

**02/03/14**  
**BUDGET**  
**OVERVIEW**  
**FY 15:**  
**DEPARTMENT OF**  
**ENVIRONMENTAL**  
**CONSERVATION**

<TARGET><BILL></BILL><SUBJECT>02-03-14 BUDGET OVERVIEW  
FY 15 DEPARTMENT OF ENVIRONMENTAL  
CONSERVATION</SUBJECT><COMM>HFIN28</COMM></TARGET>



# Department of Environmental Conservation

House Finance Overview  
Commissioner Larry Hartig  
February 3, 2014



# DEC's Mission

Protect human health  
and the environment.





# Environmental Quality and Public Health

Water and Sanitation is one of the primary drivers of public health. I often refer to it as “Health 101”, which means that once we can secure access to clean water and to adequate sanitation facilities for all people, irrespective of the difference in their living conditions, a huge battle against all kinds of diseases will be won.

Dr. Lee Jong-wook,  
Director-General, World Health Organization  
November 2004



# What Alaskans Get for Their Money

According to calculations by Legislative Finance, DEC's FY2015 general fund budget is equal to \$153 per year per resident worker



that's just 42¢ a day for

clean air to breathe      clean water to drink

safe food to eat      pristine land and waters

responsible resource development



# Responsibilities & Functions

- Develop standards
- Issue permits
- Provide compliance and financial assistance
- Safeguard the quality of food and seafood
- Operate the State Environmental Health Lab
- House the Office of the State Veterinarian
- Respond to spills of oil and other hazardous substances
- 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
- Air Quality
- Environmental Health
- Spill Prevention and Response
- Water





# Division of Administration

## **Components:**

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

**Commissioner:** Larry Hartig

**Deputy:** Lynn Kent

**Director:** Tom Cherian

## **Challenges & Opportunities:**

- Unfunded Administrative Cost Increases
- Succession Planning and Workforce Development
- Technological Advancements and Efficiencies



# Division of Air Quality

## Components:

- Director's Office
- Air Quality
  - State Implementation Plan
  - Permitting
  - Monitoring

Director:

Alice Edwards

## Challenges & Opportunities:

- Fairbanks Air Quality
- Change to Federal Funding Formula
- New Federal Standards



*\* Division & Admin GF divided by 331,081 resident workers over 365 days*



# Division of Environmental Health

## Components:

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

## Also:

- Building Maintenance & Operations –  
Environmental Health Lab

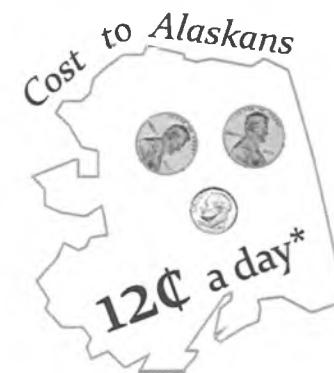
## Director:

Elaine Busse Floyd

## Challenges &

## Opportunities:

- Complex EPA Rules & Reduced Federal Funding
- High Risk Food Safety Inspections
- Unique Laboratory Technology & Equipment Needs



*\* Division & Admin GF divided by 331,081 resident workers over 365 days*



# Division of Spill Prevention & Response

## Components:

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

Director:

Kristin Ryan

Challenges &

Opportunities:

- Declining Prevention Account Balance
- Increasing Workload Associated with Natural Resource Development
- Increasing Arctic Activity



*\* Division & Admin GF divided by 331,081 resident workers over 365 days*



# Division of Water

## Components:

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

Director:

Michelle Hale

Challenges &

Opportunities :

- 404 Dredge & Fill Permitting Evaluation Pace
- Declining Federal Funding in the Village Safe Water Program

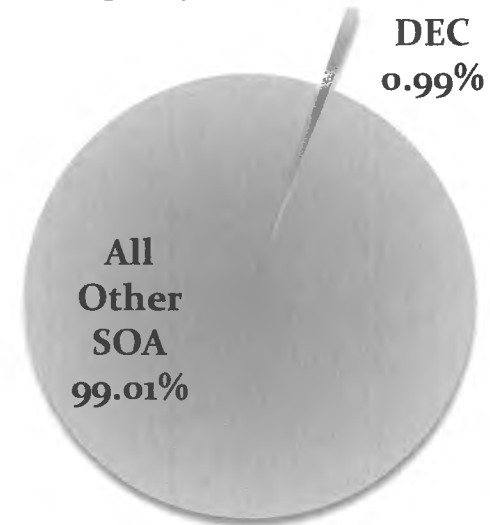




# FY2015 Budget Request

Operating Request: \$ 88,587.5      0.0% growth\*  
\$ 0.0 GF Increase  
No new PCNs

