

State of Alaska FY2009 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 Result	Strategies to Achieve End Result
<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 in compliance with health based Air Quality 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> 100% of environmental complaints are successfully resolved. <u>Measure #1:</u> The percent of successfully resolved environmental complaints.</p>

End Result	Strategies to Achieve End Result
<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> 100% of environmental complaints are successfully resolved.</p> <p><u>Measure #1:</u> The percent of successfully resolved environmental complaints.</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. • Enforce compliance fairly and consistently statewide.

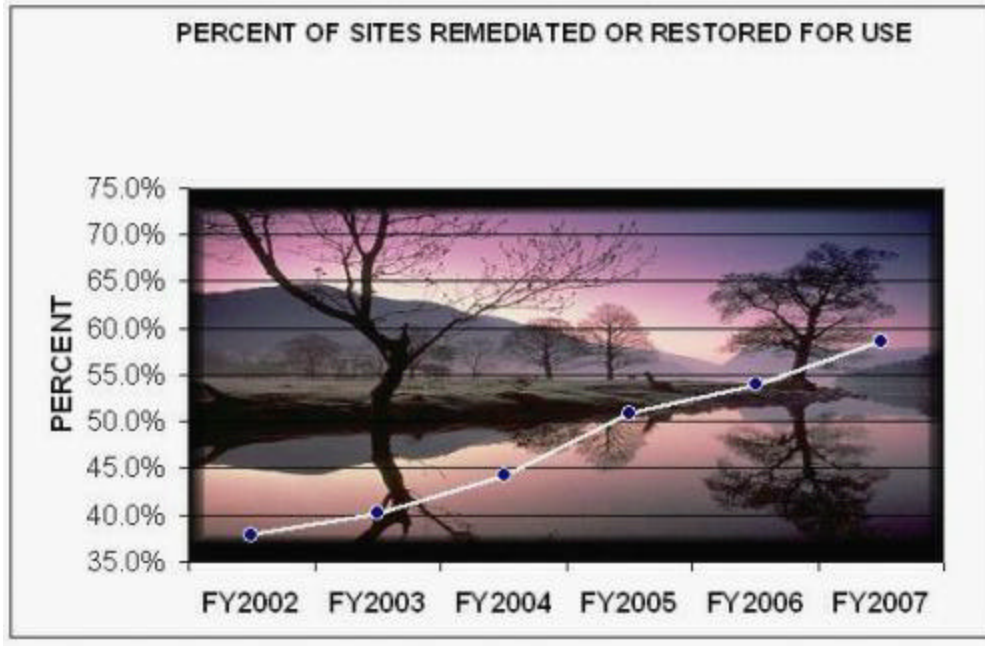
FY2009 Resources Allocated to Achieve Results	
<p>FY2009 Department Budget: \$72,001,900</p>	<p>Personnel:</p>
	<p>Full time 531</p>
	<p>Part time 1</p>
	<hr/> <p>Total 532</p>

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, 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 there is no further risk and no further action 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.

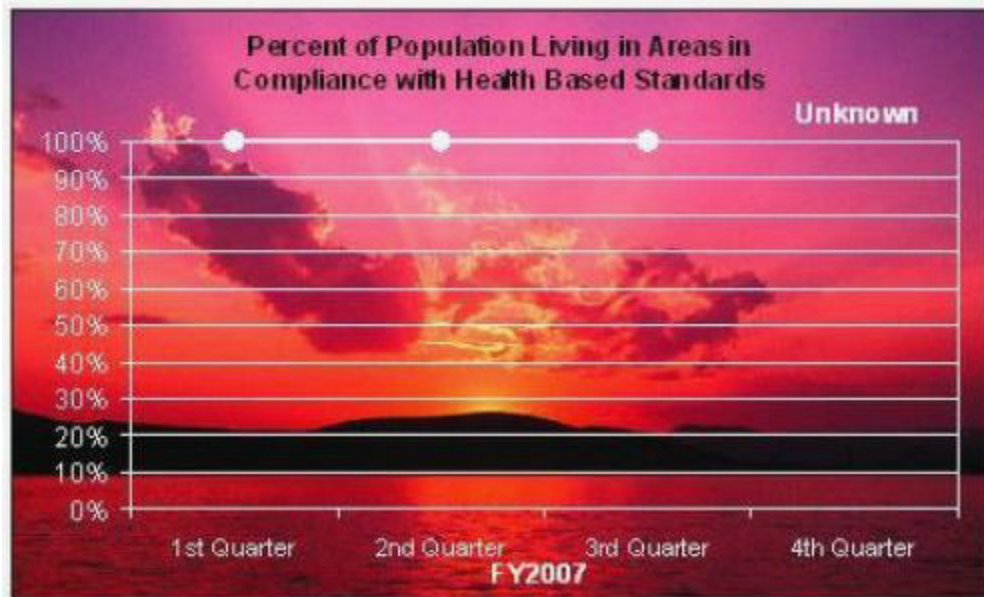
The program's goal is to be able to continue remediating sites at a rate that maintains the relative percentage of total sites remediated the previous year. Data shows that in FY2007 there was a 4% increase over the prior year.

