

FY11 House Finance Budget Subcommittee

Department of Natural Resources

Subcommittee Report for FY11

February 24, 2010

The House Finance Budget Subcommittee (HFS) for the Department of Natural Resources submits an operating budget for FY11 to the full House Finance Committee as follows:

Operating Budget	UGF¹	DGF²	Other	Federal	Total
FY11 Adjusted Base ³	\$62,430,200	\$24,348,700	\$30,161,100	\$14,058,200	\$130,998,200
FY10 Gov Amend	\$65,134,800	\$24,755,300	\$33,291,900	\$16,293,200	\$139,475,200
(HFS) Recommendation	\$64,133,300	\$24,462,300	\$33,477,300	\$16,593,200	\$138,666,100

The Budget Subcommittee recommends an operating budget that authorizes \$1,001,500 less in Undesignated General Funds (UGF) and \$293,000 less in Designated General Funds (DGF) than in the FY11 Governor's Amended request. In addition the deletion of one employee is recommended. The recommended budget requests a total increment of \$1,703,100 in UGF dollars and \$113,600 in DGF dollars as compared to the FY11 Adjusted Base.

Subcommittee Recommendations

The subcommittee held six meetings, reviewed all aspects of the Department of Natural Resources budget and accepted the changes as follows:

Oil and Gas Development

- Reduced a UGF request of \$1,143,100 by \$200,000 to reflect a vacancy in Oil and Gas Development. The previously One-time Increment (OTI) was added to the base, but the vacant position was deleted.
- Accepted a UGF request of \$200,000 as an OTI to fund royalty negotiations and arbitrations.

¹ UGF stands for Undesignated General Fund – state revenue with no statutory designation

² DGF stands for Designated General Fund – state revenue with a use designated by statute

³ The Adjusted Base is the starting point for subcommittee discussion of the Governor's request. It removes one-time appropriation, reappropriations, and carryforward of multi-year appropriations. It incorporates the FY11 contractual salary increases. (Source: *Legislative Fiscal Analyst's Overview of the Governor's Request*, Page 16)

Claims, Permits and Leases

- Denied a UGF increment in the amount of \$250,000 to fund two new positions. The new positions were also denied.
- Accepted a UGF request of \$120,000 as an OTI to continue the work on the Guide Concession Area Program and begin the drafting of regulations to establish the program.
- Denied a UGF increment request of \$130,000 submitted in the governor's amended budget for the Guide Concession Area Program.
- Accepted Intent Language regarding the Guide Concession Area Program to read as follows:
It is the intent of the legislature that the Department of Natural Resources submit the draft plan for the Guide Concession Area Program to the legislature for review prior to final implementation.

Land, Sales and Municipal Entitlements

- Denied an increase of \$93,000 in State Land Disposal Income Funds (State Land) to support a new position. The new position was denied.
- Accepted an increase of \$113,600 in State Land funds submitted in the governor's amended budget to allow recruitment and hiring of current vacant positions.

Geological Development

- 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

- Accepted a UGF increment of \$200,000 as an OTI for the Certified Seed Potato Program.
- Accepted Intent Language relating to the Certified Seed Potato Program to read as follows:
It is the intent of the legislature that the Department of Natural Resources explore options to expand the domestic production and export of seed potatoes, including a totally private sector initiative, and report their findings to the legislature before February 1, 2011.

Agricultural Development

- Denied a UGF request for \$121,500 to support a new position to provide phytosanitary certification of forest, nursery and agricultural products, as required for commercial export. The new position was denied.

EVOS Trustee Council

- o Denied authority to receive EVOS Trust funds in the amount of \$14,600 to add an additional month to the Coordinator's salary. The position is split with Large Project Permitting within the Department of Natural Resources.

Large Project Permitting

- o Accepted a UGF increment of \$240,000 as an OTI to allow the department's participation in eight Environmental Impact Statements for potential Outer Continental Shelf leases. The Subcommittee encouraged the department to seek industry support when applicable.

Because of the uncertainty of staff workload within the Department of Natural Resources several positions or programs are 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 the cost associated with these positions 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 FY11. 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.

In addition, as part of the on-going budget review process, the House Finance Subcommittee discussed a September 28, 2008 legislative audit involving the Agricultural Revolving Loan Fund (ARLF) and Matanuska Maid. The Subcommittee agreed with the recommendation of the audit. The attached memorandum explains the issue in greater detail.

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

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REPRESENTATIVE MIKE KELLY
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Member
House Finance Committee
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MEMORANDUM

TO: Representative Mike Hawker, Co-Chair
Representative Bill Stoltze, Co-Chair
House Finance Committee

FROM: Representative Mike Kelly, Chair
House Finance Subcommittee
for the Department of Natural Resources

A handwritten signature in black ink, appearing to be "M. Kelly".

DATE: February 24, 2010

RE: Division of Legislative Audit Request

As part of the on-going budget review process, the House Finance Subcommittee for the Department of Natural Resources discussed a September 28, 2008 legislative audit involving the Agricultural Revolving Loan Fund (ARLF) and Matanuska Maid. In 2007 the legislature appropriated \$600,000 to the Creamery Corporation, dba Matanuska Maid Dairy. The final disposition of these funds was part of the legislative audit reviewed by the subcommittee.

The subcommittee considered the recommendation made by the Division of Legislative Audit, that \$600,000 was inappropriately deposited in the General Fund rather than the Agricultural Revolving Loan Fund. This issue was part of the final dissolution of the MatMaid dairy.

The audit argued that the appropriation to the Department for assistance to MatMaid was not made as a loan. Therefore, refunding the General Fund, after the \$600,000 had been spent, with the proceeds from the auction of MatMaid's

Representative Mike Hawker
Representative Bill Stoltze
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equipment and rolling stock is not consistent with the language of the appropriation. The proceeds of the auction should be used to pay any outstanding debts of the dairy and any remaining funds should go to the Agricultural Revolving Loan Fund – MatMaid’s sole shareholder.

The House Finance Subcommittee for the Department of Natural Resources agrees with the recommendation of the Legislative Audit which stated, “The director of administrative services for the Department of Natural Resources should credit the Agricultural Revolving Loan Fund for the \$600,000 in auction proceeds.”