

State of Alaska FY2007 Governor's Operating Budget

Department of Environmental Conservation

Department of Environmental Conservation

Mission

Protect human health and the environment.

Core Services

- Develop and enforce standards for protection of the environment that allow for sustainable economic growth.
- Provide controls and enforcement for the prevention and abatement of pollution to the environment.
- Provide controls and enforcement to protect citizens from unsafe sanitary practices.

End Results	Strategies to Achieve Results
<p>A: The Environment is Protected.</p> <p><u>Target #1:</u> Impacts of new and historical pollution to land and water are reduced. <u>Measure #1:</u> % increase from the prior year of polluted environments remediated or restored for use.</p> <p><u>Target #2:</u> Clean Air <u>Measure #2:</u> % of population living in areas with air quality at or above health based standards (natural events excluded).</p>	<p>A1: Establish Protective Standards</p> <p><u>Target #1:</u> Priority programs for environmental protection are up to date by 2008. <u>Measure #1:</u> Revisions to priority programs for environmental protection are % complete (4 yr Strategic Plan).</p> <p>A2: Contain and Cleanup Pollution in the Environment</p> <p><u>Target #1:</u> 98% of newly reported spills of oil and hazardous substances and contaminated sites cleaned up annually. <u>Measure #1:</u> % of newly reported spills of oil and hazardous substances and contaminated sites cleaned up annually.</p> <p>A3: Control Pollution to the Environment</p> <p><u>Target #1:</u> Pollution control inspection and certification programs are implemented by FY2007. <u>Measure #1:</u> % of inspection and certification programs implemented by FY2007.</p> <p><u>Target #2:</u> Known regulated industry and community facilities operate with authorizations/permits or certifications. <u>Measure #2:</u> % of known regulated industry or community facilities operating with appropriate authorizations/permits or certifications.</p> <p>A4: Enforce Pollution Controls</p> <p><u>Target #1:</u> The percent of total enforcement actions that require civil or criminal enforcement to return the regulated community to compliance is reduced. <u>Measure #1:</u> Change in percent of total enforcement actions that require civil or criminal enforcement.</p>

End Results	Strategies to Achieve Results
<p>B: Citizens are Protected from Unsafe Sanitary Practices</p> <p><u>Target #1:</u> No public illness outbreaks in regulated facilities.</p> <p><u>Measure #1:</u> Number of regulated facilities with reported public illness outbreaks.</p>	<p>B1: Establish Protective Standards</p> <p><u>Target #1:</u> Priority programs for safe sanitary practices are up to date by 2008.</p> <p><u>Measure #1:</u> Revisions to priority programs for safe sanitary practices are % complete (4 yr Strategic Plan).</p> <p>B2: Control Sanitary Practices</p> <p><u>Target #1:</u> Safe sanitary practice inspection and certification programs are implemented by FY2007.</p> <p><u>Measure #1:</u> % of programs for inspection and certification for safe sanitary practices implemented by FY2007.</p> <p>B3: Enforce Controls for Safe Sanitary Practices</p> <p><u>Target #1:</u> The percent of total enforcement actions that require civil or criminal enforcement to return the regulated community to compliance is reduced.</p> <p><u>Measure #1:</u> Change in percent of total enforcement actions that require civil or criminal enforcement.</p>

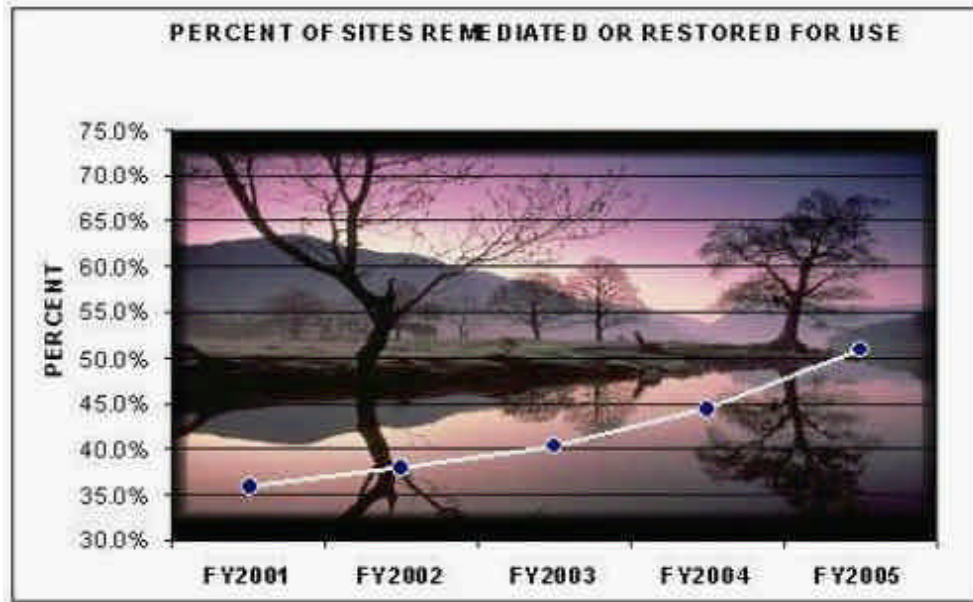
Major Activities to Advance Strategies
<ul style="list-style-type: none"> • Develop and implement protective standards. • Provide statewide support systems and information management. • Provide assurances of safe sanitary conditions. • Respond to, contain, and cleanup incidents of pollution to the environment. • Provide effective and efficient permit and inspection programs. • Enforcement compliance fairly and consistently statewide.

FY2007 Resources Allocated to Achieve Results		
<p>FY2007 Department Budget: \$62,108,400</p>	Personnel:	
	Full time	517
	Part time	2
	Total	519

Performance Measure Detail

A: Result - The Environment is Protected.

Target #1: Impacts of new and historical pollution to land and water are reduced.
Measure #1: % increase from the prior year of polluted environments remediated or restored for use.



Analysis of results and challenges: This measure combines Spill Prevention and Response data for recovery of sites contaminated with oil or hazardous substances with that of the Water Division on recovered waterbodies.

Spill Prevention and Response - Contaminated Sites Program

Alaska has many sites that have been contaminated with oil or hazardous substances. Additional sites are discovered almost daily. Most of the contamination is historic, much of it occurring before the risks to the environment and human health were known. Severely contaminated sites may also have adverse economic and social impacts in terms of cleanup costs, or limitations on land use or land sales or transfers.

It is important that historic contaminated sites are found and reported, so that appropriate steps can be taken to protect the public. However, as the data shows, for every site that is cleaned or cleaned to a point that no further action is required, nearly as many contaminated sites are discovered each year, making it a challenge to show progress toward reducing the number of contaminated sites in the state.

