

**02/23/15
BUDGET
OVERVIEWS
FY 16:
DEPARTMENT OF
NATURAL
RESOURCES AND
DEPARTMENT OF
ENVIRONMENTAL
CONSERVATION**

<TARGET><BILL></BILL><SUBJECT>02-23-15 BUDGET OVERVIEWS
FY 16 DEPARTMENT OF NATURAL RESOURCES AND DEPARTMENT OF
ENVIRONMENTAL
CONSERVATION</SUBJECT><COMM>SF29</COMM></TARGET>

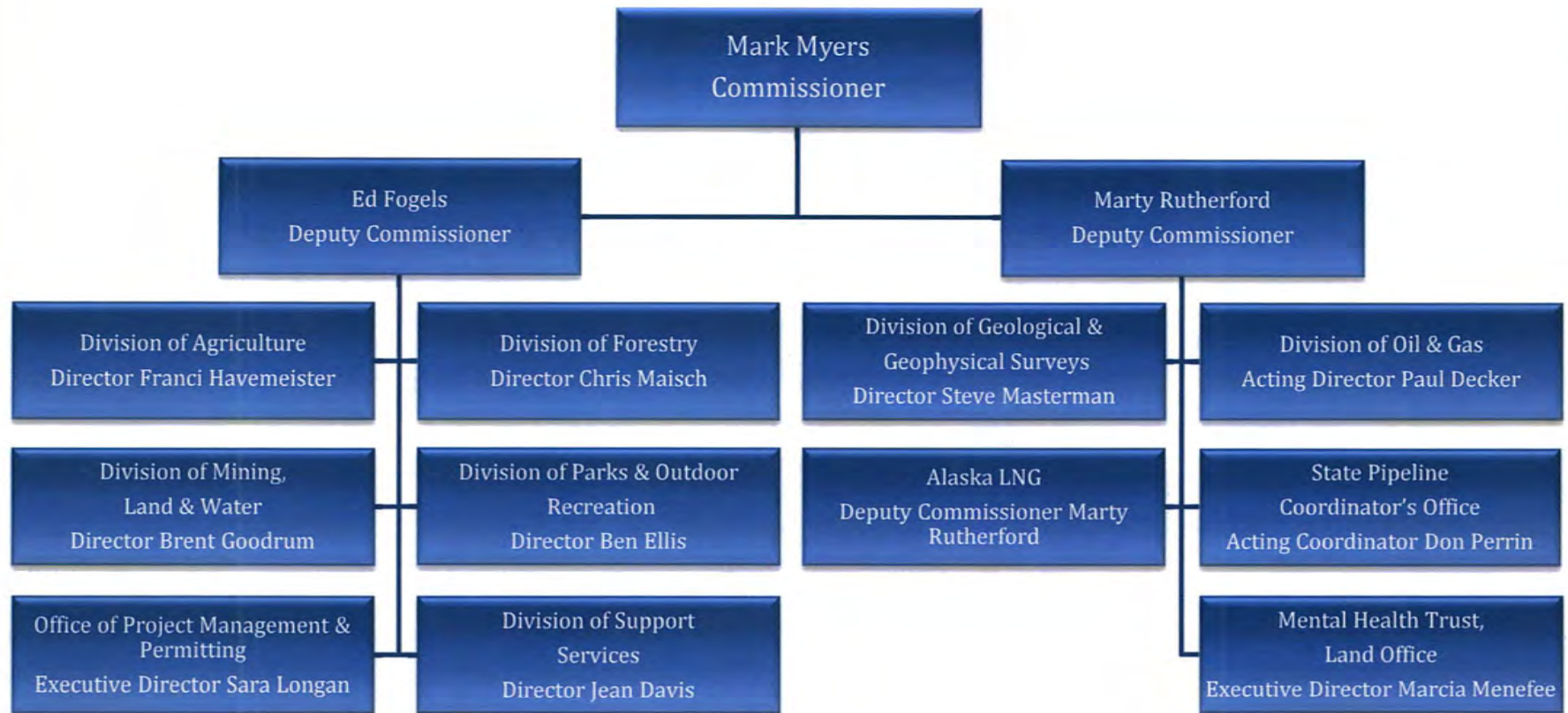


**State of Alaska
Department of Natural Resources Overview
Senate Finance Committee
February 23, 2015**



DEPARTMENT OF NATURAL RESOURCES

- ORGANIZATION CHART -



DEPARTMENT OF NATURAL RESOURCES

- CORE SERVICES -

- Foster responsible commercial development and use of state land and natural resources, consistent with the public interest, for long-term wealth and employment.
- Mitigate threat to the public from natural hazards by providing comprehensive fire protection services on state, private and municipal lands, and through identifying significant geologic hazards.
- Provide access to state lands for public and private use, settlement, and recreation.
- Ensure sufficient data acquisition and assessment of land and resources to foster responsible resource and community development and public safety.



DNR FY2016 GOVERNOR AMENDED BUDGET - EMPLOYEES -

DNR will employ about 1,060 Alaskans in full-time and seasonal positions, in 29 locations, with main offices in Anchorage, Juneau, Fairbanks and Palmer, and regional offices throughout the state.

