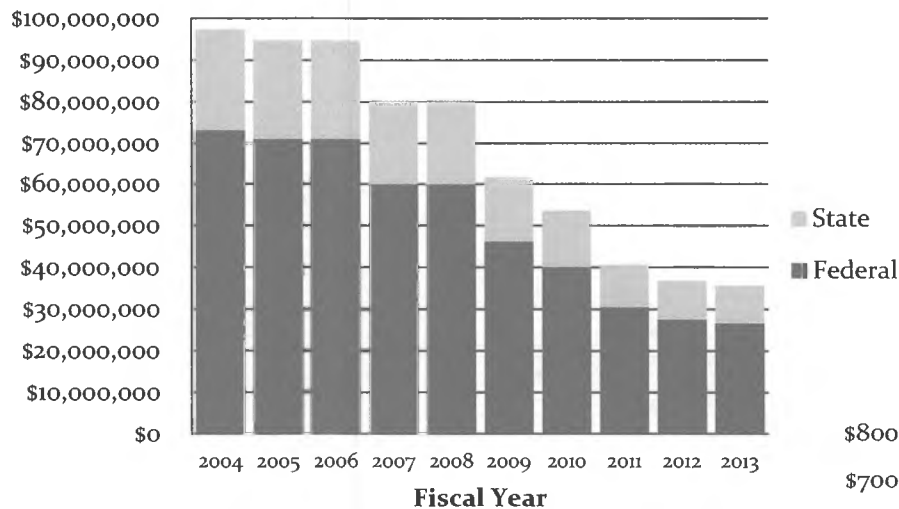
PREVENTION ACCOUNT - BALANCE PROJECTION 12.4.2013 UPDATE - 4¢ Surcharge

	FY 12 YEAR END PREVENTION ACCOUNT BALANCE 9,599.2									
	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22
REVENUE to PREVENTION ACCOUNT										
4¢ Surcharge (Fall 2012 Revenue Sources)	7,558.6	7,000.0	6,800.0	6,600.0	6,400.0	6,100.0	5,600.0	5,400.0	5,000.0	4,700.0
Cost Recovery/Fines/Penalties	976.4	11,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0
Investment Income	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0
Total Projected Annual Revenue	9,735.0	19,700.0	9,500.0	9,300.0	9,100.0	8,800.0	8,300.0	8,100.0	7,700.0	7,400.0
EXPENSES from PREVENTION ACCOUNT										
Governor's Operating Budget	15,450.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0
Governor's Capital Budget	750.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Projected Annual Expenses	16,200.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0
Projected Annual Surplus (Deficit)	(6,465.0)	4,245.0	(5,955.0)	(6,155.0)	(6,355.0)	(6,655.0)	(7,155.0)	(7,355.0)	(7,755.0)	(8,055.0)
PROJECTED YEAR END PREVENTION ACCOUNT BALANCE	3,134.2	7,379.2	1,424.2	(4,730.8)	(11,085.8)	(17,740.8)	(24,895.8)	(32,250.8)	(40,005.8)	(48,060.8)



Rural Alaska Water & Sewer

State & Federal Rural Sanitation Funding Levels

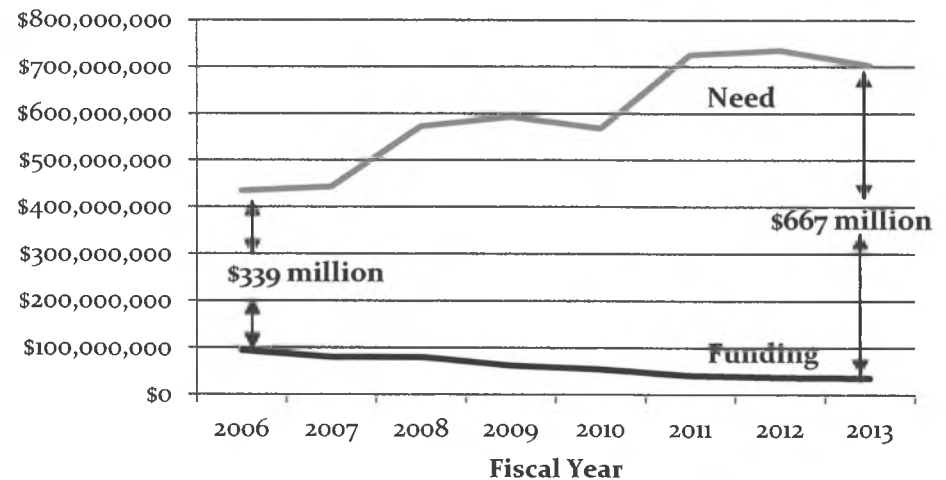


Funding for rural Alaska sanitation projects has declined by over \$61 Million, or 64% between 2004 and 2013.

The graph on the right includes two types of needs:

1. First time service for homes without piped or covered haul.
2. Upgrades or replacement to address significant health threats.

