

02/02/15

BUDGET OVERVIEW

FY 16:

DEPARTMENT OF

ENVIRONMENTAL

CONSERVATION

<TARGET><BILL></BILL><SUBJECT>02-02-15 BUDGET OVERVIEW
FY 16 DEPARTMENT OF ENVIRONMENTAL
CONSERVATION</SUBJECT><COMM>HFIN29</COMM></TARGET>



Department of Environmental Conservation

House Finance Committee

Larry Hartig, Commissioner
Tom Cherian, Administrative Services
Director

February 2, 2015



DEC's Mission

Protect human health
and the environment.





Outcomes

- Clean water, healthy air, and good management of hazardous materials and waste
- Safe drinking water and sanitary waste disposal
- Food safe to eat
- Low risk of spills and efficient, effective response when spills occur
- Wise resource development for a growing state





Means

- Science-based standards
- Permits and authorizations incorporating these standards
- Monitoring, outreach, compliance assistance, and enforcement
- Emergency response and oversight of spill clean-up
- Meaningful and effective public processes for developing standards and permits
- Technical assistance, grants, and loans to communities for drinking water and wastewater infrastructure



What Alaskans Get for Their Money

According to calculations by Legislative Finance, DEC's FY2016 general fund budget is equal to \$144 per year per resident worker

that's just **39¢** a day for

clean air to breathe clean water to drink

safe food to eat clean land and waters

responsible resource development



*If you look at the numbers by total population, that number drops to roughly **18¢** a day per Alaskan*



Existing Budget Conditions

- Federal Sequestration and declining federal funds
 - Ex: Drinking Water program lost \$267.2 federal revenue in FY2014, more than 3% of all funds
- Budget cuts in recent years
- Declining balance in the Prevention Account
- Not all fees reflect the actual cost of the work
 - Ex: Fees for permitted Direct Market Fishing Vessels < 65 feet are set in statute and cover approximately 12% of the cost to conduct vessel inspections
- DEC has implemented cost saving measures in FY2015:
 - Retaining vacancies
 - Avoiding non-essential travel
 - Additional review of pending contractual solicitations
- Department-wide vacancy rate is currently about 12%, but varies across the five divisions





Budget Reduction Criteria



- Services that are mandated by statute
- Services that are necessary to implement DEC's mission and core responsibilities
- Services that can't be performed by local government, federal government, or others
- Services that will be difficult to restore
- Services that are a foundation for economic growth and prosperity
- Services that enjoy strong public support
- Services that leverage other resources



Division of Administration

Components:

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

Commissioner: Larry Hartig

Deputy: Lynn Kent

Director: Tom Cherian

Challenges & Opportunities:

- Decreasing Budgets
- Unfunded Administrative Cost Increases
- Succession Planning and Workforce Development



Division of Environmental Health

Components:

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

Also:

- Building Maintenance & Operations
– Environmental Health Lab



Director:

Elaine Busse Floyd

Challenges &

Opportunities:

- Declining Federal Funding for the Drinking Water Program
- Complex Federal Requirements
- High Risk Food Safety Inspections
- Unique Laboratory Technology & Equipment Needs



Division of Air Quality

Components:

- Director's Office
- Air Quality
 - Permitting and Compliance
 - Community Air Quality
 - Air Monitoring

Director:

Alice Edwards

Challenges &

Opportunities:

- Continue to meet industry needs for air permits
- Fairbanks Air Quality/Woodsmoke
- Changing Federal Rules and Standards

Fairbanks, North Pole air expected to exceed U.S. pollutant standard again

By Amanda Bohman, abohman@newsminer.com Posted: Wednesday, January 28, 2015 8:00 am

FAIRBANKS — Cold air trapped pollutants in Fairbanks and North Pole, and air in the two communities was expected to exceed limits in the federal Clean Air Act by late afternoon Tuesday, according to the head of air quality for the Fairbanks-North Star Borough.



Division of Spill Prevention & Response

Components:

- Spill Prevention & Response
 - Prevention, Preparedness, and Response
 - Contaminated Sites
 - Response Fund Administration



Director:

Kristin Ryan

Challenges &

Opportunities:

- Prevention Account Sustainability
- Managing Risk Associated with New Natural Resource Development Activity and Marine Transportation



Division of Water

Components:

- Water Quality
 - Wastewater Discharge Permitting
 - Cruise Ship
 - Water Quality Standards, Assessment, and Restoration
 - Compliance
- Facility Construction
 - Village Safe Water Program
 - Municipal Grants & Loan Program

Director:
Michelle Hale



Challenges &

Opportunities :

- Continuing to Develop Depth in APDES
- Improvements to Federal 404 Dredge & Fill Permitting and Mitigation
- Declining Federal Funding in the Village Safe Water Program



FY2016 Endorsed Budget Request

Operating Request: \$ 85,864.7

- Unrestricted GF \$20,454.6
- Designated GF \$27,392.4
- Other State Funds \$14,388.9
- Federal Receipts \$23,628.8
- Positions 537

