

DEPARTMENT OF ENVIRONMENTAL CONSERVATION
FY2017 HOUSE FINANCE BUDGET SUBCOMMITTEE NARRATIVE REPORT
February 25, 2017

SUBCOMMITTEE MEMBERS:

Representatives Cathy Muñoz, chair Representative Paul Seaton
Representative Cathy Tilton Representative Louise Stutes
Representative Lora Reinbold Representative Matt Claman
Representative Andy Josephson

RECOMMENDATIONS:

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

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF)	\$16,802.9
Designated General Funds (DGF)	\$28,380.5
Other Funds	\$14,389.0
<u>Federal Funds</u>	<u>\$23,878.9</u>
Total	\$83,451.3

The Unrestricted General Fund difference from FY16 Management Plan to the House Subcommittee budget recommendation is a reduction of \$3,549.2 which is a 16.4 percent change and a reduction of 4 PCNs. The Unrestricted General Fund difference from FY15 Management Plan to the FY17 House Subcommittee budget recommendation is a reduction of \$5,439.1 which is a 24.45 percent change and a reduction of 43 PCNs.

Positions:

Permanent Full Time (PFT)	512
Permanent Part Time (PPT)	0
<u>Temporary</u>	<u>2</u>
Total positions	514

BUDGET ACTION:

The House Finance Subcommittee on the Department of Environmental Conservation Budget held four meetings on February 4, 11, 18, and 23, 2016 with the agency. Additionally, there were two 2 hour training sessions that were held with subcommittee staff. The Subcommittee reviewed the FY2017 budget request and took the following actions:

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Accepted the Governor's amended proposal, which included:

Administrative Services (17.6), 1004 GF/(47.4), 1052 Oil/HazFd; -1 PCN
Delete Shared Receptionist Position due to Recognized Efficiencies

Laboratory Services (100.0), 1004 GF
Reduction Due to Increased Fee Revenue

Air Quality (60.0), 1004 GF
Reduction due to Reclassification of an Environmental Program Specialist to a Chemist

Air Quality 250.0, 1002 Fed Rcpts
Increase Federal due to New Grant Funding

Spill Prevention and Response (478.5), 1004 GF/478.5, 1052 Oil/HazFd
Fund Source Change from General Funds to the Prevention Account

Water Quality (400.0), 1004 GF/400.0, 1005 GF/Prgm
Replace General Funds with Program Receipts

Water Quality (700.2), 1004 GF
Dissolve the Technical Services Program

Facility Construction (253.0), 1004 GF
Reduction due to Other Available Fund Sources

Agency-Wide Unallocated Reduction 285.0, 1004 GF/77.1 1003 G/F Match
Reverse FY2017 Unallocated Reduction due to FY2016 One-Time Salary Adjustment

Water Quality (362.1), 1004 GF
Delete Two Positions due to Reorganizing Management Supervision

OTHER SUBCOMMITTEE ACTIONS:

Office of the Commissioner (109.8), 1004 GF; -1 PCN
Eliminate Economist III Position Associated with Ch. 87, SLA 2014 (HB 140)

Office of the Commissioner (145.1), 1004 GF; -1 PCN
Eliminate Manager for Rural and Tribal Environmental Issues

Food Safety & Sanitation (357.1), 1004 GF
Given the current fiscal situation, we are working with local entities to find efficiencies and reduce duplicative services. With this reduction, over \$4 million remains in the allocation.

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Laboratory Services (307.0), 1004 GF/307.0, 1205 Ocn Ranger
Fund Fish Tissue Monitoring Program with Ocean Ranger Fees

ITEMS OF INTEREST:

Legislative Language Recommendations:

- The subcommittee finds that the Ocean Ranger Program statutes should be revisited. The current fee has a narrow statutory purpose that may not be the most efficient use of funding to meet the goals established by the voter initiative. The program's methods should be re-examined in light of technological changes that may allow for greater efficiency.
- The subcommittee recommends that the Department of Environmental Conservation improve efficiencies in permitting and consider the economic impacts of increasing permit fees before imposing them on users.
- It is our recommendation is that House Finance introduce legislation that will:
 - Within AS 37.10.058 (6), to increase the amount the cost of employment benefits paid by the state to or on behalf of the employee for 49% to 60%.
 - Within AS 37.10.252, DEC is currently limited to collecting reasonable direct costs. Allow DEC to charge the full reasonable direct cost.
 - Within AS 37.10.252, allow DEC to charge up to 25% indirect fees.

Currently DEC is limited to collecting only 49% of the amount of the cost of employment benefits paid by the state to or on behalf of the employee. New legislation would allow DEC to collect 60%. In addition, currently DEC is limited to collecting only reasonable direct costs and no indirect fees. New legislation would allow DEC to charge the full and reasonable direct cost and charge up to 25% in indirect fees.