	FT	PT	NP	Total	% Change from FY2012
FY2012 Management Plan	759	248	93	1,100	
FY2013 Management Plan	755	241	103	1,099	-0.09%
FY2014 Management Plan	757	243	112	1,112	1.09%
FY2015 Management Plan	759	238	110	1,107	0.64%
FY2016 Governor Amend	734	219	107	1,060	-3.64%

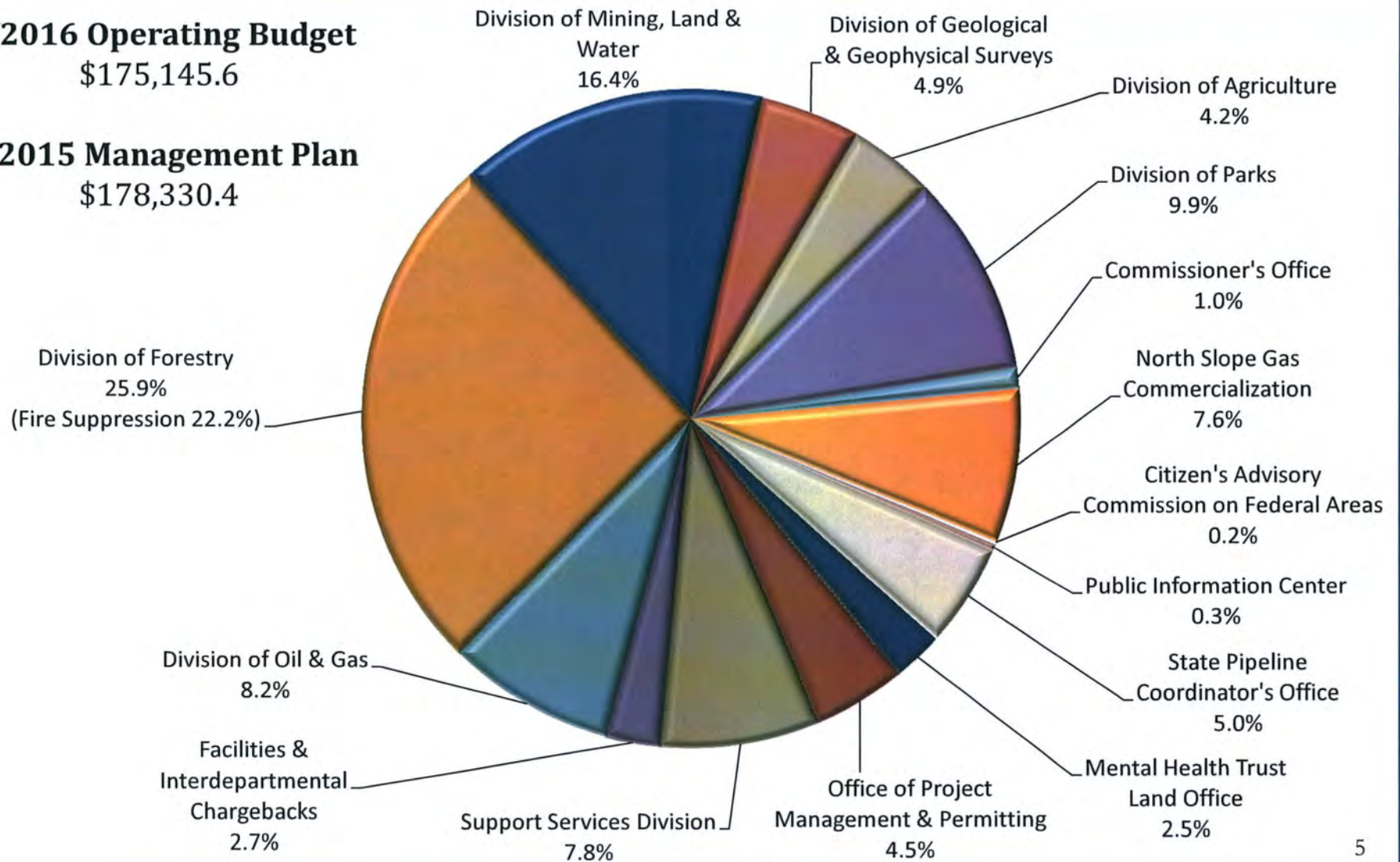


DNR FY2016 GOVERNOR AMENDED BUDGET

- OPERATING BUDGET BY DIVISION / OFFICE -

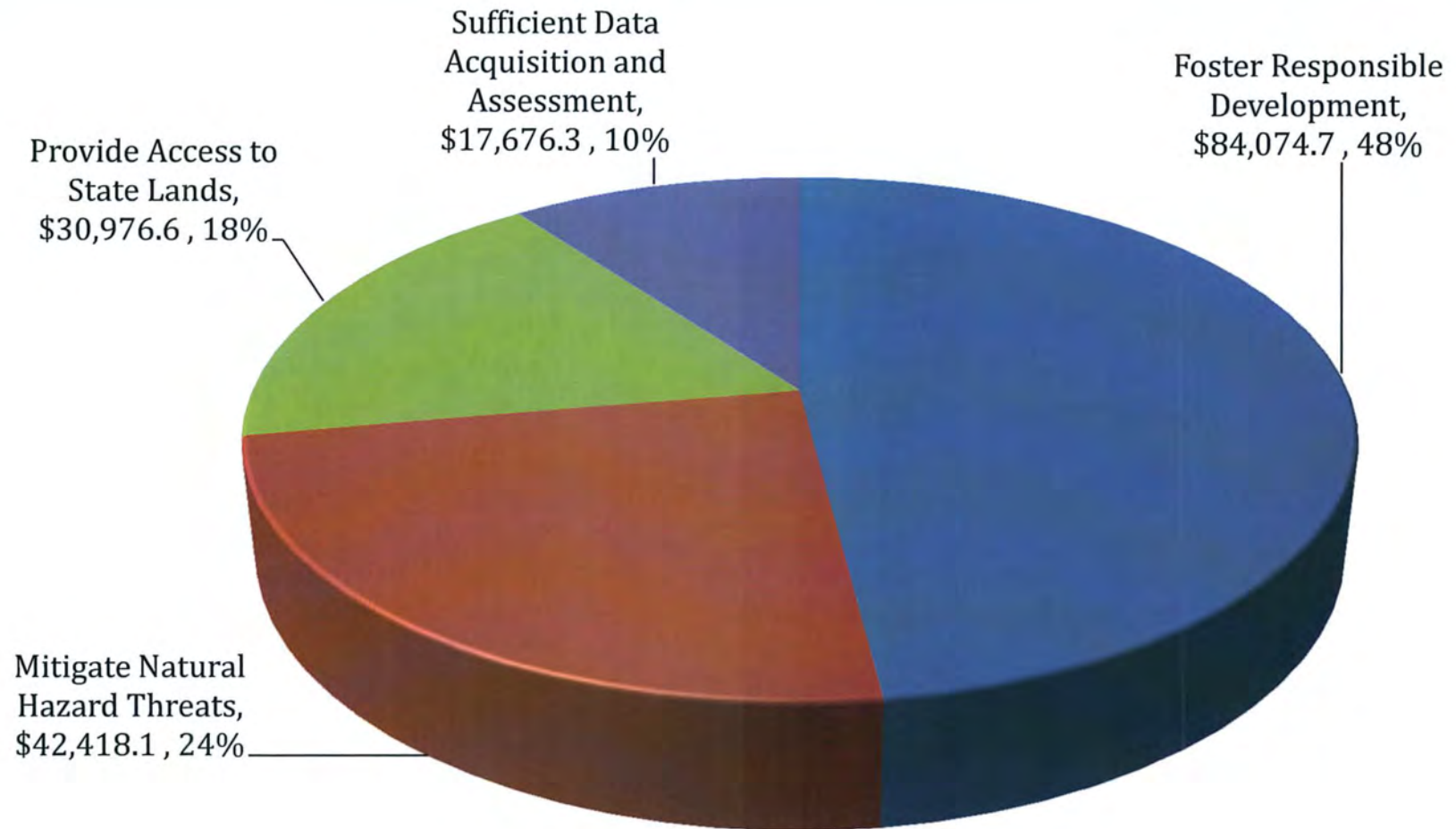
FY2016 Operating Budget
\$175,145.6

FY2015 Management Plan
\$178,330.4



DNR FY2016 GOVERNOR AMENDED BUDGET

- OPERATING BUDGET BY CORE SERVICES -



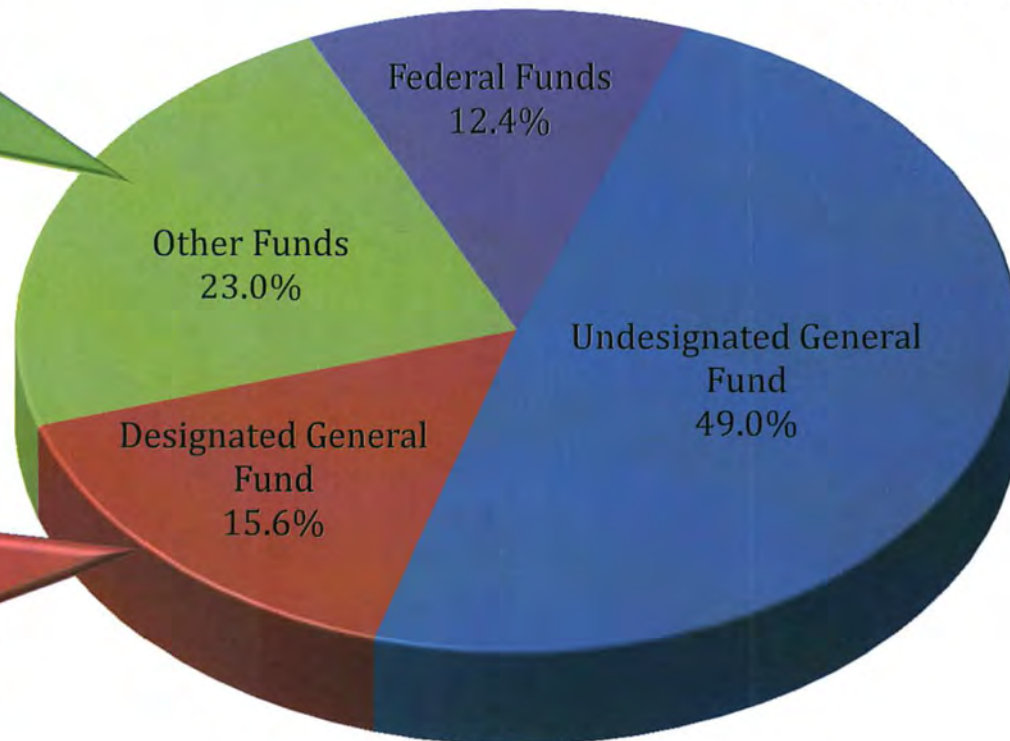
DNR FY2016 GOVERNOR AMENDED BUDGET

- OPERATING BUDGET BY FUND TYPE -

Undesignated GF	\$	85,890.0
Designated GF	\$	27,245.4
Other Funds	\$	40,252.9
Federal	\$	21,757.3
Total	\$	175,145.6

- Reimbursable Services Agreements (RSAs)
- Mental Health Receipts
- Industry Reimbursements
- Permanent Fund Receipts

- Fees (Parks, Recorder's Office, Permits)
- Land Disposal Income Fund
- Timber Receipts
- ARLF
- Vehicle Rental Tax



DNR FY2016 GOVERNOR AMENDED BUDGET - SUMMARY -

SUMMARY OF FY2016 GOVERNOR'S AMENDED BUDGET DEVELOPMENT

	Division	Funding Sources				Total	Positions			Total
		UGF	DGF	Other	Fed		PFT	PPT	NP	
FY2015 Management Plan:		88,072.8	26,468.5	41,970.0	21,819.1	178,330.4	759	238	110	1,107
FY2016 Adjusted Base (Legislative Finance) Actions:										
Net FY16 Contractual Salary Inc and Health Ins Rate Reductions	Multiple	1,017.7	363.2	400.5	103.2	1,884.6				-
Reversal of AKLNG Fiscal Note for SB138	AKLNG	(8,986.7)				(8,986.7)	(6)			(6)
Reversal of Mental Health Trust Land Office Administrative Budget	MHTLO			(4,071.4)		(4,071.4)				-