Rural Sanitation Total Funding vs. Need



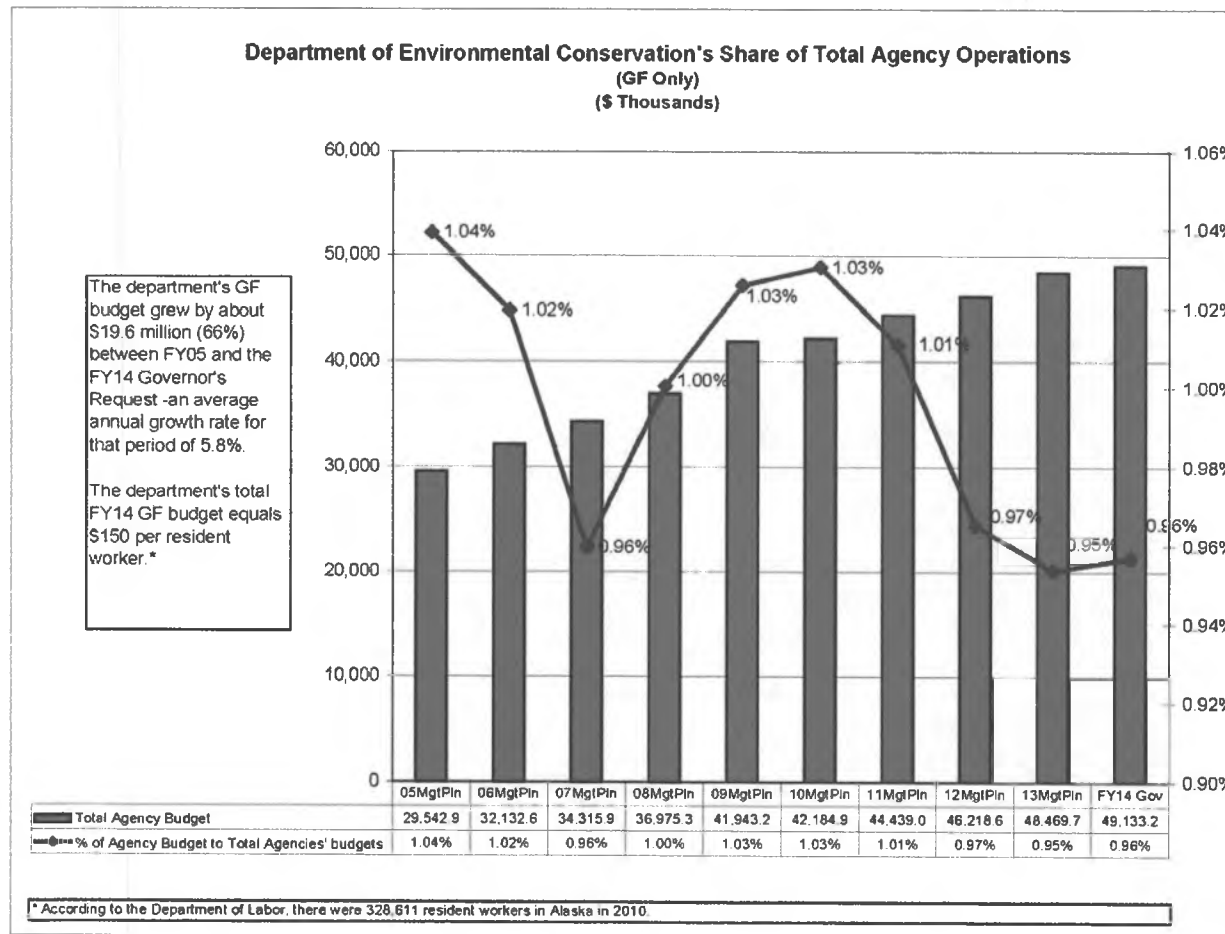


Village Safe Water: New Approaches

- \$667 Million = Current Cost of unfunded significant health related water and sewer needs in rural Alaska.
- State/Federal funding insufficient to construct new systems or ensure continued functionality of aging systems.
- New Technologies
 - Innovative and new approaches are needed in Alaska villages in order to cut capital and operating costs of providing running water and sewer.
 - Issues a challenge to the private sector.
 - Three-Phased Approach:
 - FY13: Request For Proposals (RFP) and selection for funding.
 - FY14: Demonstration of projects, research and development.
 - FY15: Initial pilot testing and refinement for implementation.
- “Band-Aid” Projects
 - Repairs and enhancements to prolong useable life of select systems.