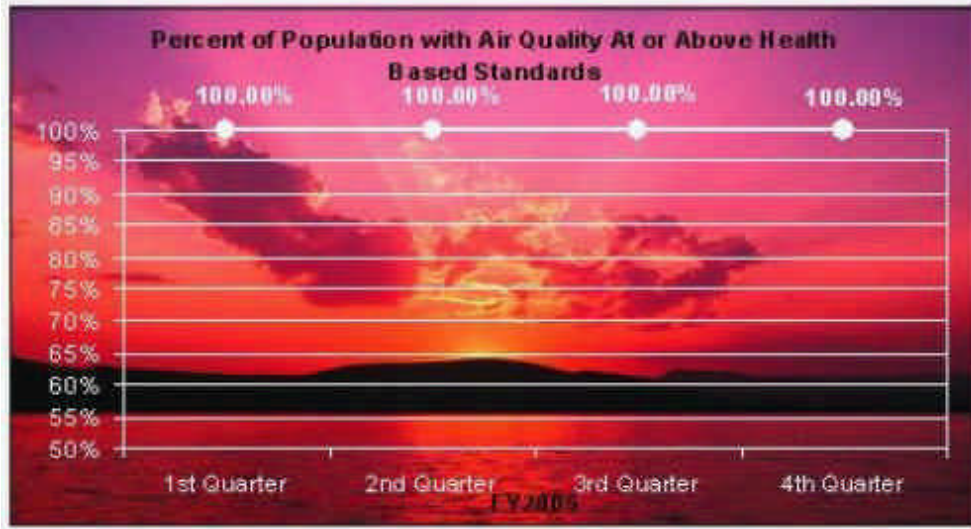
The program's goal is be able to continue remediating sites at a rate that maintains the relative percentage of total sites remediated the previous year. Data shows that in FY2005 that goal was exceeded by a significant amount, due to the completion of cleanup work at the former Adak Naval Air Station, which was comprised of 170 individual sites. It is important to note, however, that results may fluctuate each year depending on the number of new historic sites discovered.

Division of Water

Polluted, or "impaired" waterbodies are identified in the biennial "Integrated Report" submitted by the Department to the Environmental Protection Agency. Data for this measure is available every two years when the report is prepared. The Division of Water establishes a target of at least 10 active restoration projects per year. Restoration projects may be conducted by grantees who have received funds through the Alaska's Clean Water Actions (ACWA) grant program, by contractors, by other State agencies with funds received from ADEC through Reimbursable Services Agreements, or by Department personnel. During the fourth quarter of FY2005, 18 restoration projects were active.

Target #2: Clean Air

Measure #2: % of population living in areas with air quality at or above health based standards (natural events excluded).



Analysis of results and challenges: Air monitoring is performed to ensure compliance with the National Ambient Air Quality Standards (NAAQS) for the protection of public health. A violation does not occur until the standards are exceeded twice. Traditionally within the states monitoring network, monitoring takes place in the larger communities or where complaints have been received.

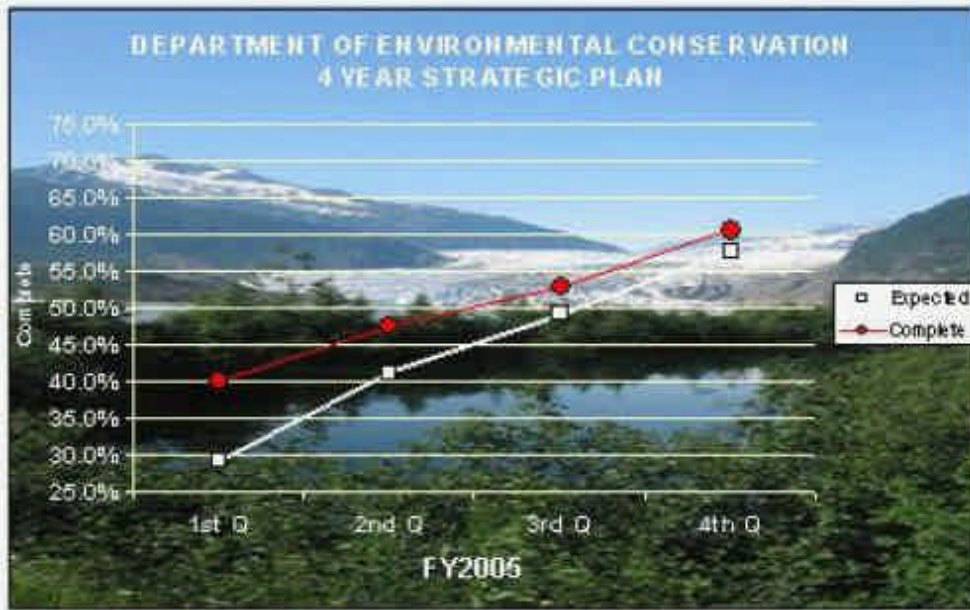
The graph listed above demonstrates that there were no violations of the carbon monoxide (CO) standard during the winter 2004-2005 or fine particulate standard (PM 2.5) from human caused activity, within the State's customary monitoring network.

In addition to the customary network, the Air Quality division is engaged in an air monitoring project to measure before and after conditions for PM 10 airborne particle pollution (dust) as part of a Department of Transportation (DOT) researching project associated with paving a major roadway in central Kotzebue. Airborne dust levels violate the health based standard in Kotzebue and other rural communities due to dust from unpaved roads and high use off-road vehicles in adjoining areas. The results from Kotzebue and Noorvik indicate that unhealthy conditions exist in both communities. The Department will be working with the affected communities and DOT to develop an effective control strategy for dust in the Region.

A1: Strategy - Establish Protective Standards

Target #1: Priority programs for environmental protection are up to date by 2008.

Measure #1: Revisions to priority programs for environmental protection are % complete (4 yr Strategic Plan).



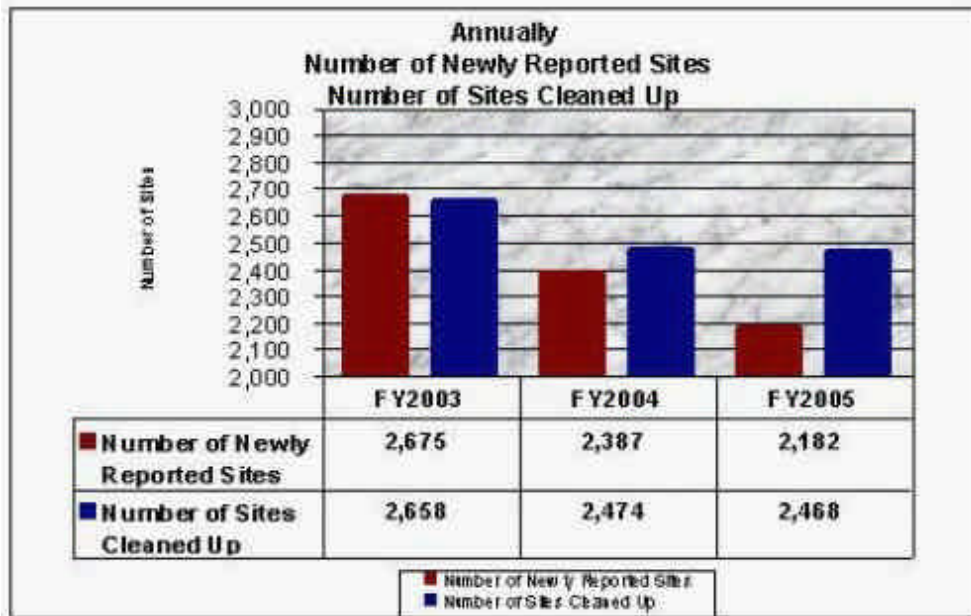
Analysis of results and challenges: DEC's strategic framework is based on the premise that, if we fulfill our duties (statutorily mandated) and accomplish our mission, the ultimate result will be that public health and the environment will be protected. We do this by influencing external entities to prevent, abate or control pollution through a comprehensive protection program. We don't prevent pollution – we influence others to take preventative action and establish standards by which to measure success.

This measure determines departmental progress against the 4 Year Strategic Plan. Progress is measured against expected results for individual projects, and averaged over the department. Overall, at 60.5% completion, performance is on track.

A2: Strategy - Contain and Cleanup Pollution in the Environment

Target #1: 98% of newly reported spills of oil and hazardous substances and contaminated sites cleaned up annually.