Reversal of Other One-Time Appropriations	Multiple	(1,459.5)				(1,459.5)				-
FY2016 Adjusted Base (Legislative Finance):		78,644.3	26,831.7	38,299.1	21,922.3	165,697.4	753	238	110	1,101
FY2016 Governor Amended Budget Increments:										
Restore Gas Pipeline AKLNG Project Funding to FY2015 Level (SB138)	AKLNG	8,986.7				8,986.7	6			6
Additional Funding for Gas Pipeline AKLNG Project	AKLNG	4,200.0				4,200.0	1			1
Spending and Receipt Authority for Pipeline and Gas Line Projects	SPCO			585.2		585.2				-
Restore Mental Health Trust Land Office Administrative Budget	MHTLO			4,071.4		4,071.4				-
Additional Funding for Mental Health Trust Land Office Administrative Budget	MHTLO			255.6		255.6				-
Subtotal Increments		13,186.7	0.0	4,912.2	0.0	18,098.9	7	0	0	7

DNR FY2016 GOVERNOR AMENDED BUDGET - SUMMARY -

SUMMARY OF FY2016 GOVERNOR'S AMENDED BUDGET DEVELOPMENT

	Division	Funding Sources					Positions				Total
		UGF	DGF	Other	Fed	Total	PFT	PPT	NP		
FY2016 Governor Amended Budget Decrements (alphabetical by division):											
Eliminate Funding for Natural Resources Conservation and Development Board	Agriculture	(116.5)				(116.5)					-
Agricultural Program Consolidation and Efficiencies	Agriculture	(71.9)				(71.9)	(1)				(1)
Eliminate Ethnobotany Program and Garden	Agriculture	(147.8)				(147.8)	(1)	(2)			(3)
Delete Special Assistant to the Commissioner Position	Commissioner	(70.0)				(70.0)	(1)				(1)
Elimination of Airborne Geophysical Surveys and Support for Geothermal and Coal Resources	DGGS	(1,000.0)				(1,000.0)	(4)				(4)
Eliminate Iditarod Trail Oversight and Management	DMLW	(100.9)		(137.0)		(237.9)	(2)				(2)
Eliminate Public Access Assertion and Defense Unit	DMLW	(1,547.8)				(1,547.8)	(6)				(6)
