

**2012 Legislature - Operating Budget
Transaction Compare - Governor Structure
Between Adj Base and Gov Amd**

Numbers and Language Differences Agencies: DNR

Agency: Department of Natural Resources

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Administration & Support Services Commissioner's Office													
Funding Redistribution from Agency-wide Position Deletions	Gov Amd	IncM	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0

In the Governor's agency-wide effort to limit the growth of state government (for both positions and funding), some vacant positions were deleted, with the intent to utilize savings generated from the deleted positions to fund personal services funding shortfalls or other priority projects within the department.

The department deleted 20 vacant positions across multiple components. General fund savings from the deleted positions is reallocated between components to cover personal services funding shortfalls or other department priority initiatives.

Prior to these funding transfers, personal services funding shortfalls existed in many components at a level that was not manageable without either a general fund increment, or a reduction of positions (most of which are filled) and a loss of service. Shortfalls are primarily a result of when employees receive merit increases, the cost is reflected in the personal services budget need, but the budget is not increased to cover the cost. The general expectation is that departments are responsible to cover merit increases through turnover and vacancies in a component, assuming that will generate savings to offset the merit increases. When components experience little turnover or have few vacant positions, there is no cost savings to cover the increases. The Governor's budget recognizes the need to cover these shortfalls by allowing for the transfer of savings between allocations.

General fund was reallocated as follows:

- Commissioner's Office \$100.0*
- Administrative Services \$125.0*
- Information Resource Management \$269.2*
- Citizens' Advisory Commission on Federal Areas \$13.0*
- Parks Management & Access \$80.0*
- Gas Pipeline Project Office (\$223.4)*
- Petroleum Systems Integrity Office (\$281.2)*
- Forest Management & Development (\$82.6)*

1004 Gen Fund (UGF)			100.0										
Marketing of Statewide Resource Development Initiatives and Support for Existing Staff Levels	Gov Amd	Inc	150.0	100.0	0.0	50.0	0.0	0.0	0.0	0.0	0	0	0

Support the ramp-up of an aggressive marketing and outreach campaign to support resource development initiatives statewide, and to engage with federal partners to improve access issues for Alaskans plus funding to maintain existing staff levels will support resource development initiatives across the state.

Examples of the increased activities to support resource development initiatives and engage with federal partners include:

- Sponsor more conferences, networking events, road shows and seminars to showcase our resource potential such as the Strategic and Critical Minerals conference DNR organized and sponsored in Fairbanks in September 2011.*

- Purchase worldwide advertising to encourage investment in oil and gas exploration in publications such as the*

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Administration & Support Services (continued)													
Commissioner's Office (continued)													
Marketing of Statewide Resource Development Initiatives and Support for Existing Staff levels (continued)													
<i>"Oil and Gas Investor".</i>													
- Produce high-quality promotional materials, such as brochures, posters and display banners to support our marketing efforts featuring resource development.													
- Support regular trips to Washington DC to testify before congress and to meet with congressmen and senior Obama administration officials to discuss Alaska resource development and access issues - these trips are made at the request of the Governor.													
- Support regular trips to Houston, Calgary and other locations to meet with energy companies to attract investment in Alaska.													
With the significant efforts underway to market Alaska's natural resources the office is now fully staffed, and requires additional general fund to cover the salary costs. This request, in addition to a second change record reallocating some vacancy savings from other components will fully fund this office.													
1004 Gen Fund (UGF)			150.0										
Inter-agency Receipts to to Cover Personal Services Shortfall	Gov Amd	Inc	30.1	30.1	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
<i>Inter-agency receipts from the Public Information Office will be utilized towards funding for the Communications Coordinator position.</i>													
1007 I/A Rcpts (Other)			30.1										
* Allocation Difference *			280.1	230.1	0.0	50.0	0.0	0.0	0.0	0.0	0	0	0
Gas Pipeline Project Office													
Long-Term Vacant Positions Deletion for Intra-agency Funding Redistribution	Gov Amd	Dec	-223.4	-223.4	0.0	0.0	0.0	0.0	0.0	0.0	-2	0	0

In the Governor's agency-wide effort to limit the growth of state government (for both positions and funding), some vacant positions were deleted, with the intent to utilize savings generated from the deleted positions to fund personal services funding shortfalls or other priority projects within the department.

The department deleted 20 vacant positions across multiple components. General fund savings from the deleted positions is reallocated between components to cover personal services funding shortfalls or other department priority initiatives.

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Administration & Support Services (continued)													
Gas Pipeline Project Office (continued)													
Long-Term Vacant Positions Deletion for													
Intra-agency Funding Redistribution (continued)													
<i>turnover or have few vacant positions, there is no cost savings to cover the increases. The Governor's budget recognizes the need to cover these shortfalls by allowing for the transfer of savings between allocations.</i>													
 <i>General fund was reallocated as follows:</i>													
<i>Commissioner's Office \$100.0</i>													
<i>Administrative Services \$125.0</i>													
<i>Information Resource Management \$269.2</i>													
<i>Citizens' Advisory Commission on Federal Areas \$13.0</i>													
<i>Parks Management & Access \$80.0</i>													
<i>Gas Pipeline Project Office (\$223.4)</i>													
<i>Petroleum Systems Integrity Office (\$281.2)</i>													
<i>Forest Management & Development (\$82.6)</i>													
1004 Gen Fund (UGF) -223.4													
Gas Pipeline Project Office Contractors and Consultants	Gov Amd	IncM	1,150.0	0.0	0.0	1,150.0	0.0	0.0	0.0	0.0	0	0	0
<i>This restores funds that have been one time items and will be used to cover costs associated with fulfilling the state's responsibilities as per the terms of the license agreement with TransCanada Alaska. Maintaining the state's current level of technical understanding and project support is essential to success. These funds would be used to retain outside experts and consultants for continued gas pipeline analysis including acquisition of baseline data, pipeline engineering (practices and analysis) and design, gas treatment plant design, engineering, and operation, cost overruns, enforcement, remedies, and off-ramps for the licensee and state as well as technical licensee reimbursements audit support. Consultants will also provide expertise regarding federal project support including federal loan guarantees and the effects of environmental regulation.</i>													
1004 Gen Fund (UGF) 1,150.0													
Gas Pipeline Project Office Staff and Operations	Gov Amd	IncM	1,290.0	829.7	219.1	231.2	10.0	0.0	0.0	0.0	0	0	0
<i>This request restores funding that was previously a one time item, needed to maintain the current staff level and operational costs to adequately support and facilitate the permitting process for the Alaska natural gas pipeline under AS 43.90. Without the current staff level, monitoring of compliance under the Alaska Gasline Inducement Act license as well as facilitation of the complex permitting process will not be possible.</i>													
 <i>Travel funds are needed for project coordination, permitting and license monitoring, and to meet monthly with Alaska Pipeline Project representatives in both Calgary, Alberta, Canada, and Houston, Texas. Additionally, close coordination with federal and Canadian agencies will require travel to be successful. Without these funds, we will not be able to meet this demand and the progress of the project will suffer.</i>													
 <i>Services funds are needed to cover the costs of leasing office space and inter-agency billings for IT, telecommunications, and mail/courier support. Without these funds, an office cannot be maintained which will leave the staff unable to perform their duties.</i>													
1004 Gen Fund (UGF) 1,290.0													
* Allocation Difference *			2,216.6	606.3	219.1	1,381.2	10.0	0.0	0.0	0.0	-2	0	0

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Administration & Support Services (continued)													
Office of Project Management & Permitting													
Land Disposal Income Fund (LDIF)	Gov Amd	FndChg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
Unsustainable for Future Operating Costs													
<i>Projections show that the LDIF will not be able to sustain the amount of budget appropriations against it beyond FY2012. An analysis of the sources and uses of funds show the complete unsustainability of the fund beyond FY2012 due to uncollectible land sale contracts and levels of use of the funds. The Department is taking steps to mitigate this depletion such as delaying capital projects that use the LDIF, using other fund sources and replacing LDIF with general funds.</i>													
<i>The department recommends removing the LDIF appropriations and replacing them with general fund, leaving LDIF appropriations only in the Division of Mining, Land and water, Agriculture, Administrative Services, Information Resource Management, and the Public Information Center. This would ensure the sustainability of the fund for at least another year or two, depending on future sales and contracts. These appropriations are doing general funded work and are eligible for the fund switch.</i>													
1004 Gen Fund (UGF)			571.0										
1153 State Land (DGF)			-571.0										
Tongass Coordination (25% of Large Project Coordinator)	Gov Amd	Inc	37.5	33.5	1.0	3.0	0.0	0.0	0.0	0.0	0	0	0
<i>The Juneau-based Office of Project Management and Permitting (OPMP) Large Project Coordinator serves as the lead for the state's Tongass Management Team, which reviews and comments upon large project proposals (e.g., Timber Sales) and land management issues for the Tongass National Forest. This position coordinates the engagement of the interagency representatives to that team. Because OPMP's Large Project Coordinators are typically funded by private sector applicants, a separate source of state funding is required to cover this function, which is anticipated to take 25% of this position's time.</i>													
1004 Gen Fund (UGF)			37.5										
Project Coordinator for Susitna Hydro (IA) and Federal Resource Policy (UGF)	Gov Amd	Inc	150.0	120.0	1.0	28.9	0.1	0.0	0.0	0.0	1	0	0
<i>The Alaska Energy Authority (AEA) is seeking Office of Project Management and Permitting's (OPMP) menu of services to coordinate the permitting process of the Susitna-Watana Hydroelectric Project. The proposed project includes a 700-foot high hydroelectric dam, power generators, and several possible access and transmission line corridors. The position is another Large Project Coordinator within OPMP, that will be responsible for the coordination of the various State agencies involved in the permitting process for the Susitna-Watana Hydroelectric Project. Since this position will be devoted to the Susitna-Watana Hydroelectric Project, the majority of its funding will be through an RSA with AEA.</i>													
1004 Gen Fund (UGF)			75.0										
1007 I/A Rcpts (Other)			75.0										
Authorization to Accommodate Existing Projects	Gov Amd	Inc	2,000.0	0.0	0.0	2,000.0	0.0	0.0	0.0	0.0	0	0	0
<i>The Office of Project Management and Permitting (OPMP) has a growing number of new and existing projects being coordinated through the office. OPMP received approval of an RPL request from Legislative Budget and Audit to increase SDPR authority in the amount of \$950.0 in FY2012 due to a growing inventory of projects under coordination. This increment will allow OPMP to coordinate additional permitting activities of large development projects and fund the contract for Health Impact Assessments required on a number of these projects into FY2013. Funding of those projects are reimbursed by the project applicants and operators of large projects.</i>													
1108 Stat Desig (Other)			2,000.0										