Measure #1: % of newly reported spills of oil and hazardous substances and contaminated sites cleaned up annually.



Analysis of results and challenges: There are two types of contaminated sites reported to divisions within the Department of Environmental Conservation each year; new spills of oil and hazardous substances and discovery of sites with historical (old) contamination.

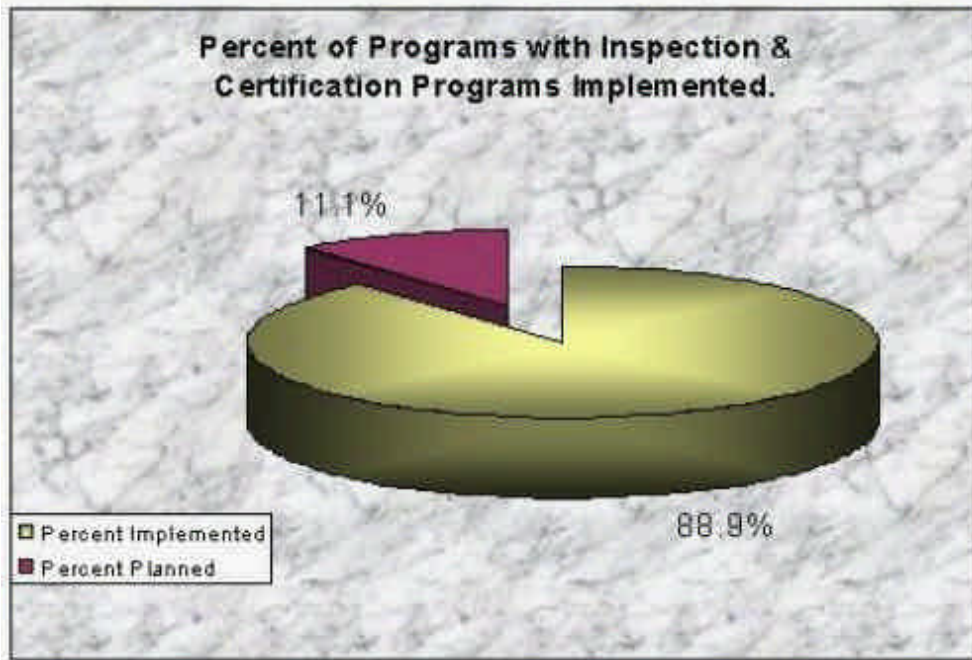
As sites are reported they are either cleaned and closed through the initial response phase or are referred to the Contaminated Sites program for long-term remediation. Historically, more sites are reported each year than can be cleaned up, creating a steady increase in the number of sites. Depending on the number of sites reported in a year, the type or extent of contamination and the stage of completion at the end of a reporting period, the annual percent of sites cleaned up will fluctuate and, as happened in FY2004 and FY2005, can go above 100%.

The program's goal is to annually clean a number of sites that is at least 98% of the number of newly reported sites each year.

A3: Strategy - Control Pollution to the Environment

Target #1: Pollution control inspection and certification programs are implemented by FY2007.

Measure #1: % of inspection and certification programs implemented by FY2007.



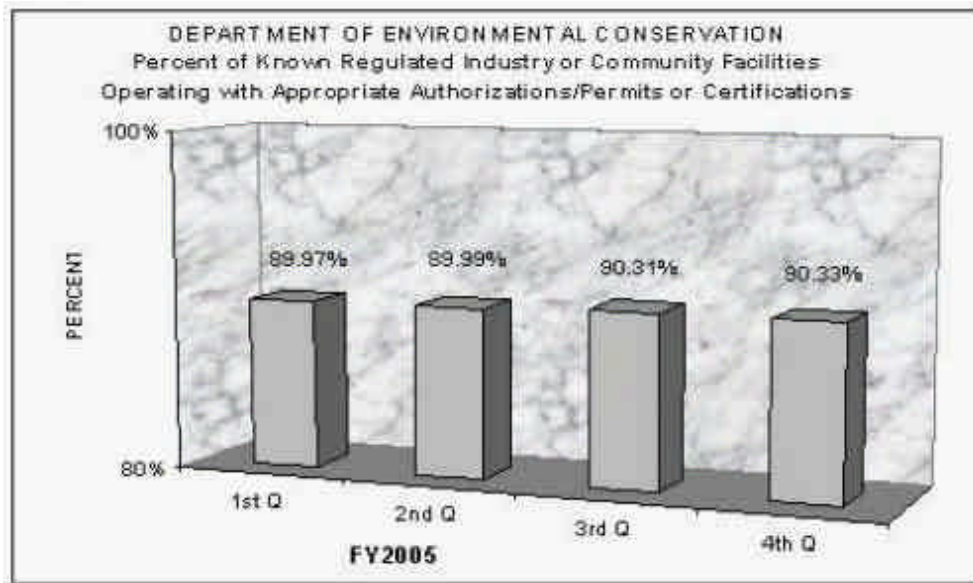
Analysis of results and challenges: DEC's strategic framework is based on the premise that, if we fulfill our duties (statutorily mandated) and accomplish our mission, the ultimate result will be that public health and the environment will be protected. We do this by influencing external entities to prevent abate or control pollution through a comprehensive protection program. We don't prevent pollution – we influence others to take preventative action.

In order to be sure that protective standards are met and pollution controls followed, inspection and certification programs are established to document compliance.

The measure summarizes department progress against a plan for implementing new inspection and certification programs.

Target #2: Known regulated industry and community facilities operate with authorizations/permits or certifications.

Measure #2: % of known regulated industry or community facilities operating with appropriate authorizations/permits or certifications.



Analysis of results and challenges: In order to ensure protective standards are met and pollution controls followed, DEC authorizes or certifies the operation of industry or community facilities. Please also note Strategy #A3-1.

Division of Air Quality

Our goal is for 100% of regulated sources to operate under the appropriate permit or approval.

DEC controls air pollution to the environment through the following permits: pre-approved limits, owner requested limits, permits by rule, general permits, source-specific permits. State law allows an applicant to operate a source under an application shield until the Department issues a permit. Major source permits are required for air pollution sources covered under Title I and Title V of the federal Clean Air Act. Similar to many other states, Alaska's permit program also requires issuance of minor source permits for sources having the potential to cause unhealthy air quality conditions.

The Department's Air Permits Program is mature with respect to meeting all federal requirements. Although the Department has not kept records on this specific goal before FY 2004, close to 100% of all regulated air permit sources operate under an air permit or application shield. The Air Permits program completed a major reform effort in 2005 to attain a predictable, reliable and rational permitting goal. The reforms are being implemented and will begin to show results in FY2006.

The program continues to achieve its goals through FY2005. As more five-year air permits expire, the Program will continue to reissue general permits and source-specific permit renewals. For air permits, we anticipate little change in the current success rate.

October 1, 2004 was the effective date for regulations establishing the program's minor source permit program and reforming the existing major source permit program. These regulations changed stationary source categories that require an air permit and changed the types of permits the program issues. The program expects minimal challenges to achieve its stated goals under the new program with resources currently allocated.

Division of Spill Prevention and Response

Regulated facilities and vessel operators including: oil exploration and oil production facilities, refineries, railroads, crude oil pipelines, terminals, tank farms and tankers, non-crude oil tank vessels and barges, and non-tank vessels are required to have approved oil spill contingency plans and certificates of financial responsibility in place before they are allowed to operate in Alaska. Contingency plans outline the various steps and procedures that would be followed to allow quick and effective cleanup in the event of an unanticipated oil spill. Certificates of financial responsibility ensure that the party responsible for a spill will be able to pay for cleanup costs, including reimbursement for any State funds spent as a result of the spill. These

facilities and vessel operators cannot legally operate without approved contingency plans and certificates of financial responsibility in place, and compliance is maintained at 100%.