DEC has the second smallest UGF budget of all State agencies, behind DMVA

Capital Request: \$ 64,014.9

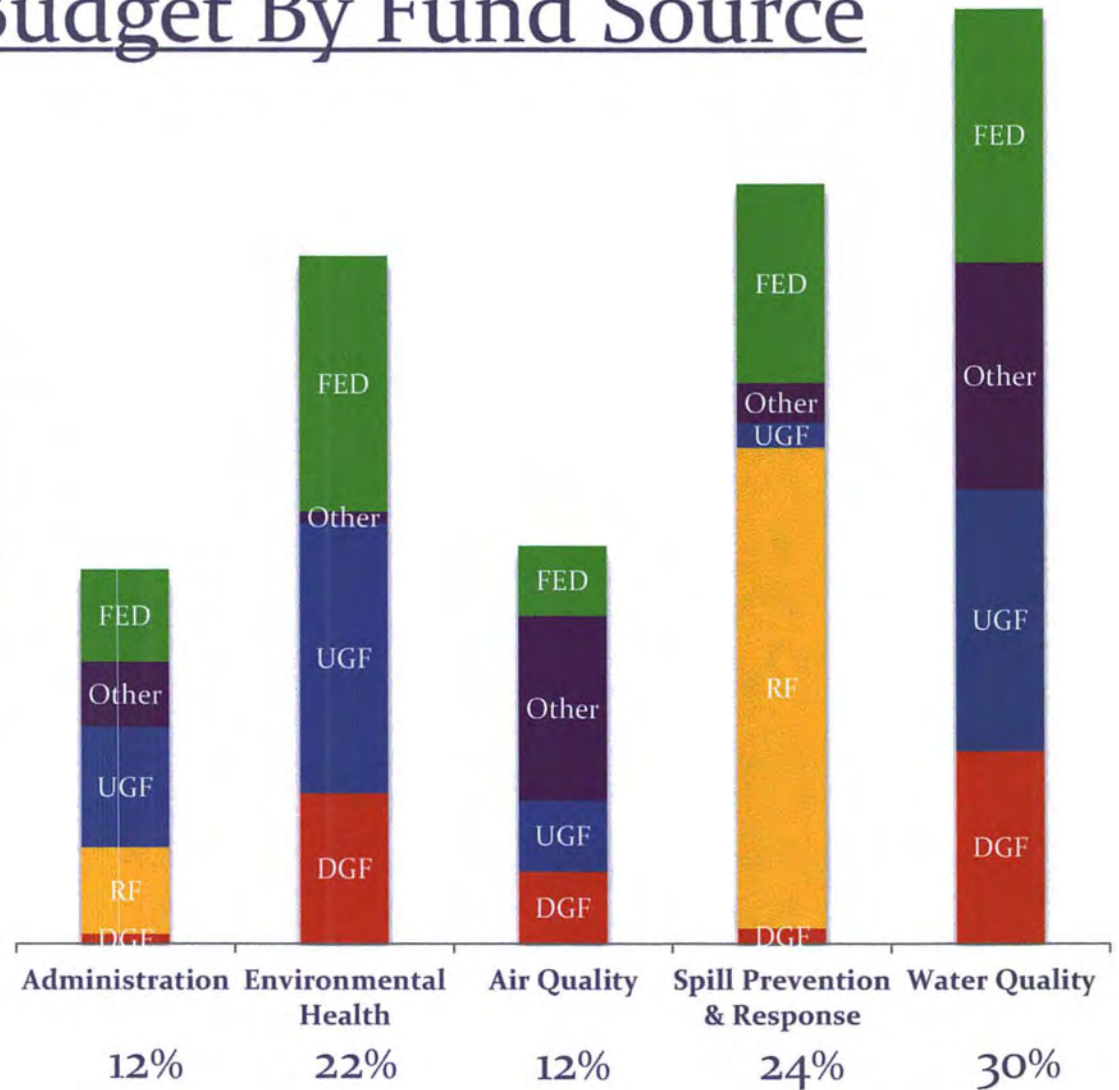
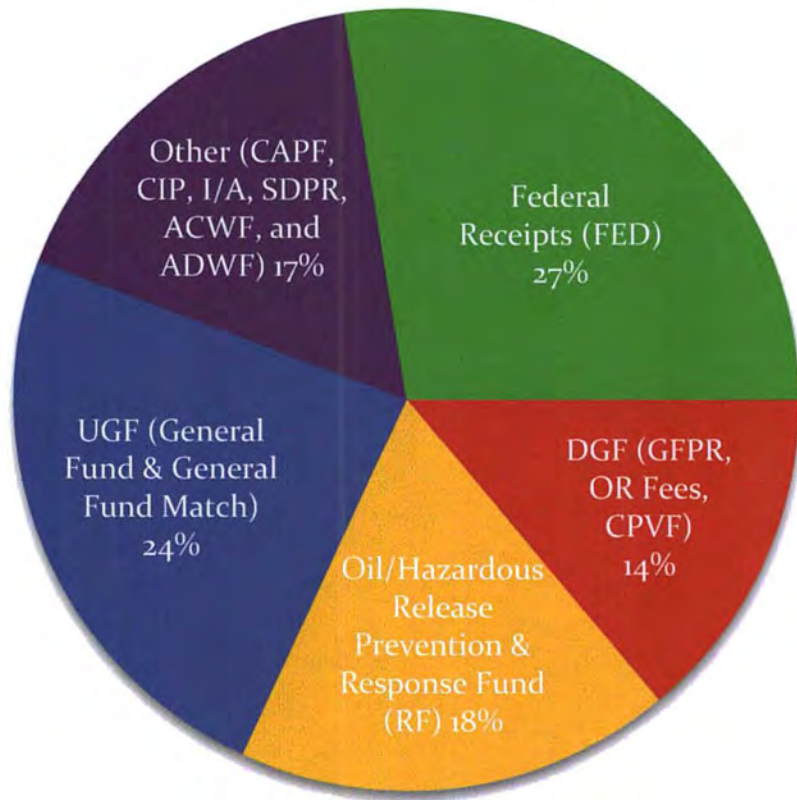
- Unrestricted GF \$18,738.6
- Other State Funds \$3,026.3
- Federal Receipts \$42,250.0

lowest capital request since FY2006





FY2016 Operating Budget By Fund Source





FY2016 Budget Changes

	FY2015 Management Plan	FY2016 Adjusted Base	FY2016 Endorsed Governors	FY2015 Management Plan to FY2016 Adjusted Base		FY2016 Adjusted Base to FY2016 Governors	
UGF	\$ 22,472.1	\$ 22,603.3	\$ 20,454.6	\$ 131.2	0.6%	\$ (2,148.7)	-9.5%
DGF	\$ 27,213.7	\$ 27,578.3	\$ 27,392.4	\$ 364.6	1.3%	\$ (185.9)	-0.7%
Other	\$ 12,612.7	\$ 12,725.8	\$ 14,388.9	\$ 113.1	0.9%	\$ 1,663.1	13.1%
Federal	\$ 25,262.4	\$ 25,574.0	\$ 23,628.8	\$ 311.6	1.2%	\$ (1,945.2)	-7.6%
Total	\$ 87,560.9	\$ 88,481.4	\$ 85,864.7	\$ 920.5	1.1%	\$ (2,616.7)	-3.0%
PCNs	561	561	537	0	0.0%	-24	-4.3%



FY2016 Significant Budget Changes

- Administration
 - CO – Efficiencies due to Reorganization of Administrative Functions
-\$114.1; -1 PCN
(-\$43.1 UGF/ -\$71.0 I/A)
 - AS – Efficiencies due to Reorganization of Administrative Functions
-\$25.0 UGF
 - AS – Replace Federal Receipts with Existing Clean Water Administrative Fees
\$0.0
(\$84.0 Other / - \$84.0 Fed)
 - AS – Rebalance Funding of Core Service Lease Costs
\$0.0
(\$400.0 CAPF/\$110.0 CPVEC/- \$510.0 FED)



FY2016 Significant Budget Changes

- Environmental Health
 - FSS – Reduce Inspections of Retail Food, Public Accommodations, & Non-Food Facilities **-\$869.3 UGF; -8 PCNs**
 - EHL– Delete two Microbiologists Positions **-\$170.0 UGF; -2 PCNs**
 - EHL – Maintain Fish Tissue Monitoring Program **\$0.0**
(\$250.0 OR/- \$250.0 UGF)
 - DW – Reduced Capacity in Drinking Water Program **-\$507.3 UGF; -4 PCNs**
 - SWM – Efficiencies due to Implementation of New Regulations **-\$85.6 UGF; -1 PCN**



FY2016 Significant Budget Changes

- Air Quality
 - AQ – Expand Air Permitting Program to Meet Industry Needs **\$123.0 DGF; 1 PCN**
- Spill Prevention & Response
 - SPAR – Reorganization and Consolidation of SPAR Programs **-\$520.0; -4 PCNs**



FY2016 Significant Budget Changes

- Water
 - WQ – Efficiencies due to Reorganization of Administrative Functions **-\$95.0 UGF; -1 PCN**
 - WQ– Offset Ocean Ranger Fees for Fish Tissue Monitoring Program **-\$250.0 OR**
 - WQ – Delete Environmental Program Manager **-\$103.4 UGF; -1 PCN**
 - FC – Replace Federal Receipts with Existing Clean Water Administrative Fees **\$0.0**
(\$700.0 Other/
-\$700.0 Fed)
 - FC – Maintain Operator Certification Program **\$0.0**
(\$101.1 DGF/- \$101.1 Fed)