ATTACHED REPORTS:

The House Finance Budget Subcommittee for the Department of Environmental Conservation adopts the attached reports:

2016 Legislative Finance Division Reports – House Structure

1. Agency Totals – FY2017 Operating Budget (Attachment A)
2. Allocation Summary (All Funds) (Attachment B)
3. Allocation Summary (GF Only) (Attachment C)

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4. Transaction Compare between Adjusted Base (17Adj Base) and House Subcommittee (H Sub) (Attachment D)
5. Transaction Compare between Governor Amended (Gov Amd) and House Subcommittee (H Sub) (Attachment E)
6. Wordage Report – FY2017 Operating Budget (Attachment F)

The Budget Action Worksheet is attached for informational purposes.

Respectfully submitted,



Representative Cathy Muñoz, Chair

**Department of Environmental Conservation
FY2015 to FY2016 Comparison**

<u>Fund Type</u>	<u>FY2015 Mgt Plan</u>	<u>FY2016 Enacted</u>	<u>Difference</u>	<u>Percent Difference</u>
Unrestricted General Fund	\$22,472.1	\$20,093.3	-\$2,378.8	-10.6%
Designated General Fund	\$27,213.7	\$27,242.4	\$28.7	0.1%
Other	\$12,612.7	\$14,389.0	\$1,776.3	14.1%
Federal	<u>\$25,262.4</u>	<u>\$23,628.9</u>	<u>-\$1,633.5</u>	<u>-6.5%</u>
Total	\$87,560.9	\$85,353.6	-\$2,207.3	-2.5%

<u>Budgeted Positions</u>	<u>FY2015 Mgt Plan</u>	<u>FY2016 Enacted</u>	<u>Difference</u>	<u>Percent Difference</u>
Permanent Full-Time	557	535	-22	-3.9%

<u>Filled Positions</u>	<u>Dec 2014 Employees</u>	<u>July 2015 Employees</u>	<u>Difference</u>	<u>Percent Difference</u>
Permanent Full-Time	496	483	-13	-2.6%
Permanent Part-Time	0	0	0	0.0%
Non-Permanent	<u>24</u>	<u>12</u>	<u>-12</u>	<u>-50.0%</u>
Total	520	495	-25	-4.8%

Notable Changes

Reduced inspections \$869.3 UGF

This reduction eliminates 8 positions – four Environmental Health Officers, one Environmental Program Manager I, one Environmental Health Technician, one Publications Specialist III, and one Office Assistant I. The reduction of services will focus primarily on retail food inspections and, to a lesser degree, administrative support and program outreach.

Food Safety and Sanitation (FSS) will discontinue all inspection, training, and plan review activities associated with pools and spas. The Department anticipates the larger municipalities will have the ability to take on some of this work, and Anchorage is already conducting its own inspections, however the Department will not retain the capacity to support and train communities in the highly technical work required to conduct their own inspections. Smaller communities will likely need to contract out to third parties to ensure their pool and spa facilities are operating safely.

Inspections previously completed on a complaint basis will no longer be offered for barbers and hairdresser facilities and public accommodations. Routine inspections for body art and piercing facilities will only be completed if the Department of Commerce, Community, and Economic

Development can continue to fully reimburse costs through a Reimbursable Services Agreement.

The staff and funding reduction proposed is expected to reduce the percentage of permitted retail facility inspections from 40% to 20-25% annually. Where it is possible, FSS will prioritize high risk facilities that serve vulnerable populations such as nursing homes and hospitals. Studies have found that restaurants with poor inspection results were at increased risk of foodborne illness outbreaks and that routine inspections help identify restaurants with an increased risk of an outbreak.

As a consequence of fewer inspections, FSS staff will spend more time responding to complaints about facilities for issues that would have been addressed during an inspection. There will also likely be an increase in the number of individual complaints of illness from food to the Section of Epidemiology and FSS resulting in loss of business reputation and other business-related costs. Consumer confidence in retail facilities may decrease the amount of money spent at Alaska restaurants, resulting in negative economic effects to restaurants and Alaska economy.

Drinking Water Reductions - 507.3 UGF

The program has recently completed a significant reorganization that consolidated work and created efficiencies that will make possible the reduction of a Tech Engineer II/Architect II, an Environmental Engineer I, an Environmental Program Specialist I/II/III, and an Administrative Assistant I. The impacts of this reduction will mean that the Department will have less capacity to provide technical assistance to communities and drinking water system operators, and this will slow response time.

Spill Prevention and Response SPAR Re-org - 520.0 UGF

Continued decline in crude oil production has resulted in a continued decline of surcharge receipts to the Prevention Account of the Response Fund. Expenditures from the Prevention Account now exceed revenues. This shortfall has been anticipated for many years, and crude oil production is not projected to increase sufficiently in the near future to cover current operating costs.

Recognizing this revenue decline, DEC is taking measures to decrease spending from the Prevention Account. Spending reductions can only be accomplished by restructuring the Division of Spill Prevention and Response. That restructuring combines the Division's five components into one component, and it significantly redefines the State's approach to planning, preparing for and responding to spills. Greater synergy between planning and response can reduce expenses and improve service delivery to the regulated public without reducing protection of Alaska's natural environmental. It creates program efficiencies that reduce overall costs by \$520.0 and eliminates four full time positions located in Anchorage (one Analyst/Programmer, two Environmental Program Specialists, and one Office Assistant. In addition, several vacant positions were downgraded.