



30th Alaska State Legislature
House Finance Budget Subcommittee
Dept. of Natural Resources
FY18 Operating Budget

Chair:

Rep. David Guttenberg
Capitol Room 501
465-4457

Committee Aide:

Tom Atkinson
465-4955

**FY2018 HOUSE FINANCE BUDGET SUBCOMMITTEE
NARRATIVE REPORT
February 24, 2017**

SUBCOMMITTEE MEETINGS:

The House Finance Budget Subcommittee for the Department of Natural Resources held eleven meetings with the department during our review of the FY18 budget request.

RECOMMENDATIONS:

As Chair of the House Finance Budget Subcommittee for the Department of Natural Resources, I recommend that the House Finance Committee accept the Governor's FY18 budget with one amendment.

The budget *without amendment* totals:

Fund Source: (Numbers Only and dollars are in thousands)

Unrestricted General Funds (UGF)	\$59,222.2
Designated General Funds (DGF)	30,694.2
Other Funds	38,259.1
Federal Funds	15,820.1
Total	\$143,995.6

The Unrestricted General Fund difference from FY15 Management Plan to the FY18 Governor Amended budget is a reduction of \$27.4 million, a decrease of 31.7 percent.

Positions FY18 Governor Amended:

Permanent Full-time	628
Permanent Part-time	213
Temporary	64
Total	905

A handwritten signature in blue ink, located in the bottom right corner of the page.

The FY18 budget with recommended subcommittee amendment totals:

Fund Source: (Numbers Only and dollars are in thousands)

Unrestricted General Funds (UGF)	\$59,222.2
Designated General Funds (DGF)	30,694.2
Other Funds	38,009.1
Federal Funds	15,820.1
Total	\$143,745.6

I submit the following budget amendment to the House Finance Committee for consideration:

1. Administration & Support; Mental Health Trust Land Administration; H DNR 1

This amendment eliminates \$250.0 allocation level Mental Health Trust Authority Authorized Receipts (MHTAAR, fund code 1092) for the Trust Land Office's proposed public relations contract.

I plan to submit the following recommendations for statutory amendments to the House Resources Committee.

1. Repeal AS 27.30 to eliminate the mining Exploration Incentive Credit (EIC), which has not been used since FY11 and does not appear effective in spurring mineral exploration. When it was last used, it only benefitted one beneficiary per year. It costs DNR approximately \$2,500 per year to administer this credit program. In their January 2017 Indirect Expenditure Report, LFD recommended the legislature reconsider this EIC.
2. Repeal AS 38.05.160 or require legislative approval of any shale oil rent or royalty waiver the commissioner recommends. Because the department has never used this waiver, the waiver has not met its legislative intent. The commissioner's potential future use of this waiver could worsen the state's budget deficit. Requiring legislative approval would help to guard against that eventuality.
3. Repeal AS 38.05.180(f)(6) to eliminate royalty relief for Cook Inlet platforms, which benefits 6 producers, and between FY11 and FY16 cost the state \$69.1 million in foregone revenue. It is unclear how the state benefits from oil and gas production for which it receives no royalties or taxes. In their January 2017 Indirect Expenditure Report, LFD recommended the legislature reconsider this statute.
4. Repeal AS 38.05.180(f)(5) to eliminate royalty relief for Cook Inlet small discoveries. This provision has not been used since FY12, and appears to have served its purpose in restarting production from Cook Inlet leases. It is unclear how the state benefits from oil production for which it receives no royalties or taxes. In their January 2017 Indirect Expenditure Report, LFD recommended the legislature reconsider this statute.

OTHER INFORMATION:

The Subcommittee discussed other proposed amendments that I am not submitting the House Finance Committee for consideration. Those proposals would have:

1. Added a \$1,000.0 federal funds temporary increment in the Division of Mining, Land & Water to implement a hunting guide concession program,
2. Added \$117.0 UGF in the Division of Forestry to restore a non-permanent Forester II position in Haines,
3. Added \$76.0 UGF in the Division of Mining, Land & Water to maintain active management of the Denali Block,
4. Added \$328.4 DGF in the Division of Parks & Outdoor Recreation to maintain active management of the Fielding Lake and Donnelly State Recreation Sites,
5. Deleted all funding (\$832.5 UGF) for the Public Access and Defense Unit in the Division of Mining, Land & Water, and
6. Deleted all funding (\$200.0 UGF) for the Compensatory Mitigation Program in the Office of Project Management and Permitting.

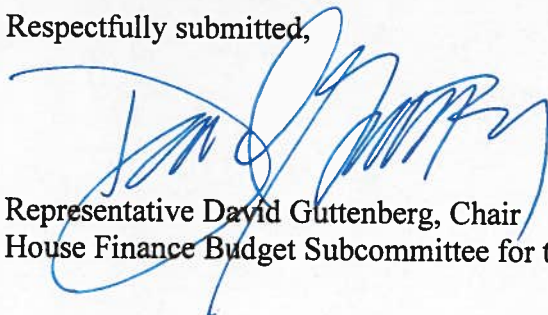
GOVERNOR'S AMENDMENTS

The Governor did not submit any amendments for DNR's budget.