Department Challenges

- Prevention Account Sustainability
- Village Safe Water
 - Federal Funding Decline
 - Alaska Challenge Project
- Fairbanks Air Quality/Woodsmoke



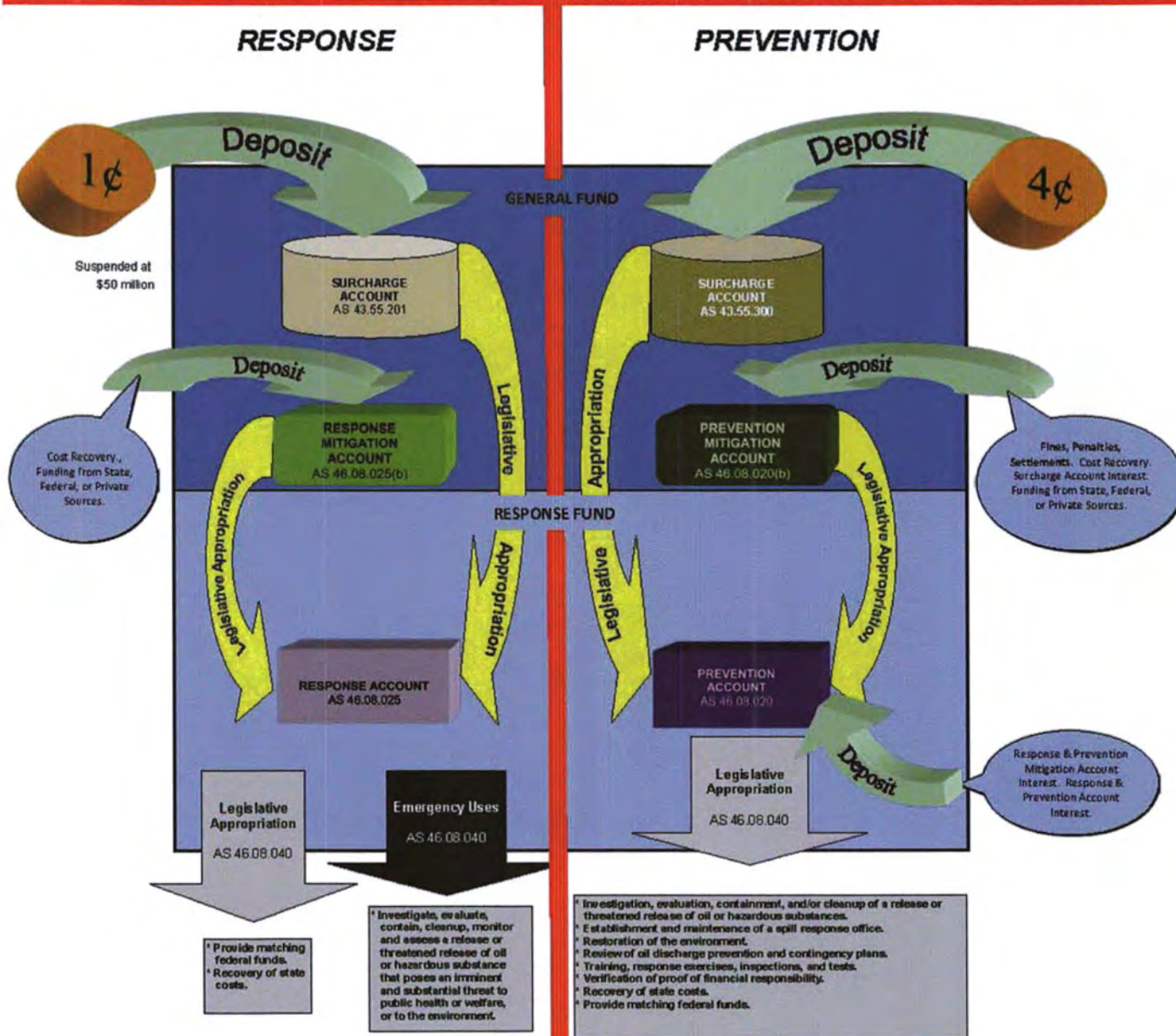


How the Response Fund Works

- *“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



Oil & Hazardous Substance Release Prevention and Response Fund



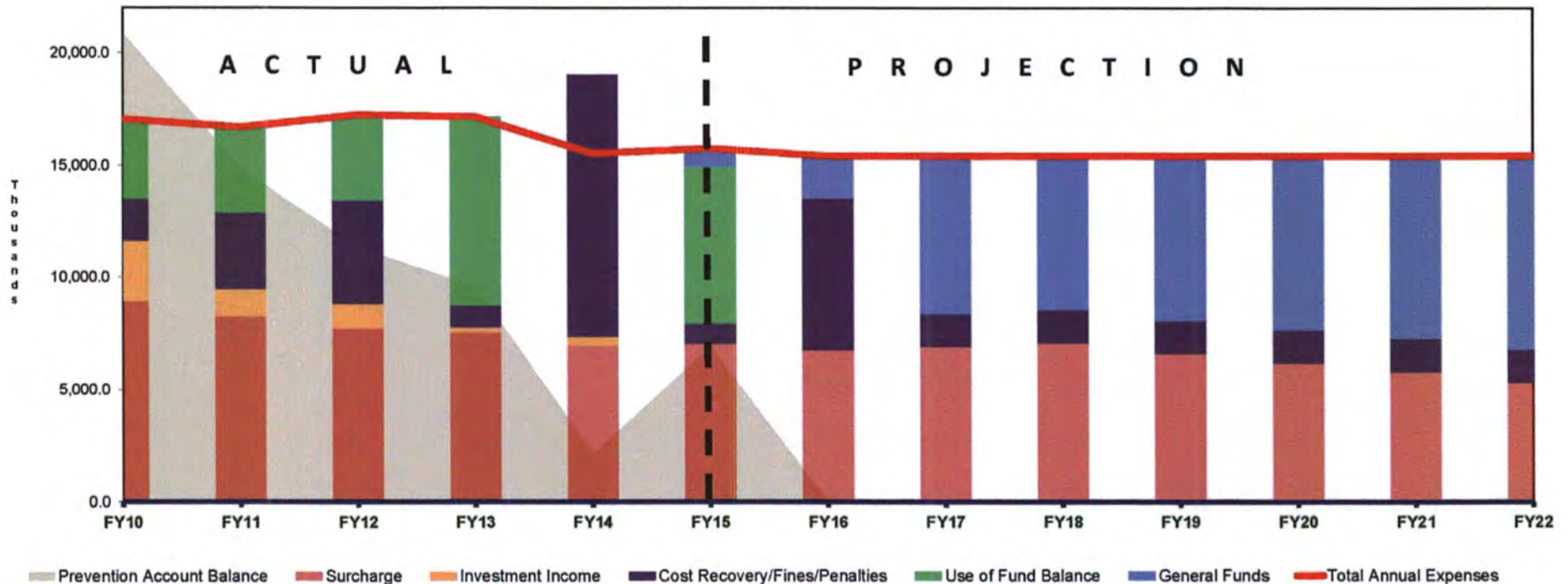


Status of the Prevention Account

PREVENTION ACCOUNT REVENUES, EXPENDITURES, AND BALANCE PROJECTION

Actuals FY2010 – FY2014, Projected FY2015 – FY2022 based on Fall 2014 Forecast - 4¢ Surcharge