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Administration & Support Services (continued)													
Office of Project Management & Permitting (continued)													
Coastal Impact Assistance Program (CIAP) Administration	Gov Amd	IncM	210.0	210.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
<i>Two existing positions, PCN 10-T026 and PCN 10-3507, were under the Division of Coastal and Ocean Management to provide administration of the federally-funded CIAP. The positions and CIP funding were deleted in the FY2012 budget with the loss of the division, and the two positions were transferred to the Office of Project Management & Permitting and added to the FY2012 Management Plan - this transaction provides the CIP receipts for operations.</i>													
1061 CIP Rcpts (Other)			210.0										
* Allocation Difference *			2,397.5	363.5	2.0	2,031.9	0.1	0.0	0.0	0.0	1	0	0
Administrative Services													
Funding Redistribution from Agency-wide Position Deletions	Gov Amd	IncM	125.0	125.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
<i>In the Governor's agency-wide effort to limit the growth of state government (for both positions and funding), some vacant positions were deleted, with the intent to utilize savings generated from the deleted positions to fund personal services funding shortfalls or other priority projects within the department.</i>													
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<i>Petroleum Systems Integrity Office (\$281.2)</i>													
<i>Forest Management & Development (\$82.6)</i>													
1004 Gen Fund (UGF)			125.0										
* Allocation Difference *			125.0	125.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0

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Administration & Support Services (continued)													
Information Resource Management													
Inter-Agency/Oil & Hazardous Waste Funding Change	Gov Amd	FndChg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
<i>This request replaces Inter-Agency/Oil & Hazardous Waste receipts with capital improvement project receipts to align with anticipated project expenditures. There are no projects from Inter-Agency/Oil & Hazardous Waste funding projected in FY2013.</i>													
1055 IA/OIL HAZ (Other)			-30.1										
1061 CIP Rcpts (Other)			30.1										
Funding Redistribution from Agency-wide Position Deletions	Gov Amd	IncM	269.2	269.2	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
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<i>Petroleum Systems Integrity Office (\$281.2)</i>													
<i>Forest Management & Development (\$82.6)</i>													
1004 Gen Fund (UGF)			269.2										
* Allocation Difference *			269.2	269.2	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
Interdepartmental Chargebacks													
Delete Unnecessary Authorization	Gov Amd	Dec	-0.1	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0	0	0
<i>This is a technical adjustment to eliminate unnecessary authorization.</i>													
1061 CIP Rcpts (Other)			-0.1										

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Administration & Support Services (continued)													
Interdepartmental Chargebacks (continued)													
* Allocation Difference *			-0.1	0.0	0.0	-0.1	0.0	0.0	0.0	0.0	0	0	0
Citizen's Advisory Commission on Federal Areas													
Funding Redistribution from Agency-wide	Gov Amd	IncM	13.0	13.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
Position Deletions													

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General fund was reallocated as follows:

- Commissioner's Office \$100.0
- Administrative Services \$125.0
- Information Resource Management \$269.2
- Citizens' Advisory Commission on Federal Areas \$13.0
- Parks Management & Access \$80.0
- Gas Pipeline Project Office (\$223.4)
- Petroleum Systems Integrity Office (\$281.2)
- Forest Management & Development (\$82.6)

1004 Gen Fund (UGF) 13.0

* Allocation Difference *			13.0	13.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
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Mental Health Trust Lands Administration

Additional funding for the FY13 Trust Land Office Admin Budget	Gov Amd	Inc	261.3	49.7	0.0	215.8	-4.2	0.0	0.0	0.0	0	0	0
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The FY2013 Operating Budget will continue funding the annual operation costs for the Trust Land Office (TLO). The TLO was established by statute to manage the lands and other non-cash assets of the Alaska Mental Health Trust Authority. Our mission is two-fold: (1) to protect and enhance the value of Alaska Mental Health Trust lands; and (2) to maximize revenues from Trust lands over time. Operation costs include personal services and travel expenses for staff, contractual expenses such as professional services, contracts for janitorial and snow removal, ongoing costs for utilities, postage, advertising, etc., and supplies such as office equipment and general

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Administration & Support Services (continued)													
Mental Health Trust Lands Administration (continued)													
Additional funding for the FY13 Trust Land Office Admin Budget (continued)													
<i>office supplies. The TLO is advised by the Trust Authority Resource Management Committee.</i>													
<i>The operating budget provides the core funding for the Trust Land Office.</i>													
	1092 MHTAAR (Other)		261.3										
			* Allocation Difference *	261.3	49.7	0.0	215.8	-4.2	0.0	0.0	0	0	0
			** Appropriation Difference **	5,562.6	1,656.8	221.1	3,678.8	5.9	0.0	0.0	-1	0	0

Oil & Gas

Oil & Gas

L	FY13 interest Earnings on a \$6.6 million bond for the Redoubt Unit in Cook Inlet: for purposes of the bond (FY13-15)	Gov Amd	MultiYr	250.0	0.0	0.0	250.0	0.0	0.0	0.0	0	0	0
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In 2009, Pacific Energy Resources Ltd. (PERL) abandoned Redoubt Unit as a result of bankruptcy. The bond, in the amount of \$6,600,000 along with interest earned, for abandonment liabilities for the Redoubt Unit between PERL and DNR, Division of Oil and Gas was transferred to DNR in October 2009.

The assets were purchased in December 2009 by Cook Inlet Energy (CIE). The remaining funds from the original bond will be used as a part of the new bond posted by CIE. This bond will be used toward abandonment and reclamation if CIE abandons the facilities or begins reclamation.

The original bond was held in an escrow account at First National Bank, where interest was earned on the principle. However, it cost over \$1,800/mo in bank fees to hold the money in escrow. The department would prefer to hold the bond in Treasury. Interest earnings on the bond would then require an annual appropriation to the bond.

DNR requests that the interest earned be applied to the bond. The earned interest would maximize the value of the bond funds available for abandonment and reclamation costs.

Interest earned in FY2011 was \$110.1. CIE will pay an estimated additional \$110.1 into the bond account. \$250.0 is an estimate of interest to be earned on the bond for FY2013.

Unless abandonment or reclamation occurs, all earned interest and bond funds will remain in the bond account.

	1217 NGF Earn (Other)			250.0									
	Land Disposal Income Fund (LDIF)	Gov Amd	FndChg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
	Unsustainable for Future Operating Costs												

Projections show that the LDIF will not be able to sustain the amount of budget appropriations against it beyond FY2012. An analysis of the sources and uses of funds show the complete unsustainability of the fund beyond FY2012 due to uncollectible land sale contracts and levels of use of the funds. The Department is taking steps to mitigate this depletion such as delaying capital projects that use the LDIF, using other fund sources and replacing LDIF with general funds.

The department recommends removing the LDIF appropriations and replacing them with general fund, leaving

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Oil & Gas (continued)													
Oil & Gas (continued)													
Land Disposal Income Fund (LDIF) Unsustainable for Future Operating Costs (continued)													
<i>LDIF appropriations only in ML&W, Agriculture, Admin Services, IRM, and the PIC. This would ensure the sustainability of the fund for at least another year or two, depending on future sales and contracts. These appropriations are doing general funded work and are eligible for the fund switch.</i>													
1004 Gen Fund (UGF)			776.1										
1153 State Land (DGF)			-776.1										
AGIA Commercial Monitor and Advisor		Gov Amd	800.0	0.0	0.0	800.0	0.0	0.0	0.0	0.0	0	0	0
<i>The state will secure expert advice from parties familiar with the commercial requirements associated with launching major new gas pipeline projects. This expertise is needed on two fronts. First, as the project and commercial arrangements with shippers mature, the state will need to ensure that any changes to the commercial terms initially proposed in the licensee's AGIA application comply with the license terms. Second, the state will need assistance from those with midstream commercial and financial expertise to develop, support, and maintain the state's position -- especially in the context of future possible negotiations with the North Slope producers.</i>													
1004 Gen Fund (UGF)			800.0										
Arbitration of Oil and Gas Royalty Issues		Gov Amd	300.0	0.0	0.0	300.0	0.0	0.0	0.0	0.0	0	0	0
<i>There is an ongoing need for outside legal counsel and experts for reopener arbitrations as the state proceeds with renegotiation and arbitration of royalty issues, as well as other activities to optimize state royalty value. Under the terms of several existing royalty settlement agreements with lessees, disputes over royalty valuation can be settled by "reopeners" that are opportunities to resolve these disputes and avoid costly time-consuming litigation. As more and more production of oil and gas comes from leases that are not covered by existing royalty settlement agreements, DNR will face potential disagreements over the interpretation of these "new form" leases and will need to resolve issues that arise in the audit of royalty paid under these new form leases. This request includes an increase of current one-time funding. In part, the department may require funding to establish prospective measures of value to minimize disputes before they arise. This request provides the additional funds that may be expended directly by DNR or that may be RSA'd to the Department of Law to pay for contracts with experts, outside counsel, and litigation expenses if reopener procedures are initiated.</i>													
1004 Gen Fund (UGF)			300.0										
North Slope Easement Processing		Gov Amd	105.0	105.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
<i>The Division of Oil & Gas took over the permitting function for North Slope easements from the Division of Mining, Land and Water several years ago. Over those years the workload has increased, and the revenue generated by these permitting functions averages over \$300.0 per year, most of which goes to the unrestricted general fund. This request would utilize \$105.0 of these fees to pay for the personal services of an existing and vacant position to process the increased easement permit requests and help prevent a backlog situation.</i>													
1005 GF/Prgm (DGF)			105.0										
* Allocation Difference *			1,455.0	105.0	0.0	1,350.0	0.0	0.0	0.0	0.0	0	0	0
Petroleum Systems Integrity Office													
Long-Term Vacant Positions Deletion Intra-agency Funding Redistribution		Gov Amd	-281.2	-281.2	0.0	0.0	0.0	0.0	0.0	0.0	-3	0	0
<i>In the Governor's agency-wide effort to limit the growth of state government (for both positions and funding), some vacant positions were deleted, with the intent to utilize savings generated from the deleted positions to fund</i>													

