House Finance Budget Subcommittee
FY10 Department of Natural Resources

Subcommittee Report for FY10   February 27, 2009

The House Finance Budget Subcommittee for the Department of Natural Resources submits an operating budget for FY10 to the full House Finance Committee as follows:

Operating Budget	Gen Fund	Federal	Other	Total
FY10 Adjusted Base [1]	$66,436,700	$13,939,900	$44,544,800	$124,921,400
FY10 Gov Amend	$71,231,900	$13,804,300	$46,593,200	$131,629,400
(HFS) Recommendation	**$70,183,900**	**$14,054,300**	**$46,234,700**	**$130,472,900**

The Budget Subcommittee recommends an operating budget that authorizes $1,048,000 less general funds and three fewer employees than the FY10 Governor's Amended request. The recommended budget requests a total increment from the FY10 Adjusted Base of $3,747,200.

Subcommittee Recommendations

The subcommittee reviewed all aspects of the Department of Natural Resources budget, including a three-year look back to review the growth in the department's budget from FY07 to FY10 Governor's Amended proposal, and accepted the changes with the following major exceptions:

State Coordinator – Gas Pipeline
- o Transferred two AGIA positions from the Office of the Governor to a new component in the Department of Natural Resources and reduced the funding by $100,000 to reflect a vacancy.

Oil and Gas Development
- o Funded oil and gas positions as a one-time item (OTI) to address the workload of the Oil and Gas Division, but reduced the funding by $175,000 to reflect a vacancy
- o Reduced the FY09 OTI of $523,000 for four additional positions within the Petroleum Systems Integrity Office (PSIO) by $423,000 to reflect the three vacancies and to wait for the results of the PSIO "Gap and Overlap Analysis"

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[1] The Adjusted Base is the starting point for subcommittee discussion of the Governor's request. It removes one-time appropriations, reappropriations, and carryforward of multi-year appropriates. It incorporates the FY10 contractual salary increases. (Source: *Legislative Fiscal Analyst's Overview of the Governor's Request*, Page 12)

o Denied authority for the Pipeline Coordinator to receive funds from industry to establish a TAPS Fire Safety program until the PSIO "Gap and Overlap Analysis" is completed

Geological Development
o Denied a fund source change to replace federal dollars with general fund money to help support the Alaska Volcano Observatory

North Latitude Plant Material Center
o Funded an FY09 OTI ($500,000) in the base of the North Latitude Plant Material Center and reduced another FY09 OTI ($225,000) by $100,000. This combination funds the total FY10 appropriation at $625,000.

Ag Revolving Loan Program Administration
o Deleted a vacant loan/collection officer position ($70,000) funded through the Ag Revolving Loan Fund proceeds

Because of the uncertainty of the gas pipeline timing and workload in Division of Oil and Gas, the Department of Natural Resources has several positions or programs funded through one-time items. This funding category requires the department to justify the funding request each year and allows the Legislature to adjust the funding level accordingly so that extraordinary costs associated with the gasline construction do not become embedded in the DNR operating base.

As the Department of Natural Resources has several OTI appropriations, and the accompanying dollars are deducted in the Adjusted Base calculations, it appears that the department is receiving a substantial amount of "new" General Fund dollars in FY10. This is not the case. Contractual salary increases is the bulk of the department's actual budget increase when existing one-time items are considered.

It was an honor and a privilege to chair the House Finance Budget Subcommittee for the Department of Natural Resources and I thank everyone who was involved with the process. If you wish a copy of the spreadsheet discussed in subcommittee, please contact my legislative aide, Ms. Sheila Peterson, at 465-4936.

Respectfully Submitted,

Representative Mike Kelly, Chair
House Finance Budget Subcommittee