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 the Alaska Department of Environmental Conservation (ADEC) through Reimbursable Services Agreements, or by Department personnel. During FY2007, 21 restoration projects were ongoing on impaired waters.

Target #2: Clean Air

Measure #2: % of population living in areas in compliance with health based Air Quality 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. Traditionally monitoring takes place in larger communities or where complaints have been received. Air Quality for the rest of the state is assumed to be good.

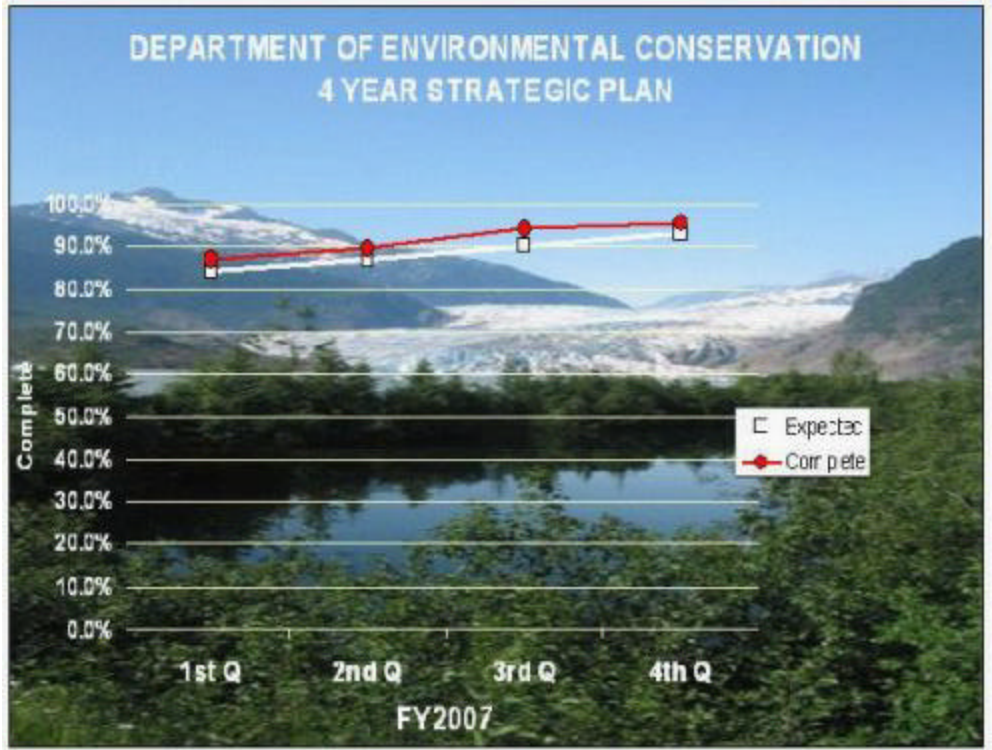
The graph shown above demonstrates that there were no violations of the carbon monoxide (CO) standard during the first three quarters of FY2007 from human caused activity within the State's customary monitoring network. The 4th quarter data for FY2007 will be available December 2007.

In addition to the State monitoring network, the Air Quality division is engaged in an air monitoring project to measure airborne levels of dust (PM-10) pollution as part of a Department of Transportation (DOT) research project evaluating the effectiveness of paving roads in Kotzebue. High airborne dust levels from vehicle traffic on unpaved roads violate the health based standard in Kotzebue and other rural communities. Although monitoring data exists only in a few communities, conditions around the state suggest that the violations of the PM-10 standard are a common occurrence in the summer in rural Alaskan villages. 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).