Capital Request: \$ 69,347.7  
*lowest capital request since FY2006*

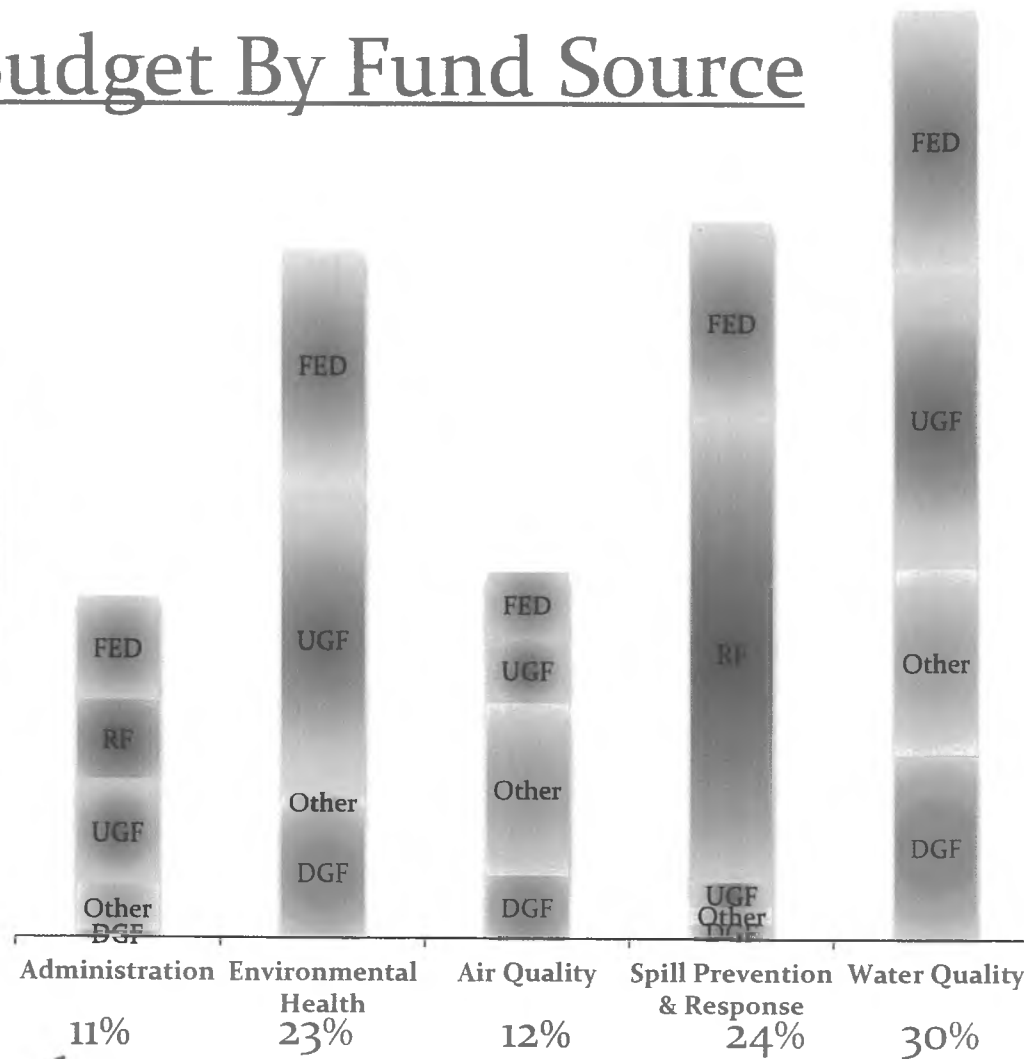
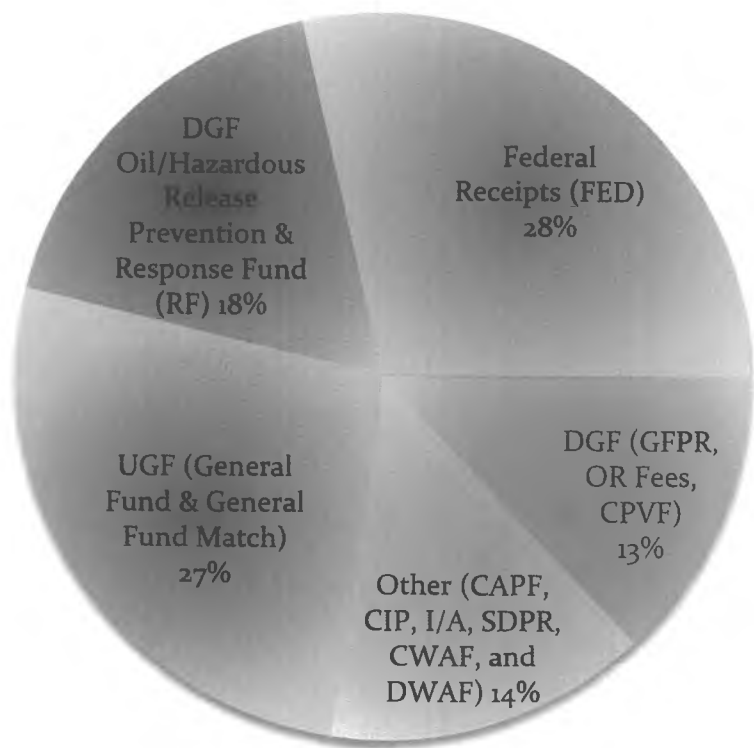


Percent of State  
GF Spending

\* GF Adj Base to FY2015 Governor's Request



# FY2015 Operating Budget By Fund Source





# Concerns and Updates

- Significant Concerns
  - Prevention Account Sustainability
  - Village Safe Water
    - Federal Funding Decline
    - Alaska Challenge Project
- Updates
  - Tsunami Debris Cleanup
  - Federal Sequestration & Future Outlook



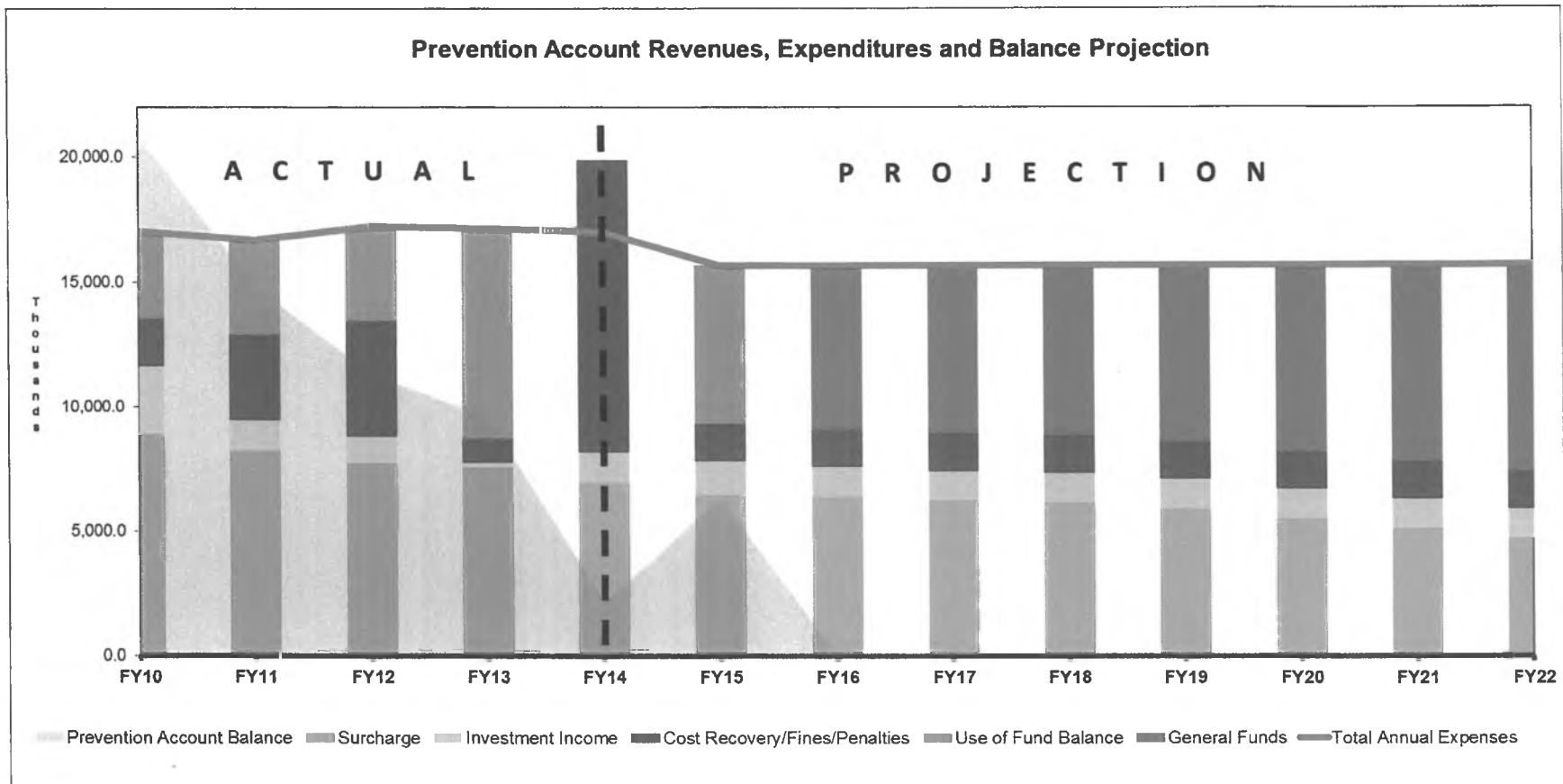
# How the Response Fund Works

- *“It is the intent of the Legislature and declared to be the public policy of the State that funds for the abatement of a release of oil or a hazardous substance will always be available.” (A.S. 46.08.030)*
- **Response Account**
  - Funded by 1¢ surcharge on each barrel of oil.
  - Surcharge suspended when fund exceeds \$50 Million.
  - 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 REVENUES, EXPENDITURES, AND BALANCE PROJECTION*  
*Actuals FY2010 – FY2013, Projected FY2014 – FY2022 based on 12.05.2013 Fall 2013 Forecast - 4¢ Surcharge*





