

03 / 18 / 15

BUDGET

OVERVIEW

FY 16 :

DEPARTMENT

OF NATURAL

RESOURCES

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FY 16 DEPARTMENT OF NATURAL
RESOURCES</SUBJECT><COMM>SFIN29</COMM></TARGET>



State of Alaska
Department of Natural Resources
Capital Budget Overview
Senate Finance Committee
March 18, 2015



CAPITAL BUDGET OVERVIEW

Part I - FY2016 Capital Requests

UGF	\$750.0
Federal	\$7,650.0
Other	<u>\$3,900.0</u>
Total	\$12,300.0

Part II - Status of Existing Phased Projects

Part III - Future Capital Funding Needed to Complete Existing Projects

FY2016 CAPITAL REQUESTS

National Recreational Trails Federal Grant Program - RefNum 6854

\$1,500.0 Fed Receipts / \$200.0 GF Match

Grant funds are awarded to organizations, agencies and local governments as 80/20 matching reimbursable grants for trail and trailhead development and maintenance, and for education programs relating to trail safety and responsible trail use. Grantees provide cash, labor and equipment to match at least 20 percent of grant funds. The end result is a variety of trails that are safe, high-quality, have year-round access, and include motorized, non-motorized, and diversified trails. This is an annual request as long as the federal program continues. In FY2014, 50 different trail projects were awarded grants.

National Historic Preservation Fund - RefNum 6865

\$650.0 Fed Receipts / \$150.0 GF Match

The National Historic Preservation Fund (NHPF) is a federal program which assists states with their historic preservation programs. The NHPF funds grants to local governments, agencies, organizations and individuals for restoration or stabilization of historic properties, and grants for survey, inventory, education, planning and training projects. This is an annual request as long as the federal program continues. In FY2015, 19 different grant projects were awarded funding.

FY2016 CAPITAL REQUESTS

Abandoned Mine Lands Reclamation Federal Program - RefNum 6855

\$3,200.0 Fed Receipts

The Legislature enacted the Alaska Surface Coal Mining Control and Reclamation Act in 1983 (AS 27.21). The main purpose of the act was to promote the reclamation of areas mined before enactment of the federal Surface Mining Control and Reclamation Act of 1977. Conditions on some of these mined areas could endanger public health and safety, have environmental implications, and prevent the beneficial use of or cause damage to land and water resources. All funding for this program comes from federal grants. Since FY2012, funding has been focused on projects in the Healy area.

Cooperative Water Resource Program Pass-Through to USGS for Stream Gaging Projects - RefNum 37762

\$2,500.0 SDPR

Project request has been withdrawn.

FY2016 CAPITAL REQUESTS

Federal and Local Government Funded Forest Resources and Fire Program Receipts - RefNum 37769

\$1,400.0 Fed Receipts / \$400.0 SDPR

This project provides receipt authority for federal and local government funded projects including competitive grant awards for hazardous fuels reduction, Firewise and prevention education, special forest disease surveys, forest restoration projects, biomass inventories, towns and cities targeted for community forestry projects and tree plantings, forest stewardship plans, and agreements for one time local government funded field projects.

EVOS Trustee Council Habitat Acquisition of Subsurface Lands on Northern Afognak Island - RefNum 60290

\$1,000.0 EVOS

This project will use Exxon Valdez Oil Spill settlement funds to purchase the subsurface estate or a no surface occupancy agreement on approximately 36,370 acres of Northern Afognak Island. Acquisition of these lands or interest in these lands will ensure protected surface habitat values are not impacted by subsurface activities. In FY2015 the Legislature appropriated \$15 million of EVOS funds for acquisition of the surface estate.