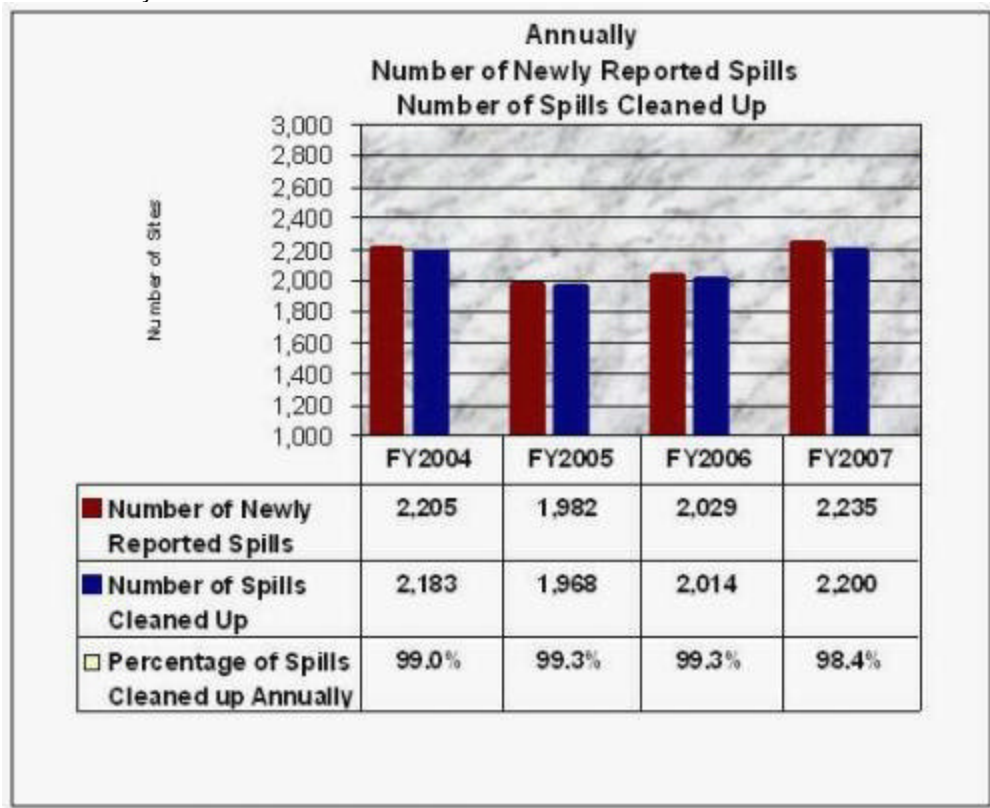
Analysis of results and challenges: DEC's strategic framework is based on the premise that, if we fulfill our duties (statutorily mandated) and accomplish our mission, the ultimate result will be that public health and the environment will be protected. We do this by influencing external entities to 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 93.5% completion, performance exceeds expectation.

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.

The sooner a spill of oil or hazardous substances is contained and cleaned, the less impact it will have on the environment, on human health and on the economy. Our goal is to respond to, contain, and clean up spills as they occur to prevent them from causing wide-spread damage to water sources, land, wildlife, and adjoining properties.

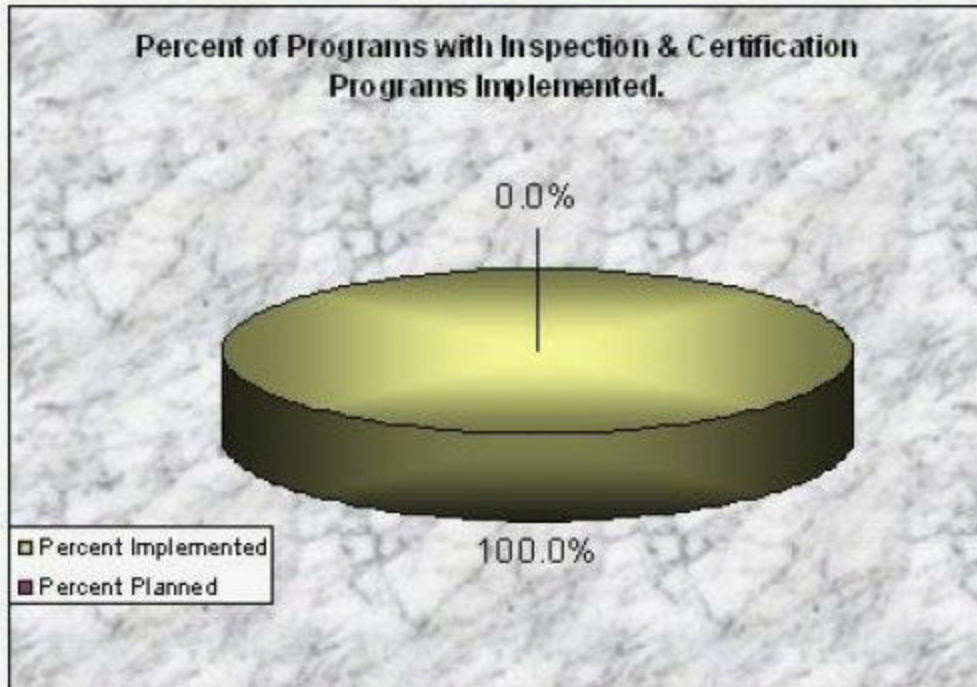
As sites are reported they are either cleaned and closed through the initial response phase or are referred to the Contaminated Sites program for long-term remediation. Only the largest and most complex new spills, such as spills that impact ground water, are referred to the Contaminated Sites program for long-term remediation.