**2012 Legislature - Operating Budget
Transaction Compare - Governor Structure
Between Adj Base and Gov Amd**

Numbers and Language Differences Agencies: DNR

Agency: Department of Natural Resources

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Oil & Gas (continued)													
Petroleum Systems Integrity Office (continued)													
Long-Term Vacant Positions Deletion for													
Intra-agency Funding Redistribution (continued)													
<i>personal services funding shortfalls or other priority projects within the department.</i>													
<i>The department deleted 20 vacant positions across multiple components. General fund savings from the deleted positions is reallocated between components to cover personal services funding shortfalls or other department priority initiatives.</i>													
<i>Prior to these funding transfers, personal services funding shortfalls existed in many components at a level that was not manageable without either a general fund increment, or a reduction of positions (most of which are filled) and a loss of service. Shortfalls are primarily a result of when employees receive merit increases, the cost is reflected in the personal services budget need, but the budget is not increased to cover the cost. The general expectation is that departments are responsible to cover merit increases through turnover and vacancies in a component, assuming that will generate savings to offset the merit increases. When components experience little turnover or have few vacant positions, there is no cost savings to cover the increases. The Governor's budget recognizes the need to cover these shortfalls by allowing for the transfer of savings between allocations.</i>													
<i>General fund was reallocated as follows:</i>													
<i>Commissioner's Office \$100.0</i>													
<i>Administrative Services \$125.0</i>													
<i>Information Resource Management \$269.2</i>													
<i>Citizens' Advisory Commission on Federal Areas \$13.0</i>													
<i>Parks Management & Access \$80.0</i>													
<i>Gas Pipeline Project Office (\$223.4)</i>													
<i>Petroleum Systems Integrity Office (\$281.2)</i>													
<i>Forest Management & Development (\$82.6)</i>													
1004 Gen Fund (UGF) -281.2													
* Allocation Difference *			-281.2	-281.2	0.0	0.0	0.0	0.0	0.0	0.0	-3	0	0
** Appropriation Difference **			1,173.8	-176.2	0.0	1,350.0	0.0	0.0	0.0	0.0	-3	0	0
Land & Water Resources													
Mining, Land & Water													
L	Reverse CH3 FSSLA2011 Sec 18(b) General	Gov Amd	OTI	-75.0	0.0	0.0	-75.0	0.0	0.0	0.0	0	0	0
Reclamation Bond Claims													
	1108 Stat Desig (Other)			-25.0									
	1192 Mine Trust (Other)			-50.0									
L	Mine Reclamation Trust Estimate	Gov Amd	IncM	50.0	0.0	0.0	50.0	0.0	0.0	0.0	0	0	0
	1192 Mine Trust (Other)			50.0									
L	General Reclamation Bond Claims Estimate	Gov Amd	IncM	25.0	0.0	0.0	25.0	0.0	0.0	0.0	0	0	0
	1108 Stat Desig (Other)			25.0									
	Improve Efficiency of Land and Water Use	Gov Amd	IncM	1,421.1	1,131.6	25.0	153.0	111.5	0.0	0.0	0.0	6	0
	Application Process												
	REQUEST												

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Numbers and Language Differences Agencies: DNR

Agency: Department of Natural Resources

	<u>Column</u>	<u>Trans Type</u>	<u>Total Expenditure</u>	<u>Personal Services</u>	<u>Travel</u>	<u>Services</u>	<u>Commodities</u>	<u>Capital Outlay</u>	<u>Grants</u>	<u>Misc</u>	<u>PFT</u>	<u>PPT</u>	<u>TMP</u>
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Land & Water Resources (continued)

Mining, Land & Water (continued)

Improve Efficiency of Land and Water Use

Application Process (continued)

With the FY2012 one time increment of \$1,421.0 the division has begun the work necessary to accomplish all of the stated goals, recognizing that the goals would not be met in the first year. The division has initiated a multi-frontal attack on reducing the backlog and changing process and identifying other ways to keep from perpetuating the same problems that created the backlog in the first place. The increased funding for staffing is an absolutely essential component of this effort. In order to meet the goals, this work must be continued in FY2013 and beyond. The efficiency gains created through this increment would not be sustainable without the continuation of the positions and funding in this increment with the growing workload demand. Therefore this one time amendment needs to be converted into a base budget increment while still holding the division accountable to meet the goals.

ISSUE

The state's land base has increased by 8 million acres over the last five years, and the Division of Mining, Land and Water has not been able to keep up with the increasing number of applications to use this land. The division now has a backlog of over 2,300 applications.

This backlog of applications has been growing in recent years because the division has only been able to process 84% of all incoming applications. This is due to a number of reasons:

- Inefficient internal processes and cumbersome regulatory requirements.*
- Land ownership patterns have become more complex, thereby increasing the conflicts that have to be resolved.*
- Increasing federal and municipal regulation has increased the processing time for applications.*
- Increasing appeals and litigation of our authorizations, which delay and complicate processing.*
- An additional 8 million acres of land transferred to state ownership within the last five years, resulting in an increase in the number of applications to use that land.*
- Insufficient staff to process the volume of work*

Through a combination of restructuring the permitting process, adding staff, and other measures the backlog will be significantly reduced, and eventually eliminated. At the same time efficiencies created through this effort will help to keep the division from slipping back into further backlog as the number of applications is expected to increase in future years.

BACKGROUND

The Division of Mining, Land and Water received a FY2012 one time increment of \$1,421.0 to eliminate a backlog of land and water use authorizations. The division worked with the Legislature to create a plan to reduce the

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	<u>Column</u>	<u>Trans Type</u>	<u>Total Expenditure</u>	<u>Personal Services</u>	<u>Travel</u>	<u>Services</u>	<u>Commodities</u>	<u>Capital Outlay</u>	<u>Grants</u>	<u>Misc</u>	<u>PFT</u>	<u>PPT</u>	<u>TMP</u>
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Land & Water Resources (continued)

Mining, Land & Water (continued)

Improve Efficiency of Land and Water Use

Application Process (continued)

backlog, change business processes for efficiency, look at statutes for revisions for efficiencies, and evaluate organizational structure. The funding allowed the division to fill five vacant positions and six new positions. The division has begun the work in earnest to meet all of the goals of this increment. The following efforts have been accomplished in FY2012 by November.

Hiring

Updated and in some cases reclassified 50 positions through Division of Personnel. This was the first step. The division had to first address the closure of DCOM in personnel transfers through bumping rights and then other reviews before initiating other hiring. Many staff devoted considerable time to fill positions, sometimes having to hire a few positions to fill one net position gain as people were promoted leaving other vacancies behind. Since July, the division hired 27 of 36 vacancies.

Training

Conducted new employee introductory training for 50 new employees. This lays the foundation information but is followed by more specific training for the new positions. Although new staff begin working on many tasks soon after hire, in many positions it may take up to a year for staff to gain full proficiency. Training comes from specific classes and from on the job training and informal sessions with managers.

Case Work

The scope of the backlog work had to be better identified for staff. DMLW worked with the Information Resource Management to segregate out the backlogged cases and create an efficient way to categorize, prioritize and assign case work. This system is in place and much of the case load has been categorized. During this effort, we have identified several problems in our case management system or in how we were using it that need to be fixed in order to accurately represent the work that needs to be done. We are cleaning up the errors and moving into either completing cases or closing them if appropriate. Staff are reviewing the backlogged files, determining the outstanding issues that need to be resolved or work completed to bring the cases to either issuance or closure. Cases are being assigned to specific adjudicators to work those files.

Work on IT solutions

The department has been working on various IT projects that will support staff in becoming more efficient. Although there is separate funding for the IT projects, it does not cover the business staff time necessary to set requirements, work with developers and programmers, test products, train staff, and institute management change to roll out new products. Business staff is working on all of these efforts to create electronic case files, implement business process modeling, modifying case management system, establishing better reporting for transparency of business activities for staff and managers. Although this work takes staff time away from processing backlogged cases, it is essential to achieve long term goals of eliminating backlog, providing consistency and timely processing, and avoiding the trap of sliding back into the backlog situation. The department is evaluating a new type of business process management software and development methodology that will allow us to create an agile IT system that can be modified more easily to allow for continuous business improvement.

Clean up LAS

**2012 Legislature - Operating Budget
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Agency: Department of Natural Resources

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Land & Water Resources (continued)													
Mining, Land & Water (continued)													
Improve Efficiency of Land and Water Use													
Application Process (continued)													
<i>At the basis of our management and understanding of the backlog, the database needs to have accurate data. Without accurate data, reporting is incorrect, priority assignment is skewed, errors can be compounded in future work and the work effort will not be as effective. Staff is taking time to correct errors as they are discovered. This in turn may affect the numbers represented in the backlog.</i>													
<i>Initiate Evaluation of business processes</i>													
<i>The division is working to create a business analyst position that will lead our division through the business process scrub necessary to make the processes consistent, timely, and well coordinated. This work is critical to complete before some of the IT programming can be done. The division is also evaluating what activities that would require existing authorizations could be modified to be issued approval under general permits. This would save review time and allow that time to be devoted to other efforts.</i>													
<i>Appeals</i>													
<i>The department is evaluating potential changes to revise appeal standards and process in order to reduce the appeals that appear to be either frivolous or used as a tool to block development when the appeal does not have merit.</i>													
<i>Identify statutory changes</i>													
<i>The division has been evaluating and making suggested changes to statutes that will help create efficiencies, reduce time in process, free up staff time that can be applied to other work and clarify certain changes necessary to prevent further appeals and challenges that can delay projects.</i>													
<i>Work with Departmental Permit Efficiency work group</i>													
<i>The division is working closely with the Permit Efficiency Task Force established by the Commissioner's Office. In addition to the work listed above, the task force is working on other multi-agency coordination and federal permitting issues.</i>													
<i>Contracting to create an expandable workforce</i>													
<i>The division is reviewing the process used by DEC to develop a contract workforce that is available to work by task order assignment. The contractors essentially act like short term state employees, working under established protocols and conducting research and drafting decisions that would need to be approved by division employees. This would allow the department to have an applicant pay for extra staff work done through these contractors when the workload increases beyond our ability to issue authorizations within expected timelines. This effort looks promising but will take substantial work to institute and manage and may need revision of fee regulations and potentially statutes. The Division will continue the feasibility analysis.</i>													
<i>At the beginning of FY2011, there was a backlog of approximately 2,300 applications that had not been issued. This included applications for permits (314), leases (297), easements (658), material sales (181), water rights (600), and instream flow reservation applications (330). At the end of FY2011 the backlog increased to 2,516 applications. The current backlog as of November 1, 2011 is 2,378 with a breakdown of permits (297), leases</i>													

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Agency: Department of Natural Resources

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Land & Water Resources (continued)													
Mining, Land & Water (continued)													

Improve Efficiency of Land and Water Use

Application Process (continued)

(292), easements (596), material sales (189), water rights (662), and instream flow reservation applications (342).

Even with the hiring efforts and other necessary work, the division was able to process 253 authorizations and close 93 cases within FY2012 up to November 1. This is more than were received in the same time period (208).

This work needs to continue in future years.

The backlog of applications range in complexity from very basic authorizations such as a commercial recreation permit that can be issued within a day, to large projects requiring multiple interrelated authorizations, multi-agency coordination, required studies and review that may take a few years to complete the authorizations. Each specific application may present an assortment of obstacles that can vary the processing times such as land ownership disputes, multiple use conflicts, business transaction delays, unresponsive applicant, encumbrance removal, project revisions, appeals and litigation.