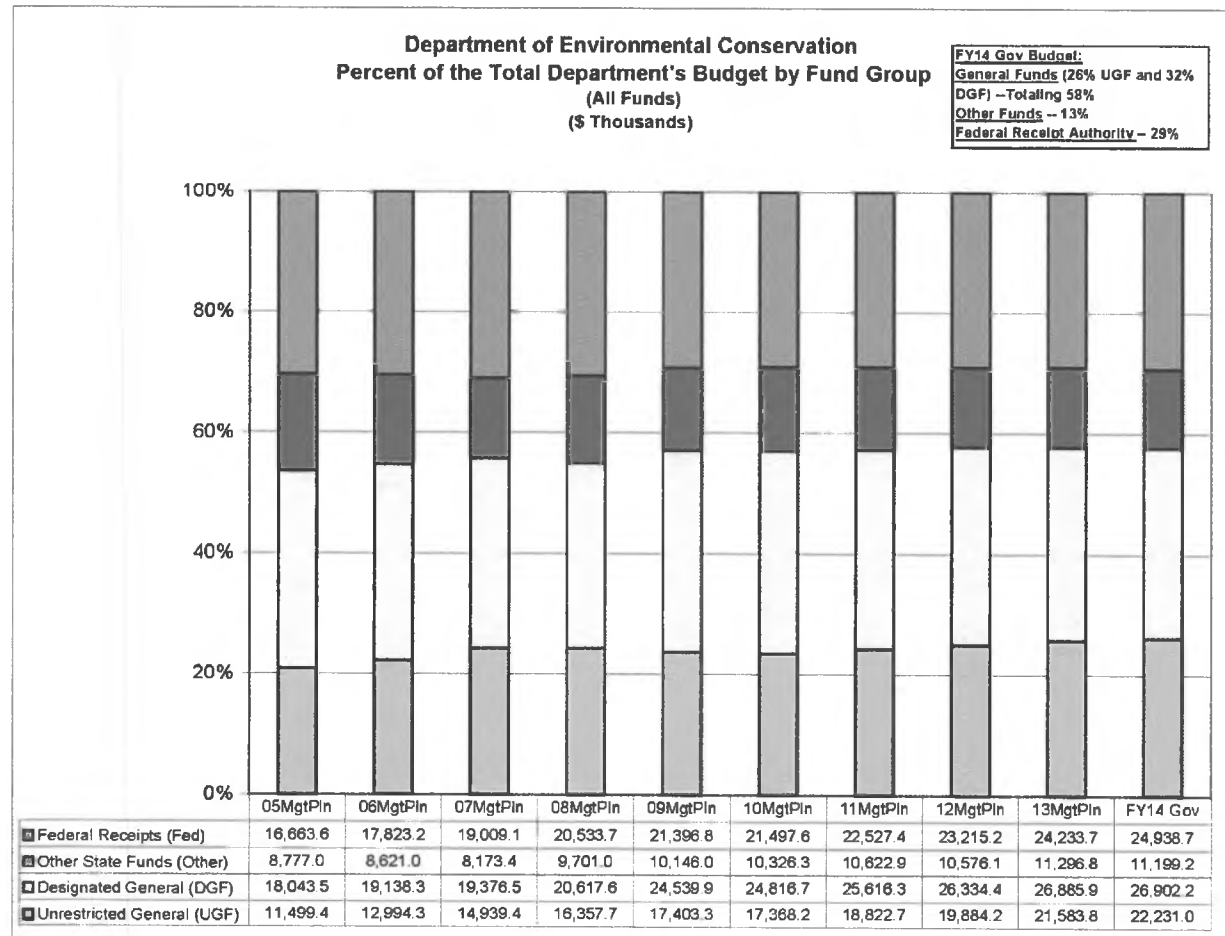


Leg. Finance: 10-Year Look Back (GF Only)



