

# Alaska House of Representatives

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Rep. Eric Feige  
Rep. David Guttenberg  
Rep. Craig Johnson  
Rep. Beth Kerttula  
Rep. Lance Pruitt  
Rep. Dan Saddler

## House Finance Subcommittee Department of Natural Resources

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### FY 2013 HOUSE FINANCE BUDGET SUBCOMMITTEE NARRATIVE REPORT

#### SUBCOMMITTEE MEMBERS:

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Rep. Mia Costello, Chair  
Rep. Johnson  
Rep. Saddler

Rep. Feige  
Rep. Kerttula

Rep. Guttenberg  
Rep. Pruitt

#### RECOMMENDATIONS:

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The House Finance Budget Subcommittee for the Department of Natural Resources submits a recommended operating budget for FY2013 to the House Finance Committee as follows:

Unrestricted General Funds (UGF)	\$ 78,805.8	(dollars in thousands)
Designated General Funds (DGF)	25,927.6	
Other Funds	38,378.0	
Federal Funds	22,552.7	
<b>Total</b>	<b>\$ 165,664.1</b>	

#### BUDGET ACTION:

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The House Finance Budget Subcommittee for the Department of Natural Resources held 6 meetings with the Department and analyzed all of the Governor's budget transactions. The following are budget action highlights:

- The Subcommittee recommends authorizing the same amount of general funds and positions as the Governor's Amended FY2013 request.

- The Subcommittee recommends a total increase from the FY2013 Adjusted Base of \$9,170.4 UGF and a total decrease of \$142.4 DGF for a total General Fund change of \$9,028.0. The change from Adjusted Base in Other Funds is \$2,981.9 and from Federal Funds is \$8,453.4. The total change from Adjusted Base is \$20,463.3 and a decrease of one full-time position.

## Accepted

1. Commissioner's Office – Statewide Resource Development Marketing Initiative and Existing Personal Services Costs; \$150.0 UGF.

The Commissioner's Office requested \$50.0 for an aggressive marketing and outreach campaign to support resource development in the state, along with \$100.0 for a prior personal services costs shortfall. This increment request is accepted to allow the Department to increase support for resource development initiatives.

2. Office of Project Management and Permitting (OPMP) – Large Project Receipt Authority; \$2,000.0 Statutory Designated Program Receipts (SDPR) (Other).

This request would allow OPMP to collect additional SDPR revenue and provide the necessary permitting services for both projects coming online in FY2013 and existing projects. An FY2012 RPL in the amount of \$950.0 SDPR was authorized by the Legislative Budget and Audit Committee at the October 14, 2011 meeting in response to a growing inventory of projects under coordination. This increment will allow OPMP to coordinate additional permitting activities of large development projects and carry out Health Impact Assessments required on a number of these projects into FY2013. Funding of those projects is reimbursed by the project applicants and operators of large projects. The complexity of permitting requirements for large projects is considerable, and the coordination services provided by the department and funded by the applicants and operators provide significant benefits to the long-term economic health of the state.

3. Office of Project Management and Permitting (OPMP) – Project Coordinator for Susitna Hydro and Federal Resource Policy; \$75.0 Inter-agency (I/A) Receipts & \$75.0 (UGF)

This request provides funding for a Large Project Coordinator within OPMP responsible for the coordination of the various state agencies involved in the Susitna-Watana Hydroelectric Project. The majority of the funding for this position will be through an RSA with the Alaska Energy Authority.

4. Oil & Gas – North Slope Easement Processing; \$105.0 GF/Prgm Rcpts (DGF).

The Division of Oil and Gas is requesting an increment to fund an existing vacant position to process an increasing workload for easement permits and to prevent a backlog situation from developing. The revenue generated by these permitting functions averages over \$300.0 per year, and flow to the general fund as general fund program receipts. This increment would use some of those receipts to cover the personal services costs and avoid a potential permitting backlog.

5. Mining, Land & Water - Nome Gold Dredging Oversight; \$50.5 GF/Prgm Rcpts (DGF).

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. A recent gold dredging offshore lease sale in Nome generated \$9 million in Bonus Bids. Gold dredging began last summer and the Division of Mining, Land and Water plans to hire a local consultant to monitor dredging activity. The requested funding will be to support onsite monitoring by a local mining expert hired under contract by the Division using general fund program receipts.

6. Geological and Geophysical Surveys - Accelerated Map/Report Production and Baseline Aquifer Mapping; \$200.0 UGF.

The Subcommittee approved two UGF increments and one CIP receipts increment for the Division of Geological and Geophysical Surveys:

- \$80.0 UGF to accelerate map and report production by relieving higher paid professional geologist staff from non-scientific duties related to publication completion. This funding the division will increase the timely output of geologic maps and reports, used by industry, government and the public.
- \$120.0 UGF to augment baseline aquifer mapping. This funding will allow the Division to more reliably extrapolate aquifer data to model groundwater supply and flow. The funding will provide for a long-term non-permanent position to work with contract personnel for geologic information relating to the state's aquifers, necessary for expediting permit review and infrastructure planning.
- \$95.6 CIP Rcpts (Other) to fund one new long-term non-permanent position with the specific expertise to support the statewide geologic data for assessing strategic and critical mineral resources, include rare earth elements. This funding will allow 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.

7. Mining, Land, and Water – Service Improvements; \$2,894.1 UGF, \$105.0 DGF.

In the FY2012 budget cycle, the Subcommittee recommended that the Legislature provide the Division of Mining, Land and Water with a one time increment of \$1,421.0 to eliminate a backlog of land and water use authorizations. The Subcommittee required the Division to create a detailed memorandum (Permit Backlog Plan - 2/22/11) outlining the problem and the work plan for service level improvements. The FY2012 appropriation included intent language calling for adherence to this memorandum, which included a plan to reduce the backlog, change business processes for efficiency, look at statutes for revisions for efficiencies, and evaluate organizational structure. One-time increments were approved with the intent that they be revisited the following session to ascertain agency effectiveness. Those increments are requested again by the agency and included as part of their FY2013 base budget.