FY2016 CAPITAL REQUESTS

Cook Inlet Oil and Gas Resources and Statewide Energy Database - RefNum 60705

\$400.0 Fed Receipts / \$400.0 GF Match

Alaska contains the largest undiscovered conventional oil and gas potential in the nation and also has significant unconventional resource potential in tight gas, shale oil, and coal reservoirs. Vast areas of Cook Inlet remain unexplored or underexplored. As part of DNR's continued evaluation of the state's energy resources, efforts to attract companies to Alaska, and stimulate discoveries, this funding will provide the following new geologic information:

- Enhanced understanding of the oil source rocks, stratigraphic and structural evolution of the Cook Inlet Basin, and implications for reservoir potential.
- Geological mapping between Chinitna and Tuxedni Bays in western Cook Inlet that project into the basin.
- Stratigraphic and analytical studies supporting oil and gas development on the North Slope.
- Database development and data compilation of relevant geological and geophysical data statewide.
- All of these funds will match 1:1 federal funding from the USGS for geological mapping in western Cook Inlet in CY2015, National Coal Resources Data System funding for energy database development over the next 5 years, and National Geological and Geophysical Data Preservation Program funding for energy data preservation.

Upgrade and Repair of Critical Volcano Monitoring Instruments - RefNum 60704

\$500.0 Fed Receipts

As part of a cooperative agreement between the USGS and DNR, this funding authority provides helicopter, fuel, and logistical support for all Alaska Volcano Observatory field operations to install, repair, and upgrade volcanic monitoring instruments at high-threat volcanoes in Alaska.

FY2016 CAPITAL REQUESTS

Unified Permit Automation and Document Management – RefNum 38872

\$1,000.0 UGF (requested as a reappropriation from SLA2012/CH17 Shale Oil Environmental Database project).
Phased Project

This multi-year project is the IT component of the permitting initiative, designed to support and streamline the permitting process, set known response times for applicants, and raise productivity.

The overall plan is to get the five major permit types into the automated/electronic system – Land Use Permits, Water Rights, Easements, Leases and Material Sales. These are the five main types of permits seen in most of the large projects in Alaska. We have implemented the land use permits, and have partially implemented water rights. Business analysis efforts are well underway on leases, easements and material sales.

By the end of FY2016 we expect to have water rights and easements completed, along with some redesign of the land use permits. Leases and material sales are targeted for completion by the end of FY2017.

In FY2017 or FY2018 we expect to transition some of our programming staff off the capital budget into the ongoing operating budget to complete the major permit types, and move into long-term operations, maintenance and enhancement of the system.

Additional \$1,500.0 UGF in FY2017 estimated to complete the project.

STATUS OF EXISTING PHASED CAPITAL PROJECTS

Assessment of In-State Gas Energy Potential

Phases: 3

Total Authorized \$1,200.0 / Total Expended & Encumbered \$811.5 / Balance \$388.5

A statewide review of publicly available data regarding the fossil fuel potential of Alaska's frontier basins has been completed and published as DGGs Special Report 66. Funds are being used to study the natural gas potential of the Susitna basin and the Nenana basin. Findings from this program have been released to the public and additional reports will be published as the final evaluations are completed, estimated by December 2017. This new data will help reduce exploration risk and spur investment in these basins.

Foothills Oil and Gas Development Infrastructure

Phases: 2

Total Authorized \$740.0 / Total Expended & Encumbered \$436.2 / Balance \$303.8

This phased project aims to provide a modern synthesis of the petroleum geology around the stranded Umiat and Gubik oil & gas fields on the North Slope foothills in order to generate new exploration targets. Work to date has focused on conducting extensive new field geologic mapping in the Umiat area and collecting new rock samples for scientific analysis. Work to be done includes integration of the new analytical results with extensive seismic and well data, possible targeted field work as necessary to fill data gaps, and completion and publication of the geologic map.

STATUS OF EXISTING PHASED CAPITAL PROJECTS

Gas Pipeline Corridor Geologic Hazards

Phases: 3

Total Authorized \$2,050.0 / Total Expended & Encumbered \$1,922.1 / Balance \$127.9

Fieldwork performing a hazard assessment of the proposed gasline corridors from Delta Junction to the Canada border and Livengood to Valdez was completed in the summer 2014. Remaining work includes publishing a comprehensive report and geologic maps of the Alaska Highway Corridor and completing and publishing LiDAR-based hazard assessment for Livengood-Valdez route.