Prevention Account Revenues, Expenditures and Balance Projection





Considerations in Addressing the Shortfall

- Do not increase the risk from spills
- Recognize declining production and the impacts of this to the sustainability of the Response Fund
- Collaborate with existing and potential payees into the Response Fund to identify the correct amount and allocation
- Look to other sources to identify fair and reasonable alternatives to help sustain the fund
- Continue to look for efficiencies in SPAR, partnerships, new technologies, better assessment of risks, and improvement to cost recovery



Village Safe Water

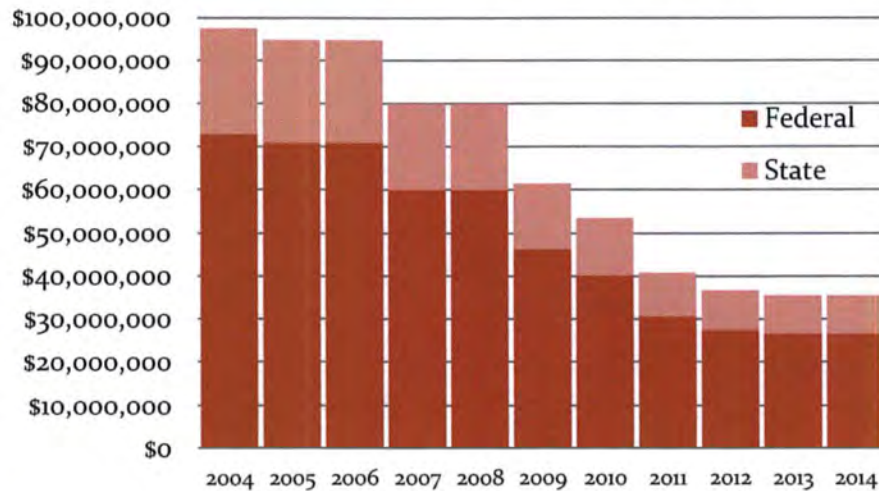
- Over 4,500 homes in rural Alaska lack running water and sewage systems
- Lack of sanitation poses serious health threat
 - Health studies show a direct correlation between clean water in sufficient quantities and significant reductions in diseases and infections that can sometimes be fatal
 - Children in Southwest Alaska suffer some of the highest rates in the world of a serious pneumococcal bacterial infection which can affect the brain, blood or lungs
 - This bacterial infection is linked to inadequate sanitation infrastructure





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.

- Reduced funding means making choices:
 - First time water and sewer service where feasible
 - Upgrades or replacement of existing systems to address significant health threats
 - Stretching limited funds
 - Prioritize for greatest need and biggest impact
 - Extend life with targeted improvements, limited scope



Alaska Water & Sewer Challenge

- Innovative international research and development effort
- Goal is to significantly reduce the capital and operating costs of in-home running water and sewer in rural Alaska homes
- Recently launched Phase 2
- Focus is on “Decentralized” approaches
 - Household based systems
 - Water re-use technologies
- To date \$4 million in State and Federal funds have been secured, but there may be a future request to support completion





Fairbanks Fine Particulate Matter (PM_{2.5})

- Fairbanks/North Pole area exceeds the 24-hour PM_{2.5} ambient air quality standard
- Initial air quality plan submitted to EPA on December 31, 2015
- Plan and control options have been controversial in community
 - Home heating sources (wood and coal) are important contributors
 - Continued change outs of wood heaters and expansion of natural gas important to attaining the standard
 - Implementing initial plan and working with community as they explore additional options to improve air quality





Status of FY2015 Budget Increments

- **Federal Authority for Contaminated Sites** **\$959.5 Fed**
 - Allows the Contaminated Sites component to collect federal grants to perform cleanup and oversight of cleanup activities on federally owned contaminated sites
 - Federal budget issues, including sequestration, resulted in the Department of Defense and other federal agencies not scaling up their clean-up activities as anticipated
 - Additional federal grant funding is uncertain in FY2016
 - The Division expects to collect and expend \$534.5 of this federal authority in FY2015
- **Alaska Gasline Development Corporation (HB4)** **\$106.0 ISPF-I/A**
 - Allows for additional contractors to work with the Division of Air Quality on construction and permit applications related to the small-diameter in-state gas pipeline
 - The Prevention of Significant Deterioration permit as well as one of the Minor Source Specific permits are anticipated to be submitted during FY2015
 - The Division expects to expend \$91.6 of this increment in FY2015

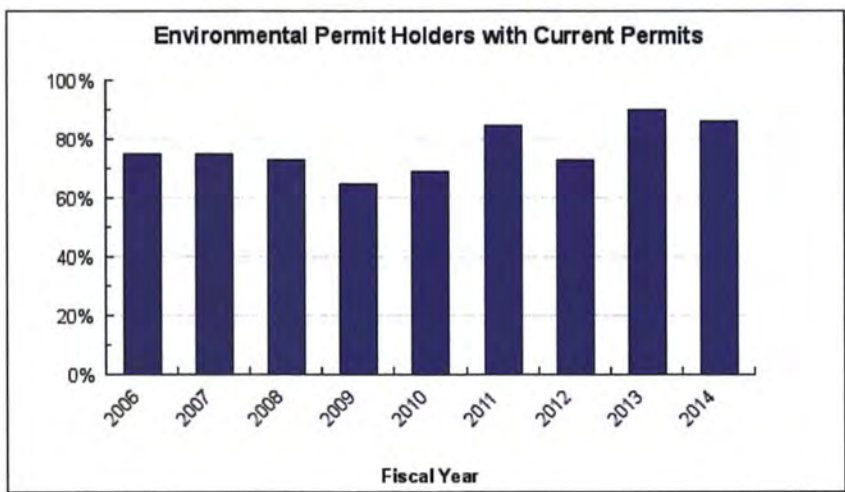


Status of FY2015 Budget Increments

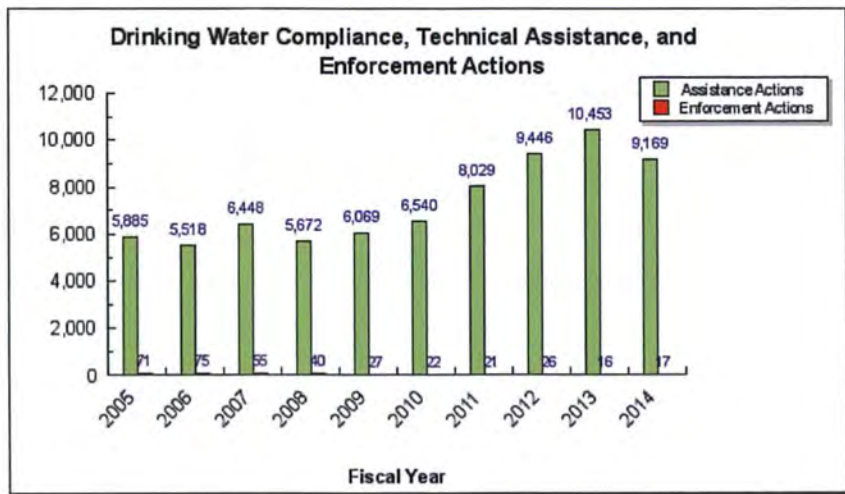
- **Regulations: Notice, Review, Comment (HB140)** **\$250.9 UGF + 1 PCN**
 - The Economist III was hired 12/1/2014 in Anchorage
 - The Division expects to fully expend this increment in FY2015
- **404 Wetlands Program (SB27)** **-\$1,434.7 UGF - 5 PCNs**
 - The State has been completing tasks that were in progress in FY2014 on a time available basis
 - Two of those staff were transferred to vacant PCNs in the wastewater discharge program
 - A third PCN has been retained to work independently on an Alaskan wetlands program plan (funded by an EPA grant) and to work with the Army Corps of Engineers on streamlining the permitting process, with a comparable vacant PCN deleted to offset this retention
 - RSAs with DNR and Law specific to 404 Wetlands primacy have been eliminated in FY2015