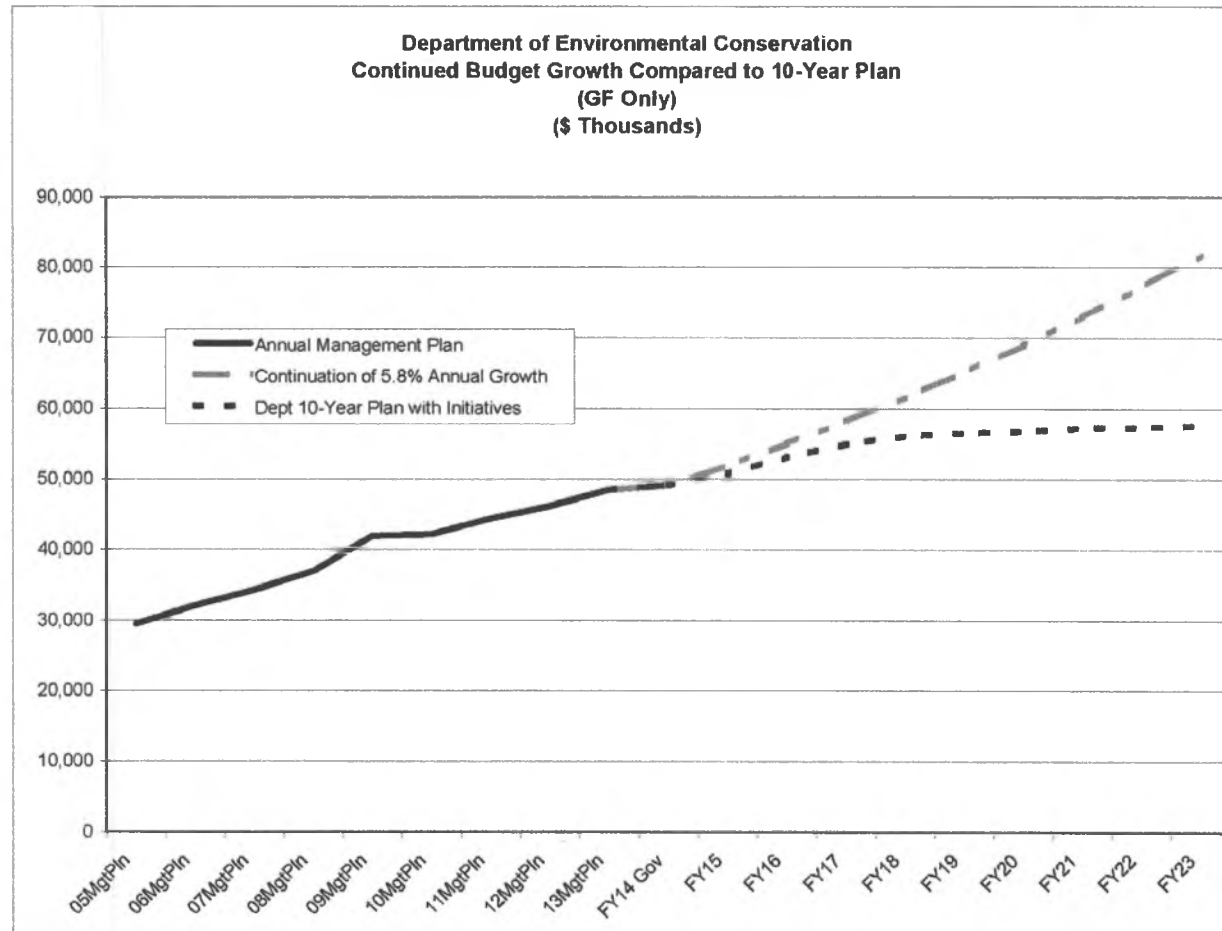


Leg. Finance: 10-Year Look Back (All Funds)





Leg. Finance: 10-Year Plan Growth (GF Only)



1/21/2013

Legislative Finance Division

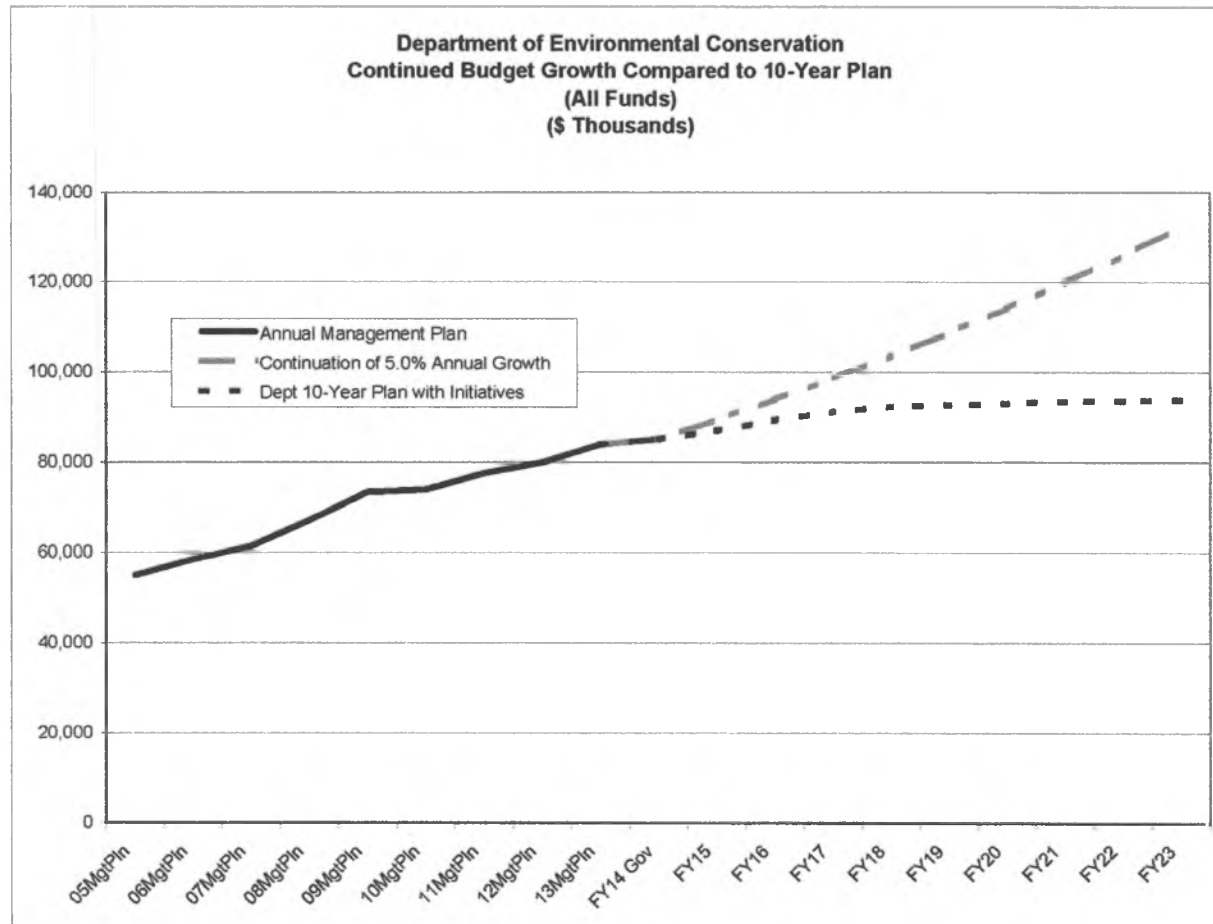
1 of 2

January 25, 2013

House Finance Committee Overview



Leg. Finance: 10-Year Plan Growth (All Funds)