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. Data indicates that in FY2007, 98.4% of new spills reported were contained and cleaned to a point that allows continued use of property with no further cleanup action required.

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.



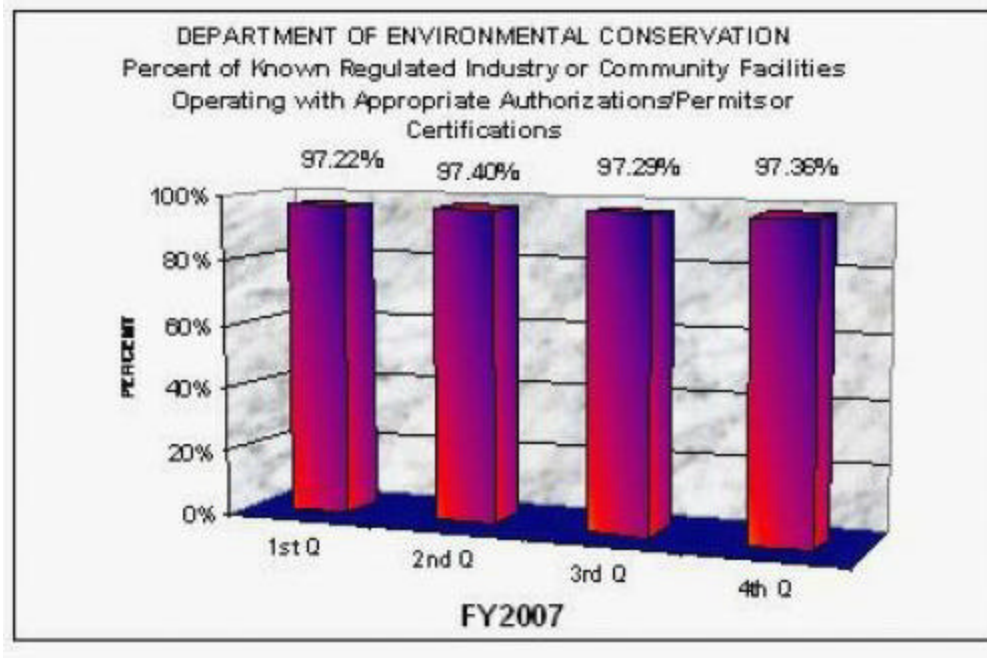
Analysis of results and challenges: DEC's strategic framework is based on the premise that, if we fulfill our duties (statutorily mandated) and accomplish our mission, the ultimate result will be that public health and the environment will be protected. We do this by influencing external entities to 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. The goal has been met with 100% of inspection and certification programs being implemented by FY2007.

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 operating permit application shield until the Department issues an operating 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 FY2004, 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 were implemented and began to show results in FY2006.

The program continues to achieve its goals through FY2007. As more five-year air permits expire, the program will continue to renew general operating permits and source-specific permits. For air permits, we anticipate little change in the current success rate.

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 a permit 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, but 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 the landfill location, will be used to make the evaluation and qualify for prior authorization of the landfill.

Division of Water

The Wastewater Discharge Permit program issues three kinds of wastewater discharge approvals:

- 1) State individual permits and authorizations under 18 AAC 72
- 2) State permits and plan approvals of on-site disposal (septic systems) under 18 AAC 72
- 3) Certification that EPA-issued NPDES permits meet state water quality standards under 18 AAC 70.

State-issued permits and especially authorizations under state general permits, can meet the 100% measure more easily than certification of NPDES permits. These state-issue permits can be processed quickly because they have predictable discharges and do not require advanced analysis of the impacts. However, NPDES permits are for large volume, more complex discharges and state certification can be slow during permit negotiations and responding to comments received by the public on draft permits.