Current Challenges to Departmental Performance



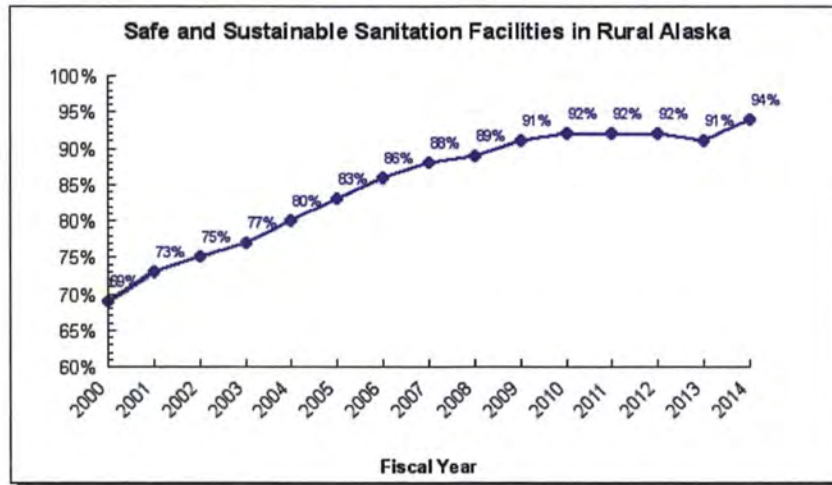
Increasing development activity and strained personnel resources threatens permitting timeliness



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

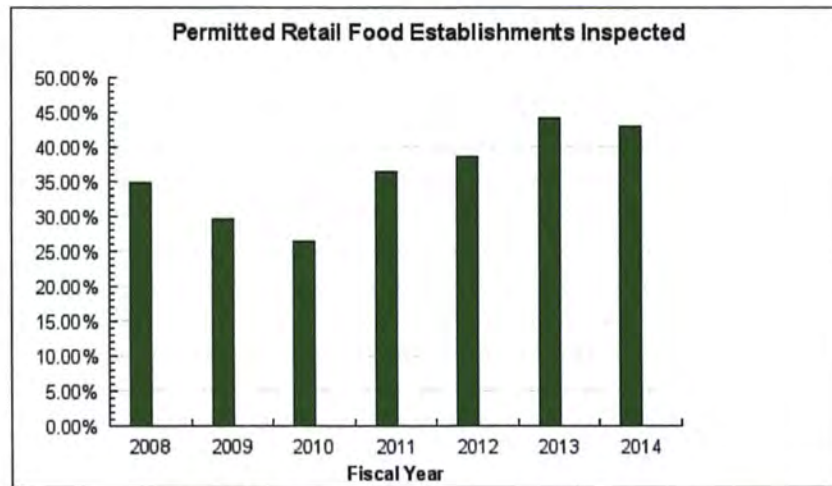


Long-term Challenges to Departmental Performance



Village homes served by safe water:

- More challenging communities
- Declining Funding
- Increasing Costs
- Innovation & Sustainability



Proposed budget cuts will impact the number of routine inspections of retail food facilities which may increase the risk of foodborne illness outbreaks



Legislative Finance

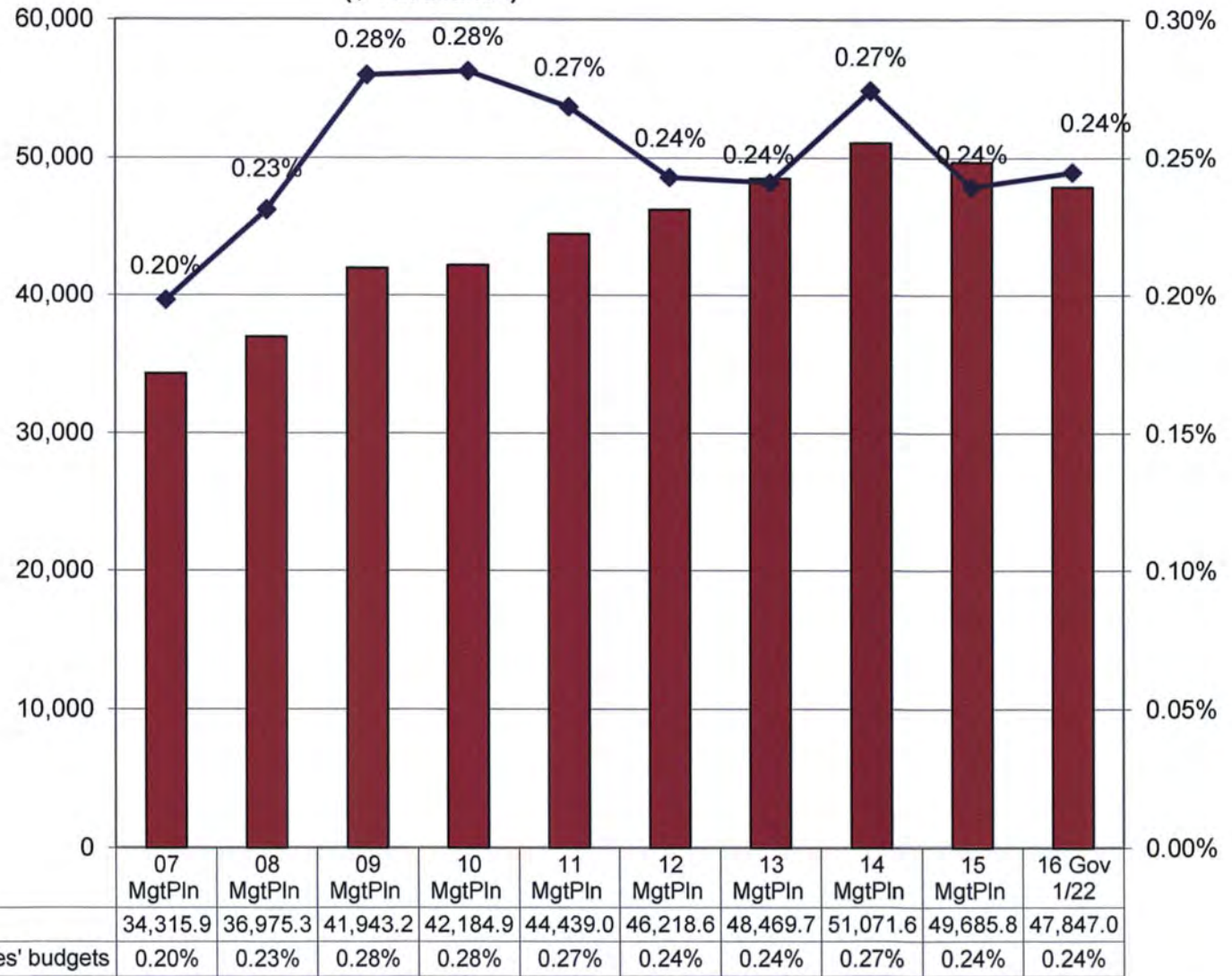
10-Year Look Back Charts



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

The department's GF budget grew by \$13.5 million between FY07 and FY16 Governor's Request - an average annual growth rate of 3.9%.