Underground petroleum storage tanks are also regulated. These are primarily gas stations, RV parks and other facilities that maintain underground petroleum storage. Federal law requires these facilities to be inspected and tagged every three years or they are unable to accept deliveries. The data for this measure will fluctuate as new underground petroleum storage tanks are opened and existing tanks are closed.

Division of Environmental Health

Municipal landfills that receive over five tons of waste per day (Class I and Class II Landfills) require an authorization from DEC. All facilities required to have permits either have them or are in the process of applying or renewing them.

In the current permitting system, small communities producing less than 5 tons of municipal solid waste per day are required to have a Class III permit. Only 25% of the Class III communities have permitted landfills. The department is changing the structure of the solid waste program to improve the number of authorized Class III landfills.

Location specific data is being developed for the Class III landfills that will allow a community to evaluate if they qualify for the prior authorization landfill permit program. A risk calculator, linked to landfill design criteria and operational parameters that are specific to landfill location, will be used to make the evaluation and qualify for prior authorization of the landfill.

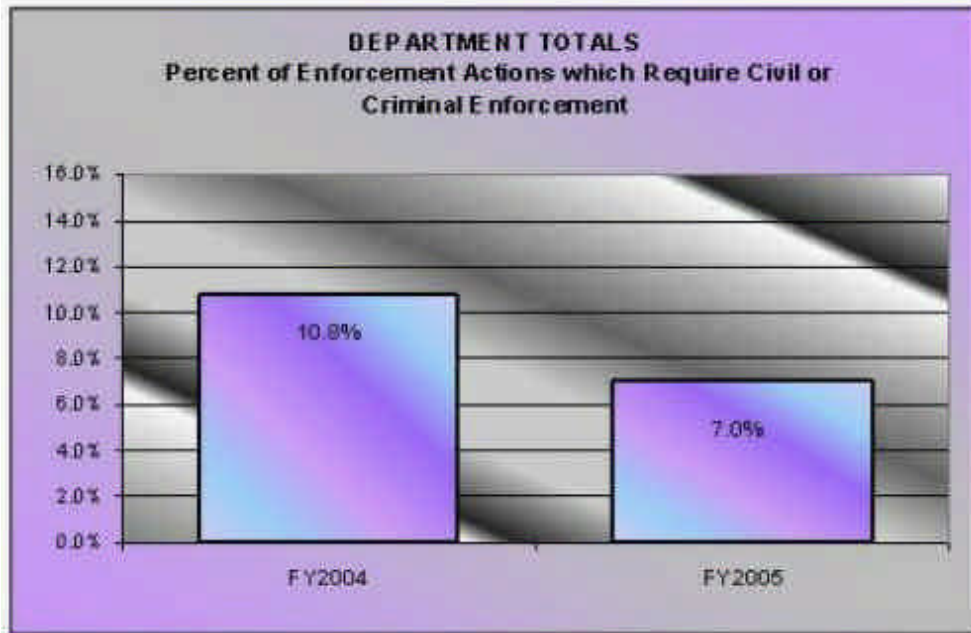
Division of Water

Water permits (of various types) are generally issued to log transfer facilities, for storm water discharges or to wastewater discharges. By the end of the fourth quarter of FY2005, 100% of known storm water dischargers and log transfer facilities had current permits/authorizations. Currently the EPA has enforcement authority for these permits and maintains non-compliance information. The department is expanding wastewater permitting and works with EPA to address a backlog of facilities without current permits. Of the known wastewater dischargers, 66% are now authorized and many of the remaining 34% are minor dischargers which have applications in process. The total number of wastewater discharges varies from quarter to quarter because the number of authorizations change under a general permit for various one-time activities (e.g., excavation dewatering and contained water discharge).

A4: Strategy - Enforce Pollution Controls

Target #1: The percent of total enforcement actions that require civil or criminal enforcement to return the regulated community to compliance is reduced.

Measure #1: Change in percent of total enforcement actions that require civil or criminal enforcement.



Analysis of results and challenges: The Alaska Department of Environmental Conservation has primary responsibility for the enforcement of laws governing the protection of water, land and air quality. Normally these laws are enforced by the regulatory staff through administrative or civil remedies.

Protecting the environment requires that we establish protective standards and enforce those standards. The effectiveness of our enforcement programs can be measured by looking at voluntary compliance of the regulated community – compliance before legal action becomes necessary.

However, when polluting or environmentally harmful conduct becomes intentional, knowing, or reckless, criminal enforcement must be considered. In addition to threatening the quality of Alaska’s environment, nearly all environmental crimes involve a risk to public health, now or in the future. Environmental crimes include: the illegal discharge of pollutants into Alaska’s water sources; the improper disposal of solid or hazardous waste; and the illegal discharge of pollutants into the atmosphere.

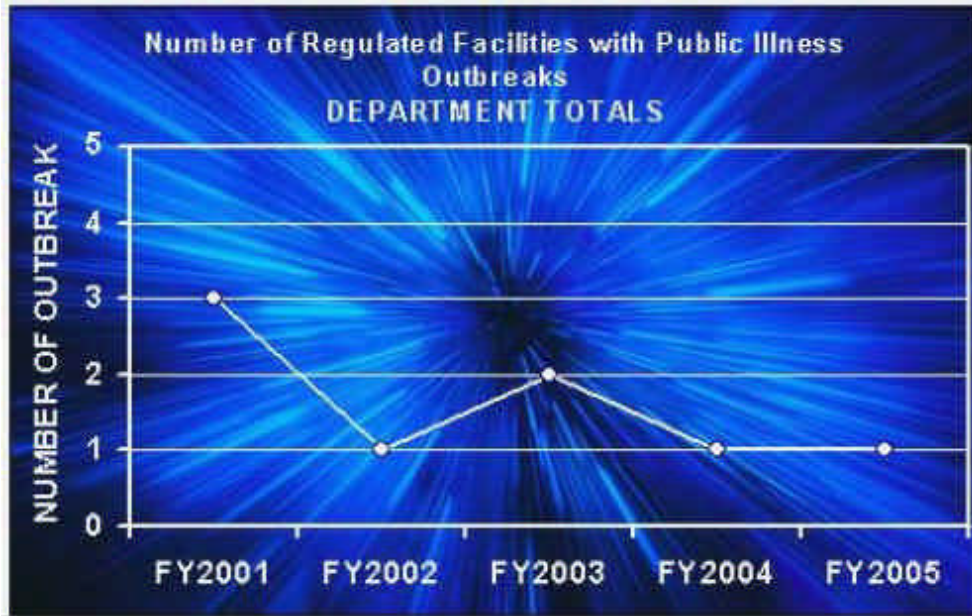
In most instances DEC programs warn and always investigate violators prior to taking legal action. These actions are tracked in the environmental crimes database. The database provides annual totals which are available for FY2005 by September, with quarterly reporting beginning the first quarter of FY2006.

(For further information on administrative penalties or to view the FY2004 enforcement report – visit http://www.state.ak.us/dec/das/info_services/pdfs/enfreport.pdf)

B: Result - Citizens are Protected from Unsafe Sanitary Practices

Target #1: No public illness outbreaks in regulated facilities.

Measure #1: Number of regulated facilities with reported public illness outbreaks.