As part of NPDES primacy assumption, some state permits may need to be converted to NPDES permits. DEC and the EPA plans to share permit duties as capacity building for primacy. With the transition, the program does not expect to meet its goal of 100% in this fiscal year.

A major tool for tracking and keeping permits current is the new permit database developed in anticipation of NPDES primacy. Achieving the 100% target will be improved with automatic notification of renewals built into the system.

A4: Strategy - Enforce Pollution Controls

Target #1: 100% of environmental complaints are successfully resolved.

Measure #1: The percent of successfully resolved environmental complaints.



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.

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 the department's ability to identify and return violators to a state of compliance.

A complaint is an alleged violation of an environmental regulation or statute for which ADEC has the responsibility to enforce. A complaint may contain one or multiple alleged violations. Resolution occurs when a violation is confirmed, the responsible party is identified, and corrective action has been initiated to bring the violator(s) into compliance.

Complaints are usually resolved through administrative or civil remedies. 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, either 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.

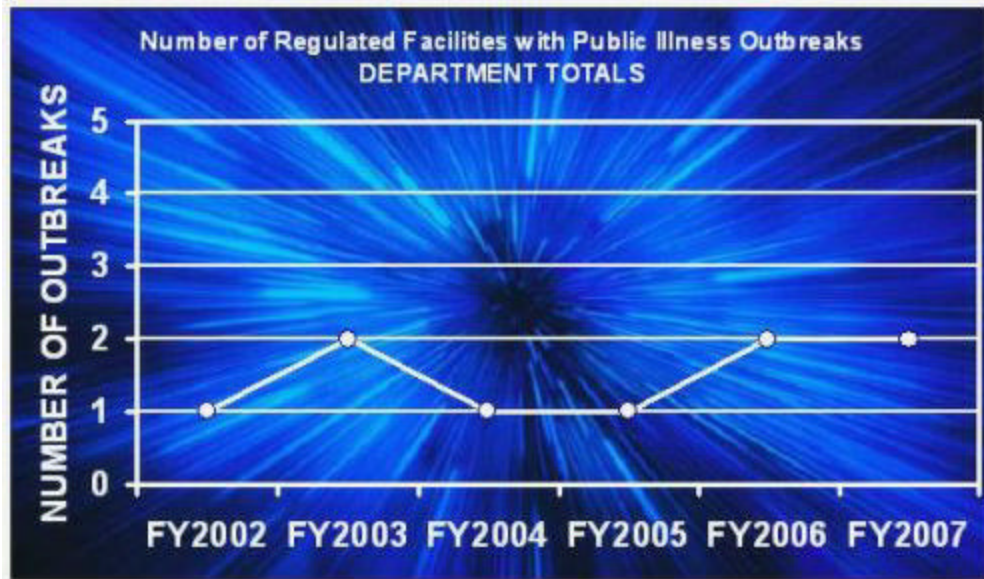
The receipt and resolution of complaints are tracked in the department's complaint and enforcement tracking database. Many complaints will be resolved in years subsequent to the year the complaint was reported and the database updated for the year the alleged violation occurred. Therefore, prior year data is subject to change as complaints are resolved. The database provides annual totals which are available for FY2007.

(For further information on administrative penalties or to view the FY2004 enforcement report – visit <http://www.dec.state.ak.us/das/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 in the outbreaks of human illness and death with the help of DEC investigators, they determine the source of the outbreak. In coordination with Department of Health and Social Services (DHSS), Environmental Health Officers investigate cases of suspected food borne illness on a routine basis. Investigation requires Food Safety staff to take food case histories and conduct risk focused inspections of regulated food establishments to determine if food preparation, handling, source, or employee health may be the causative or contributing factors for the illness. The measure does not include illness determined through investigation to be a result of norovirus infections associated with food and sanitation practices, or food borne illness which results from consumer mishandling of retail food.