The pdf document displayed through the following link contains the tables which show the applications received, quantity issued, and the backlog for each of these types of authorizations in FY2010, FY2011, and the first 1/3 of FY2012:

<http://dnr.alaska.gov/mlw/elim/FY13-backlog-elim-tables-for-budget-increment-narrative.pdf>

WORKPLAN

Goal: To timely process all incoming land and water use applications, and to eliminate the backlog.

Strategies:

- With the increased staffing, process 100% of all incoming applications (currently we can only process 84% of all incoming applications).

- The increased staffing, coupled with increased permitting efficiencies, will allow processing of at least 250 backlogged applications annually, with anticipated subsequent dramatic improvements through additional increased permitting efficiencies.

- The division will focus first on applications that foster economic and community development and improvement of state infrastructure, and provide opportunities for energy cost reduction, jobs, and contracts. Applications will be prioritized to work on projects that provide the most benefit to the highest number of Alaskans.

- The division will conduct a comprehensive review of the division's permitting processes, and we will find and implement changes that will increase efficiency. Areas that the division will evaluate include:

Organizational changes (e.g. formation of permitting teams) within the division.

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Numbers and Language Differences Agencies: DNR

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	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Land & Water Resources (continued)													
Mining, Land & Water (continued)													
Improve Efficiency of Land and Water Use Application Process (continued)													
<i>Applicable statutes and regulations. The regulatory relationship between the state, and federal and local governments. Appeals process. Contracting with the private sector.</i>													
<i>- Develop computerized systems to automate and speed up the permitting process. The Department is developing a unified permitting system which will significantly increase permitting productivity by automating the permit processing, allow applicants to apply on line, and allow staff to better process and</i>													
1004 Gen Fund (UGF)			1,421.1										
Land Sales and Municipal Entitlements Staff Funding for Southeast Alaska Region	Gov Amd	IncM	105.0	90.0	10.0	0.0	5.0	0.0	0.0	0.0	0	0	0

REQUEST
This request is to convert the FY2012 one time increment into the FY2013 base budget providing stable funding for the Southeast Regional Office to retain recently hire staff to adjudicate, in a timely manner, current requests for municipal land entitlements and continue the legislative mandate to offer land for sale to Alaskans under the land Disposal program.

BACKGROUND
This increment provides funds to maintain an existing previously unfunded position to perform essential work related to general land grant entitlements and implementation of the land disposal program within southeast Alaska.

One of the essential functions of the Southeast Regional Office is the adjudication of general land grant entitlements of the boroughs and unified municipalities in southeast Alaska and the implementation of the state land disposal program for the region. The southeast regional office is tasked with the responsibility of processing the municipal entitlements of the Haines and Wrangell Boroughs. Timely conveyance of these requests is crucial to sustaining the economic vitality of these communities and triggers economic growth and ultimately provides additional employment opportunities.

Previous budget shortfalls had caused the southeast region to leave vacant staff positions used to adjudicate municipal entitlements. Under circumstances existing in FY2011, municipal entitlement requests would have to wait on existing staff already charged with the: i) processing of leases, permits, and easements applications, and ii) monitoring activities on state owned land in southeast Alaska. This heavy workload did not allow for the timely conveyance of municipal entitlements. It is essential for the southeast regional office to maintain the individual currently on staff that is dedicated to adjudicating municipal entitlement requests that are far from routine and have a unique set of issues that must be resolved before coming up with an acceptable end product. With existing entitlement requests coming from Haines and the City and Borough of Wrangell and the pending application from the Petersburg area, it is imperative that the one time increment provided to fill this entitlement position be converted to the base budget so that these entitlement requests may be adjudicated consistent with statutorily mandated timeframes.

In addition to adjudicating Municipal Entitlement requests this position works in conjunction with the Lands Sales

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Numbers and Language Differences Agencies: DNR

Agency: Department of Natural Resources

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Land & Water Resources (continued)													
Mining, Land & Water (continued)													
Land Sales and Municipal Entitlements Staff													
Funding for Southeast Alaska Region (continued)													
<i>section to fulfill the legislative mandate to provide land for sale to Alaskan for settlement. Due to the special circumstances prevalent in SE Alaska this manages the program for the SE region.</i>													
<i>PROGRESS</i>													
<i>DMLW has filled the previously vacant Natural Resource Specialist position responsible for preparing Land Sales offerings in southeast Alaska and adjudicating Municipal Entitlement requests. This individual has been assigned currently active projects and has begun the immersion process of preparing Preliminary and Final Findings and the public process involved in preparing both. Retention of this position is critical to timely adjudication of Municipal entitlements and continuation of the lands sales program in southeastern Alaska.</i>													
1153 State Land (DGF)			105.0										
Oversight of Federal Land Transfers including Native Allotments, ANCSA Conveyances, and Survey Reviews	Gov Amd	IncM	671.0	618.8	10.0	37.2	5.0	0.0	0.0	0.0	0	0	0
<i>REQUEST</i>													

This request converts funding from the FY2012 one time increment into a FY2013 base budget to fund continued work related to oversight of federal land transfers. This includes:

- continue adjudication of 1906 Native Allotment reconveyances previously halted when federal funding was discontinued. This work was reinstated after receiving the FY2012 one time increment;*
- allow DNR to continue to review of Alaska Native Claims Settlement Act (ANCSA) conveyances to protect public access and state ownership interests (including navigability) and 17(b) access*
- review survey instructions issued by BLM for adherence to standards set forth in the MOU between the state and BLM regarding monumentation*
- properly analyze state selection priorities to ensure best lands are selected to complete entitlement.*

Conversion of this increment from a one-time increment into the division's base budget is critical to protecting public access to public lands, protection of state title conveyed to the state at statehood, completing the task of reconveying Native Allotments on land erroneously conveyed to the state and reviewing remaining state selected lands to ensure the best economic development opportunities from the state's remaining entitlement.

BACKGROUND

The FY2012 one time increment provided DMLW with sufficient funding to fill 5 previously vacant positions within the Realty Services Section that handle land conveyance issues and avoid eliminating 4 additional positions. Among the issues adjudicated by the group is the completion of the various land entitlements, review of land selection priorities and the reconveyance of lands subject to valid Native Allotment applications.

Regarding Native Allotments, the state is obligated to adjudicate for reconveyance of 270 parcels of state land to the federal Bureau of Land Management (BLM) that were erroneously conveyed to the state. The state had suspended work on these reconveyances in FY2011 because of funding shortfalls. Each Native Allotment requires review for 3rd party interests that have been entered into during the time the state owned the land. Adjudication is also required to protect historic public access and title interests transferred to the state at statehood.

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Land & Water Resources (continued)													
Mining, Land & Water (continued)													
Oversight of Federal Land Transfers including Native Allotments, ANCSA Conveyances, and Survey Reviews (continued)													
<i>In addition to reconveyance of valid Native Allotment parcels, Realty Services handles the review of all ANCSA land conveyance documents to ensure public access is protected and sufficient survey monumentation is set to adequately delineate ANCSA land from adjacent state land.</i>													
<i>PROGRESS</i>													
<i>- Native Allotments - the Division has recently reconstituted the staff necessary to adjudicate these application files. We are aggressively identifying Native Allotment application where reconveyance is possible and developing an alternative parcel program with BLM and the BIA.</i>													
<i>- Access - the Division has reviewed over hundred conveyances to ANCSA Corporations to ensure that public access is maintained to public lands. In many cases 17(b) access has not been secured in the original conveyance document to the ANCSA corporations and these required modification prior to final conveyance. Lack of continued review of these ANCSA conveyance documents will increase the probability that access to public lands will be forfeited. Currently 10 documents a month are received from BLM that require review; 8 of those 10 documents require correction.</i>													
<i>- Survey Instruction Review - The MLW Survey Section determines whether land surveys are adequate under the requirement of AS 38.04.045 for land conveyances made by DNR. Where surveys are required, the Unit issues instructions to private sector land surveyors. The Unit serves as the watchdog for BLM surveys to insure that they meet required standards, and protect state's interests in areas such as navigable waters and existing easements.</i>													
<i>- Land Entitlement Priorities - this increment will continue the work on setting the state's priorities for land conveyances and relinquishments. In the past 5 years, the state has received an additional 8 million acres from the federal government. An additional 5 million acres are owed the state, but the state has far more selections remaining. Under federal law the state is allowed a 25% over-selection. This increment will allow the state to continue to identify lands for conveyance and relinquishment. If the state fails to do this work, decisions about relinquishment will be made by the federal government, rather than the state. During FY2011 the BLM was preparing to reject all prioritized selected lands that were in excess of the 125% of remaining entitlement with no input from the state. The affects of such an action by the BLM would have precluded the state from accepting title to the TAPS corridor or large portions of ANILCA withdrawn lands if and when their withdrawal was lifted. Areas important to the state that could be impacted include Fort Richardson and Fort Greeley.</i>													
<i>Continued funding for positions to do this work reduces various inquiries from constituents, applicants, and other governmental agencies to legislators, the governor and commissioner by allowing the Division of Mining, Land and Water (MLW) to continue processing the Bureau of Land Management's native allotment reconveyance requests, ANCSA corporation conveyances and requests for the state to relinquishment selection of those areas affected by valid native allotment applications. Federal funding cuts for the BLM 2009 program effectively eliminated the ability to continue this work.</i>													
1004 Gen Fund (UGF) 671.0													
Public Land Stewardship including Mine Permitting, Compliance and Assessment REQUEST	Gov Amd	IncM	802.0	600.0	30.0	157.0	15.0	0.0	0.0	0.0	0	0	0

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Land & Water Resources (continued)	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
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Mining, Land & Water (continued)
Public Land Stewardship including Mine
Permitting, Compliance and Assessment
(continued)

With the FY2012 one time increment of \$802.0 the division has begun work on the deliverables promised to the Legislature. The division has filled positions with this funding and has increased inspections and is fulfilling the other land stewardship responsibilities. To continue meeting the stated goals, this work and the funded staff positions must be continued in FY2013 and beyond. Therefore this one time amendment needs to be converted into a base budget increment while still holding the division accountable to meet the goals.

BACKGROUND

The FY2012 increment funded existing vacant, unfunded positions responsible for managing and permitting public use and private development on state lands and to fulfill more of the stewardship responsibilities given to this division. There has been an increase in economic activities on state lands due in part to the 8 million acre increase of state land received as our Statehood entitlement through the Accelerated Land Transfer Act over the last five years. There has also been increased activity on all state land as a result of increased mineral exploration, new alternative energy projects, new telecommunications projects and an increase in public use of state lands.

One of the significant impacts from this increase of acreage under state management and increased economic development proposals on state land is the increase in lease and permit applications for use of state lands, both for economic development and recreational use. Many forms of economic development are controversial and require meticulous adjudication to address public, environmental and legal concerns. Rushed, non-comprehensive, adjudication leaves the state unable to adequately defend its decisions against legal challenges.