Alaska Land Mobile Radio Emergency Response and Narrowband Compliance

Phases: 4

Total Authorized \$5,326.5 / Total Expended & Encumbered \$4,936.9 / Balance \$389.6

This project has funded DNR's migration to the FCC mandated narrowband efficiency standards, and the Alaska Land Mobile Radio (ALMR) to provide essential communication across federal, state and local jurisdictions to enhance public safety and operational capability.

The Divisions of Forestry, Geologic and Geophysical Surveys, and Parks have made significant progress in migrating to the narrowband standards as well as purchasing and installing equipment. The remaining balance is being used to complete the upgrades of equipment and legacy repeaters, implement wind and solar systems to charge radio equipment in the field, and purchase and install of mobile radios in fire engines.

STATUS OF EXISTING PHASED CAPITAL PROJECTS

Strategic and Critical Minerals

Phases: 4

Total Authorized \$6,103.0 / Total Expended & Encumbered \$4,958.5 / Balance \$1,144.5

Additional Funding Needed to Complete \$3,065.0

To date, the previous funding for this project has acquired 1,588 square miles of airborne geophysical data, conducted a 2,600 square-mile resource assessment, geologically mapped a 450-square mile area, digitized locations of 5,390 historical geochemical analyses, and obtained modern geochemical analyses on 5,180 new and archived samples. In addition, a collaborative agreement with the U.S. Geological Survey (USGS) to obtain modern geochemical analyses from historical samples collected by the USGS from State land was initiated. Most raw data is published and have been presented in public and professional forums.

Wildland Fire Engine Replacement

Phases: 4 Total Authorized \$2,300.0/ Total Expended & Encumbered \$2,188.2 / Balance \$111.8

A total of 37 engines have been purchased since FY2009. The remainder of the appropriation is being used for essential fire safety equipment; installation of light bars, sirens, striping, radios, GPS tracking, and additional pumps.

STATUS OF EXISTING PHASED CAPITAL PROJECTS

Reservoir Studies for North Slope and Cook Inlet

Phases: 2

Total Authorized \$7,500.0 / Total Expended & Encumbered \$4,077.5 / Balance \$3,422.5

The project provides funds needed to carry out a variety of essential statutory and regulatory requirements (AS 38.05.180, 11 AAC 83, Article 3, and others) critical for supporting a wide range of the Oil & Gas Resource Evaluation Sections' mandated tasks to collect, maintain, and analyze subsurface data on oil and gas reservoirs and resource potential throughout the state. Projects such as these are often unforeseen and require Oil & Gas to hire outside consultants or employ specialized software or analyses to protect the state's interests. This funding provides the division much needed flexibility for meeting its ongoing and long-term responsibility of addressing these issues.

Knik River Public Use Area Target Shooting Facility

Phases: 2

Total Authorized \$900.0/ Total Expended & Encumbered \$889.8 / Balance \$10.2

Phase 1 of construction was completed on 7/18/14. Phase 2 should be completed by September 2015 and will widen the existing range, construct a pistol range and create pavilions over the firing line to reduce noise and protect the firing line from weather. This phase is partially built, and design and engineering work is finished. The project is currently out for competitive bid.

STATUS OF EXISTING PHASED CAPITAL PROJECTS

Public Access and User Facilities Improvements at the Mouth of the Kasilof River

Phases: 2

Total Authorized \$2,800.0 / Total Expended & Encumbered \$2,795.2 / Balance \$4.8

This project creates access and user facilities on the north side of the Kasilof River to support the Personal Use Fisheries each June through August, which provides thousands of Alaskan residents an economical food source. Phase 1 construction is expected to be completed by June 2016 and includes parking for 120 vehicles, turnaround areas, two toilets and areas for portable toilets and dumpsters. Phase 2 includes the purchase of land on the north side of the river and has been designed to include parking for 93 more vehicles, camping area and designated RV sites, gravel loop road joining parking and camping areas, and repair of existing dune fencing. Further construction efforts are on hold pending the outcome of a land purchase negotiation. Should we be unable to acquire the land, the project scope will focus on expanding the parking and turnaround areas to ensure access to emergency vehicles.

