



29th Alaska State Legislature
House Finance Budget Subcommittee
Department of Natural Resources
FY 17 Operating Budget

Chairman:

Rep. Lance Pruitt
Capitol Room 421
465-3438

Members:

Rep. Benjamin Nageak
Capitol Room 126
465-3473

Rep. Dave Talerico
Capitol Room 104
465-4527

Rep. Cathy Tilton
Capitol Room 411
465-2199

Rep. Kurt Olson
Capitol Room 24
465-2693

Rep. Andy Josephson
Capitol Room 430
465-4939

Rep. Jonathan Kreiss-
Tomkins
Capitol Room 426
465-3732

Committee Aide:

Dirk Craft
465-6617

**DEPARTMENT OF NATURAL RESOURCES
FY17 HOUSE FINANCE BUDGET SUBCOMMITTEE
NARRATIVE REPORT
FEBRUARY 25, 2016**

SUBCOMMITTEE MEMBERS

Rep. Lance Pruitt, Chair

Rep. Benjamin Nageak
Rep. David Talerico
Rep. Cathy Tilton
Rep. Kurt Olson
Rep. Andy Josephson
Rep. Jonathan Kreiss-Tomkins

RECOMMENDATIONS

The House Finance Budget Subcommittee for the Department of Natural Resources submits a recommended operating budget for FY2017 to the House Finance Committee as follows:

Fund Source: (dollars are in thousands)

| | |
|----------------------------------|---------------------|
| Unrestricted General Funds (UGF) | \$ 88,143.9 |
| Designated General Funds (DGF) | \$ 31,260.8 |
| Other Funds | \$ 40,425.2 |
| Federal Funds | \$ 13,382.3 |
| Total | \$ 173,212.2 |

The Unrestricted General Fund difference from the FY2017 Governor Request to the House Subcommittee budget recommendation is a decrease of \$5,895.7, which is a -6.3% change. Removing the additional gasline related funding would result in a department UGF reduction of -\$8,828.5 which is a -12.6% change from the FY16 Management Plan.

BUDGET ACTION

The House Finance Budget Subcommittee for the Department of Natural Resources held five meetings with the Department. The Subcommittee reviewed the FY 2017 budget request and took the following actions:

Action to the Governor's proposal:

- **North Slope Gas Commercialization – Increase to funding: \$26,681.8 (UGF)**
Continue the states participation on the pipeline and gas commercialization. Funding is split into two increments: an \$8,986.7 increment to match the regular session appropriation, and an increment of \$17,695.1. This represents a reduction of \$9,051.3 from the Governors first proposal to reflect the slower pace of marketing negotiations. This is an additional reduction of \$2,000.0 from the FY17 Governors Amended request. The subcommittee recommends House Finance remove the full appropriation and manage all gasline related funds as its own appropriation separate from the regular budgetary process.
- **Mining, Land & Water – Fund Source Switch from UGF to DGF: (\$5,000.0) UGF/ \$5,000.0 DGF**
This action would transition some of the division's work from UGF to those existing program receipts while not making such a major fund switch to negatively affect the solvency of revenues over time. The subcommittee proposed an additional fund source change of \$2,664.8
- **Northern Latitude Plant Material Center – Potato Program Funding: (\$147.6) UGF**
Rejected the Governor's proposal to restore program as a permanent item in the FY17 request.

AMENDMENT ACTION

ADDED/MODIFIED

1. **Agency-wide – Added Intent Language**
It is the intent of the legislature that the Department of Natural Resources not purchase vehicles unless they are essential to work safety.
2. **Fire Suppression Land & Water Resources – Forest Management & Development – Fund Source Change to Support Southeast Forester Position with Timber Receipts: (\$136.7) UGF/ \$136.7 DGF**
Use Timber Receipts to fund a southeast forester position. Most timber sales are made in southeast, this switch will reduce the UGF draw from the budget while protecting operations and sales in southeast.
3. **Fire Suppression Land & Water Resources – Mining Land & Water – Added Intent Language**
It is the intent of the legislature that the Department of Natural Resources improve efficiencies in permitting and consider the economic impacts of increasing permit fees before imposing them on users.
4. **Administration & Support Services – Commissioner's Office: (\$335.0) UGF**
Reduction of two staff in the commissioner's office. The subcommittee identified this office as larger than most.