Consolidation of Regional Management in Forestry Area Office	Forestry	(50.0)				(50.0)	(1)				(1)
Reorganize the McGrath Fire Suppression Protection Area and Discontinue the Wildland Fire Academy	Forestry	(1,100.0)				(1,100.0)		(16)			(16)
Eliminate Coordination of Agency Input to Forest Service Tongass Planning and Timber Sale Projects	Forestry	(111.0)		(16.1)		(127.1)	(1)				(1)
Restructure of Oil and Gas as a Result of Work Process Improvements	Oil & Gas	(644.0)				(644.0)	(3)		(2)		(5)
Reduce Alaska National Interest Lands Conservation Act (ANICLA) Office	OPMP	(226.0)				(226.0)	(1)				(1)
Eliminate Coordination of Agency Input to Forest Service Tongass Planning and Timber Sale Projects	OPMP	(37.5)				(37.5)					-
Reduce Receipt Authority for Permitting Coordination Projects	OPMP			(500.0)		(500.0)					-
Decrease Exxon Valdez Oil Spill Authorization to Match Trustee Council Budget	OPMP			(246.9)		(246.9)					-
Reallocation of Administrative Duties to Recognize Efficiencies in Parks	Parks	(25.0)			(15.0)	(40.0)	(1)				(1)
Reorganization of State Pipeline Coordinator's Office	SPCO		(80.0)	(438.9)		(518.9)	(3)				(3)
Delete Petroleum Systems Integrity Office	SPCO/PSIO	(607.6)				(607.6)					-
Centralize Information Technology Functions and Services	SSD	(85.0)				(85.0)	(1)				(1)
Recorder's Office Consolidation and Efficiencies	SSD		(173.3)			(173.3)			(1)		(1)
Delete Excess Authorization from Miscellaneous Components	Multiple			(952.5)	(150.0)	(1,102.5)				(1)	(1)
Subtotal Decrements		(5,941.0)	(253.3)	(2,291.4)	(165.0)	(8,650.7)	(26)	(19)	(3)		(48)
FY2016 Governor Amended:		85,890.0	26,578.4	40,919.9	21,757.3	175,145.6	734	219	107	1,060	