# Status of the Prevention Account

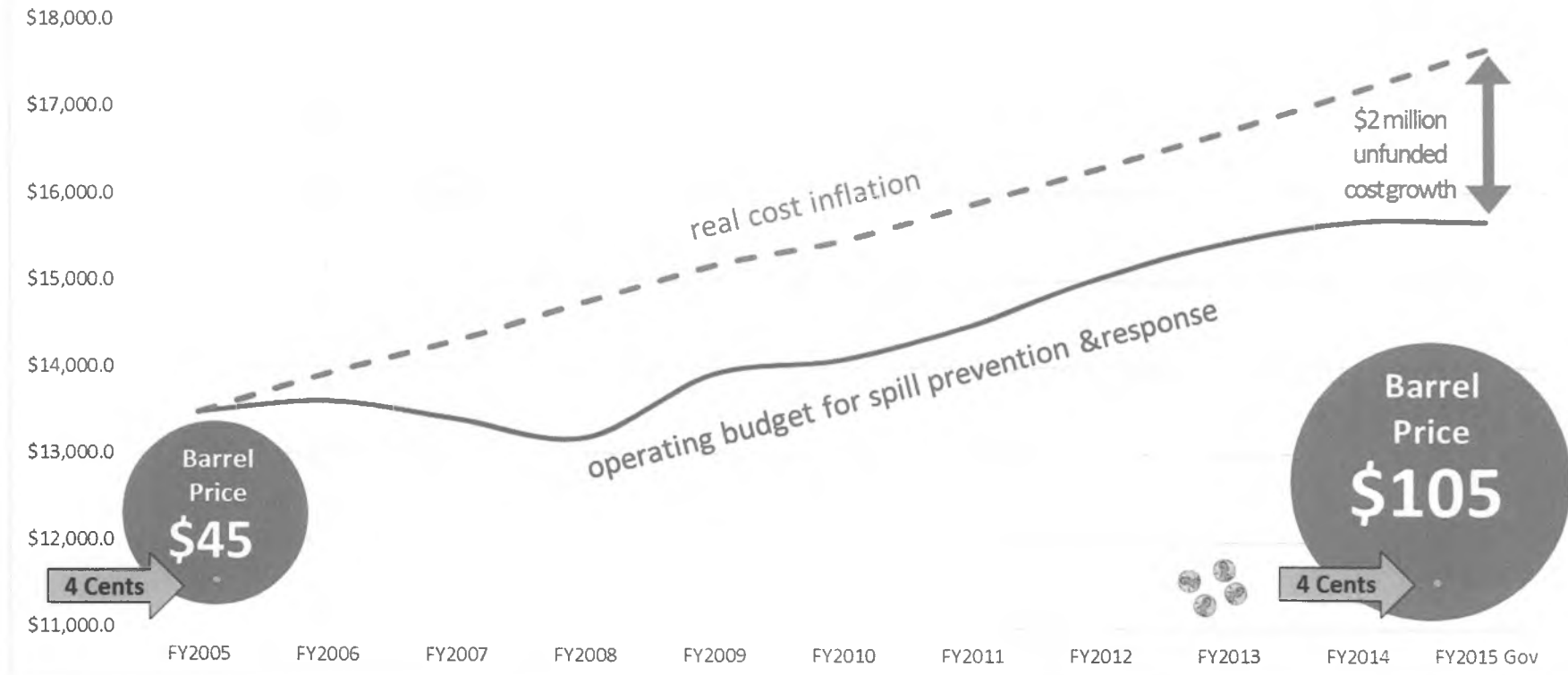
PREVENTION ACCOUNT REVENUES, EXPENDITURES, AND BALANCE PROJECTION  
*Actuals FY2010 – FY2013, Projected FY2014 – FY2022 based on 12.05.2013 Fall 2013 Forecast - 4¢ Surcharge*

Line	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
1 Unobligated Beginning Balance	20,891.9	14,870.3	11,323.0	9,599.2	2,139.3	6,325.6	(40.2)	0.0	0.0	0.0	0.0	0.0	0.0
<b>2 REVENUE to PREVENTION ACCOUNT</b>													
3 Surcharge Revenue	8,922.5	8,255.2	7,736.1	7,558.6	6,951.2	6,480.0	6,400.0	6,240.0	6,160.0	5,920.0	5,520.0	5,120.0	4,720.0
4 Cost Recovery/Fines/Penalties	1,911.9	3,425.0	4,625.4	976.4	11,689.3	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0	1,500.0
5 Investment Income	2,690.2	1,199.7	1,079.8	215.8	1,238.5	1,334.9	1,185.0	1,185.0	1,185.0	1,185.0	1,185.0	1,185.0	1,185.0
<b>6 Total Annual Revenue</b>	<b>13,524.6</b>	<b>12,879.9</b>	<b>13,441.3</b>	<b>8,750.8</b>	<b>19,879.0</b>	<b>9,314.9</b>	<b>9,085.0</b>	<b>8,925.0</b>	<b>8,845.0</b>	<b>8,605.0</b>	<b>8,205.0</b>	<b>7,805.0</b>	<b>7,405.0</b>
<b>7 EXPENSES from PREVENTION ACCOUNT</b>													
8 Operating	13,334.3	14,447.3	15,030.7	15,344.8	15,692.7	15,680.7	15,680.7	15,680.7	15,680.7	15,680.7	15,680.7	15,680.7	15,680.7
9 Capital	3,710.3	2,250.4	2,210.5	1,806.3	1,320.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>10 Total Annual Expenses</b>	<b>17,044.6</b>	<b>16,697.7</b>	<b>17,241.2</b>	<b>17,151.1</b>	<b>17,013.5</b>	<b>15,680.7</b>	<b>15,680.7</b>	<b>15,680.7</b>	<b>15,680.7</b>	<b>15,680.7</b>	<b>15,680.7</b>	<b>15,680.7</b>	<b>15,680.7</b>
11 Use of Fund Balance	3,520.0	3,817.8	3,799.9	8,400.3	0.0	6,365.8							
<b>12 Obligations and Other Activity</b>													
13 New Capital Appropriations	5,750.0	2,000.0	100.0	750.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
14 Less: Capital Expenses	(3,710.3)	(2,250.4)	(2,210.5)	(1,806.3)	(1,320.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
15 Increase (Decrease) in Outstanding Capital Appropriations	2,039.7	(250.4)	(2,110.5)	(1,056.3)	(1,320.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
16 Other Activity - Changes in Receivables and Liabilities	461.9	(20.1)	34.4	115.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>17 Total Increase (Decrease) in Obligations and Other Activity</b>	<b>2,501.6</b>	<b>(270.5)</b>	<b>(2,076.1)</b>	<b>(940.4)</b>	<b>(1,320.8)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>18 Summary</b>													
19 Unobligated Beginning Balance	20,891.9	14,870.3	11,323.0	9,599.2	2,139.3	6,325.6							
20 Add: Total Annual Revenue	13,524.6	12,879.9	13,441.3	8,750.8	19,879.0	9,314.9							
21 Less: Total Annual Expenses	(17,044.6)	(16,697.7)	(17,241.2)	(17,151.1)	(17,013.5)	(15,680.7)							
22 Less: Total Increase (Decrease) in Obligations and Other Activity	(2,501.6)	270.5	2,076.1	940.4	1,320.8	0.0							
<b>23 Unobligated Ending Balance</b>	<b>14,870.3</b>	<b>11,323.0</b>	<b>9,599.2</b>	<b>2,139.3</b>	<b>6,325.6</b>	<b>(40.2)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>24 Other Appropriations:</b>													
25 General Fund Other							6,595.7	6,755.7	6,835.7	7,075.7	7,475.7	7,875.7	8,275.7
26 Transfers from Other Funds	0.0	0.0	0.0	0.0	0.0	0.0	6,595.7	6,755.7	6,835.7	7,075.7	7,475.7	7,875.7	8,275.7