MLW has also seen a need for more rigorous permitting and oversight of mining activities. In the last five years there has been a dramatic rise in the number of placer mining operations, large scale metal mines, and large scale exploration programs. At the same time, public interest and concern about these activities has increased. DNR is defending more lawsuits regarding permits for mineral exploration. Increased on-site inspections at large mine projects are necessary to ensure permit compliance. The high volume of mining activities in 2011 resulted in permitting time for placer mining and mineral exploration activities of up to 6 weeks, far above the expected and desired time of 2-3 weeks. Timely and accurate processing and auditing is required to maximize mining revenues to the state. Increased travel costs have resulted in limited field inspections and technical assistance for miners.

Along with the increase in activities on state land the division has a constitutional and statutory responsibility to provide stewardship of these lands. Stewardship of state lands ranges from ensuring access for oil and gas development; to providing materials for infrastructure construction; to providing site-specific inspections of mineral development projects; and to interacting with the public where state lands are used for recreational purposes. Interaction with the public in areas of high recreational use consists of trash removal, providing public information (such as signage, web sites, maps), clearing timber and brush, or resolving damage and unauthorized use of state land. In areas of high use, such as the Rex trail in the interior, these funds could be used by the division to contract experts to develop prescriptive analysis to aid in trail rehabilitation.

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**Land & Water Resources (continued)
Mining, Land & Water (continued)**

Public Land Stewardship including Mine
Permitting, Compliance and Assessment
(continued)

Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
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Without continuing this increment, the Division of Mining, Land and Water (MLW) will continue to fall behind with the land stewardship responsibilities and will have the is workload conflict with the processing of applications from industry and individuals to use and develop state land. In FY2011, 84% of new applications were processed, but the backlog of unprocessed applications continues to increase and was 2,516 at the end of FY2011. The increased pressure of the backlogged applications competes with the effort to address the many stewardship responsibilities of maintaining the land in a state ready for use and development. Both efforts are necessary.

PROGRESS

Much of the beginning of FY2012 was spent on hiring and training new staff along with many other efforts as part of the Improve Efficiency of Land and Water Use Application Process increment. In the midst of this effort, the division was able accomplish the following with this funding:

- Recruited and trained staff to fill the vacant positions.
- The division has increased its inspections of placer and hardrock permits
- The division has also increased frequency of inspections of large mines.
- Combined funding from this increment with a grant to do a trail rehabilitation prescription assessment and report for the Rex Trail.
- Held a successful Nome offshore mineral lease auction. Eighty-four lease tracts covering 23,793 acres were offered for sale, and all tracts were sold. High bids for all lease tracts totaled \$9.3 million. Increased oversight of the area during the summer was necessary to prepare for the lease.
- Finalized the Kasilof River Special Use Area and provided increased field inspections in the area during the summer fishery
- Continued work to develop the Guide Services Concession Program
- Conducted inspections of many land and water authorizations
- Worked with businesses proposing use of new technologies on state land such as with the various hydrokinetic projects.

Along with the increase in activities on state land the division has a constitutional and statutory responsibility to provide stewardship of these lands. Stewardship of state lands ranges from ensuring access for oil and gas development; to providing materials for infrastructure construction; to providing site- specific inspections of mineral development projects; and to interacting with the public where state lands are used for recreational purposes. Interaction with the public in areas of high recreational use consists of trash removal, providing public information (such as signage, web sites, maps), clearing timber and brush, or resolving damage and unauthorized use of state land. In areas of high use, such as the Rex trail in the interior, these funds could be used by the division to contract experts to develop prescriptive analysis to aid in trail rehabilitation.

Five existing positions that were filled in FY2012 will continue to be funded by this base budget increment and used to provide the ongoing management and permitting responsibilities for public use and private development on state lands. In addition to personal services costs, this increment covers the travel (site-specific mining

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**Numbers and Language
Differences
Agencies: DNR**

Agency: Department of Natural Resources

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Land & Water Resources (continued)													
Mining, Land & Water (continued)													
Public Land Stewardship including Mine Permitting, Compliance and Assessment (continued)													
<i>inspections and recreational use area management), services (such as contracts for trail rehabilitation) and commodities costs associated with managing the public and private uses of state land.</i>													
1004 Gen Fund (UGF)			802.0										
Maintain Staffing for Permitting Initiative	Gov Amd	IncM	950.0	950.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
<i>This request increases GFPR authority to allow the division of Mining, Land & Water to absorb increased personal benefit costs (primarily step increases) and reduce vacancy factor to a manageable level to maintain adequate staffing for permitting initiative. This request funds the majority of positions within the Division leaving a manageable vacancy rate. The Division's ability to maintain a low vacancy rate is directly linked to the Division's ability to fulfill its commitments to improve permit and authorization efficiencies and reduce the current backlog. During previous budget cycles merit increase, core costs and contractual wage increases were absorbed by the division through increasing vacancy rates. Increases in these contractual obligations required that the Division keep 9 positions vacant during FY2011 to balance the division's personal services budget and continued absorption would require 4 more positions be kept vacant in FY2012. This would result in a total of 14 positions being left vacant and the division's ability to effectively process incoming land use authorizations would be severely hampered and the opportunity to aggressively work the backlog lost. Under this scenario FY2013 would see additional vacancies necessary and the division's ability to meet its obligations to the legislature foregone.</i>													
<i>The division historically collects \$5 Million to \$6 Million more in lease/permit fees than what it has been authorized to expend.</i>													
1005 GF/Prgm (DGF)			950.0										
Guide Concession Area Program Development	Gov Amd	Inc	150.0	150.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
<i>This increment combined with the existing \$120.0 (total of \$270.0) provides funds for the completion of the development of the Guide Concession Area Program. The guiding industry has asked that the department consider implementing a concession program to authorize commercial hunting guides to work within specific areas of the state to reduce the overall hunting pressure throughout the state of Alaska. For over three years, the Division of Mining, Land and Water (ML&W) has been working with existing staff members to initiate the development of this program, with funds provided by the legislature specifically for this project.</i>													
<i>This program will offer big game guides the ability to competitively apply for and be awarded authorizations to run a business on state land if selected, but will limit the number of guides running businesses on state land. The program is anticipated to provide a net return to the state, will not affect any other users of state land (private or commercial) and has been discussed and reviewed by the public and agencies.</i>													
<i>The Division will complete the following actions:</i>													
<i>- Complete the regulation process necessary for the program</i>													
<i>- Create all forms, procedures, instructions and templates for all stages of process</i>													
<i>- Set up the evaluation panel for the review of prospectus submissions</i>													
<i>- Set evaluation criteria for evaluating prospectus submissions</i>													
<i>- Mapping work</i>													
<i>ML&W will use both existing staff and contractual resources to complete the final steps in the development of this</i>													

**2012 Legislature - Operating Budget
Transaction Compare - Governor Structure
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Numbers and Language Differences Agencies: DNR

Agency: Department of Natural Resources

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Land & Water Resources (continued)													
Mining, Land & Water (continued)													
Guide Concession Area Program Development (continued)													
<i>program. Although this program development will be completed in FY13, the program will not be implemented during FY13. The program requires 6 full time staff dedicated to working the program during implementation and on an ongoing basis. This request provides general funds for these new positions for the first two to three years required to start the program, and then the program would be self funding by the fees collected through the authorizations (general fund program receipts) after the initial start up.</i>													
1004 Gen Fund (UGF)			150.0										
Non-Federal Dams Safety		Gov Amd Inc	53.4	0.0	0.0	53.4	0.0	0.0	0.0	0.0	0	0	0
<i>The Federal Emergency Management Agency (FEMA) awards grants to increase the efficiency and effectiveness of state dam safety programs. The Department of Natural Resources, Dam Safety and Construction Unit applied for and was awarded a FEMA grant for FY2012, and is estimated to spend \$53.4 in FY 13.</i>													
<i>The Unit will utilize the funds to conduct field inspections, update hazard potential classifications, perform jurisdictional reviews and assign condition assessments to dams in Alaska. In addition, the Unit will attend emergency action plan exercises and technical training opportunities and purchase engineering analysis software to improve the performance of the Alaska Dam Safety Program.</i>													
1002 Fed Rcpts (Fed)			53.4										
Offshore Lease Sales at Nome (Gold Dredging)		Gov Amd Inc	50.5	0.0	0.0	50.5	0.0	0.0	0.0	0.0	0	0	0
REQUEST													
<i>This increment will allow the department to offer and monitor state tide lands and submerged lands, primarily offshore, for mineral leasing in the Nome area. This increment will allow the Division of Mining, Land and Water (DMLW) to provide seasonal oversight of dredging activities scheduled to begin in the summer of 2012 resulting from the recent lease offerings.</i>													
BACKGROUND													
<i>The recent lease sales generated in excess of \$9,000,000 in Bonus bids. Additional revenue in retinal income, production royalties and the mining license tax will also be realized. Additionally, more recreational gold mining will be created in the West Beach area which will bring additional recreational miners to the area and benefit the local economy. The requested funding will be to support onsite monitoring by a local mining expert hired under contract by the Division.</i>													
PROGRESS													
<i>The live auction has been held in Nome and bidders are being notified of their success. This summer dredging activities will begin as will monitoring activities. DMLW plans to contract with a local Nome resident familiar with dredging activities to monitor the successful bidders during their operations. Large offerings similar to the auction recently completed are anticipated every 10 years.</i>													
1005 GF/Prgm (DGF)			50.5										
* Allocation Difference *			4,203.0	3,540.4	75.0	451.1	136.5	0.0	0.0	0.0	6	0	0
Forest Management & Development													
L Reverse CH3 FSSLA2011 Sec. 18(b) General Reclamation Bond Claims		Gov Amd OTI	-25.0	0.0	0.0	-25.0	0.0	0.0	0.0	0.0	0	0	0
1108 Stat Desig (Other)			-25.0										