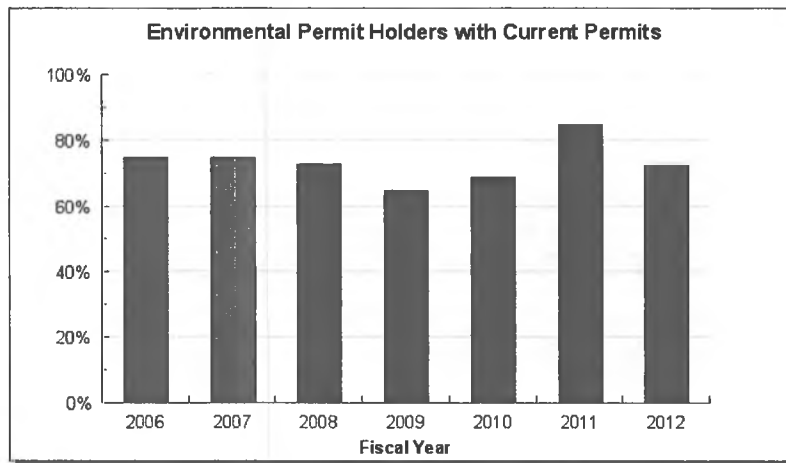


Department: 10-Year Plan Highlights

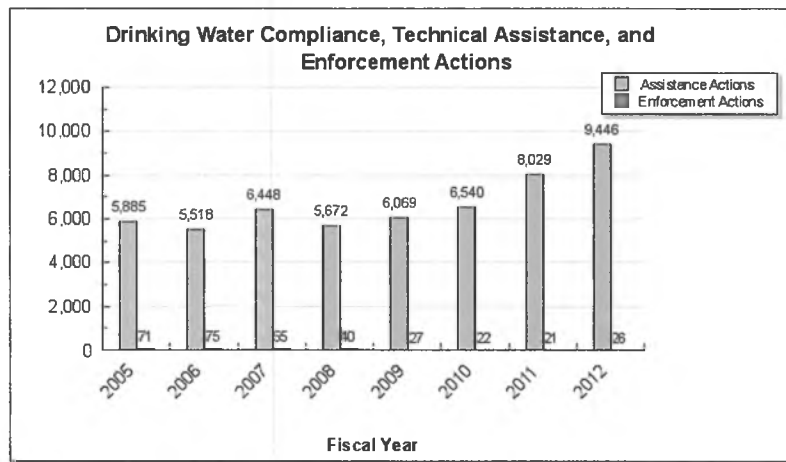
- Operating Budget
 - Assumes AGIA startup in FY2016.
 - General funds to address inspection rates at high-risk food establishments from FY2015 to FY2023.
 - Retain drinking water primacy by adopting additional required rules.
 - Permits, approvals, oversight, and response of large mining projects throughout the state starting in FY2015.
- Capital Budget
 - Replaces declining federal funds with general funds in the Village Safe Water program beginning in FY2015.



Current Challenges to Departmental Performance



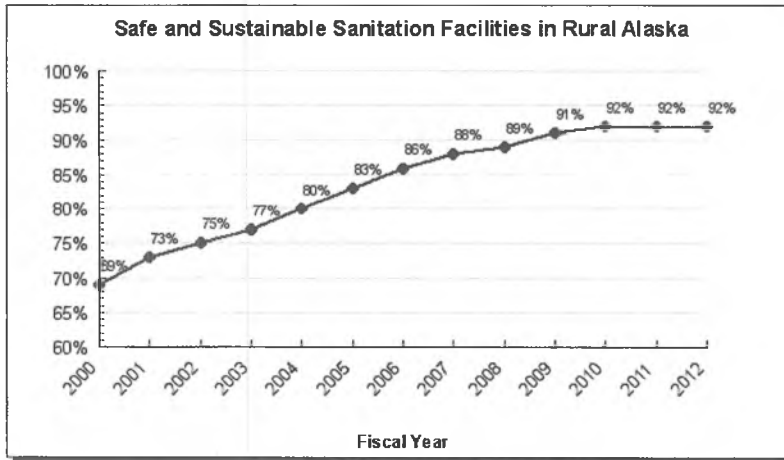
Increasing development activity and strained personnel resources threatens permitting timeliness