# Prevention Account & Inflation

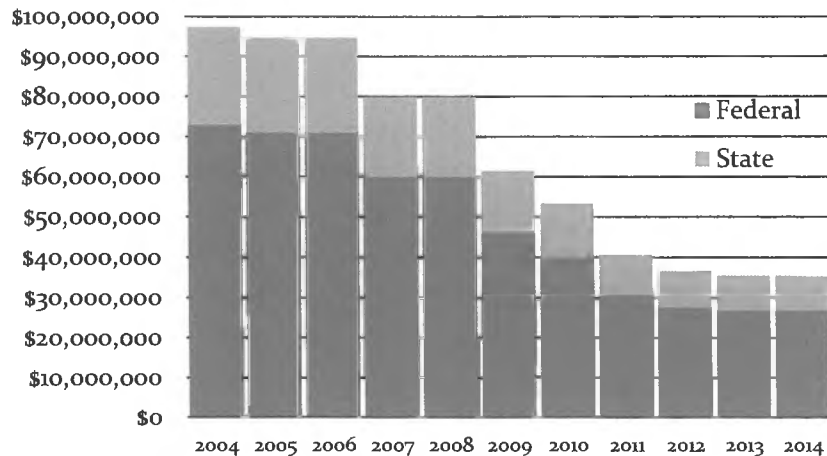
**Response Funds to DEC: FY2005 to FY2015**  
 Authorized RF Appropriations vs. Inflation  
*using Anchorage CPI*





# Rural Alaska Water & Sewer

## State & Federal Funding for Village Safe Water

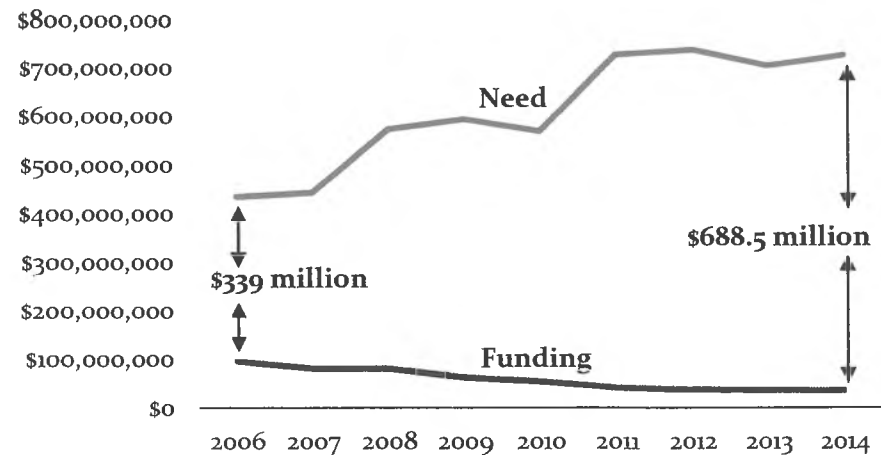


Funding for rural Alaska sanitation projects has declined by over \$61 Million, or 64% between 2004 and 2014.

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.

## Village Safe Water Funding vs. Need





# Village Safe Water: The Alaska Challenge

- \$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.
- Alaska Challenge Project
  - 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:
    - Phase 1: Request For Proposals (RFP) and selection for funding.
    - Phase 2: Demonstration of projects, research and development.
    - Phase 3: Initial pilot testing and refinement for implementation.
  - The Legislature funded Phase 1 in FY2013, and the Department is working with stakeholders to try to secure funding for Phases 2 & 3



# Tsunami Marine Debris

- Government of Japan estimates 5 million tons of tsunami-related marine debris
  - Estimated 70% sank almost immediately
  - 1.5 million tons floating off coast of Japan, caught by wind and ocean currents
- Concerns include:
  - Potential toxicity of components
  - Smothering sensitive habitats
  - Invasive species
  - Impact of small Styrofoam pieces on marine and terrestrial life
  - Unknown quantity and composition
  - Disposal
  - Safety risks to removal crews
- DEC is working with multiple partners and funding sources on a multi-year effort on coastal cleanup.





# Federal Sequestration & Future Outlook

- **Drinking Water**
  - \$267.2 of lost federal revenue in FY2014 (more than 3% of all funds)
  - Received a small increment (\$175.0 GF) in FY2014
    - To assist with the implementation of new drinking water rules
    - Increment backfills only a portion of the lost federal revenue
- **Village Safe Water**
  - Federal funding has plummeted by nearly two-thirds over the last nine years, from \$73 million to less than \$27 million
- **Air Quality**
  - 5% reduction to the Performance Partnership Grant (PPG)
  - EPA has plans for a new federal funding formula allocation to Alaska, which would reduce funding distributed to Region 10 states by 42% phased in over several years
    - Implementation has been delayed by the new federal fiscal year 2014 spending bill
- **Water Quality**
  - 5% reduction to the Performance Partnership Grant (PPG)
- **Food Safety and Sanitation, Environmental Health Laboratory, Contaminated Sites, and Administrative Services** are receiving new federal revenues.