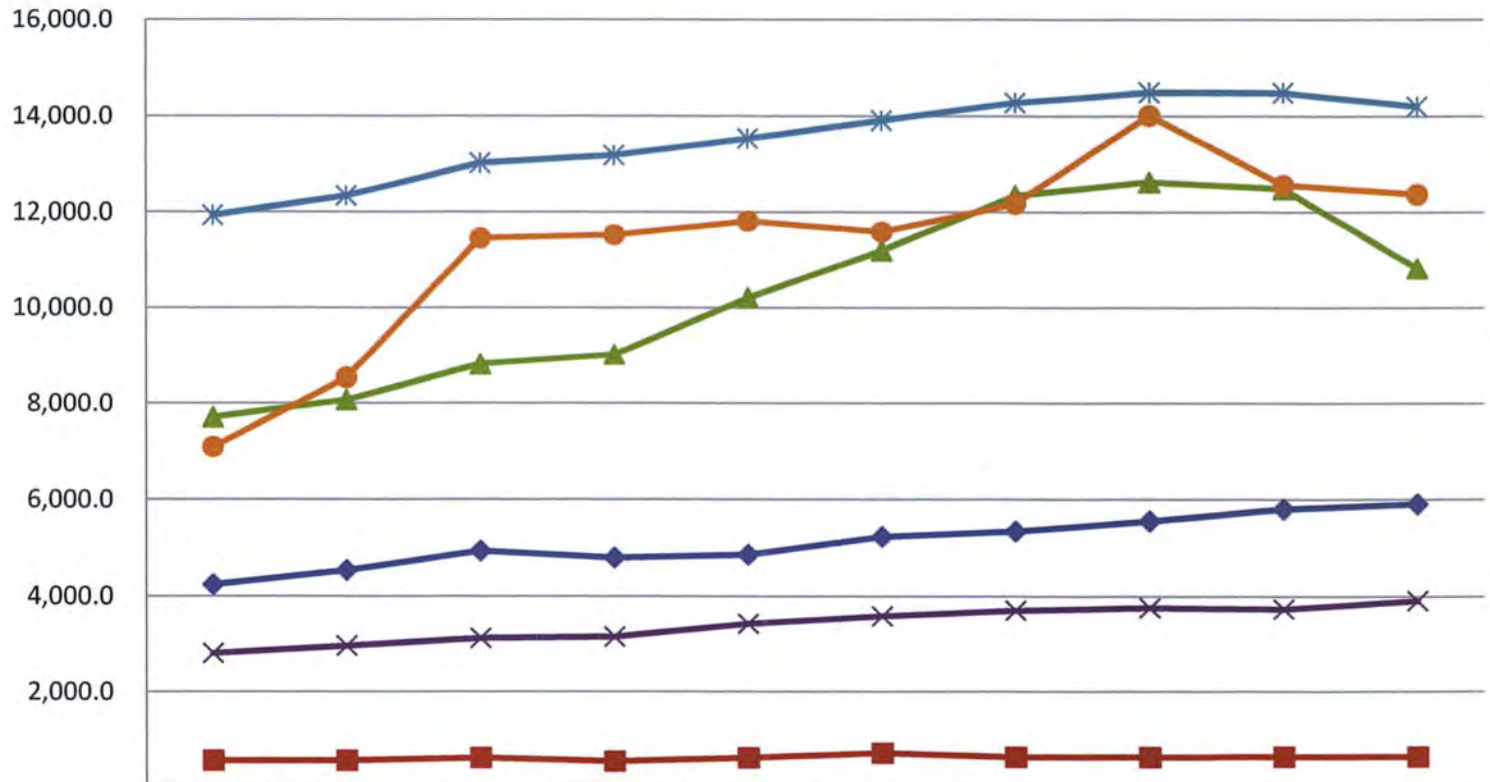
The department's total FY16 Governor's Request GF budget equals \$144 per resident worker.*



* According to the Department of Labor, there were 333,283 resident workers in Alaska in 2012.



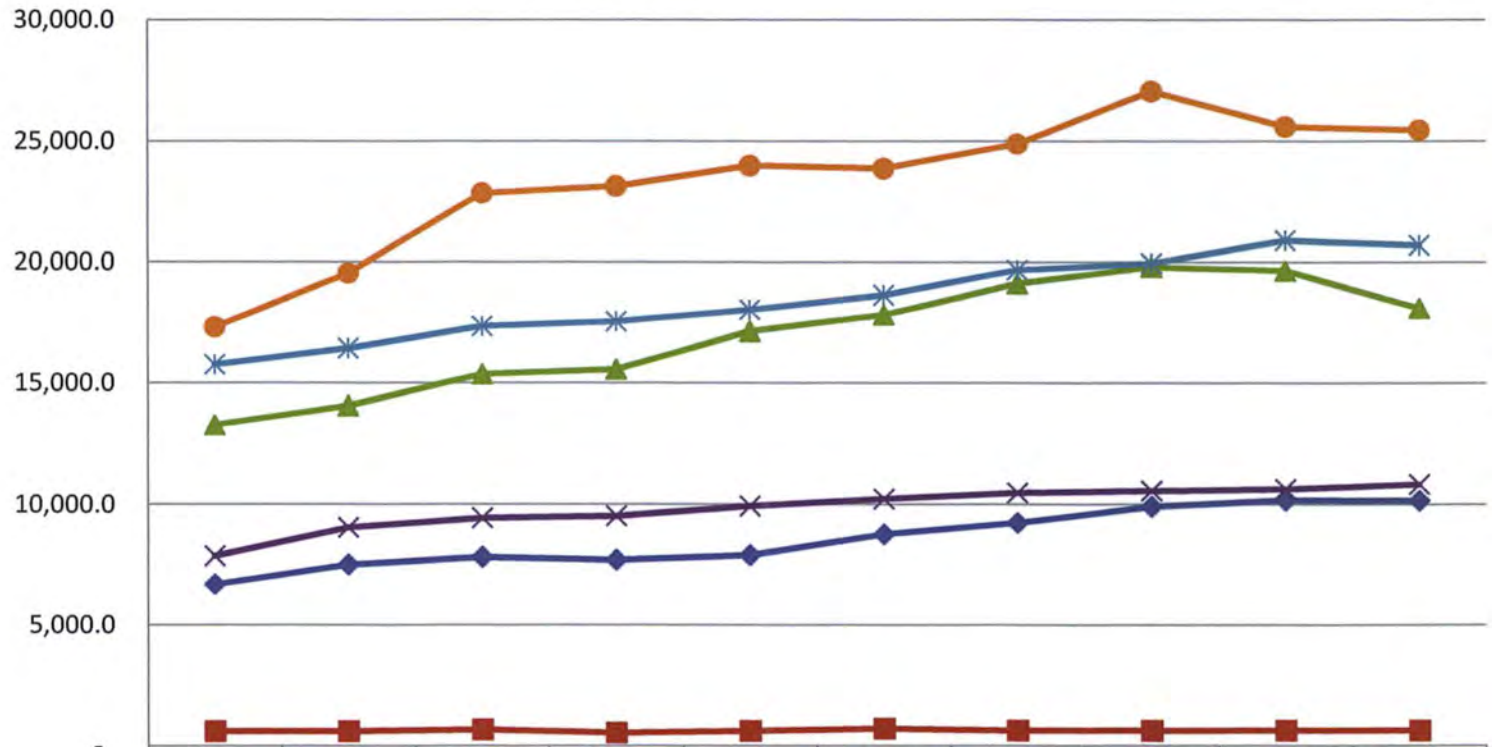
Appropriations within the Department of Environmental Conservation (GF Only) (\$ Thousands)