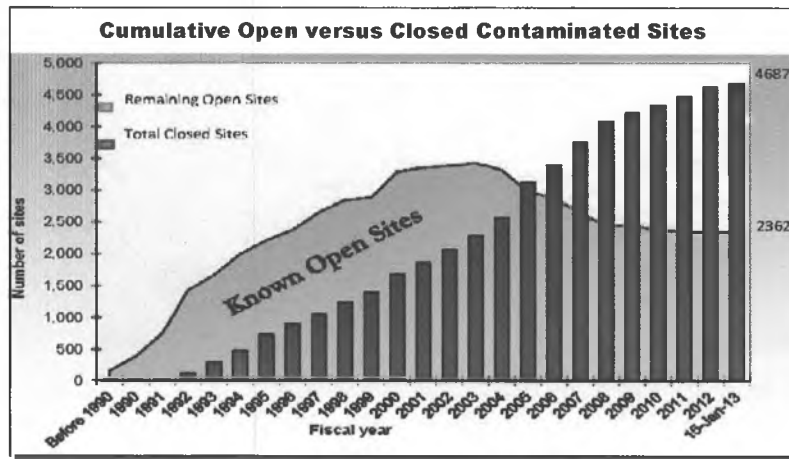
Burden of new EPA rules threatens drinking water safety by limiting resources for technical assistance



Long-term Challenges to Departmental Performance



- Village homes served by safe water:
- More challenging communities
 - Declining Funding
 - Increasing Costs
 - Innovation & Sustainability



Spill prevention and response threatened by declining Response Fund receipts as a result of declining TAPS throughput



Questions?





THE STATE
of **ALASKA**

GOVERNOR SEAN PARNELL

**Department of Environmental
Conservation**

DIVISION OF ADMINISTRATIVE SERVICES

410 Willoughby Ste 303
Juneau, Alaska 99801
Main: 907-465-5010
fax: 907-465-5097

February 5, 2013

The Honorable Scott Kawasaki
House of Representatives
State Capitol Room 405
Juneau AK, 99801

Dear Representative Kawasaki:

Following the House Finance Committee hearing on January 25th you requested that the Department of Environmental Conservation provide you with a ten-year history of revenues to and expenditures from the Prevention Account of the Oil and Hazardous Substance Release Prevention and Response Fund. For your reference, the Department has included the unreserved fund balance on June 30 of each year, as well. That history of revenues and expenditures is enclosed.

If you would like any additional information, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Cherian".

Tom Cherian
Director, Division of Administrative Services

Enclosure: Revenues to & Expenditures from the Prevention Account of the Oil & Hazardous
Substance Release Prevention & Response Fund, FY2003 - FY2012

Cc: Representatives Austerman and Stoltze, Co-Chairs, House Finance Committee
David Teal & Danith Watts, Legislative Finance Division

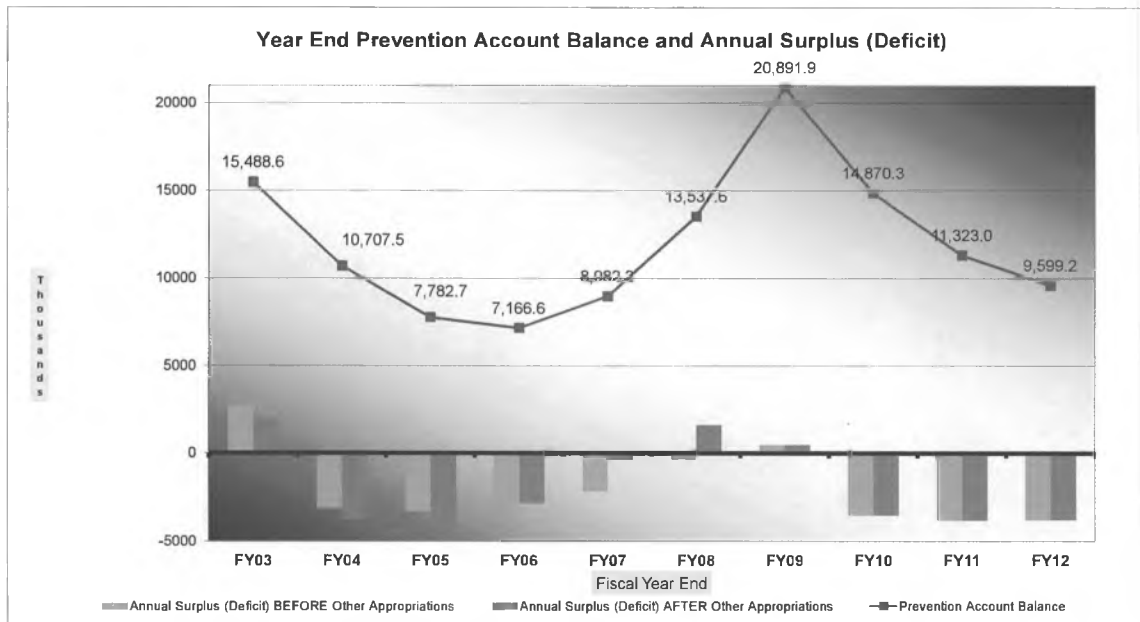
**DEPARTMENT OF ENVIRONMENTAL CONSERVATION
RESPONSE FUND**