# Legislative Finance

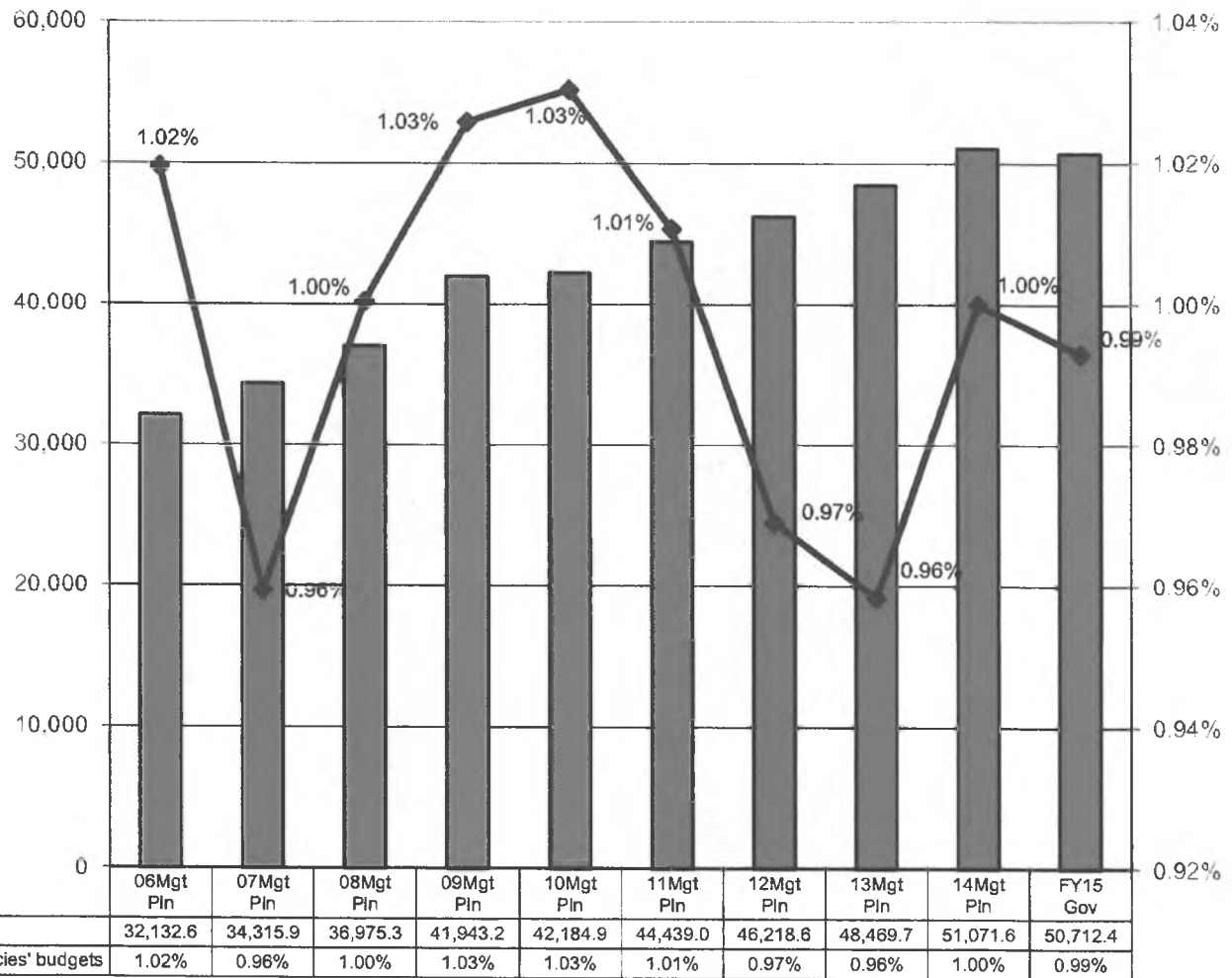
## 10-Year Look Back Charts



**Department of Environmental Conservation Share of Total Agency Operations  
(GF Only)  
(\$ Thousands)**

The department's GF budget grew by about \$18.6 million (58%) between FY06 and the FY15 Governor's Request - an average annual growth rate for that period of 5.2%.

The department's total FY15 GF budget equals \$153 per resident worker.\*



\* According to the Department of Labor and Workforce Development, there were 331,081 resident workers in Alaska in 2011.



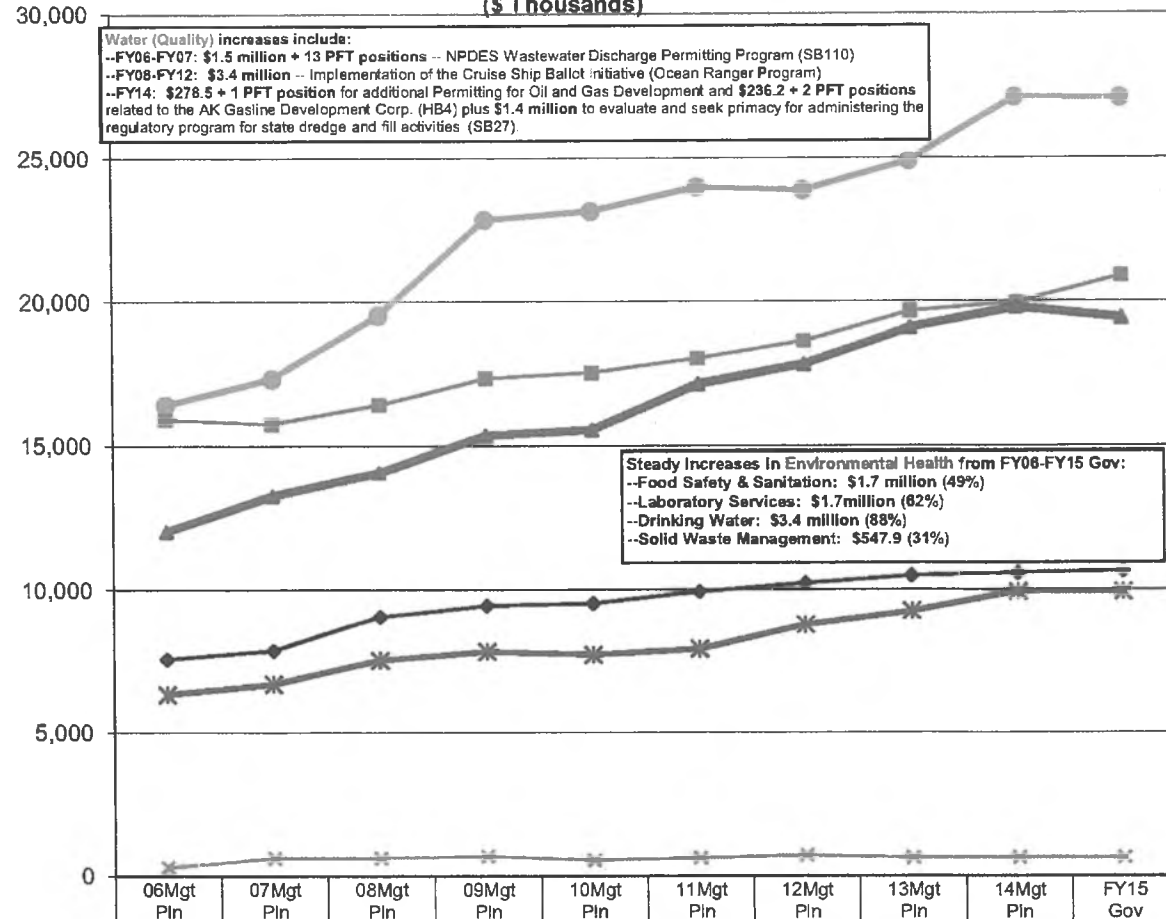
### Appropriations within the Department of Environmental Conservation (All Funds) (\$ Thousands)

Overall growth for the department (all funding sources) is over \$30 million (51%).