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	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Land & Water Resources (continued)													
Forest Management & Development (continued)													
L	General Reclamation Bond Claims Estimate	Gov Amd	IncM	25.0	0.0	0.0	25.0	0.0	0.0	0.0	0	0	0
	1108 Stat Desig (Other)			25.0									
	Long-Term Vacant Position Deletion for Intra-agency Funding Redistribution	Gov Amd	Dec	-82.6	-82.6	0.0	0.0	0.0	0.0	0.0	-1	0	0
<p><i>In the Governor's agency-wide effort to limit the growth of state government (for both positions and funding), some vacant positions were deleted, with the intent to utilize savings generated from the deleted positions to fund personal services funding shortfalls or other priority projects within the department.</i></p> <p><i>DNR deleted 20 vacant positions across multiple components. General fund savings from the deleted positions is reallocated between components to cover personal services funding shortfalls or other department priority initiatives.</i></p> <p><i>Prior to these funding transfers, personal services funding shortfalls existed in many components at a level that was not manageable without either a general fund increment, or a reduction of positions (most of which are filled) and a loss of service. Shortfalls are primarily a result of when employees receive merit increases, the cost is reflected in the personal services budget need, but the budget is not increased to cover the cost. The general expectation is that departments are responsible to cover merit increases through turnover and vacancies in a component, assuming that will generate savings to offset the merit increases. When components experience little turnover or have few vacant positions, there is no cost savings to cover the increases. The Governor's budget recognizes the need to cover these shortfalls by allowing for the transfer of savings between allocations.</i></p> <p><i>General fund was reallocated as follows:</i> <i>Commissioner's Office \$100.0</i> <i>Administrative Services \$125.0</i> <i>Information Resource Management \$269.2</i> <i>Citizens' Advisory Commission on Federal Areas \$13.0</i> <i>Parks Management & Access \$80.0</i> <i>Gas Pipeline Project Office (\$223.4)</i> <i>Petroleum Systems Integrity Office (\$281.2)</i> <i>Forest Management & Development (\$82.6)</i></p>													
	1004 Gen Fund (UGF)			-82.6									
	Decrement Uncollectable Revenue-Dependent Authorizations and Long-Term Vacant Positions	Gov Amd	Dec	-200.0	-200.0	0.0	0.0	0.0	0.0	0.0	-2	-1	0
<p><i>This decrement will remove some federal, CIP receipt, and timber receipt authority for which there is no known revenue stream.</i></p>													
	1002 Fed Rcpts (Fed)			-100.0									
	1061 CIP Rcpts (Other)			-50.0									
	1155 Timber Rcp (DGF)			-50.0									
* Allocation Difference *				-282.6	-282.6	0.0	0.0	0.0	0.0	0.0	-3	-1	0
Geological & Geophysical Surveys													
	Accelerated Geologic Map and Report Production	Gov Amd	Inc	80.0	38.0	7.0	35.0	0.0	0.0	0.0	0	0	0

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Agency: Department of Natural Resources

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Land & Water Resources (continued)													
Geological & Geophysical Surveys (continued)													
Accelerated Geologic Map and Report Production (continued)													
<i>The higher paid professional geologist staff are doing both the professional scientific work and the technical non-scientific tasks related to completion and publication of the final products. With this funding the division will increase the output of geologic maps and reports in a timely manner -- this information is used by industry, government and the public. The division is currently behind schedule releasing 15 major geologic maps and reports.</i>													
1004 Gen Fund (UGF)			80.0										
Geologic Staff for Strategic and Critical Minerals Assessment	Gov Amd	Inc	95.6	95.6	0.0	0.0	0.0	0.0	0.0	0.0	0	0	1
<i>This funds one new long-term non-perm position to support the statewide geologic data for assessing strategic and critical mineral resources, include rare earth elements. The FY2012 project focused on compiling and evaluating existing REE-related data and obtaining limited new data. The FY2013 request allows the division to obtain essential new geologic, geochemical and geophysical data throughout Alaska. The State may benefit from expanded mineral-industry investment in exploration and development and associated employment, be more knowledgeable for land-management purposes, and contribute to the nation's need for domestic supplies of these critically important minerals.</i>													
<i>This project provides funding for a professional position with the specific expertise needed to implement this program.</i>													
1061 CIP Rcpts (Other)			95.6										
Geohydrology Program, Aquifer Baseline Mapping	Gov Amd	Inc	120.0	15.0	5.0	100.0	0.0	0.0	0.0	0.0	0	0	0
<i>The state lacks geologic information on aquifers to reliably extrapolate these data in the subsurface to model groundwater supply and flow. The need for this capability is critical for expediting permit review, and is becoming more critical as water supplies face potential shortages and urban or infrastructure development creates increased risks of groundwater depletion, contamination, and groundwater-related hazards such as earthquake-induced liquefaction. This funds one existing long term non-perm staff and contract personnel to work with the Division of Mining, Land & Water to create one to two geohydrology maps/reports annually.</i>													
1004 Gen Fund (UGF)			120.0										
* Allocation Difference *			295.6	148.6	12.0	135.0	0.0	0.0	0.0	0.0	0	0	1
** Appropriation Difference **			4,216.0	3,406.4	87.0	586.1	136.5	0.0	0.0	0.0	3	-1	1

Agriculture

Agricultural Development

Delete Excess Authorization	Gov Amd	Dec	-45.8	-45.8	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
<i>Decrement of excess authorization to maintain a reasonable vacancy factor and reflect savings from position PCN 10-1727 that was transferred out to the Agriculture Revolving Loan Fund component.</i>													
1153 State Land (DGF)			-45.8										
United States Department of Agriculture Phytosanitary Certification for Export of Logs and Plant Products	Gov Amd	Inc	10.0	0.0	0.0	10.0	0.0	0.0	0.0	0.0	0	0	0
<i>The Alaska Division of Agriculture, 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) to foreign countries. Foreign countries</i>													

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	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Agriculture (continued)													
Agricultural Development (continued)													
United States Department of Agriculture Phytosanitary Certification for Export of Logs and Plant Products (continued)													
<i>require that licensed state or federal Export Certification Officials conduct phytosanitary certification inspections before products can enter their country. Phytosanitary certificates are issued to indicate that consignments of plants, plant products or other regulated articles meet the importing countries specified phytosanitary import requirements and are in conformity with the certifying statement of the appropriate certificate.</i>													
<i>The USDA has instituted a \$104.00 fee for this certificate and requires states reimburse the fee to them for each certificate issued under this agreement. This requested statutory designated program receipt authority provides the authorization for the Division to charge businesses for the expense of conducting the inspection, including personal services and travel, and issuing the official certificate and documentation, including reimbursing the \$104.00 fee to the USDA.</i>													
<i>The Alaska Division of Agriculture maintains an agreement with USDA to provide this service to Alaska businesses. This agreement requires Division of Agriculture inspection staff be nominated, trained and pass competency examinations on a regular basis by USDA. This service allows and supports over \$10 million dollars of export activity annually by Alaskan businesses.</i>													
1108 Stat Desig (Other)			10.0										
* Allocation Difference *			-35.8	-45.8	0.0	10.0	0.0	0.0	0.0	0.0	0	0	0
North Latitude Plant Material Center													
AMD: Horticulture Evaluation Program	Gov Amd	Inc	260.0	0.0	0.0	260.0	0.0	0.0	0.0	0.0	0	0	0
<i>The horticulture industry is by far the largest and most significant segment of commercial plant production in Alaska. A horticulture evaluation and development program at the Plant Materials Center (PMC) will service the primary users such as the landscape industry, peony and berry crop industries, rhubarb producers and a large contingent of diversified growers throughout Alaska. The program is well supported by the various commodity and industry groups.</i>													
<i>The recent closure of the U.S.D.A. Agricultural Research Service (ARS) Station in Alaska has pulled nearly all support and assistance from the horticulture industries in Alaska. The PMC has acquired the plant materials from the ARS research group and has placed them in winter storage. None of the research material has been lost, however establishment of this program in the PMC is critical to the ongoing support of the existing material and these industries. The Division of Agriculture has had repeated requests for a horticultural development and evaluation program from industry as well as the Plant Materials Center Advisory Board.</i>													
<i>The program will address the needs of this large and varied industry in developing new crops, determining which varieties to produce, and evaluation of the technology needed to be competitive.</i>													
<i>This is a new request for FY2013.</i>													
<i>FY2013 December budget -- \$2,426.2</i>													
<i>FY2013 Amendment -- \$260.0</i>													
<i>TOTAL FY2013 -- \$2,686.2</i>													

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	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Agriculture (continued)													
North Latitude Plant Material Center (continued)													
AMD: Horticulture Evaluation Program (continued)													
			1004 Gen Fund (UGF)	260.0									
			* Allocation Difference *	260.0	0.0	0.0	260.0	0.0	0.0	0.0	0	0	0
			** Appropriation Difference **	224.2	-45.8	0.0	270.0	0.0	0.0	0.0	0	0	0
Parks & Outdoor Recreation													
Parks Management & Access													
	Gov Amd	Inc	Funding Redistribution from Agency-wide	80.0	0.0	0.0	80.0	0.0	0.0	0.0	0	0	0
			Position Deletions for Dispatch Coverage from Kenai Peninsula Borough										

In the Governor's agency-wide effort to limit the growth of state government (for both positions and funding), some vacant positions were deleted, with the intent to utilize savings generated from the deleted positions to fund personal services funding shortfalls or other priority projects within the department.

DNR deleted 20 vacant positions across multiple components. General fund savings from the deleted positions is reallocated between components to cover personal services funding shortfalls or other department priority initiatives.

Prior to these funding transfers, personal services funding shortfalls existed in many components at a level that was not manageable without either a general fund increment, or a reduction of positions (most of which are filled) and a loss of service. Shortfalls are primarily a result of when employees receive merit increases, the cost is reflected in the personal services budget need, but the budget is not increased to cover the cost. The general expectation is that departments are responsible to cover merit increases through turnover and vacancies in a component, assuming that will generate savings to offset the merit increases. When components experience little turnover or have few vacant positions, there is no cost savings to cover the increases. The Governor's budget recognizes the need to cover these shortfalls by allowing for the transfer of savings between allocations.