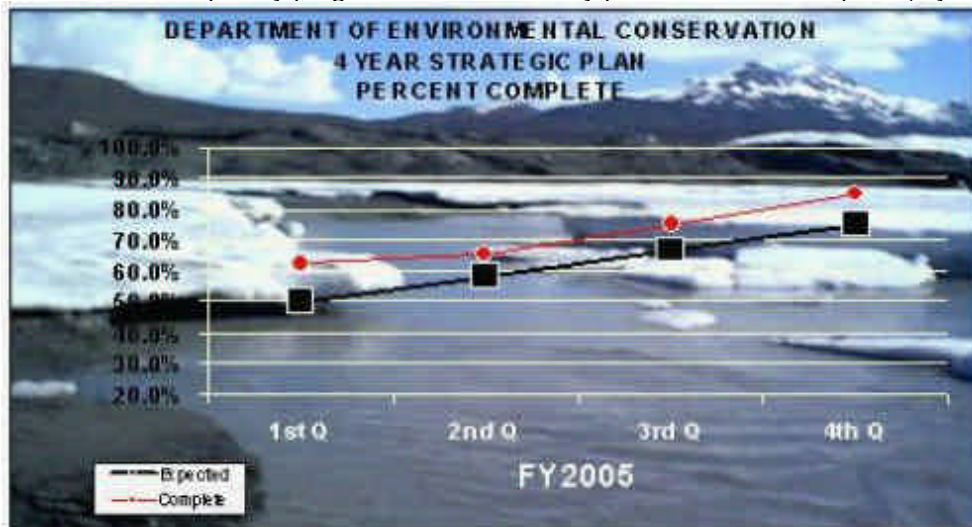
Analysis of results and challenges: The Epidemiology section of Health and Social Services (HSS) conducts investigations of outbreaks of human illness and death and, with the help of DEC investigators, determines the source of the outbreak. Data displayed here reflects the number of food facilities and drinking water systems, regulated by DEC, that were determined to be the source of an outbreak during the reporting period.

While we can track those outbreaks reported to HSS, many incidents of illness related to food or drinking water may never actually get reported. In milder cases, symptoms may be mistaken for ordinary flu or an upset stomach and be overlooked by doctors or individuals.

B1: Strategy - Establish Protective Standards

Target #1: Priority programs for safe sanitary practices are up to date by 2008.

Measure #1: Revisions to priority programs for safe sanitary practices are % complete (4 yr Strategic Plan).



Analysis of results and challenges: DEC's strategic framework is based on the premise that, if we fulfill our duties (statutorily mandated) and accomplish our mission, the ultimate result will be that public health will be protected. We do this by influencing external entities to utilize safe sanitary practices through a comprehensive protection program. We don't prevent unsafe sanitary practices – we influence others to take

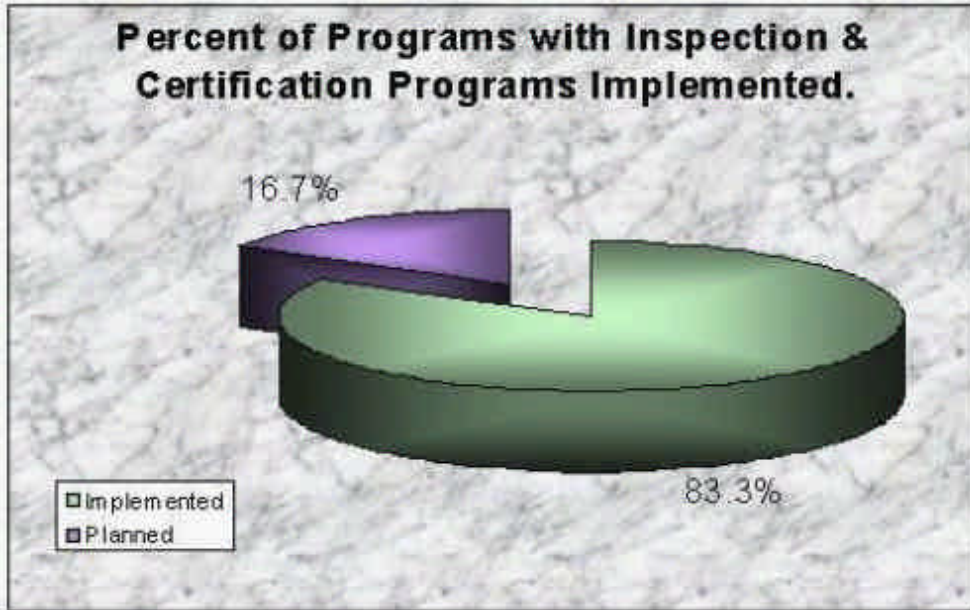
preventative action and establish standards by which to measure success.

This measure determines departmental progress against the 4 Year Strategic Plan. Progress is measured against expected results for individual projects, and averaged over the department. Overall, at 85.0% completion, performance exceeds expected.

B2: Strategy - Control Sanitary Practices

Target #1: Safe sanitary practice inspection and certification programs are implemented by FY2007.

Measure #1: % of programs for inspection and certification for safe sanitary practices implemented by FY2007.



Analysis of results and challenges: DEC's strategic framework is based on the premise that, if we fulfill our duties (statutorily mandated) and accomplish our mission, the ultimate result will be that public health will be protected. We do this by influencing external entities to utilize safe sanitary practices through a comprehensive protection program. We don't prevent unsafe sanitary practices – we influence others to take preventative action and establish inspection and certification programs by which to measure success.

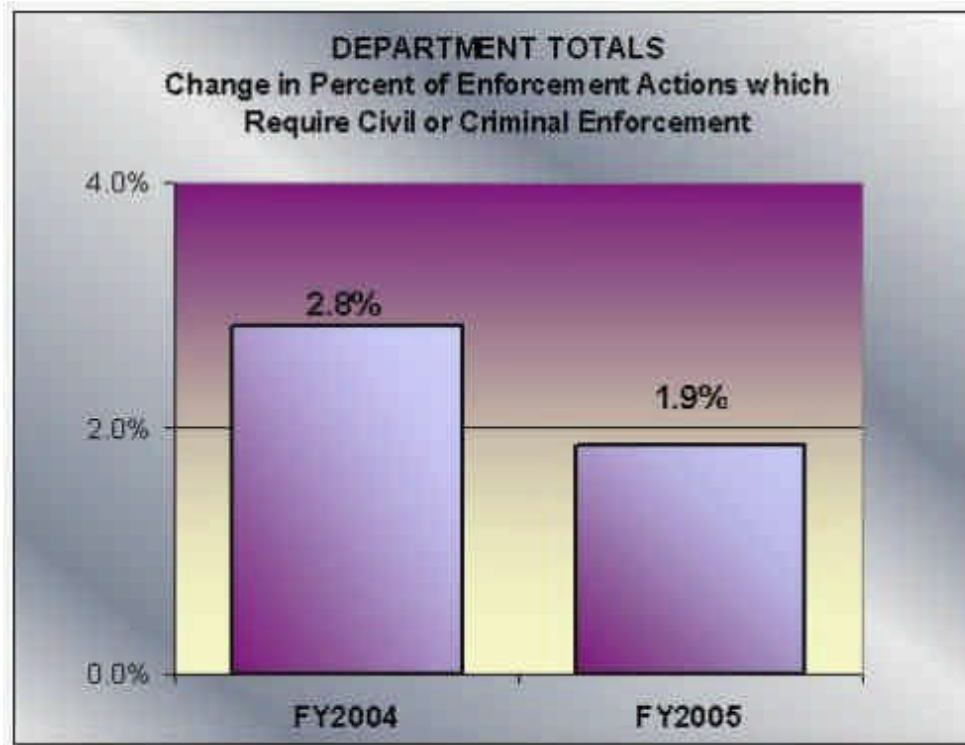
These programs are established to allow us to document compliance.