--the Water appropriation grew by 65% (a \$10.6 million increase) from FY06-FY15 Gov. Of this growth, 76% is due to the Water Quality allocation which increased \$8 million (from \$10.4 million to \$18.5 million).

--the Environmental Health appropriation grew over 61% (a \$7.4 million increase) from FY06-FY15 Gov.

NOTE: In FY15 Gov, Air Quality became a new appropriation rather than an allocation within Environmental Health.



	06Mgt Pln	07Mgt Pln	08Mgt Pln	09Mgt Pln	10Mgt Pln	11Mgt Pln	12Mgt Pln	13Mgt Pln	14Mgt Pln	FY15 Gov
Water	16,423.8	17,310.1	19,523.8	22,847.4	23,143.6	23,973.2	23,857.1	24,879.5	27,075.1	27,061.6
Spill Prevention and Response	15,919.4	15,761.5	16,428.5	17,329.4	17,523.7	18,018.4	18,629.2	19,659.4	19,939.7	20,888.6
Environmental Health	12,034.1	13,268.9	14,069.9	15,360.0	15,558.2	17,135.5	17,812.1	19,104.6	19,790.1	19,439.5
Air Quality	7,561.8	7,863.6	9,053.1	9,446.1	9,521.7	9,926.8	10,230.7	10,483.5	10,568.3	10,646.2
Administration	6,333.0	6,683.1	7,521.3	7,828.6	7,715.3	7,915.0	8,762.7	9,240.6	9,918.4	9,915.1
DEC Buildings Maintenance and Operations	304.7	611.2	613.4	674.5	546.3	620.4	718.1	632.6	635.5	636.5



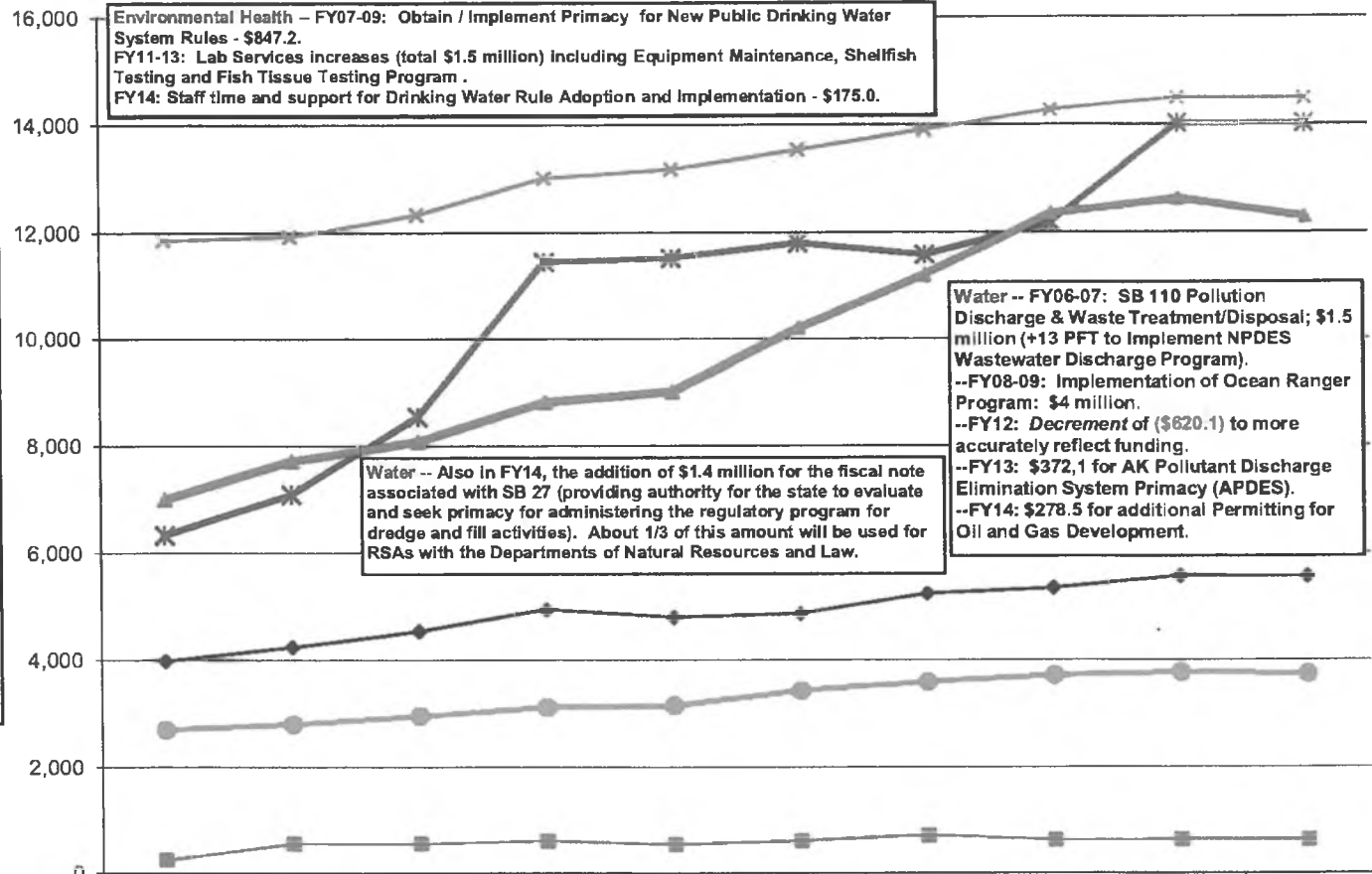
## Appropriations within the Department of Environmental Conservation (GF Only) (\$ Thousands)

DEC has grown about 58% in all GF sources during the 9-yr period.

Environmental Health appropriation increased over 75% (\$5.3 million) between FY06 and FY15 Gov.

An even larger percentage GF increase is in the Water appropriation, showing growth of 121% -- or \$7.7 million.

Although Spill Prevention and Response is the largest GF appropriation (\$14.5 million), growth during this timeframe is only 22%.