	07 MgtPln	08 MgtPln	09 MgtPln	10 MgtPln	11 MgtPln	12 MgtPln	13 MgtPln	14 MgtPln	15 MgtPln	16 Gov 1/22
Administration	4,232.6	4,531.4	4,933.3	4,788.0	4,855.5	5,233.3	5,341.1	5,555.2	5,802.0	5,908.8
DEC Bldgs Maint & Operations	564.1	559.0	618.8	545.6	620.4	718.1	632.6	635.5	636.5	636.5
Environmental Health	7,708.6	8,073.2	8,814.3	9,010.3	10,205.2	11,196.6	12,342.8	12,625.4	12,481.9	10,826.5
Air Quality	2,790.6	2,946.4	3,109.1	3,141.1	3,414.8	3,577.8	3,701.3	3,756.2	3,727.7	3,906.8
Spill Prevention and Response	11,932.6	12,331.9	13,017.2	13,177.0	13,534.1	13,910.2	14,273.7	14,486.4	14,478.3	14,197.6
Water	7,087.4	8,533.4	11,450.5	11,522.9	11,809.0	11,582.6	12,178.2	14,012.9	12,559.4	12,370.8



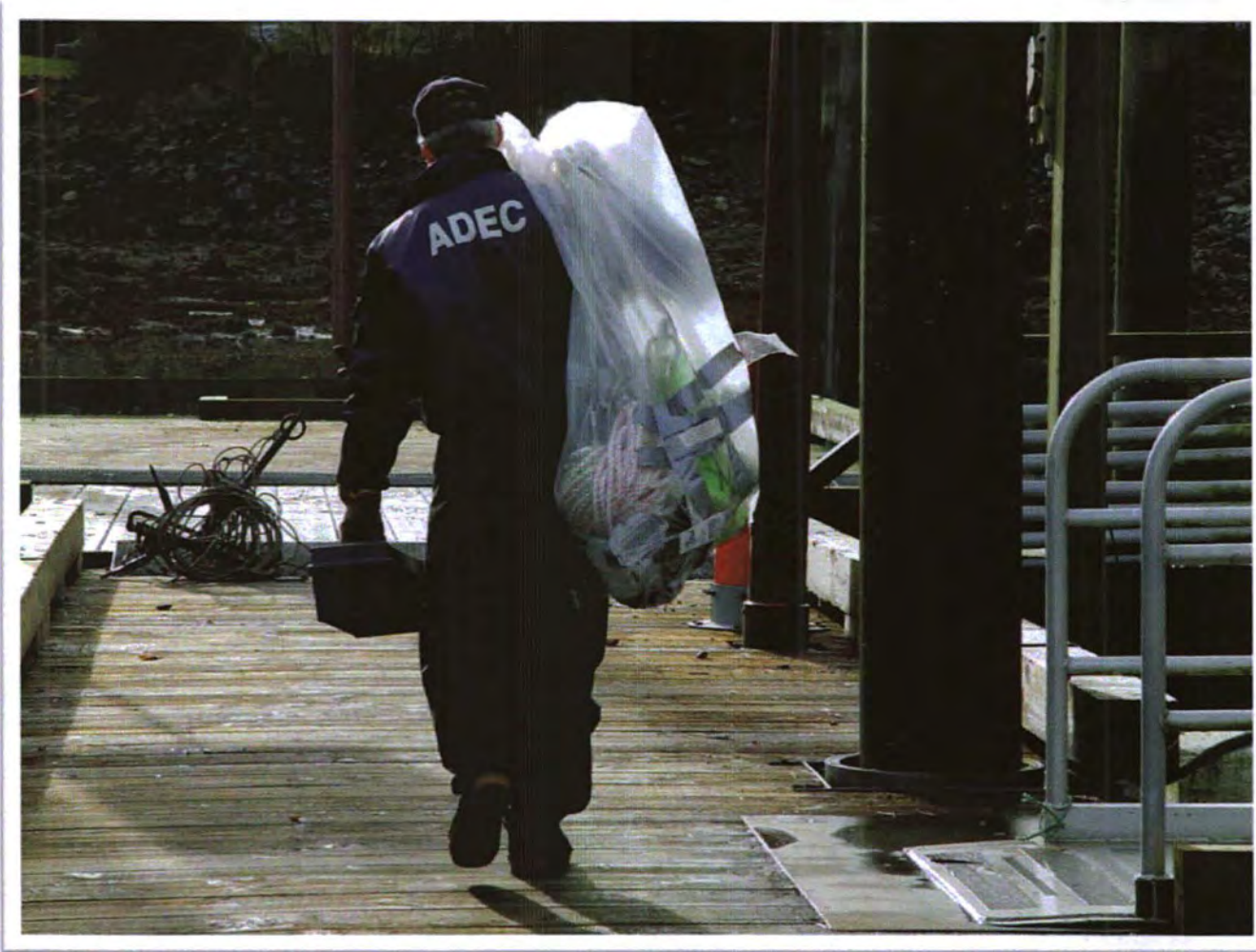
Appropriations within the Department of Environmental Conservation (All Funds) (\$ Thousands)