The Subcommittee has evaluated the progress of the Division in working to address this problem, and has concluded that the Division has made considerable progress toward resolving the existing backlog, filling vacant positions, and adopting new systems to prevent future backlogs. Details of progress made in FY2012 can be found in the budget transaction notes provided by the agency. Based on this conclusion and the Subcommittee's continued intent to ensure that Alaskans receive a high level of timely customer service from State agencies, the Subcommittee has approved the inclusion of these increments into the Division's base budget. It is the intent of the Subcommittee to review the Division's continued progress in the next budget cycle.

8. Mining, Land, and Water – Maintain Staffing Level in Mining, Land and Water; \$950.0 GF/Prgm Rcpts (DGF).

An increment is requested in order to maintain the current level of effort on the permits backlog initiative. Funded positions have historically been held vacant in order to absorb personal services cost increases. As positions have been filled to address the permitting backlog initiative, funding is no longer available to absorb other costs. This increment is approved in order to allow positions necessary to the permit backlog reduction efforts to be filled while enabling the Division to meet its core cost and contractual wage increases.

9. Oil and Gas – Royalty Arbitration; \$300.0 UGF.

The Governor requested \$500.0 in FY2012 (\$200.0 for continuation of FY11 one-time funding, and \$300.0 as an additional one-time FY2012 amount) for continued royalty arbitration issues. The Division expects ongoing increased royalty disputes and reopener arbitrations, and is requesting funding to retain the \$300.0 one-time increment added in

FY2012. This increment is accepted in order to enable the Division to more effectively maximize state royalty value in these disputes and arbitrations.

10. Land Disposal Income Fund Funding Source Change; \$1,347.1 UGF, (\$1,347.1) DGF.

The budget includes two Fund Source Change transactions from the State Land Disposal Income Fund (LDIF) to unrestricted general funds. They are in the Office of Project Management and Permitting (\$571.0) and the Division of Oil and Gas (\$776.1). Recent analysis conducted by the agency revealed current use of the fund to be unsustainable due to uncollectible land sale contracts and levels of use of the funds. Current operating appropriations alone are unsustainable, and capital projects will draw more than \$15 million from the fund.

11. Position Deletions and Funding Redistribution; Net Zero Agency-wide (+\$587.2, -\$587.2) UGF.

The agency determined where funded vacant positions could be eliminated in order to make funding available elsewhere in the agency. This set of increments allows the Department to fund personal services shortfalls or augment other priority projects without requiring additional funding.

12. Fire Suppression Preparedness Fixed Cost Increases; \$516.7 UGF.

Several increments for various fixed cost increases are included in this allocation. They include \$150.0 for the Interagency Coordination Center; \$150.0 for engine fleet and fire facility maintenance; \$97.1 for contracted air tanker costs; and \$119.6 for helicopter contract costs. All of these adjustments are intended to maintain the same level of service as FY2012 in response to increases in both the number of fires and acres burned across the state. 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.

13. Fire Suppression Activity Increased Federal Estimate; \$8,500.0 Federal Receipts.

The language section estimate of the federally paid portion for state fire suppression has been adjusted from \$2 million to \$8.5 million to more accurately reflect anticipated expenditures.

14. Gas Pipeline Project Office – Staff and Operations; \$1,290.0 UGF.

This increment and the one following reflect a continuation of funding for the functions carried out by the Gas Pipeline Project Office and the Division of Oil and Gas related to the AGIA process.

15. Gas Pipeline Project Office, Division of Oil and Gas – Contract Consultants; \$1,950.0 UGF.

### **Modified**

1. Mining, Land & Water – Guide Concession Area Program Development; \$150.0 UGF.

This increment, coupled with \$120.0 added in FY2012, would allow the Division of Mining, Land and Water to continue developing a program offering big game guides the ability to competitively apply for authorization to run their businesses on state land. The goal is to limit the number of guides in any particular area so as to manage resources in a sustainable manner. Although this program development will be completed in FY2013, the program will not be implemented during FY2013. The program would eventually be self-sustaining through program receipts, but requires general funds during development.

The Subcommittee finds that a well-devised guide concession program could provide for improvements in the management of Alaska’s game resources to the benefit of all user groups. However, the Subcommittee also intends that the parameters of the developed program be reviewed by the legislative branch to evaluate the program prior to its implementation. The Subcommittee has therefore included language in the budget stating that the increment is accepted for the purposes of planning and development of the program only, and that authorization by the Legislature is required prior to any funds being spent on program implementation.

### **AMENDMENT ACTION:**

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The House Finance Budget Subcommittee for the Department of Natural Resources also analyzed the Governor’s budget amendments submitted by February 15, 2012, and took the following action:

### **Accepted**

1. Agriculture - North Latitude Plant Material Center: Horticulture Evaluation Program; 260.0 GF

**ATTACHED REPORTS:**

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

Subcommittee generated reports

Budget Action Worksheet

Legislative Finance Division Reports - House Structure

1. Agency Totals - FY2013 Operating Budget
2. Appropriation/ Allocation Summary (All Funds)
3. Appropriation/ Allocation Summary (GF)
4. Transaction Comparison between ADJ Base and H Subcomm
5. Wordage Report - FY2013 Operating Budget



Representative Mia Costello, Chair

House Finance Budget Subcommittee for the Department of Natural Resources

March 2, 2012