*PREVENTION ACCOUNT
10 Year Actuals FY 2003 - FY 2012*

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12
REVENUE to PREVENTION ACCOUNT										
4¢/3c Surcharge (Surcharge changed from 3¢ per barrel to 4¢ in FY 2007)	9,597.0	9,232.9	9,052.5	8,330.5	7,758.7	9,510.6	9,476.1	8,922.5	8,255.2	7,736.1
Cost Recovery/Fines/Penalties	6,422.4	2,741.4	1,310.8	1,233.0	2,143.8	1,526.4	8,053.8	1,911.9	3,425.0	4,625.4
Investment Income	4,554.6	656.1	2,382.1	2,699.0	4,498.1	4,710.9	3,425.5	2,690.2	1,199.7	1,079.8
Total Annual Revenue	20,574.0	12,630.4	12,745.4	12,262.5	14,401.6	15,747.9	20,955.4	13,524.6	12,879.9	13,441.3
EXPENSES from PREVENTION ACCOUNT										
Operating	13,658.2	12,939.7	13,790.6	13,960.2	14,519.4	13,592.7	13,900.7	13,334.3	14,447.3	15,030.7
Capital	4,160.4	2,798.4	2,267.7	1,763.1	2,048.3	2,530.8	6,571.9	3,710.3	2,250.4	2,210.5
Total Annual Expenses	17,818.6	15,738.1	16,058.3	15,723.3	16,567.7	16,123.5	20,472.6	17,044.6	16,697.7	17,241.2
Annual Surplus (Deficit) BEFORE Other Appropriations	2,755.4	(3,107.7)	(3,312.9)	(3,460.8)	(2,166.1)	(375.6)	482.8	(3,520.0)	(3,817.8)	(3,799.9)
Other Appropriations:										
Appropriations from Other Funds										
Storage Tank Assistance Fund				655.5						
Commercial Passenger Vessel Fund					1,800.0					
General Fund Other						2,000.0				
Total Transfers FROM Other Funds	0.0	0.0	0.0	655.5	1,800.0	2,000.0	0.0	0.0	0.0	0.0
Appropriations to Other Funds										
Storage Tank Assistance Fund	784.0	671.5	875.0							
Net Other Appropriations	(784.0)	(671.5)	(875.0)	655.5	1,800.0	2,000.0	0.0	0.0	0.0	0.0
Annual Surplus (Deficit) AFTER Other Appropriations	1,971.4	(3,779.2)	(4,187.9)	(2,805.3)	(366.1)	1,624.4	482.8	(3,520.0)	(3,817.8)	(3,799.9)
Prevention Account Balance*	15,488.6	10,707.5	7,782.7	7,166.6	8,082.2	13,537.6	20,891.9	14,870.3	11,323.0	9,599.2

Note: Excludes CBRF Sweep from Prevention Account in FY 2003, which was reversed in FY 2004 (SB 283, Sec. 61)

*The Prevention Account Balance is the unreserved balance available in the Prevention Account, not its cash balance. The unreserved balance available figures account for the fact that valid appropriations that are not yet fully spent reduce the balance of the Prevention Account that is available for future uses.





THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Environmental
Conservation

DIVISION OF ADMINISTRATIVE SERVICES

410 Willoughby Ste 303
Juneau, Alaska 99801
Main: 907-465-5010
fax: 907-465-5097

February 5, 2013

The Honorable Les Gara
House of Representatives
State Capitol Room 400
Juneau AK, 99801

Dear Representative Gara:

Following the House Finance Committee hearing on January 25, you requested that the Department of Environmental Conservation provide you with "a projection of the surcharge increase necessary to sustain the Prevention Account of the Oil & Hazardous Substance Release Prevention & Response Fund through FY2022." That projection is enclosed.

I note that the Department is not proposing an increase to the surcharge. In developing the FY2014 budget, the Department worked with the Office of Management and Budget to review the fund balance and general funds that may be needed in the future to cover spill prevention and response activities until such time as there are improvements in oil production revenues. The fund balance will be evaluated annually.

If you would like any additional information, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Cherian".

Tom Cherian
Director, Division of Administrative Services

Enclosure: Projection of Increases to Surcharge Revenue to the Prevention Account of the Oil & Hazardous Substance Release Prevention & Response Fund, FY2013 - FY2022;

Cc: Representatives Austerman and Stoltze, Co-Chairs, House Finance Committee
David Teal & Danith Watts, Legislative Finance Division