**Environmental Health – FY07-09: Obtain / Implement Primacy for New Public Drinking Water System Rules - \$847.2.**  
**FY11-13: Lab Services increases (total \$1.5 million) including Equipment Maintenance, Shellfish Testing and Fish Tissue Testing Program .**  
**FY14: Staff time and support for Drinking Water Rule Adoption and Implementation - \$175.0.**

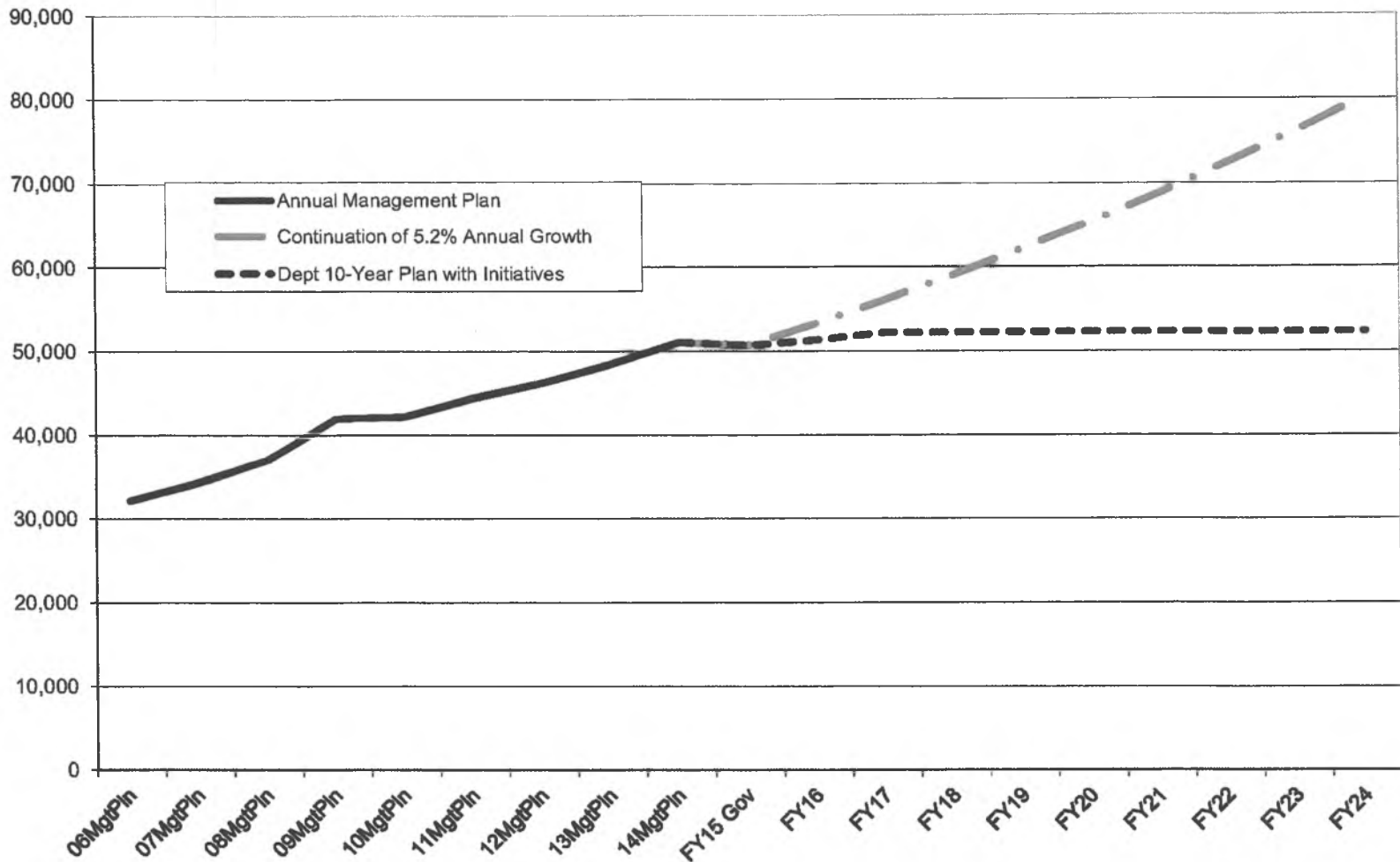
**Water -- Also in FY14, the addition of \$1.4 million for the fiscal note associated with SB 27 (providing authority for the state to evaluate and seek primacy for administering the regulatory program for dredge and fill activities). About 1/3 of this amount will be used for RSAs with the Departments of Natural Resources and Law.**

**Water -- FY06-07: SB 110 Pollution Discharge & Waste Treatment/Disposal; \$1.5 million (+13 PFT to Implement NPDES Wastewater Discharge Program).**  
**--FY08-09: Implementation of Ocean Ranger Program: \$4 million.**  
**--FY12: Decrement of (\$620.1) to more accurately reflect funding.**  
**--FY13: \$372.1 for AK Pollutant Discharge Elimination System Primacy (APDES).**  
**--FY14: \$278.5 for additional Permitting for Oil and Gas Development.**

	06MgtPin	07MgtPin	08MgtPin	09MgtPin	10MgtPin	11MgtPin	12MgtPin	13MgtPin	14MgtPin	FY15 Gov
Spill Prevention and Response	11,864.4	11,932.6	12,331.9	13,017.2	13,177.0	13,534.1	13,910.2	14,273.7	14,486.4	14,480.6
Water	6,336.0	7,087.4	8,533.4	11,450.5	11,522.9	11,809.0	11,582.6	12,178.2	14,012.9	14,016.2
Environmental Health	7,002.8	7,708.6	8,073.2	8,814.3	9,010.3	10,205.2	11,196.6	12,342.8	12,625.4	12,291.1
Administration	3,976.4	4,232.6	4,531.4	4,933.3	4,788.0	4,855.5	5,233.3	5,341.1	5,555.2	5,553.3
Air Quality	2,692.9	2,790.6	2,946.4	3,109.1	3,141.1	3,414.8	3,577.8	3,701.3	3,756.2	3,734.7
DEC Bldgs Maint & Operations	260.1	564.1	559.0	618.8	545.6	620.4	718.1	632.6	635.5	636.5

