

Alaska House of Representatives

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House Finance Subcommittee Department of Natural Resources

FY 2015 HOUSE FINANCE BUDGET SUBCOMMITTEE NARRATIVE REPORT

RECOMMENDATIONS:

The House Finance Budget Subcommittee for the Department of Natural Resources submits a recommended operating budget for FY2015 to the House Finance Committee as follows:

Unrestricted General Funds (UGF)	\$ 77,978.7	(dollars in thousands)
Designated General Funds (DGF)	26,468.5	
Other Funds	41,595.0	
Federal Funds	13,319.1	
Total	\$ 159,361.3	

Positions:

PFT	751
PPT	240
TEMP	112
Total	1,103

BUDGET ACTION:

The House Finance Budget Subcommittee for the Department of Natural Resources held seven meetings with the Department and analyzed all of the Governor's budget transactions. The Subcommittee also reviewed the current programs, missions, and results-based measures relating to the Department's operating base budget. The following are budget action highlights:

Increments Accepted

1. State Pipeline Coordinator's Office - Stand Alone Pipeline Permitting, Construction Oversight and Operational Monitoring for Alaska Gasline Development Corp; \$670.3 Gas Pipeline Fund (GPF)

The State Pipeline Coordinator's Office (SPCO) has the job of coordinating with DNR divisions in the pre-construction permitting and work associated with the Gasline Development Corporation's (AGDC) development of an in-state gas pipeline. These funds will facilitate next year's pre-construction activities.

2. Office of Project Management and Permitting (OPMP) - Oil and Gas Workload Increase and Federal Resource Planning; \$37.6 (GF) \$112.9 Statutory Designated Program Receipts (SDPR)

This request would allow OPMP to collect additional SDPR revenue to provide the necessary permitting work for projects coming online in FY2015 and Federal resource planning. This FY2014 increment will allow OPMP to coordinate additional permitting activities of large development projects. Funding of those projects is reimbursed by the project applicants and operators of large projects. The complexity of permitting requirements for large projects is considerable, and the coordination services provided by the department and funded by the applicants and operators provide benefit to the long-term economic health of the state.

3. Geological & Geophysical Surveys - Geologic Materials Center Annual Occupancy/Rent Payment; \$350.0 (UGF)

This allocation will cover a portion of the annual lease cost which covers operating costs such as utilities, janitorial, snow removal, building security, etc.

The subcommittee finds this is an appropriate use of funds for the department. The Geologic Materials Center had outgrown its old space and was overcapacity. By purchasing the new larger building, the Geological Materials Center will not only be able to continue their important work, but also plan on co-locating with the State Pipeline Coordinator's Office. They will also be reducing costs by renting space on the property to other private entities.

4. Parks & Outdoor Recreation - "Kids Don't Float Life" Jackets and Education Program Expansion; \$100.0 (Other/Boat Receipts)

The Parks Management & Access allocation currently has expenditure authorization of \$200.00 boat registration fees for the “Kids Don’t Float” program. The state collects approximately \$525.0 of receipts annually with \$396.9 total budgeted for FY14. This increment would utilize an additional \$100.0 of the revenue stream to increase education and implantation of the program.

In a state as large as Alaska with the amount of coastline and activity related to water, opportunities it is an important program that helps keep our kids safe through outreach to our communities. By funding the purchase of more life jackets for “Kids Don’t Float” stations and better educating the public, we are able to save lives every year.

5. Agriculture – Continue Farm to School Program Funding; \$181.0 (UGF)

The Farm to School program was created via Chapter 11, SLA 2010 (HB70) to increase the procurement and use by public schools of food grown in the state.

The Alaska Farm to School (FTS) program works to educate our youth about where food comes from and how their food choices affect their bodies, the environment, and the community. The Division of Agriculture awarded grants for projects that would promote activities connecting students, teachers, and school staff with product grown and produced in Alaska.

The subcommittee finds this to be a good use of funds and the program has seen positive outcomes in the schools that have taken advantage it. Some examples include in-school gardens, real world application of classroom education principles and healthier eating habits.

Modified

1. Oil & Gas – Arbitration of Oil and Gas Royalty Issues; \$500.0 (UGF)

The subcommittee determined that these efforts provide a high level of value to the State and merit additional funding support. This increment was requested at the \$650.0 UGF level. Over the last four years, the average amount spent on arbitration has been \$159.4 with the highest year at \$275.2. The subcommittee determined that \$650.0 is in excess of the amount needed for the department to fulfill this purpose and that a lower funding level of \$500.0 would be adequate.

2. Parks & Outdoor Recreation – Partially Fund Existing and Vacant Parks Field Operations Staff; \$114.5 (UGF), \$267.5 (GF/Prgm)

In order to manage their resources, the Division of Parks & Outdoor Recreation implemented a hiring freeze during FY13. Seven permanent full-time and fourteen

temporary positions have been held vacant. This increment would allow DNR to fill most of the vacant positions.

Alaskans treasure our parks and the opportunities they provide for individuals, families, recreationists and outdoor enthusiasts. The committee finds that keeping our parks in good condition warrants filling these positions.

Funding Change Proposed

1. Parks Management & Access - Reduce UGF and replace with increased user fees; <\$250.0> (UGF) to \$250.0 (GF/Program Receipts)

The park system is the crown jewel of the State of Alaska that residents and visitors alike use on a regular base. According to the division, the user fees are far below the national average and supporting the continued operation through modest fee increases is prudent for the long term vitality of our park system.

As state budgets become constrained, we must look at ways to protect the programs that are most valued by Alaskans and our visitors.

Funding Reductions Accepted

1. Gas Pipeline - Delete Gas Pipeline Project Office for AGIA; <\$2,616.8> (GF)

The State Pipeline Coordinator's Office (SPCO) is tasked with the coordination of DNR divisions in the pre-construction permitting and work associated with the Gasline Development Corporation's (AGDC) development of an in-state gas pipeline. The subcommittee finds the AGIA Gas Pipeline Office is no longer needed.

All other items proposed in the FY2015 Governor's Budget are accepted.

AMENDMENT ACTION:

1. Agricultural Development - Phytosanitary Certification for Export of Logs and Plant Products; \$25.0 (SDPR).

The Alaska Division of Agriculture (division), through a Memorandum of Understanding and Cooperative Agreement with the United States Department of Agriculture (USDA), provides phytosanitary certification services for Alaska businesses exporting logs and plant products (primarily mushrooms) internationally. Foreign countries require that licensed state or federal

export certification officials conduct phytosanitary certification inspections before products can enter their country.

The USDA charges for this certification and requires states to reimburse this fee to them for each certificate issued under this agreement. This statutory designated program receipts (SDPR) authority allows the division to charge businesses for the expense of conducting the inspection, including travel, issuing the official certificate and documentation, and reimbursing the USDA.

The subcommittee recommends adoption of this amendment.

ATTACHED REPORTS:

The House Finance Budget Subcommittee for the Department of Natural Resources adopts the attached reports:

2014 Legislature - Operating Budget - House Structure

1. Agency Totals
2. Allocation Summary (All Funds)
3. Allocation Summary (GF)
4. Transaction Compare between Adjusted Base (15Adj Base) and House Subcommittee (H Sub)
5. Transaction Compare between Governor Amended (Gov Amd) and House Subcommittee (H Sub)
6. Wordage Report - FY2015 Operating Budget

The Budget Action Worksheet is attached for informational purposes



Representative Mia Costello, Chair

House Finance Budget Subcommittee for the Department of Natural Resources

February 26, 2014