Comparisons:

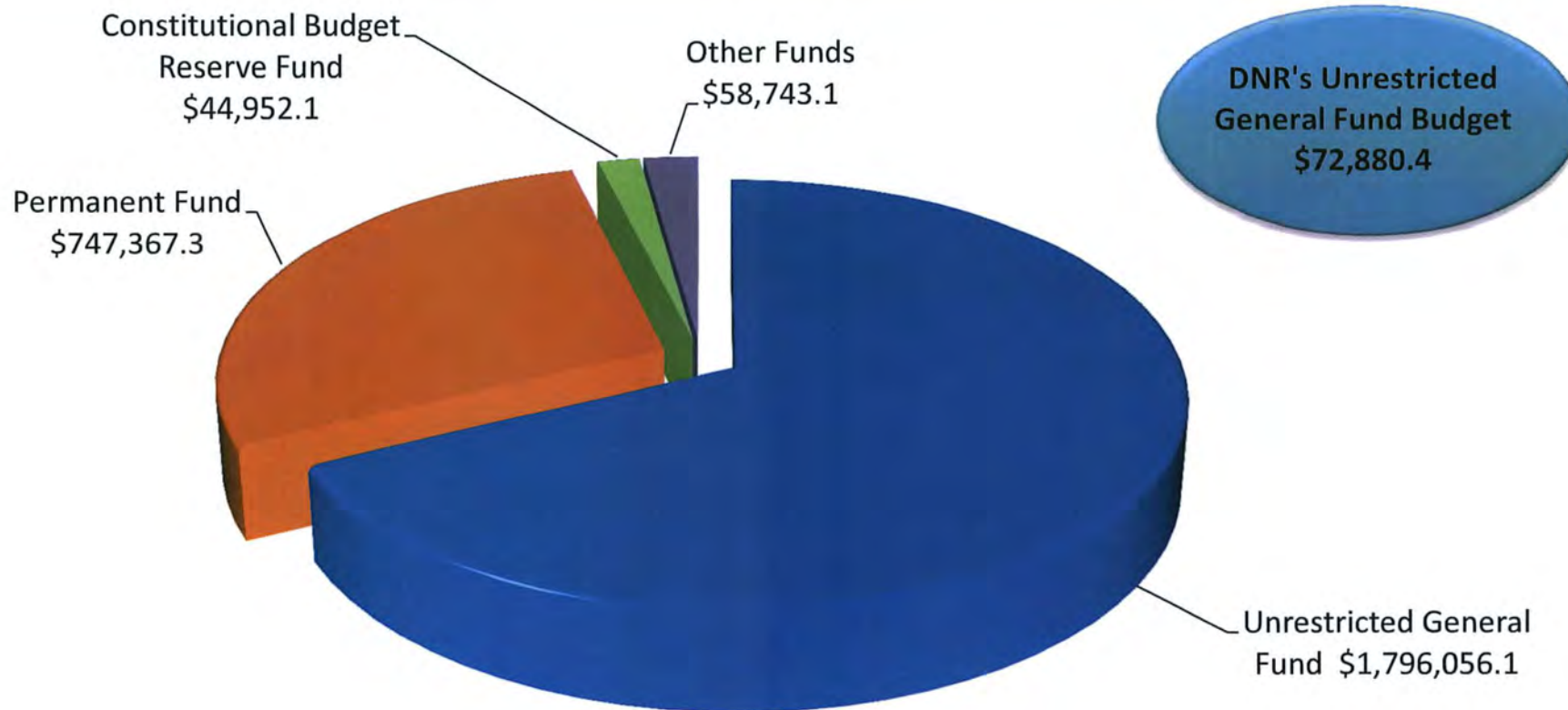
% Change FY2016 Adjusted Base to FY2016 Governor Amended	9.2%	-0.9%	6.8%	-0.8%	5.7%	-2.5%	-8.0%	-2.7%	-3.7%
% Change FY2015 Management Plan to FY2016 Governor Amended	-2.5%	0.4%	-2.5%	-0.3%	-1.8%	-3.3%	-8.0%	-2.7%	-4.2%