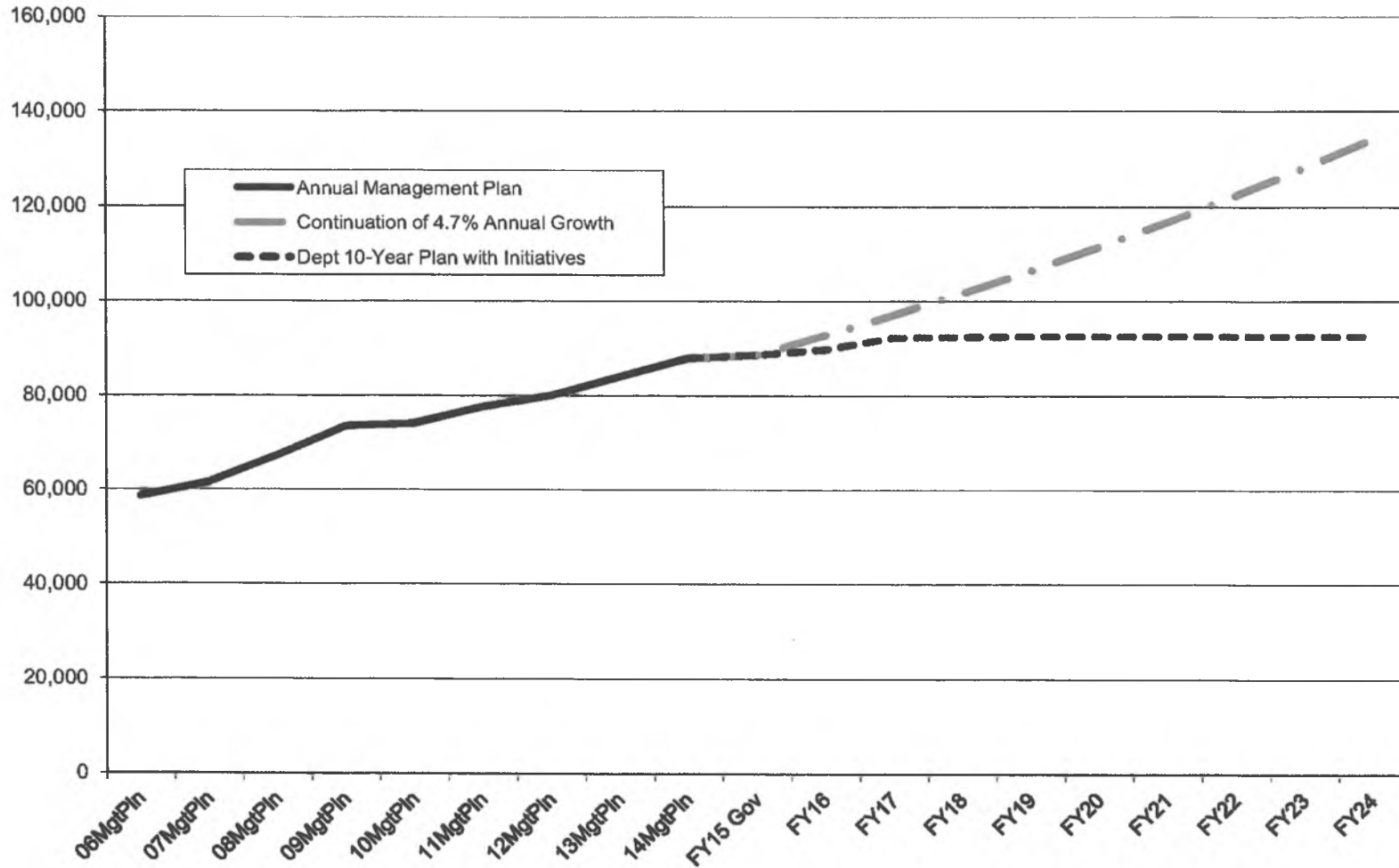


**Department of Environmental Conservation  
Continued Budget Growth Compared to 10-Year Plan  
(GF Only)  
(\$ Thousands)**





**Department of Environmental Conservation  
Continued Budget Growth Compared to 10-Year Plan  
(All Funds)  
(\$ Thousands)**



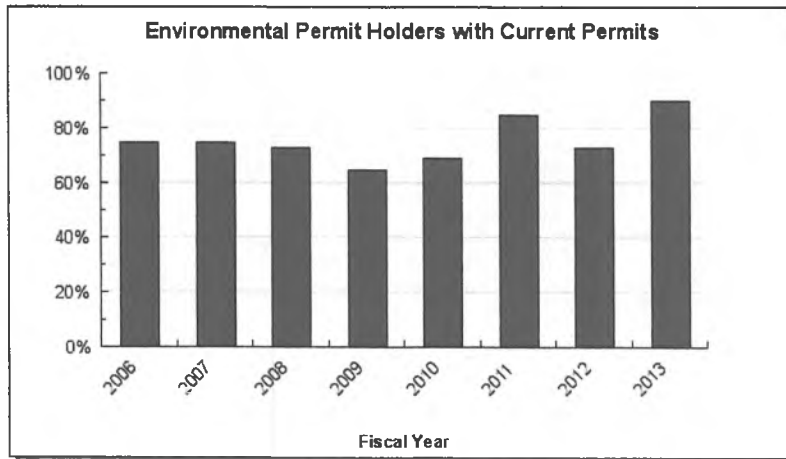


# Department: 10-Year Plan Highlights

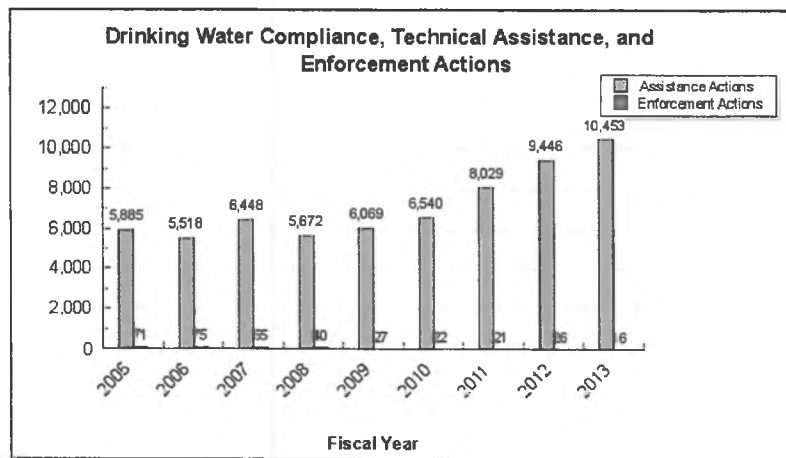
- Operating Budget
  - Permit a gasline project under HB4 (2013)
  - Permits, approvals, oversight, and response of large mining projects throughout the state starting in FY2016
  - Adopt additional required drinking water rules
  - Address rural landfill compliance challenges
  - Does not include: merit increases or inflationary cost growth
- Capital Budget
  - General funds to replace declining federal funds in the Village Safe Water program beginning in FY2016
  - General Funds to sustain essential spill prevention and response programs beginning in FY2016



# 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

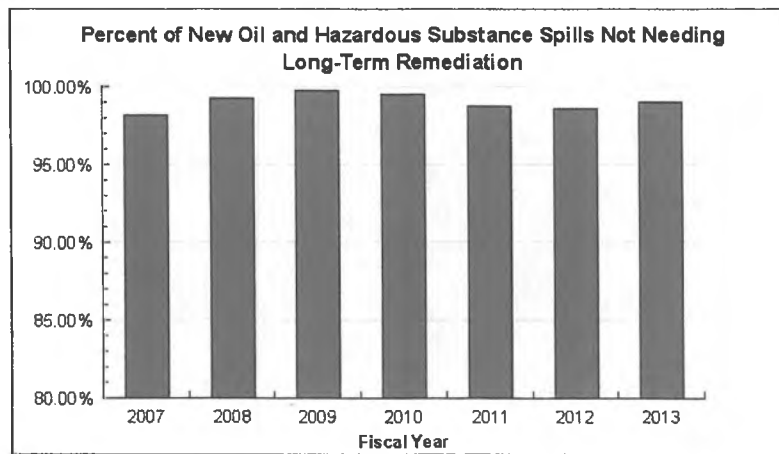


# Long-term Challenges to Departmental Performance



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?