5. Parks & Outdoor Recreation – Parks Management & Access – Reduce Parks Funding: (\$241.2) UGF & (87.2) GF/Prgm

Unallocated reduction to Parks Management & Access. This was made unallocated to allow the department to spread the reduction in a way that protects parks receipts. In the future the division will work more to reduce its UGF

6. Parks & Outdoor Recreation – Parks Management & Access–Added intent language

It is the intent of the legislature that the Department of Natural Resources work with the Alaska Department of Fish & Game to identify qualifying projects and non-federal matching funds for Pittman-Robertson monies. If not all Pittman-Robertson funds are expended through DNR partnerships, it is further the intent of the legislature that DF&G partner with municipalities and nonprofit outdoors, sporting, and trail organizations to identify qualifying projects and nonprofit sector marching funds to expend remaining Pittman-Robertson monies. It is intent of the legislature that Alaska Department of Natural Resources assist the Department of Fish & Game in working collaboratively with partner agencies, governments, and organizations to ensure that no Pittman-Robertson monies are returned to the federal government unspent.

7. Agriculture – Northern Latitude Plant Material Center – Reduce Operations: (335.0) UGF

This reduction is made with the understanding the department can continue services at the center without eliminating the operation.

8. Agriculture – Agriculture Revolving Loan Program Administration – Made a OTI and added intent language

It is the intent of the legislature to allow for a one-time increment funding of MMM&S with the purpose of allowing appropriate time for negotiations between a private entity and the BAC for the lease of MMM&S. This is done with the understanding that the transfer of operations will be finalized prior to FY18 and MMM&S will not be included in the FY18 budget. The Department should issue a request for proposals (RFP) immediately. The RFP should be drafted with the least restrictive terms likely to attract successful bids. The Department should solicit for and consider bids for a lease and for a lease with an option to purchase.

ATTACHED REPORTS

The House Finance budget subcommittee for the Department of Natural Resources adopts the attached reports:

Subcommittee generated reports

Budget action worksheet

2016 Legislative Finance Division Reports – House Structure

1. Agency Totals – FY2017 Operating Budget
2. Appropriation/Allocation Summary (All Funds)
3. Appropriation/Allocation Summary (GF)
4. Transaction Comparison between ADJ Base and H Subcom
5. Transaction Comparison between Gov Amd and H Subcom
6. Wordage Report – FY 2017 Operating Budget

THE BUDGET ACTION WORKSHEET IS ATTACHED FOR INFORMATIONAL PURPOSES.

RESPECTFULLY SUBMITTED,



**Representative Lance Pruitt, Chair
House Finance Budget Subcommittee for the Department of Natural Resources
February 25, 2016**

**Department of Natural Resources
FY2015 to FY2016 Comparison**

| <u>Fund Type</u> | FY2015 | FY2016 | <u>Difference</u> | Percent |
|---------------------------|-------------------|-------------------|-------------------|-------------------|
| | <u>Mgt Plan</u> | <u>Enacted</u> | | <u>Difference</u> |
| Unrestricted General Fund | \$88,072.8 | \$70,326.0 | -\$17,746.8 | -20.2% |
| Designated General Fund | \$26,468.5 | \$26,251.3 | -\$217.2 | -0.8% |
| Other | \$41,970.0 | \$49,546.1 | \$7,576.1 | 18.1% |
| Federal | <u>\$21,819.1</u> | <u>\$21,757.3</u> | <u>-\$61.8</u> | <u>-0.3%</u> |
| Total | \$178,330.4 | \$167,880.7 | -\$10,449.7 | -5.9% |

| <u>Budgeted Positions</u> | FY2015 | FY2016 | <u>Difference</u> | Percent |
|---------------------------|-----------------|----------------|-------------------|-------------------|
| | <u>Mgt Plan</u> | <u>Enacted</u> | | <u>Difference</u> |
| Permanent Full-Time | 759 | 720 | -39 | -5.1% |