Comparison Excluding AKLNG:

FY2016 Governor Amended excluding AKLNG	72,703.3	26,578.4	40,919.9	21,757.3	161,958.9	727	219	107	1,053
% Change FY2016 Adjusted Base to FY2016 Governor Amended excluding AKLNG	-7.6%	-0.9%	6.8%	-0.8%	-2.3%	-3.5%	-8.0%	-2.7%	-4.4%

DNR REVENUE GENERATION

DNR GENERATED REVENUE COMPARED TO DNR'S UNRESTRICTED GENERAL FUND BUDGET
ANNUAL AVERAGE FOR FY2006 - FY2014 (IN THOUSANDS)



DNR generates an average of \$2.6 billion in revenue annually.

Additionally, of the \$3.38 billion in unrestricted general fund tax revenue collected by the Department of Revenue in FY2014, \$2.61 billion was generated from oil & gas and mining activities.

Questions?





THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

**Department of Environmental
Conservation**

DIVISION OF ADMINISTRATIVE SERVICES

410 Willoughby Ste 303
Juneau, Alaska 99801
Main: 907-465-5010
Fax: 907-465-5097
www.dec.alaska.gov

February 27, 2015

The Honorable Pete Kelly
Co-Chair, Senate Finance
State Capitol Room 516
Juneau AK, 99801

Dear Senator Kelly:

Thank you for the opportunity to provide you with a brief overview of the Department of Environmental Conservation's FY2016 operating budget request on February 23rd. A question arose during this meeting that required additional information, and I have provided a response to this question below. If you would like additional information or have any additional questions, I am always happy to assist you.

How much of spills are not oil field or pipeline related? (Sen. Kelly)

See the attached report of all 2014 spills by facility type and product. Below you will also find a summary of the top five spills and spillers in 2014.

Top Five Products Spilled:

• Produced Water	41 spills	96,736 Gallons
• Diesel	427 spills	67,889 Gallons
• Aviation Fuel	68 spills	18,855 Gallons
• Process Water	21 spills	14,385 Gallons
• Drilling Muds	28 spills	14,209 Gallons

Top Five Facility Types:

• Natural Gas Production	28 spills	85,037 Gallons
• Oil Production	335 spills	53,188 Gallons
• Air Transportation	65 spills	19,358 Gallons
• Vessel	166 spills	18,997 Gallons
• Mining Operation	305 spills	16,547 Gallons

Sincerely,

Tom Cherian
Director, Division of Administrative Services

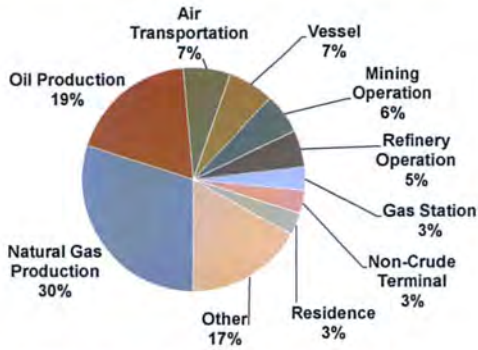
Attachment: 2014 Spill Report – All Products and Non-crude Oil

Cc: Alexei Painter, Legislative Finance Division
James Armstrong, Staff to Senator Kelly

All Products - FY 2014

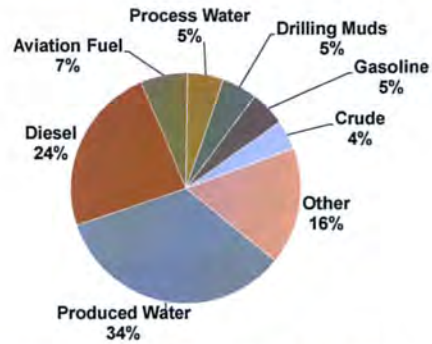
Number of Spills Reported 2,028
 Total Gallons 284,729

Volume Released by Facility Type



'Other' includes facility categories comprising 3% or less of the total volume released.

Volume Released by Product

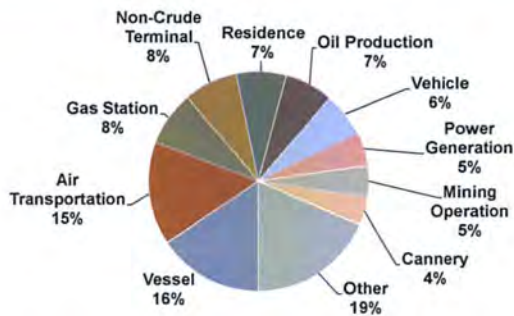


'Other' includes product categories comprising 3% or less of the total volume released.