Lower Kasilof River Drift Boat Takeout

Phases: 2

Total Authorized \$3,600.0 / Total Expended & Encumbered \$508.9 / Balance \$3,091.1

This project includes the acquisition of two land parcels along the lower Kasilof River for development into a drift boat take out facility. One piece of land has been acquired, and the acquisition of adjacent land is in progress. Both parcels require an environmental assessment and potential clean-up work, and once the second parcel is acquired we will complete the clean up and begin improvements.

STATUS OF EXISTING PHASED CAPITAL PROJECTS

South Denali Visitors Center

Phases: 2

Total Authorized \$20,400.0 / Total Expended & Encumbered \$15,381.3 / Balance \$5,018.7

A groundbreaking ceremony was held on August 16, 2013 for construction of the new K'esugi Ken Campground. Contracted work to build the access road to the RV campground, the day-use parking/trailhead and a one-half-mile loop interpretive hiking trail was completed in the fall of 2014.

- Supplying electrical to each RV campsite is to be completed in the summer of 2015.
- Construction of the maintenance shop/ranger station is underway and slated to be completed in the fall of 2015.
- The design and construction of the 10-site walk-in campground, group camping area and public use cabins is anticipated to be completed in the fall of 2015.
- Design of the Pavilion (which later could be used as a shuttle station) is underway with construction anticipated in late summer 2015.
- Construction of approximately 5 miles of trails will begin in the fall of 2015 with an anticipated completion in summer of 2016.
- Paving the lower access road is planned for early fall 2015 after all major Phase I construction is completed.

If the decision is made to continue the project into Phase 2 and build the visitor's center at the top of the site, an estimated additional \$24,650.0 UGF will be needed.

STATUS OF EXISTING PHASED CAPITAL PROJECTS

Statewide Digital Mapping Initiative

Phases: 7 to 9

Total Authorized \$10,250.0 / Total Expended & Encumbered \$7,657.9 / Balance \$2,592.1

Additional General Funds Needed to Complete \$10,100.0 over next 2-3 years.

Remaining funding is needed to collect accurate elevation data to digitally map the last 47% of the state and provide key data management services and coordination. This is a robust collaboration between the state and multiple federal agencies sharing a mission critical need for accurate topographical map data. \$30 million from all partners is need to complete the entire project, with the expected time to complete being 2-3 years. This project has multiple ramifications related to public safety, economic development, and climate adaptation. The additional \$10,100.0 is expected to be phased over the next 2 – 3 years.

FUTURE CAPITAL FUNDING NEEDED TO COMPLETE EXISTING PROJECTS (GF ONLY)

Atwood Building Renovation (additional \$2,900.0)

The current \$4,600.0 appropriation partially funds the renovation and implementation of Universal Space Standards on DNR occupied floors in the state-owned Anchorage Atwood building. The project is on hold until the cost and savings generated from full implementation can be evaluated in the current fiscal situation. It is estimated that, at a minimum, an additional \$2,900.0 would be required to fully implement. Future funding may be requested in FY2017 or FY2018 to complete the project.

Deferred Maintenance

Current balance of existing deferred maintenance projects for the Divisions of Parks, Forestry, and Agriculture is \$8,146.6.

The deferred maintenance inventory of projects remaining to be addressed is \$71,957.3.

The divisions will focus efforts on completing the projects currently funded. DNR expects to request additional deferred maintenance funds for the most critical repairs in the next two to three years.

QUESTIONS ??