The measure summarizes department progress with development and implementation of planned programs. It is expected that all programs will be complete by the end of FY2007.

B3: Strategy - Enforce Controls for Safe Sanitary Practices

Target #1: The percent of total enforcement actions that require civil or criminal enforcement to return the regulated community to compliance is reduced.

Measure #1: Change in percent of total enforcement actions that require civil or criminal enforcement.



Analysis of results and challenges: The Alaska Department of Environmental Conservation has primary responsibility for the enforcement of laws governing the protection of citizens from unsafe sanitary practices. Normally these laws are enforced by the regulatory staff through administrative or civil remedies.

Protecting public health requires that we establish protective standards and enforce those standards. The effectiveness of our enforcement programs can be measured by looking at voluntary compliance of the regulated community – compliance before legal action becomes necessary.

However, when harmful conduct becomes intentional, knowing, or reckless, criminal enforcement must be considered. In addition to threatening the quality of Alaska's environment, nearly all environmental crimes involve a risk to public health, now or in the future. Environmental crimes include: the illegal discharge of pollutants into Alaska's water sources; the improper disposal of solid or hazardous waste; and the illegal discharge of pollutants into the atmosphere.

In most instances DEC programs warn and always investigate violators prior to taking legal action. These actions are tracked in the environmental crimes database. The database provides annual totals which are available for FY2005 by September, with quarterly reporting beginning the first quarter of FY2006.

(For further information on administrative penalties or to view the FY2004 enforcement report – visit http://www.state.ak.us/dec/das/info_services/pdfs/enfreport.pdf)

Key Department Challenges

During FY2007 the department faces significant challenges in each of its divisions as follows:

Administration

- Clearly communicating to the public and affected stakeholders what services can realistically be expected from the department's human and fiscal resources consistent with its statutory requirements.
- Making the department's large volume of data easily accessible for stakeholders within and outside of state government.

- Hiring and retaining competent staff continues to be a challenge. Due to higher salaries and benefits offered by the private sector, the department continues to lose good employees; impacting our ability to manage programs successfully.

Environmental Health

- Assuming and maintaining control over the quality of Alaska's water.
- Bringing the new Environmental Health Laboratory on-line and fully operational to improve services provided to Alaska's growing Alaskan seafood industries and for animal disease surveillance.
- Implementing the new Active Managerial Control (AMC), food safety program to provide equal protection to all Alaskans statewide.
- Testing and informing consumers about the safety of Alaska's wild fish resources.
- Improving Alaska's capacity to identify foreign animal diseases or other bioterrorism agents and controlling them before public health is jeopardized.
- Developing an effective method for safe Solid Waste disposal in all Alaskan communities so that the environment and public health are protected.

Air Quality

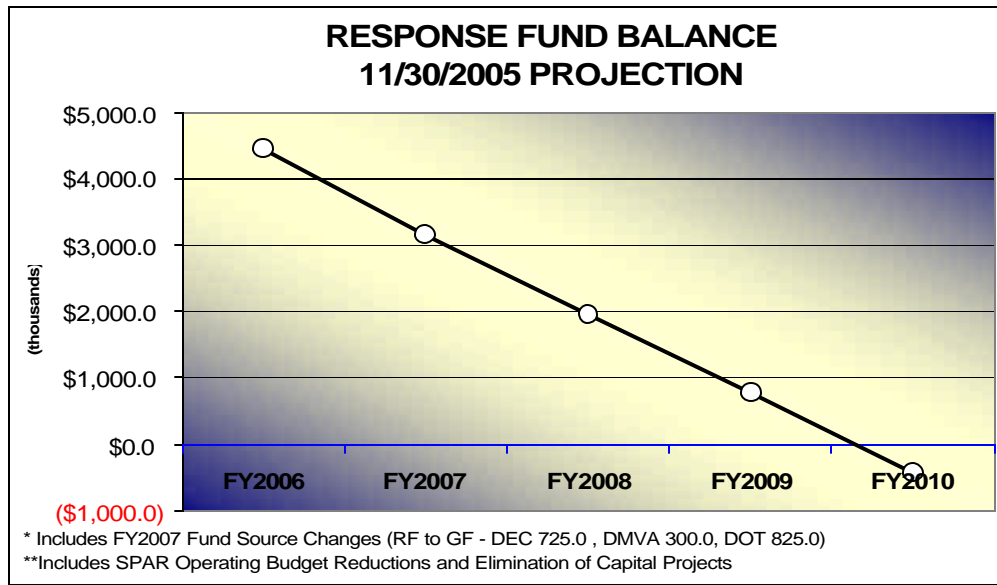
- Converting rural Alaskan communities to clean burning diesel fuel to protect air quality and human health.
- Developing visibility protection plans for Denali Park and other Class I protection areas that distinguish locally caused, and potentially controllable, haze pollution from natural sources and haze from abroad.
- Prepare Alaska for a national climate change law that leverages Alaska's business opportunities as a carbon sequestering state in forestry, oil and gas and other sectors.
- Provide timely and accurate pollution advisories to communities affected by wildfire smoke to enable citizens to take protective actions that will avoid respiratory or cardiac incidents.
- Continue the improvement of on-line permitting services including electronic submittal of all routine environmental monitoring reports by permittees.

Water

- Working with the state oceans sub-cabinet to set state ocean policy and priorities and to serve as a point of contact for federal agencies, universities, and other organizations.
- Assuming greater responsibility from the federal government for control of Alaska's water quality.
- Controlling non-point sources of water pollution in collaboration with local governments.
- Establishing protective water quality standards that reflect natural conditions and do not rely on unnecessary prohibitions.
- Making the long-term sustainability of facilities and service a condition for providing grants and loans to communities for water and sewer projects.

Spill Prevention and Response

- Reducing the occurrence of oil and hazardous substance spills releases from unregulated sources.
- Implementing a risk based approach for cleanup of contaminated sites to protect public health and the environment, increase the number of cleanups and promote the economic re-use of contaminated properties.
- Sustaining the state's core spill prevention, preparedness and response capability in the face of declining revenues. Revenues to the Prevention Account of the Oil and Hazardous Substance Release Prevention and Response Fund come from a combination of cost recovery, fines, penalties and settlements, investment income, and a 3-cent surcharge against each barrel of crude oil produced in the state. In recent years revenues have been declining due to a number of factors, not the least of which is the reduction in crude oil production from a peak of 2 million barrels per day to 930,000 barrels per day projected for FY 2006. Revenues have reached a point where they can no longer sustain the divisions core spill prevention, preparedness and response programs. This FY2007 budget contains a request to replace 725.0 in uncollectible response funds with general funds to begin balancing the cost of core programs with projected revenue. Absent general fund revenues, a 23% reduction in core programs will be necessary over the next two years.



Significant Changes in Results to be Delivered in FY2007

The department is proposing various changes to the component budgets. Many of these changes are a result of continued efforts to obtain efficiencies or realign resources and do not impact overall results delivered. Those areas where there are significant changes in results to be noted are as follows:

ENVIRONMENTAL HEALTH

Environmental Health protects public health by ensuring safe drinking water, food, and sanitary practices. The division focuses on clear standards for regulated entities, applying the standards consistently statewide, providing compliance support and enforcing the standards when necessary.