ATTACHED REPORTS:

Transaction Detail – House Structure Amendments Recommended by Subcommittee
Allocation Summary – House Structure

Respectfully submitted,



Representative David Guttenberg, Chair
House Finance Budget Subcommittee for the Department of Natural Resources



2017 Session Operating Budget Amendment

Offered In: The House Finance Committee
To: HB 57/HB 59
Offered By: Representative Guttenberg

Department: Natural Resources
Appropriation: Administration & Support
Allocation: Mental Health Trust Land
Admin

Transaction Details

Title: Eliminate funding for public relations contracting.
Section: Section 1
Type: Dec

Line Items

Personal Services:	0.0
Travel:	0.0
Services:	-250.0
Commodities:	0.0
Capital Outlay:	0.0
Grants:	0.0
Miscellaneous:	0.0
	<hr/>
	-250.0

Positions

Permanent Full-Time:	0
Permanent Part-Time:	0
Temporary:	0

Funding

1092 MHTAAR	-250.0
-------------	--------

Explanation

The Trust Land Office published a request for proposals from public relations contractors, with a contract ceiling of \$250.0 per year. The TLO should not contract with any public relations firm. This amendment eliminates funding for TLO PR outsourcing.

**2017 Legislature - Operating Budget
Transaction Detail - House Structure
HSub Amends Column**

Numbers and Language

Agency: Department of Natural Resources

	<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>
Administration & Support Services												
Mental Health Trust Lands Administration												
H DNR 1 - Eliminate funding for public relations contracting.	Dec	-250.0	0.0	0.0	-250.0	0.0	0.0	0.0	0.0	0	0	0
Offered by Representative Guttenberg												
The Trust Land Office published a request for proposals from public relations contractors, with a contract ceiling of \$250.0 per year. The TLO should not contract with any public relations firm. This amendment eliminates funding for TLO PR outsourcing.												
1092 MHTAAR (Other)		-250.0										
* Allocation Total *		-250.0	0.0	0.0	-250.0	0.0	0.0	0.0	0.0	0	0	0
** Appropriation Total **		-250.0	0.0	0.0	-250.0	0.0	0.0	0.0	0.0	0	0	0
*** Agency Total ***		-250.0	0.0	0.0	-250.0	0.0	0.0	0.0	0.0	0	0	0
**** All Agencies Total ****		-250.0	0.0	0.0	-250.0	0.0	0.0	0.0	0.0	0	0	0

Column Definitions

HSub Amends (House Subcom Amendments) - House Finance Subcommittee Amendment Proposals submitted to the House Finance Committee.

**2017 Legislature - Operating Budget
Allocation Summary - House Structure**

Numbers and Language

Agency: Department of Natural Resources

Allocation	[1] 18Gov	[2] HSub Rec	[2] - [1] 18Gov to HSub Rec	
Administration & Support				
North Slope Gas Commercializat	0.0	0.0	0.0	
Commissioner's Office	1,689.2	1,689.2	0.0	
Project Mgmt & Permitting	7,073.0	7,073.0	0.0	
Administrative Services	3,544.6	3,544.6	0.0	
Information Resource Mgmt.	4,386.4	4,386.4	0.0	
Interdepartmental Chargebacks	1,536.8	1,536.8	0.0	
Facilities	2,717.9	2,717.9	0.0	
Citizen's Advisory Commission	0.0	0.0	0.0	
Recorder's Office/UCC	3,795.4	3,795.4	0.0	
EVOS Trustee Council Projects	133.0	133.0	0.0	
Public Information Center	600.5	600.5	0.0	
Mental Health Trust Land Admin	4,463.2	4,213.2	-250.0	-5.6 %
Appropriation Total	29,940.0	29,690.0	-250.0	-0.8 %
Oil & Gas				
Oil & Gas	20,901.8	20,901.8	0.0	
Appropriation Total	20,901.8	20,901.8	0.0	
Fire, Land & Water Resources				
Mining, Land & Water	27,282.2	27,282.2	0.0	
Forest Management & Develop	7,515.4	7,515.4	0.0	
Geological/Geophysical Surveys	8,313.1	8,313.1	0.0	
Fire Suppression Preparedness	18,734.1	18,734.1	0.0	
Fire Suppression Activity	19,433.4	19,433.4	0.0	
Appropriation Total	81,278.2	81,278.2	0.0	
Agriculture				
Agricultural Development	2,245.8	2,245.8	0.0	
N. Latitude Plant Material Ctr	2,084.6	2,084.6	0.0	

**2017 Legislature - Operating Budget
Allocation Summary - House Structure**

Numbers and Language

Agency: Department of Natural Resources

Allocation	[1] 18Gov	[2] HSub Rec	[2] - [1] 18Gov to HSub Rec	
Agriculture (continued)				
Agr Revolving Loan Pgm Admin	495.7	495.7	0.0	
Appropriation Total	4,826.1	4,826.1	0.0	
Parks & Outdoor Recreation				
Parks Management & Access	13,393.1	13,393.1	0.0	
History & Archaeology	2,406.4	2,406.4	0.0	
Appropriation Total	15,799.5	15,799.5	0.0	
Agency Total	152,745.6	152,495.6	-250.0	-0.2 %
Funding Summary				
Unrestricted General (UGF)	59,222.2	59,222.2	0.0	
Designated General (DGF)	30,694.2	30,694.2	0.0	
Other State Funds (Other)	38,509.1	38,259.1	-250.0	-0.6 %
Federal Receipts (Fed)	24,320.1	24,320.1	0.0	

Column Definitions

18Gov (FY18 Governor Request) - Includes FY18 Adjusted Base plus the Governor's operating budget bill requests for increases (increments), decreases (decrements), fund source changes, and language transactions submitted by the Governor on December 15, 2016.

HSub Rec (Subcommittee Recommendations) - House Finance Subcommittee Recommendations to the House Finance Committee.