| <u>Filled Positions</u> | Dec 2014 | July 2015 | <u>Difference</u> | Percent |
|-------------------------|------------------|------------------|-------------------|-------------------|
| | <u>Employees</u> | <u>Employees</u> | | <u>Difference</u> |
| Permanent Full-Time | 890 | 845 | -45 | -5.1% |
| Permanent Part-Time | 7 | 4 | -3 | -42.9% |
| Non-Permanent | <u>2,104</u> | <u>2,536</u> | <u>432</u> | <u>20.5%</u> |
| Total | 3,001 | 3,385 | 384 | 12.8% |

Notable Changes

McGrath Fire Suppression Area Reorganization and Wildland Fire Academy Discontinuation
\$1,100.0 UGF

McGrath Reorganization – the McGrath Area will be downsized to provide facility, logistical and aviation support necessary to perform fire suppression based on high fire danger indices and activity. Sixteen part-time positions will be deleted, leaving a minimal staff of six positions capable of supporting initial fire attack work, including dispatch, operations, aviation, ramp, retardant, helibase and warehouse support. Emergency hires will be made depending on actual fire danger and activity in the McGrath area. This reduction saves \$776.4 in the annual operating budget, however during fire seasons that impact the McGrath area actual fire activity suppression costs will be higher due to additional emergency hires.

The Wildland Fire Academy program and associated internships for Academy graduates to gain experience will be discontinued, negatively impacting the recruitment pipeline for future wildland fire fighters and managers.

Airborne Geophysical Surveys and Support for Geothermal and Coal Resources Elimination
\$1,000.0 UGF

Prepared by the Office of Management and Budget

These reductions eliminate our ability to provide new airborne geophysical surveys, which will greatly impact our ability to provide new geological maps. Both of these are products highly valued by the minerals industry, which stimulate mineral development and are credited with aiding mineral resource discoveries. The reductions will retard the rate at which mineral exploration occurs and the rate of future mine development, job creation and economic diversification.

Additionally, the reductions eliminate the division's capabilities in geothermal energy and coal resources. DGGs will not be able to advise on, or support development of those resource types, or the potential use of these resources to reduce the costs of energy in rural communities. As these are some of the most likely sources of energy for rural communities, loss of these capabilities will reduce the state's ability to aid rural communities develop lower costs energy solutions.

Public Access Assertion and Defense Unit - \$936.1 UGF

The Public Access Assertion and Defense Unit (PAAD) in Division of Mining, Land and Water is being partially eliminated. There are certain critical functions performed by this unit that will be preserved elsewhere in the division. This consolidation will substantially reduce cost, but will require many of the functions previously done by the PAAD to be absorbed or assisted by others, causing a somewhat reduced capacity for those other sections.

This creates more of a functioning unit to carry on with the existing lawsuits as well as conduct navigability determinations and address certain RS2477 and Navigability research necessary to resolve conflicts. It is expected that other DMLW staff may be needed to assist in some of the litigation efforts at times. The line item increases will cover some of the necessary costs at a scaled back effort. This budget level does not fund work to continue submissions of additional RDIs. It also does not include cost of defending or asserting any new cases, though it is expected that new cases will arise. The existing and imminent lawsuits that will be worked include Mosquito Fork of the Fortymile River Navigability, Hunz V AK, Stikine River, Kotsina River, Chicken Area RS2477, Klutina RS2477, Dickson V State RS2477, and Chenega Village RS2477.

Reduce Alaska National Interest Lands Conservation Act (ANILCA) - \$226.0 UGF

State review of federal land use plans and activities for compliance with the Alaska National Interest Lands Conservation Act (ANILCA) will be reduced. The existing ANILCA program, consisting of two staff, reviews and comments on a steady stream of draft federal policies, plans, and regulations addressing all federal conservation lands. These lands include wildlife refuges, national parks, national forests, Bureau of Land Management (BLM) lands, about two-thirds of the state. The mission of the ANILCA program includes protecting traditional public uses of these federal lands, and access and use of inholdings and adjacent non-federal lands.