Non-crude Oil - FY 2014

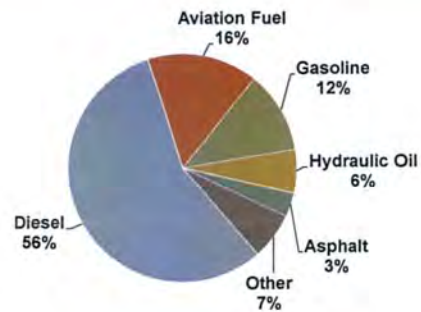
Number of Spills Reported 1,525
 Total Gallons 121,517

Volume Released by Facility Type



'Other' includes facility categories comprising 4% or less of the total volume released.

Volume Released by Product



'Other' includes product categories comprising 2% or less of the total volume released.



Department of Environmental Conservation

Senate Finance Committee

Larry Hartig, Commissioner
Tom Cherian, Administrative Services
Director

February 23, 2015



DEC's Mission

Protect human health
and the environment.





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



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

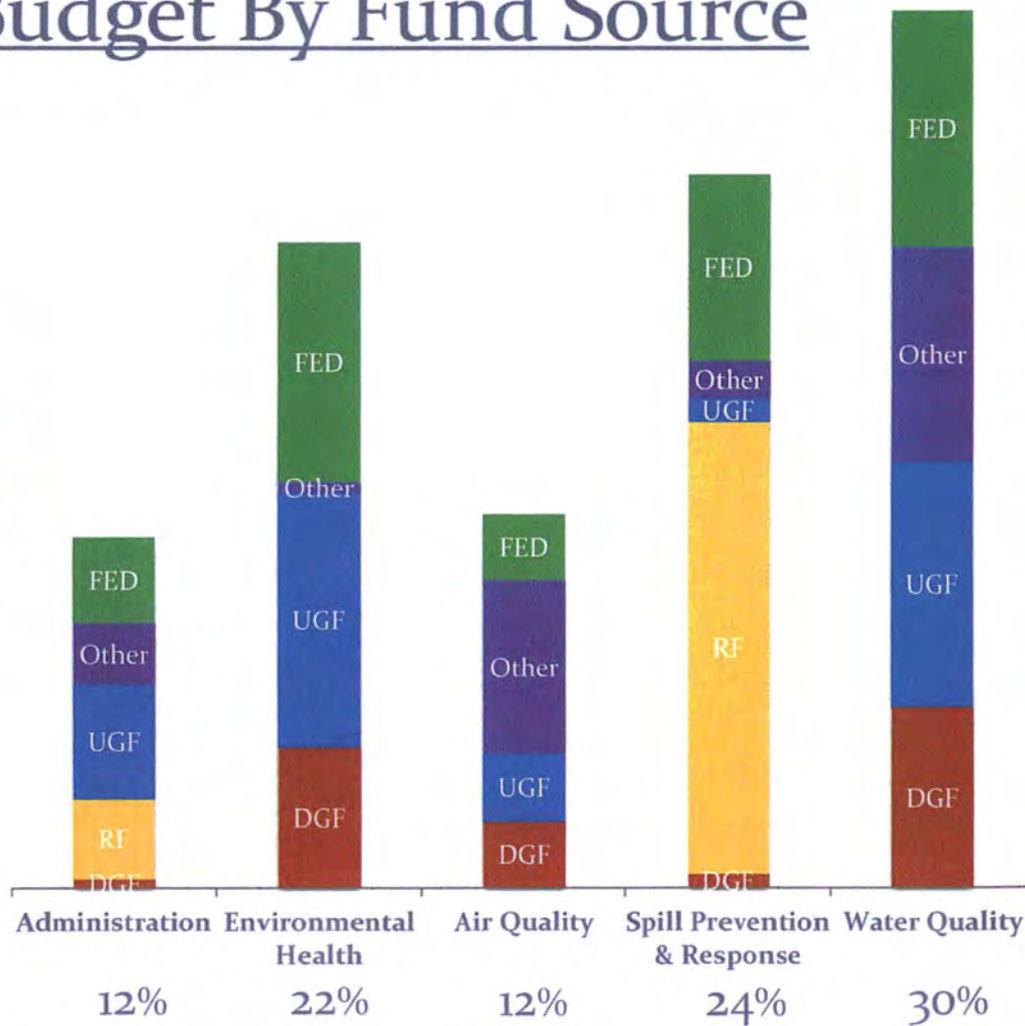
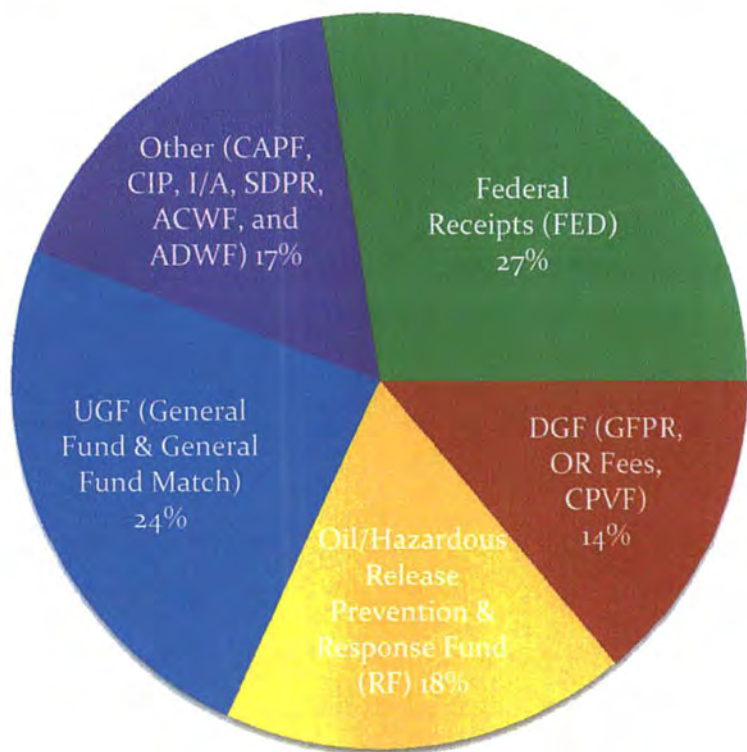
- Unrestricted GF \$18,738.6
- Other State Funds \$3,026.3
- Federal Receipts \$42,250.0