General fund was reallocated as follows:

- Commissioner's Office \$100.0*
- Administrative Services \$125.0*
- Information Resource Management \$269.2*
- Citizens' Advisory Commission on Federal Areas \$13.0*
- Parks Management & Access \$80.0*
- Gas Pipeline Project Office (\$223.4)*
- Petroleum Systems Integrity Office (\$281.2)*
- Forest Management & Development (\$82.6)*

The Division of Parks and Outdoor Recreation (DPOR) employs one full-time dispatcher on the Kenai Peninsula who provides dispatch to the Kenai Area staff five days per week during business hours. Park rangers working outside the DPOR dispatcher's schedule have been receiving dispatch services from a coordinated center run by the Kenai Peninsula Borough (KPB); DPOR has not provided any funding to the center. The Kenai dispatch center also provides services to the Alaska State Troopers, all Kenai Peninsula emergency service organizations

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	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Parks & Outdoor Recreation (continued)													
Parks Management & Access (continued)													
Funding Redistribution from Agency-wide													
Position Deletions for Dispatch Coverage from Kenai Peninsula Borough (continued)													
<i>and the Soldotna Police Department who all provide funding to run the center.</i>													
 <i>DPOR has been notified that park rangers can no longer receive dispatch services from the KPB-run center unless funding is provided to hire an additional dispatcher to help cover the park rangers. What has changed is that more troopers were hired to work on the Kenai Peninsula through a federal highway safety grant but no additional funding was available to cover those trooper's dispatch needs.</i>													
 <i>If Kenai Area park rangers can no longer use the KPB dispatch center they will not have assistance outside of the DPOR dispatcher's schedule. This places the rangers in a unsafe position, with no effective communication should they make an enforcement contact, get injured or require assistance.</i>													
 <i>This \$80.0 will be paid to the Kenai Peninsula Borough and they will provide the necessary dispatch services on evenings, weekends, and other incidental times when the DPOR dispatcher is not available. The borough will not accept funding for a partial position, since they will need to hire a full-time position to cover DPOR's needs.</i>													
1004 Gen Fund (UGF)			80.0										
General Fund Program Receipts to Cover Personal Services Shortfall	Gov Amd	Inc	90.0	90.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
<i>The Parks and Outdoor Recreation component received an increment to General Fund Program Receipts (GFPR) which will fund the Parks and Outdoor Recreation's staff.</i>													
 <i>The division currently collects GFPR in excess of authorization by approximately \$120.0 per year. These "excess" receipts will be used to fund this increment request.</i>													
1005 GF/Prgm (DGF)			90.0										
* Allocation Difference *			170.0	90.0	0.0	80.0	0.0	0.0	0.0	0.0	0	0	0
** Appropriation Difference **			170.0	90.0	0.0	80.0	0.0	0.0	0.0	0.0	0	0	0

Fire Suppression

Fire Suppression Preparedness

Alaska Interagency Coordination Center Fixed-Cost Increases	Gov Amd	IncM	150.0	0.0	0.0	150.0	0.0	0.0	0.0	0.0	0	0	0
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The Alaska Interagency Coordination Center (AICC) provides services in the coordinated response to wildland fires for all federal and state agencies in Alaska statewide. Wildland fire operations, information collection and distribution, and allocation of fire resources are coordinated through individual agency representation at AICC. AICC is located on Ft. Wainwright in a facility owned and operated by the Bureau of Land Management (BLM), Alaska Fire Service (AFS). Through a Cooperative Agreement and Annual Operating Plan, Forestry contributes both personnel and operating capacity to these interagency activities.

A primary reason for the Interagency Coordination Center is to provide tactical firefighting resources, including smokejumpers and air tankers to fires on a priority basis without regard for agency ownership. The priority is based on current weather conditions, current firefighting resource allocations, and the fire's proximity to human life and property. Forestry must provide current, high quality information for these determinations to be made. This

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	<u>Column</u>	<u>Trans Type</u>	<u>Total Expenditure</u>	<u>Personal Services</u>	<u>Travel</u>	<u>Services</u>	<u>Commodities</u>	<u>Capital Outlay</u>	<u>Grants</u>	<u>Misc</u>	<u>PFT</u>	<u>PPT</u>	<u>TMP</u>
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**Fire Suppression (continued)
Fire Suppression Preparedness (continued)**

Alaska Interagency Coordination Center
Fixed-Cost Increases (continued)

information comes from a variety of sources including: remote weather stations, the lightning detection network, and the mapping of communities and remote properties Geographic Information Systems (GIS). Tactical resource dispatchers are required to make the final determination of which statewide tactical resources respond to which fires in an extremely dynamic situation.

Cost for Calendar Year	2008	2013
Share of AICC Operating Costs	\$ 6,450	\$6,450
Office Space	\$12,048	\$29,744
GIS Support	\$0	\$45,000
Lightning Detection Network	\$40,484	\$40,484
McGrath Facilities	\$50,000	\$50,000
Weather Station Maintenance	\$82,600	\$107,600
Radio Maintenance	\$0	\$50,000
Teletype	\$5,000	\$5,000
Tactical Resource Dispatching	\$0	\$80,000
Total	\$196,582	\$414,278

Additional costs for Calendar Year 2013 include:

- Additional office space for DNR employees working at AICC and increased costs of existing space. Since 2008, Forestry has added the Communications Specialist, Public Information Specialist, and Strategic Planner positions to the AICC office.
- The interagency Geographic Information Systems (GIS) program.
- The interagency radio communications network in McGrath and other remote, mountain-top repeater areas.
- The Tactical Resource Dispatch function.
- Maintenance of Weather Stations.

The current budget allocation for this agreement with the BLM is \$265,000. This increment will allow DNR to fully function in the interagency fire program.

In the last decade the number of fires and acres burned annually across the state has increased exponentially. Fire suppression response has become increasingly critical due to the increased number of fires and the severity at which they burn. As the Alaskan population increases, more people and their property are at risk from wildland fire. These complexities require additional expertise in the form of GIS specialists and dispatchers to make appropriate decisions in the incipient phases for fires. These decisions reduce the likelihood of large fires that damage property or threaten lives.

Residents of Alaska living in the fire prone areas may be adversely affected by an increase in the number of large fires. These areas are predominately in the wildland urban interface of Fairbanks, Mat-Su, and Kenai.

Geographic Regions Affected:

- Northern and Eastern Interior Alaska
- South Central Alaska

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	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Fire Suppression (continued)													
Fire Suppression Preparedness (continued)													
Alaska Interagency Coordination Center													
Fixed-Cost Increases (continued)													
- Southwest Alaska													
1004 Gen Fund (UGF)			150.0										
Engine Fleet and Fire Facility Maintenance Cost	Gov Amd	IncM	150.0	40.0	0.0	70.0	40.0	0.0	0.0	0.0	0	0	0
Increases for Same Service Level													

This increment funds the increased costs for fleet vehicles, which includes fire engines and support vehicles and increased cost for facility maintenance. Fire engines are a essential to initial attack along the road system particularly in the high-risk, high-consequence areas. These heavily populated areas require a mobile, effective firefighting resource to protect homes and lives within the wildland urban interface.

In recent years, Forestry has received Capital Improvement Project funds to purchase new fire engines to replace old Federal excess property and SEF engines that had exceeded their programmed service life. These new engines were purchased through the Department of Transportation and Public Facilities (DOT) and the operating and replacement rates are much higher than the older engines. The two primary reasons for these increased rates are: 1). Forestry was not paying replacement costs for the Federal excess property vehicles and SEF vehicles that had exceeded their service life and 2) these vehicles are often used in dirty, smoky areas and in rough terrain therefore the service life of the new vehicles was shortened from previous vehicles. Therefore replacement costs need to be accumulated at a faster rate.

One additional reason for increased costs for Forestry vehicles is a change in the Department of Transportation's (DOT) methodology to establish operating and replacement costs and the acquisition of new engines. Formerly, DOT vehicles rates were calculated on a regional basis and then averaged to produce statewide department rates. In FY2009, DOT transitioned to individual rates specific to each vehicle. Operating rates and replacement rates are calculated on the basis of individual vehicles including DOT's use of historic maintenance information to establish the rates. As these vehicles are often used in dirty, smoky, rough areas, vehicle maintenance costs are higher for Forestry vehicles than is typical for other divisions and departments.

Listed below are two examples of changes in monthly operating and replacement costs:

*Type 6 small fire engine --
Prior to methodology change: \$998/month
After methodology change: \$1750/month*

*Type 4 medium fire engine --
Prior to methodology change: \$1400/month
After methodology change: \$2400/month*

This increment also provides funding to begin regular maintenance programs at each of the eight Area offices to minimize the long-term deterioration of the Division's facilities. Forestry has received multiple capital improvement project (CIP) funds in recent years to repair backlogged deferred maintenance issues. This has allowed the Division to begin to catch-up on major deferred maintenance issues. This increment would allow Forestry to keep up with the maintenance of its facilities and not repeatedly request CIP funds for deferred maintenance. A portion of the increment will be used for additional staff time of seasonal maintenance personnel, whose primary duties

**2012 Legislature - Operating Budget
Transaction Compare - Governor Structure
Between Adj Base and Gov Amd**

Numbers and Language Differences Agencies: DNR

Agency: Department of Natural Resources

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
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Fire Suppression (continued)

Fire Suppression Preparedness (continued)

Engine Fleet and Fire Facility Maintenance Cost

Increases for Same Service Level (continued)

are to work in warehouses and at retardant sites, to perform facility and compound maintenance before and after the fire season.

If the increment is not approved, the service life of the vehicles that are primary to the Division of Forestry's mission will not allow for the continued replacement of these engines as necessary. The facilities will not have the necessary maintenance to ensure deferred maintenance issues do not occur and Forestry will continue to request CIPs for deferred maintenance.

Program, Services, Recipients Affected:

- Communities through out fire prone areas of Alaska - reduced fire risk.
- Activity Component - reduced suppression cost by maintaining current state capacity.

Geographic Regions Affected:

The fire prone areas of Alaska that are the responsibility of the Forestry Fire Program are affected by this increment. These areas include the Mat-Su, Kenai-Kodiak, McGrath, Fairbanks, Delta, Tok, and Glennallen.

1004 Gen Fund (UGF) 150.0

Contracted Air Tanker Costs for Same Service Level	Gov Amd	IncM	97.1	0.0	0.0	97.1	0.0	0.0	0.0	0.0	0	0	0
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This increment is critical to meet cost increases in contracted aviation support for fire fighting. Air tankers are a primary initial attack tool in Alaska. These aircraft carry large quantities of fire retardant, can travel long distances at high airspeeds, and are extremely successful in slowing fires in and near population centers. Prior five-year contracts are expiring and comparable private sector contract comparisons indicate at a minimum an increase of six percent for air tankers -- an essential resource for fighting urban-interface fires. The advantage of five-year contracts is locking in lower, longer term rates and was quite successful in the last two bidding cycles. However, the cumulative impact of increased costs, market conditions, and industry changes realistically creates budget increases that can only be met by an increment.

The Division of Forestry aircraft fleet consists of two air tankers, six helicopters, two air attack airplanes, and a utility fixed-wing airplane. This fleet comprises the backbone of the Division's fire fighting capability and is an essential element in the Division's mission to provide wildland fire management and suppression services. The Division considers the mix of owned, leased, and contracted aircraft to be a good business model. The air tankers are typically acquired through a five year, annually renewable contract in which aircraft and pilots are secured for the exclusive use of the State for a set period of time (typically 90 days).