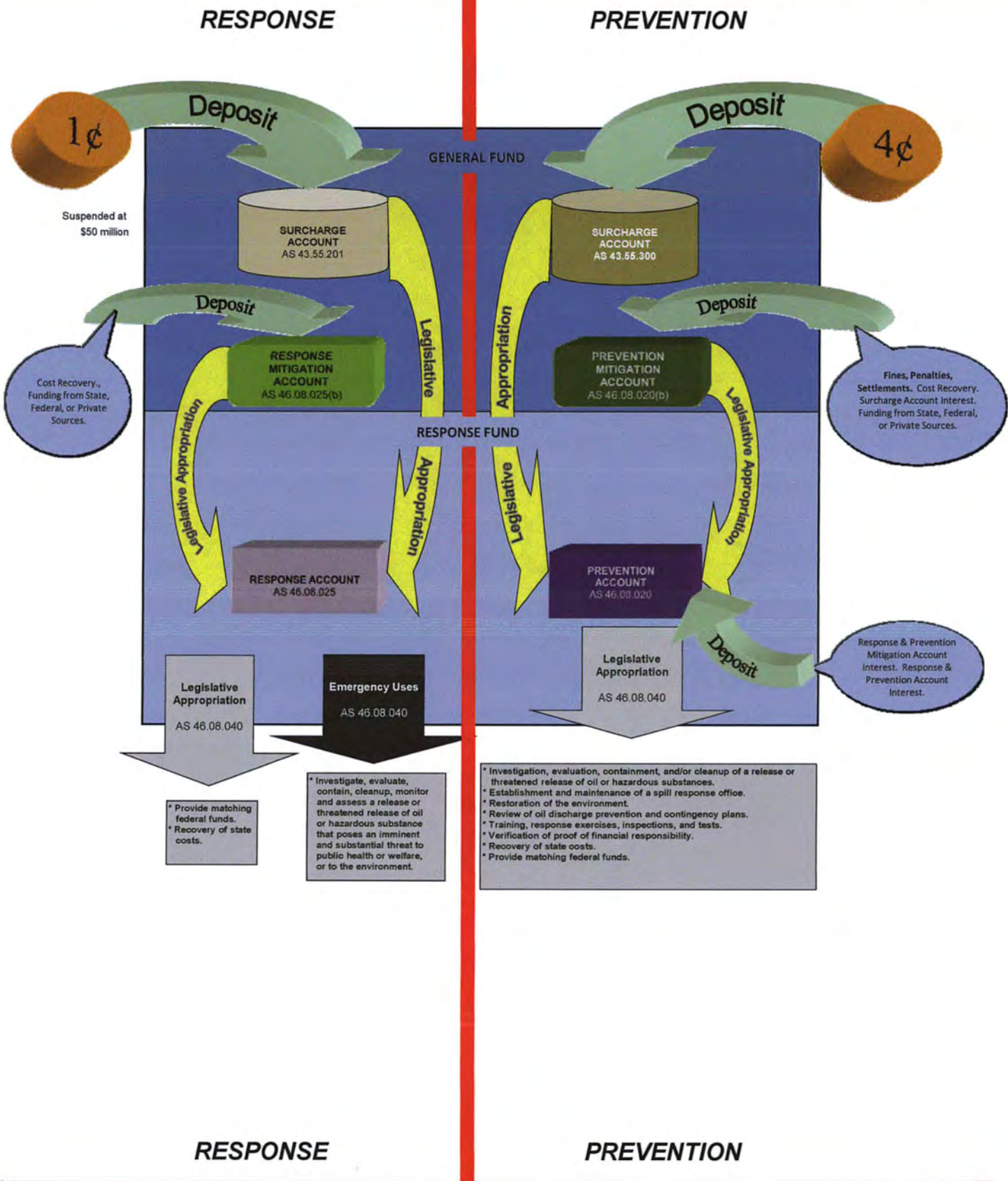
	07 MgtPln	08 MgtPln	09 MgtPln	10 MgtPln	11 MgtPln	12 MgtPln	13 MgtPln	14 MgtPln	15 MgtPln	16 Gov 1/22
Administration	6,683.1	7,521.3	7,828.6	7,715.3	7,915.0	8,762.7	9,240.6	9,918.4	10,163.8	10,156.5
DEC Bldgs Maint & Operations	611.2	613.4	674.5	546.3	620.4	718.1	632.6	635.5	636.5	636.5
Environmental Health	13,268.9	14,069.9	15,360.0	15,558.2	17,135.5	17,812.1	19,104.6	19,790.1	19,630.3	18,088.8
Air Quality	7,863.6	9,053.1	9,446.1	9,521.7	9,926.8	10,230.7	10,483.5	10,568.3	10,639.2	10,826.9
Spill Prevention and Response	15,761.5	16,428.5	17,329.4	17,523.7	18,018.4	18,629.2	19,659.4	19,939.7	20,886.3	20,694.1
Water	17,310.1	19,523.8	22,847.4	23,143.6	23,973.2	23,857.1	24,879.5	27,075.1	25,604.8	25,461.9



Questions?



Oil & Hazardous Substance Release Prevention and Response Fund



**DEPARTMENT OF ENVIRONMENTAL CONSERVATION
PREVENTION ACCOUNT REVENUES, EXPENDITURES, AND BALANCE PROJECTION**

Actuals FY 2010 - FY 2014, Projected FY 2015 - FY 2022 based on Fall 2014 Revenue Sources Book

Updated 12/22/2014

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	6,913.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2 REVENUE to PREVENTION ACCOUNT													
3 Surcharge Revenue	8,922.5	8,255.2	7,736.1	7,558.6	6,951.2	7,015.9	6,720.0	6,880.0	7,040.0	6,560.0	6,160.0	5,760.0	5,280.0
4 Cost Recovery/Fines/Penalties	1,911.9	3,425.0	4,625.4	976.4	11,689.3	934.0	6,806.0	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	395.8								
Other miscellaneous revenue					257.3								
6 Total Annual Revenue	13,524.6	12,879.9	13,441.3	8,750.8	19,293.6	7,949.9	13,526.0	8,380.0	8,540.0	8,060.0	7,660.0	7,260.0	6,780.0
7 EXPENSES from PREVENTION ACCOUNT													
8 Operating Authorization					15,687.0	15,680.7	15,414.2	15,414.2	15,414.2	15,414.2	15,414.2	15,414.2	15,414.2
Less Department Operating Budget Reductions					(144.1)	(520.0)							
Total Anticipated Operating Expense	13,334.3	14,447.3	15,030.7	15,344.8	15,542.9	15,160.7	15,414.2	15,414.2	15,414.2	15,414.2	15,414.2	15,414.2	15,414.2
9 Capital Authorization					1,320.8	580.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Less: Department Capital Budget Reduction - One-Time Capital Lapse					(750.5)								
Equals Total Capital Authorization					570.3	580.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Anticipated Capital Expense	3,710.3	2,250.4	2,210.5	1,806.3	(10.0)	580.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10 Total Annual Expenses	17,044.6	16,697.7	17,241.2	17,151.1	15,532.9	15,741.0	15,414.2	15,414.2	15,414.2	15,414.2	15,414.2	15,414.2	15,414.2
11 Use of Fund Balance	3,520.0	3,817.8	3,799.9	8,400.3	0.0	6,993.5							
18 Summary													
19 Unobligated Beginning Balance	20,891.9	14,870.3	11,323.0	9,599.2	2,139.3	6,913.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
20 Add: Total Annual Revenue	13,524.6	12,879.9	13,441.3	8,750.8	19,293.6	7,949.9	13,526.0	8,380.0	8,540.0	8,060.0	7,660.0	7,260.0	6,780.0
21 Less: Total Annual Expenses	(17,044.6)	(16,697.7)	(17,241.2)	(17,151.1)	(15,532.9)	(15,741.0)	(15,414.2)	(15,414.2)	(15,414.2)	(15,414.2)	(15,414.2)	(15,414.2)	(15,414.2)
22 Less: Total Increase (Decrease) in Obligations and Other Activity	(2,501.6)	270.5	2,076.1	940.4	1,013.2	80.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
23 Unobligated Ending Balance	14,870.3	11,323.0	9,599.2	2,139.3	6,913.2	(797.6)	(1,888.2)	(7,034.2)	(6,874.2)	(7,354.2)	(7,754.2)	(8,154.2)	(8,634.2)
25 General Fund Appropriations						797.6	1,888.2	7,034.2	6,874.2	7,354.2	7,754.2	8,154.2	8,634.2

Prevention Account Revenues, Expenditures and Balance Projection