**DEPARTMENT OF ENVIRONMENTAL CONSERVATION
RESPONSE FUND**

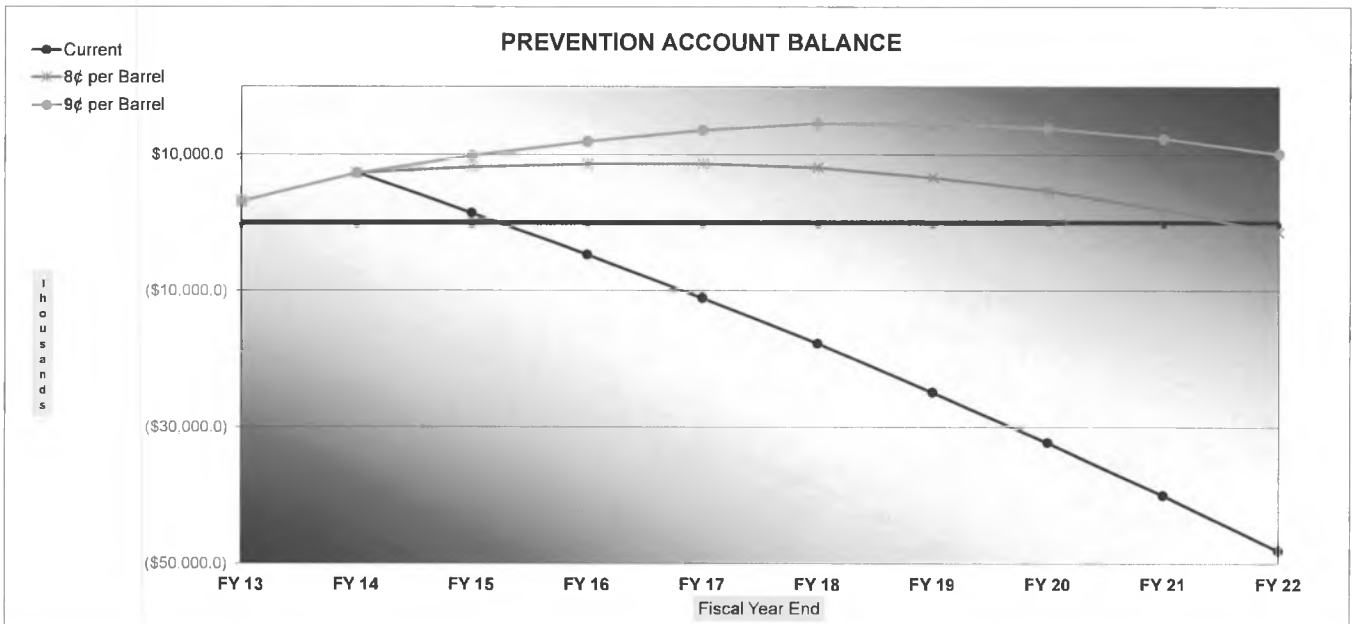
PREVENTION ACCOUNT - BALANCE PROJECTION

12.04.12 Fall 2012 Revenue Sources Book - Current 4¢ Surcharge and Surcharge Increase Required to Sustain Fund Through Rates

Current Projection										
	FY 12 YEAR END PREVENTION ACCOUNT BALANCE									
	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22
REVENUE to PREVENTION ACCOUNT										
4¢ Surcharge (Fall 2012 Revenue Sources)	7,558.6	7,000.0	6,800.0	6,600.0	6,400.0	6,100.0	5,600.0	5,400.0	5,000.0	4,700.0
Cost Recovery/Fines/Penalties	976.4	11,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0
Investment Income	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0	1,200.0
Total Projected Annual Revenue	9,735.0	19,700.0	9,500.0	9,300.0	9,100.0	8,800.0	8,300.0	8,100.0	7,700.0	7,400.0
EXPENSES from PREVENTION ACCOUNT										
Governor's Operating Budget	15,450.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0
Governor's Capital Budget	750.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Projected Annual Expenses	16,200.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0	15,455.0
Projected Annual Surplus (Deficit) *	(6,465.0)	4,245.0	(5,955.0)	(6,155.0)	(6,355.0)	(6,655.0)	(7,155.0)	(7,355.0)	(7,755.0)	(8,055.0)
PROJECTED YEAR END PREVENTION ACCOUNT BALANCE At Current Surcharge	3,134.2	7,379.2	1,424.2	(4,730.8)	(11,085.8)	(17,740.8)	(24,895.8)	(32,250.8)	(40,005.8)	(48,060.8)

* The fund balance will be evaluated annually to determine general funds that may be needed to continue spill prevention activities at current levels

Surcharge Rate Increase Required to Sustain Fund Solely Through Rates										
Surcharge Revenue If Surcharge Were Increased Effective July 1, 2013 to:										
8¢ per Barrel	7,558.6	7,000.0	13,600.0	13,200.0	12,800.0	12,200.0	11,200.0	10,800.0	10,000.0	9,400.0
9¢ per Barrel	7,558.6	7,000.0	15,300.0	14,850.0	14,400.0	13,725.0	12,600.0	12,150.0	11,250.0	10,575.0
PROJECTED YEAR END PREVENTION ACCOUNT BALANCE AT:										
8¢ per Barrel	3,134.2	7,379.2	8,224.2	8,669.2	8,714.2	8,159.2	6,604.2	4,649.2	1,894.2	(1,460.8)
9¢ per Barrel	3,134.2	7,379.2	9,924.2	12,019.2	13,664.2	14,634.2	14,479.2	13,874.2	12,369.2	10,189.2



NOTE: Change to revenues must generally be implemented 1 year prior to actual need. With the exception of investment income, revenue collected during a fiscal year is not credited to the fund until the following fiscal year.