These air tankers will now be even more critical to maintain on long-term contract as the Federal air tankers will no longer be available in Alaska, making initial attack success even more challenging. Up until the 2011 fire season, the U.S. Forest Service maintained seven P-3 air tankers on contract, one of which was routinely assigned to the Bureau of Land Management-Alaska Fire Service (BLM-AFS) during the Alaska fire season. This aircraft has been available to respond to Division of Forestry fires. However, these P-3's no longer comply with the federally required maintenance program and the USFS cancelled all seven contracts. It is not anticipated that these contracts will be renewed. The only remaining large national air tankers are the P-2V's which are ex-military aircraft and cannot be cleared to travel through Canadian airspace. These aircraft will be unavailable for use in

**2012 Legislature - Operating Budget
Transaction Compare - Governor Structure
Between Adj Base and Gov Amd**

Numbers and Language Differences Agencies: DNR

Agency: Department of Natural Resources

	<u>Column</u>	<u>Trans Type</u>	<u>Total Expenditure</u>	<u>Personal Services</u>	<u>Travel</u>	<u>Services</u>	<u>Commodities</u>	<u>Capital Outlay</u>	<u>Grants</u>	<u>Misc</u>	<u>PFT</u>	<u>PPT</u>	<u>TMP</u>
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Fire Suppression (continued)

Fire Suppression Preparedness (continued)

Contracted Air Tanker Costs for Same Service

Level (continued)

Alaska. The result of these changes in aircraft status will mean that for the first time ever, Alaska will not have access to federal air tankers.

The Division anticipates an increase in contractual costs for air tankers based on past increases in these contracts. As the federal air tanker fleet diminishes, there are fewer examples of current contract prices but given the status of the federal fleet and increasing competition, it is reasonable that the contract costs will increase. During the last five-year contract cycle (2008-2012) the contractual obligation is currently \$1,619,100 for the 2011 90-day contractual window. This is an increase in the cost of contracted tankers from 2007 until 2011 of \$650.0. DNR did receive an increment in FY 2008 for \$234.4 to partially mitigate this additional cost. The increase for the 2013-2018 contract is not anticipated to be as large as past increases. The Division expects to be able to maintain its current air tanker fleet with the addition of \$97,100.

If the Division cannot support two large air tanker contracts, the result will be reduced success in initial attack statewide. As there will be no federal air tankers to respond to wildfires this would mean no air tankers in Alaska. The initial attack success rate will be dramatically reduced both in the areas of the state that the Division provides wildfire protection but also in the areas where the BLM-AFS provides protection services on State lands. This reduced initial attack success will result in larger fires, greater property loss, higher risks to the citizens of Alaska, and increased fire costs.

Recipients Affected:

- Communities through out fire prone areas of Alaska - reduced fire risk.
- Activity Component - reduced suppression cost by maintaining current state capacity.

Geographic Regions Affected:

- Northern and Eastern Interior Alaska
- South Central Alaska
- Southwest Alaska

1004 Gen Fund (UGF)	97.1												
Helicopter Contract Costs for Same Service		Gov Amd	IncM	119.6	0.0	0.0	119.6	0.0	0.0	0.0	0.0	0	0
Level													

This increment is critical to meet cost increases in contracted helicopter support for fire fighting. Immediate helicopter response can mean the difference between small fires and large project fires that can cost millions of dollars. The lack of road based access, large distances, and the need to respond quickly to emergent fires in Alaska make helicopters a necessary firefighting tool for successful initial attack. These aircraft move firefighting crews, supplies, and drop water on fires quickly and efficiently. Without these aircraft, response times to fires would be much greater which would result in larger, more expensive fires that would be more likely to effect life and property. Three of the Division's six helicopter contracts are expiring and comparable private sector contract comparisons indicate a 4% increase for helicopters. The advantage of the five year contracts is locking in lower, longer term rates and has been quite successful in the last two bidding cycles. However, the cumulative impact of increased costs, market conditions, and industry changes realistically creates budget increases that can only be met by an increment.

**2012 Legislature - Operating Budget
Transaction Compare - Governor Structure
Between Adj Base and Gov Amd**

Numbers and Language Differences Agencies: DNR

Agency: Department of Natural Resources

	<u>Column</u>	<u>Trans Type</u>	<u>Total Expenditure</u>	<u>Personal Services</u>	<u>Travel</u>	<u>Services</u>	<u>Commodities</u>	<u>Capital Outlay</u>	<u>Grants</u>	<u>Misc</u>	<u>PFT</u>	<u>PPT</u>	<u>TMP</u>
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Fire Suppression (continued)

Fire Suppression Preparedness (continued)

Helicopter Contract Costs for Same Service

Level (continued)

The Division of Forestry contract aircraft fleet consists of two air tankers, six helicopters, two air attack airplanes, and a utility fixed-wing airplane. This fleet comprises the backbone of the Division's fire fighting capability and is an essential element in the Division's mission to provide wildland fire management and suppression services. The Division considers the mix of owned, leased, and contracted aircraft to be a good business model. The helicopters are typically acquired through a five year, annually renewable contract in which aircraft and pilots are secured for the exclusive use of the State for a set period of time (typically 90 days).

The alternative to these long-term contracts is to acquire helicopters under emergency procurement authority for short time spans. This type of procurement, although used to supplement Forestry's helicopter fleet during high fire activity, is not as economically efficient for extended periods of use. The 2011 Emergency Rental Agreement for similar helicopters was \$2,995 per hour. The current long-term contracts are less than \$1,600 per hour. Also, helicopters are seldom available at short notice during the fire season due to other, more lucrative contracts.

The Division anticipates an increase in contractual costs for helicopters based on past increases in these contracts. There continues to be an increased state and worldwide demand for these helicopter services while service providers, especially in Alaska, face increased costs related to parts availability, insurance costs, and a number of other business challenges. During the last five-year contract cycle 2011-2015, contract solicitations included bids as high as \$9,900 per day not including mission flight hours. This increment request reflects an increase of 4% in the three helicopter contracts plus a 3% Consumer Price Index increase for the remaining three helicopters.

The current contractual obligation for six helicopters is \$2,203,650 for the 2011 90-day window. The Division expects to be able to maintain its current helicopter fleet with the addition of \$119,600.

If the Division cannot support six firefighting helicopters, the result will be reduced success in initial attack statewide. There are few alternatives in Alaska so similar firefighting resources would need to be acquired from the lower 48 at a greatly increased cost. Helicopters from the lower 48 typically cost \$30,000 for the flight time to reach Alaska and another \$30,000 to return to their station, this does not include any costs associated with fire work in Alaska. These helicopters also typically take four days to reach Alaska which means they must be prepositioned in Alaska prior to fire activity to be effective in initial attack. This also increases costs. Reduced initial attack success will result in larger fires, greater property loss, higher risks to the citizens of Alaska, and increased fire costs.

The communities and residents of Alaska who live in fire prone forests will be affected due to the lack of success in initial attack firefighting. In particular, wildland urban interface areas such as Fairbanks, Mat-Su and Kenai would be significantly affected without helicopters stationed in these areas.

Geographic Regions Affected:

- Northern and Eastern Interior Alaska
- South Central Alaska
- Southwest Alaska

1004 Gen Fund (UGF) 119.6

**2012 Legislature - Operating Budget
Transaction Compare - Governor Structure
Between Adj Base and Gov Amd**

Numbers and Language Differences Agencies: DNR

Agency: Department of Natural Resources

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Fire Suppression (continued)													
Fire Suppression Preparedness (continued)													
Firefighter Payroll Interagency Authority	Gov Amd	Inc	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
<i>Increase interagency receipt authority for emergency firefighter payroll services to the Fire Activity Component. Paid by administrative fee charged to the federal government for support on federal fires.</i>													
<i>This request funds Division of Forestry's new responsibility for payroll entry that has historically been performed by the Department of Administration (DOA) Division of Personnel, for 300 to 600 emergency firefighters (EFF) each season.</i>													
<i>No new PCNs are being requested. This increment will fund two vacant PCNs (previously federal grant-funded), that are being transferred from the Forest Management and Development Component to the Fire Suppression Preparedness Component and that are being reclassified as Human Resource Technicians to assume this new workload. With this funding, the two regions (supporting multiple geographically-dispersed offices) will each have a PCN for payroll, appointment information, data entry, payroll system hierarchy maintenance, and timekeeping functions.</i>													
<i>DOA is discontinuing use of the DNR-developed EFF Firefighter Payroll System with implementation of the statewide timekeeping system (ASSETS). DOA has notified DNR that it does not intend to perform entry of firefighter payroll. Deployment of ASSETS will be staggered, with DNR's migration scheduled for FY13.</i>													
<i>Time entry and recording cannot be performed by emergency firefighters themselves. They are a highly mobile and transitory work force working in remote field conditions, with lack of time and capability to use the state's administrative timekeeping technology being implemented by DOA. The nature of their employment precludes them from entering their own time into the new payroll system being implemented by DOA.</i>													
<i>Although the DOA system is not fully functional, DNR knows that at least the EFF payroll entry will need to be assumed by Forestry and cannot be performed by the employees. Similarly, many permanent personnel need human resource support to enter time when workers are in the field. Activities also include verification and non-standard approvals of time collected from remote locations, required for accuracy and timeliness to meet interface deadlines for payroll.</i>													
<i>Forestry payroll constitutes the most complex and logistically time-critical manual and automated time recording, accuracy of which must meet the tests of federal audit for cost recovery. DOA has established a target to have payroll processed without penalty. Decentralizing Forestry's payroll entry function to DNR now, without the supporting staff to perform the work, would increase the likelihood of costly payroll penalties and jeopardize the payroll goal to implement best practices in human resource activities.</i>													
1007 I/A Rcpts (Other)			100.0										
* Allocation Difference *			616.7	140.0	0.0	436.7	40.0	0.0	0.0	0.0	0	0	0
Fire Suppression Activity													
L Federal Fire Authorization estimate	Gov Amd	IncM	8,500.0	0.0	0.0	5,500.0	3,000.0	0.0	0.0	0.0	0	0	0
1002 Fed Rcpts (Fed)			8,500.0										
* Allocation Difference *			8,500.0	0.0	0.0	5,500.0	3,000.0	0.0	0.0	0.0	0	0	0
** Appropriation Difference **			9,116.7	140.0	0.0	5,936.7	3,040.0	0.0	0.0	0.0	0	0	0
*** Agency Difference ***			20,463.3	5,071.2	308.1	11,901.6	3,182.4	0.0	0.0	0.0	-1	-1	1

**2012 Legislature - Operating Budget
Transaction Compare - Governor Structure
Between Adj Base and Gov Amd**

Numbers and Language Differences Agencies: DNR

Agency: Department of Natural Resources

**** All Agencies Difference ****

Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
		20,463.3	5,071.2	308.1	11,901.6	3,182.4	0.0	0.0	0.0	-1	-1	1

Column Definitions

Adj Base (FY13 Adjusted Base) - FY2012 Management Plan less one-time items, plus FY2013 adjustments for position counts, funding transfers, line item transfers, temporary increments (IncT) from prior years, and additions for statewide items (risk management and most salary and benefit increases). The Adjusted Base is the "first cut" of the FY2013 budget; it is the base to which the Governor's and the Legislature's increments, decrements, and fund changes are added.

Gov Amd (FY13 Governor Amended) - FY13 Governor's Amended Budget (Includes Governor's Dec 15th budget AND the Governor's Amendments submitted on February 17th)