In the FY2006 operating budget, an Assistant Veterinarian was approved and partially funded with federal receipts. Federal grants and contracts are limited in the types of activities they cover; restricting the kind of work the position can do leaves the State vulnerable in critical situations such as response to a disease outbreak (i.e. Avian Flu) or an animal investigation. Additional GF is being sought in this budget to fully fund the position and provide flexibility with assignment of responsibilities.

The Alaska Drinking Water Program is an EPA delegated primacy program, receiving an annual Public Water System Supervision (PWSS) federal grant as the primary source of funding. For the past several years, grant funding has not kept pace with increasing costs required to implement the program. To cope with insufficient funding, needed staff positions have been held vacant causing the program to fall behind in implementing currently adopted federal rules.

As the program works to implement rules with fewer staff, the adoption of new rules is delayed. When this happens, the EPA retains partial primacy and enforces the new rules until the State can catch up. Traditionally, EPA enforcement is swift, strict and does not include technical assistance - making it difficult for PWS to attain and maintain compliance. If the State does not catch up, primacy may be lost altogether.

Additional staff and resources are being requested to obtain and maintain full primacy - keeping pace with new federal drinking water requirements by adopting and implementing new federal rules in a timely manner. Additional federal funds are available through the Drinking Water State Revolving Fund set-asides, requiring a 50% match.

The additional funding will be used to ensure that Alaska's public water systems (PWS) will be regulated by Alaska's Drinking Water Program not the EPA. In addition to providing needed technical and compliance assistance support, full State primacy allows:

- Issuance of monitoring waivers to reduce the cost of routine monitoring. EPA does not.

- Issuance of variances or exemptions that allow PWS to achieve compliance over time while still providing public health protection. EPA does not.
- Issuance of construction and operation approvals that reflect local knowledge, experience and an understanding of arctic engineering principles. Experience EPA does not have.
- Sample holding time variance for remote PWS for coliform bacteria monitoring – the only holding variance in the nation. EPA would not issue this variance.

HB 19, passed in 2005, requires annual registration fees for pesticide use in Alaska and licensing fees for certified pesticide applicators. In addition, the legislation establishes public notice requirements for pesticide use in public areas, including common areas of an apartment building or multi-family dwelling, plazas, parks, and public sports fields, and areas of government offices open to the public. Public notice regulations, currently being drafted, will be finalized and implemented in FY2007. The fiscal note that accompanied HB 19 included the addition of a position in FY2007 focused on increased enforcement related to registration and the safe use of pesticides according to the federal label.

DIVISION OF WATER

The Division of Water protects the environment and public health by ensuring the quality of Alaska's waters and provides funding and technical assistance to communities for sustainable development of infrastructure for water, wastewater and sewerage. The division focuses on clear standards for regulated entities, applying the standards consistently statewide, providing compliance support and enforcing the standards when necessary.

NPDES Primacy - First year (FY2006) program costs for implementation of the of the fiscal note for SB110, NPDES primacy, were less than second year (FY2007) costs will be as program activities ramp up. SB110's fiscal note reflected this in the first year, containing funding for only 1/2 year of staff and program cost. A transaction in this budget continues implementation of the fiscal note by adding the balance of funding necessary to obtain and implement a full primacy program in the second year. NPDES primacy supports and enhances the department's end result for protection of the environment through state regulated protection of water quality.

Remote Maintenance Worker (RMW) grants have not been increased for several years, while fuel and other expenses continue to rise. Federal funding is available to offset these increasing costs, but require a 25% state match. A requested budget transaction will allow RMW grantees and the Department to continue to provide the current level of service to communities. Without it, services will need to be reduced to counteract increasing costs.

Major Department Accomplishments in 2005

The department was successful in working with interested stakeholder work groups and the public on the following major state policy issues:

Better Permitting

The department continued its commitment to strengthen water and air permitting. Permits are essential to environmentally responsible development. They provide important information about impacts on the environment. A permit provides all stakeholders the opportunity to learn about a proposed project, comment, and receive a substantive response from us before final decisions are made.

At the outset of the Murkowski administration one of our most critical needs was for improvement in air permitting. Our program was simply inadequate. We had a budget sized for a state of 600,000 people, but write as many permits as the State of Colorado with 4 ½ million people. Permit reform and streamlining is now structurally complete – all statutory and regulatory changes are finalized. Streamlined services with shorter, predictable permit delivery are being accomplished. However, additional improvements are still expected in FY2006 and FY2007 as performance audits and quality management tools provide important feedback on how well the reform is accomplishing each of its intended goals.

In FY2003, the Commissioner approved a complete overhaul of the regulations that we use to protect Alaska's water. We began with raindrops and followed water to the ocean to identify gaps in our present regulations. This work was long overdue and allowed us to establish a four year strategic plan for reviewing standards, updating regulations and program re-design. Water programs across the department were evaluated and reorganized.

In FY2005, new legislation was passed directing DEC to seek primacy for the National Pollutant Discharge Elimination System (NPDES) wastewater permitting program currently managed by EPA in Seattle. NPDES program development has been initiated and beginning in FY2008, permitting, compliance and enforcement will be done by Alaskans who are knowledgeable about Alaskan conditions. DEC is also developing regulations: 1) that provide for department automatic authorization, or "permits by rule", for lower risk wastewater discharges which meet specified eligibility, minimum standards and practices, notification, and fee requirements; 2) that establish best management practices for small cruise ships discharges based on new legislative direction; 3) that improve water quality standards and ensure they reflect current science and legislative direction; and 4) that integrate the department's permitting of projects with multiple waste streams, such as mines, and update the rules governing financial responsibility for mine closures in conjunction with the Department of Natural Resources.

In other areas staff:

- Revised the department's mining rules to improve the regulations for mine tailings disposal and financial responsibility for mine closures.
- Revised the low-interest municipal loan program to allow communities to borrow for projects that address nonpoint sources of water pollution such as storm water run-off, landfill leachate and harbor wastes. Eight communities have applied under the new guidelines, primarily to protect groundwater.
- Updated the village safe water requirements to reflect expectations for sustainability of sewer and water facilities.
- Collected important data of Alaska's coastline through the Environmental Monitoring and Assessment Program to assess the health of our waterways.

Improved Oil Spill Safety and Economic Redevelopment of Contaminated Sites

Legislation introduced by the Governor to increase on-the-water spill drills, equipment testing and inspections has resulted in a 30% reduction in spills from regulated facilities. This significant accomplishment is the result of shifting from paperwork to practice through more practical development of reliable response skills for both government and industry. The benefit has also shown in the very successful response to a major oil spill in the Aleutians caused by the Selendang Ayu. The response implementation of the state's zero tolerance policy for protecting Alaska's wild salmon, Pollock, and crab resulted in record harvests, no contamination of seafood product and no depression of market prices as a result of the spill. The combined value of these fisheries was over \$600 million.

Economic redevelopment of contaminated sites through an innovative risk based approach for cleanup has resulted in the reuse of contaminated properties in Fairbanks for construction of WalMart, Home Depot and Fred Meyer stores. Other reuse successes include the revitalization of a seafood processing facility in southwest Alaska and redevelopment of the closed pulp mill sites in Sitka and Ketchikan.

Effective Food Safety Statewide

In FY2003, the Commissioner initiated a complete redesign of our food safety program. Our previous approach depended heavily on regular site inspections and was virtually impossible to deliver consistently across our large and roadless state. Our new approach follows NASA's successful program developed for the manned spaceflight program. It relies on operator certification, restaurant specific risk management and rigorous enforcement by DEC. With passage of the necessary legislation, this new program provides equal protection from Metlakatla to Barrow. It holds owners and operators responsible for knowing how food becomes contaminated and assures that standard operating procedures protect their customers. We are moving from the spot inspection of the past to mandatory every-day management systems. We plan to implement food safety regulations in FY2007.