lowest capital request since FY2006





FY2016 Operating Budget By Fund Source





FY2016 Budget Changes

	FY2015 Management Plan	FY2016 Adjusted Base	FY2016 Work in Progress	FY2016 Endorsed Governors	FY2015 Management Plan to FY2016 Work in Progress		FY2016 Work in Progress to FY2016 Governors		FY2016 Adjusted Base to FY2016 Governors	
UGF	\$22,472.10	\$22,603.30	\$22,233.30	\$20,454.60	(\$238.80)	-1.1%	(\$1,778.70)	-8.0%	(\$2,148.70)	-9.5%
DGF	\$27,213.70	\$27,578.30	\$27,291.30	\$27,392.40	\$77.60	0.3%	\$101.10	0.4%	(\$185.90)	-0.7%
Other	\$12,612.70	\$12,725.80	\$13,909.80	\$14,388.90	\$1,297.10	10.3%	\$479.10	3.4%	\$1,663.10	13.1%
Federal	\$25,262.40	\$25,574.00	\$24,280.00	\$23,628.80	(\$982.40)	-3.9%	(\$651.20)	-2.7%	(\$1,945.20)	-7.6%
Total	\$87,560.90	\$88,481.40	\$87,714.40	\$85,864.70	\$153.50	0.2%	(\$1,849.70)	-2.1%	(\$2,616.70)	-3.0%
PCNs	561	561	558	537	-3	-0.5%	-21	-3.8%	-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)



Questions?



SUMMARY OF FY2016 GOVERNOR'S AMENDED BUDGET DEVELOPMENT

	Division	Funding Sources				Total	Positions			
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Delete Special Assistant to the Commissioner Position	Commissioner	(70.0)				(70.0)	(1)			(1)
Elimination of Airborne Geophysical Surveys and Support for Geothermal and Coal Resources	DGGS	(1,000.0)				(1,000.0)	(4)			(4)
Eliminate Iditarod Trail Oversight and Management	DMLW	(100.9)		(137.0)		(237.9)	(2)			(2)
Eliminate Public Access Assertion and Defense Unit	DMLW	(1,547.8)				(1,547.8)	(6)			(6)
Consolidation of Regional Management in Forestry Area Office	Forestry	(50.0)				(50.0)	(1)			(1)
Reorganize the McGrath Fire Suppression Protection Area and Discontinue the Wildland Fire Academy	Forestry	(1,100.0)				(1,100.0)		(16)		(16)
Eliminate Coordination of Agency Input to Forest Service Tongass Planning and Timber Sale Projects	Forestry	(111.0)		(16.1)		(127.1)	(1)			(1)
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Delete Petroleum Systems Integrity Office	SPCO/PSIO	(607.6)				(607.6)				-
Centralize Information Technology Functions and Services	SSD	(85.0)				(85.0)	(1)			(1)
Recorder's Office Consolidation and Efficiencies	SSD		(173.3)			(173.3)		(1)		(1)
Delete Excess Authorization from Miscellaneous Components	Multiple			(952.5)	(150.0)	(1,102.5)			(1)	(1)
Subtotal Decrements		(5,941.0)	(253.3)	(2,291.4)	(165.0)	(8,650.7)	(26)	(19)	(3)	(48)
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Comparisons:										
% Change FY2016 Adjusted Base to FY2016 Governor Amended		9.2%	-0.9%	6.8%	-0.8%	5.7%	-2.5%	-8.0%	-2.7%	-3.7%
% Change FY2015 Management Plan to FY2016 Governor Amended		-2.5%	0.4%	-2.5%	-0.3%	-1.8%	-3.3%	-8.0%	-2.7%	-4.2%
Comparison Excluding AKLNG:										
FY2016 Governor Amended excluding AKLNG		72,703.3	26,578.4	40,919.9	21,757.3	161,958.9	727	219	107	1,053
% Change FY2016 Adjusted Base to FY2016 Governor Amended excluding AKLNG		-7.6%	-0.9%	6.8%	-0.8%	-2.3%	-3.5%	-8.0%	-2.7%	-4.4%