Better Understanding of Public Health Threats

As a result of human health studies, EPA was requiring ultra low sulfur fuel for diesel trucks and buses by 2007. While there are few trucks and buses in rural Alaska, every community depends on diesel generators for electricity. National initiatives will not help us decide the safest course for Alaskans. During FY2004, we developed and submitted a plan to the EPA for the gradual implementation of ultra low sulfur diesel fuel for use in trucks and buses in rural Alaska. The recommendation provides flexibility for rural communities to bring in the fuel as they need it, within a 2010 deadline for use of ultra low sulfur diesel in all diesel vehicles. The plan provides adequate time for DEC to assess rural health risks from diesel fuel use as necessary to support an infrastructure and fuel choice decision before 2010.

Funds were also allocated to continue fish tissue sampling to measure mercury in Alaskan species. Both the EPA and the FDA have issued repeated warnings about exposure to mercury in fish. We are conducting this study to provide Alaska specific information about the quality of our subsistence, sport caught and commercially harvested stocks. The average consumption of subsistence caught fish in Alaska ranges from 10 to 20 times more than the

consumption levels used by EPA. The commercial catch is important too. Alaska's 5 billion pound harvest represents over 50% of the total US commercial catch.

Prioritization of Agency Programs

(Statutory Reference AS 37.07.050(a)(13))

Each division director was instructed to prioritize his or her program and submit the results to the Commissioner's Office. The Commissioner formed a group of senior management staff to review the divisions' priorities and convert them into departmental priorities. Program priorities were listed using the department's performance results for protecting the environment and protecting Alaskans from unsafe sanitary practices as the primary ranking criteria.

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| 1. Commissioner's Office | 12. Office of the State Veterinarian |
| 2. Finance/Budget/Procurement | 13. Emergency Response |
| 3. Air Permitting Program | 14. General Laboratory Services |
| 4. Network Services | 15. Contaminated Sites |
| 5. Air Non-Point Mobile Sources and Monitoring Program | 16. Pesticides |
| 6. Drinking Water Safety Program | 17. Solid Waste |
| 7. Wastewater Permitting & Compliance Program | 18. Operator Certification Program |
| 8. Food Safety and Sanitation | 19. Environmental Crimes |
| 9. Water Quality Standards and Monitoring Program | 20. Remote Maintenance Worker Program |
| 10. Non-Point Source Pollution Permitting and Protection Program | 21. Municipal Grants and Loans Program |
| 11. Industry Preparedness | 22. Village Safe Water Program |

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Department Budget Summary by RDU

All dollars shown in thousands

	FY2005 Actuals				FY2006 Management Plan				FY2007 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
Formula Expenditures	None.											
Non-Formula Expenditures												
Administration	2,031.5	1,407.6	5,147.4	8,586.5	2,166.8	1,542.8	2,623.4	6,333.0	2,221.8	1,614.0	2,722.5	6,558.3
DEC Bldgs Maint & Operations	0.0	0.0	0.0	0.0	260.1	0.0	44.6	304.7	262.0	0.0	47.1	309.1
Environmental Health	4,714.5	3,155.8	1,780.3	9,650.6	4,943.4	4,764.9	2,325.8	12,034.1	6,197.7	5,659.3	2,436.4	14,293.4
Air Quality	1,426.3	1,081.2	2,983.5	5,491.0	1,500.3	1,627.5	4,434.0	7,561.8	1,802.1	1,627.5	4,434.0	7,863.6
Spill Prevention and Response	12.0	2,778.6	10,524.3	13,314.9	0.0	3,502.3	12,417.1	15,919.4	725.0	3,404.2	11,632.3	15,761.5
Water	4,507.7	5,457.2	3,759.5	13,724.4	5,610.7	6,385.7	4,427.4	16,423.8	6,486.4	7,078.0	3,758.1	17,322.5
Totals	12,692.0	13,880.4	24,195.0	50,767.4	14,481.3	17,823.2	26,272.3	58,576.8	17,695.0	19,383.0	25,030.4	62,108.4

Funding Source Summary

All dollars in thousands

Funding Sources	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
1002 Federal Receipts	13,880.4	17,823.2	19,383.0
1003 General Fund Match	2,653.1	2,721.3	3,696.9
1004 General Fund Receipts	8,830.0	10,273.0	12,493.8
1005 General Fund/Program Receipts	1,208.9	1,487.0	1,504.3
1007 Inter-Agency Receipts	3,868.6	1,521.4	1,418.4
1018 Exxon Valdez Oil Spill Settlement		46.0	48.0
1052 Oil/Hazardous Response Fund	11,790.6	13,610.4	13,027.4
1061 Capital Improvement Project Receipts	3,093.6	3,352.0	3,479.0
1075 Alaska Clean Water Loan Fund	263.0	332.1	55.5
1079 Underground Storage Tank Revolving Loan Fund	183.8		
1093 Clean Air Protection Fund	2,668.3	2,888.9	2,892.0
1100 Alaska Drinking Water Fund	291.8	403.2	
1108 Statutory Designated Program Receipts	5.8	77.4	77.4
1156 Receipt Supported Services	1,460.8	3,270.5	3,372.6
1166 Commercial Passenger Vessel Environmental Compliance Fund	568.7	770.4	660.1
Totals	50,767.4	58,576.8	62,108.4

Position Summary

Funding Sources	FY2006 Management Plan	FY2007 Governor
Permanent Full Time	502	517
Permanent Part Time	2	2
Non Permanent	4	4
Totals	508	523

FY2007 Capital Budget Request				
Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Water and Wastewater Infrastructure Projects	29,164,521	74,018,924	500,000	103,683,445
Aleutian Islands Risk Assessment	250,000	0	0	250,000
Infrastructure, Data Exchange, Analysis and Integration	0	950,000	0	950,000
Department Total	29,414,521	74,968,924	500,000	104,883,445

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Water and Wastewater Infrastructure Projects	29,164,521	74,018,924	500,000	103,683,445
Aleutian Islands Risk Assessment	250,000	0	0	250,000
Infrastructure, Data Exchange, Analysis and Integration	0	950,000	0	950,000
Department Total	29,414,521	74,968,924	500,000	104,883,445

This is an appropriation level summary only. For allocations and the full project details see the capital budget.

Summary of Department Budget Changes by RDU

From FY2006 Management Plan to FY2007 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2006 Management Plan	14,481.3	17,823.2	26,272.3	58,576.8
Adjustments which will continue current level of service:				
-Administration	51.1	68.4	95.1	214.6
-DEC Bldgs Maint & Operations	1.8	0.0	2.4	4.2
-Environmental Health	344.0	45.4	106.3	495.7
-Air Quality	290.2	0.0	0.0	290.2
-Spill Prevention and Response	725.0	126.7	-234.9	616.8
-Water	192.7	830.9	-549.5	474.1
Proposed budget decreases:				
-Spill Prevention and Response	0.0	-230.0	-570.0	-800.0
-Water	-28.9	-235.0	-125.3	-389.2
Proposed budget increases:				
-Administration	3.9	2.8	4.0	10.7
-DEC Bldgs Maint & Operations	0.1	0.0	0.1	0.2
-Environmental Health	910.3	849.0	4.3	1,763.6
-Air Quality	11.6	0.0	0.0	11.6
-Spill Prevention and Response	0.0	5.2	20.1	25.3
-Water	711.9	96.4	5.5	813.8
FY2007 Governor	17,695.0	19,383.0	25,030.4	62,108.4