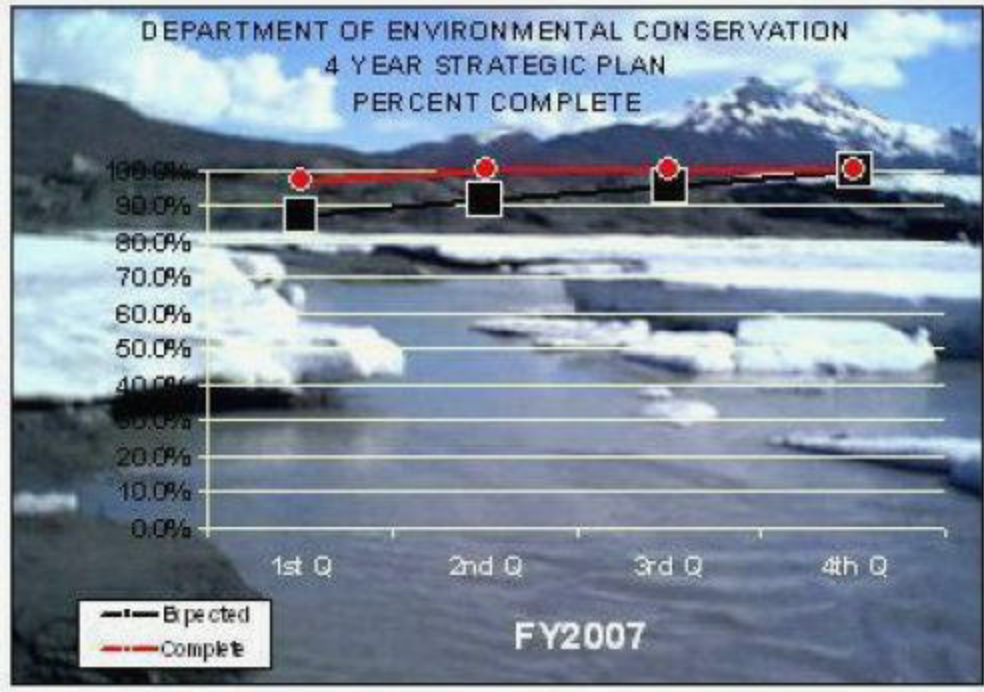
Data displayed here reflects the number of food facilities and drinking water systems regulated by DEC, that were determined to be the source of an outbreak during the reporting period. Both outbreaks were a cluster of gastrointestinal illness associated with conferences held at Alaskan hotels.

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).



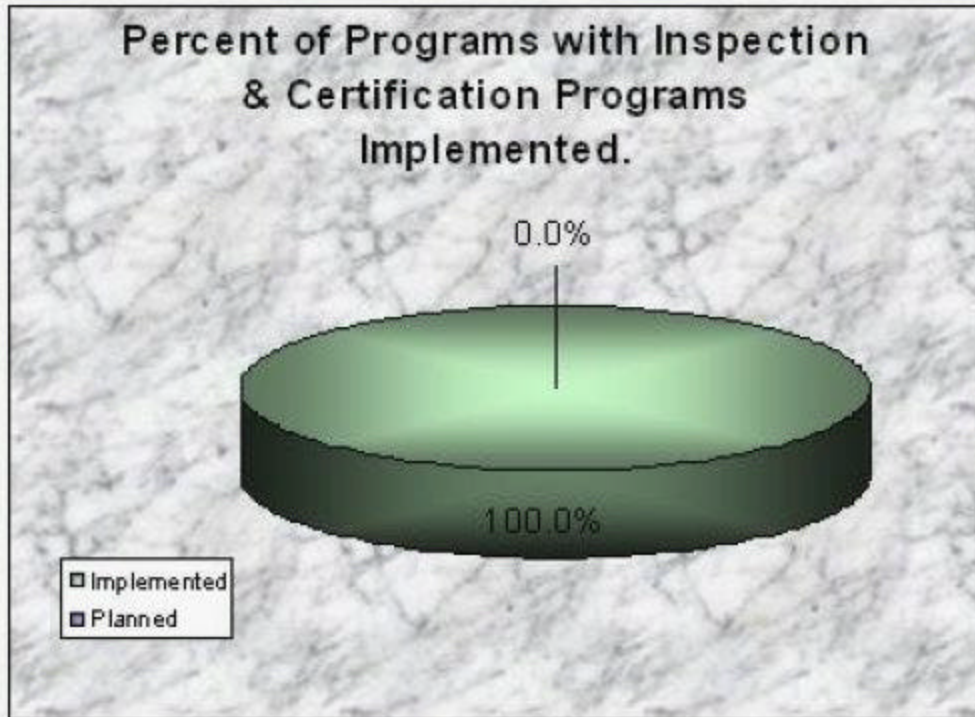
Analysis of results and challenges: DEC's strategic framework is based on the premise that, if we fulfill our duties (statutorily mandated) and accomplish our mission, the ultimate result will be that public health will be protected. We do this by influencing external entities to utilize safe sanitary 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. During FY2007, this measure has been met at 100% completion.

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.

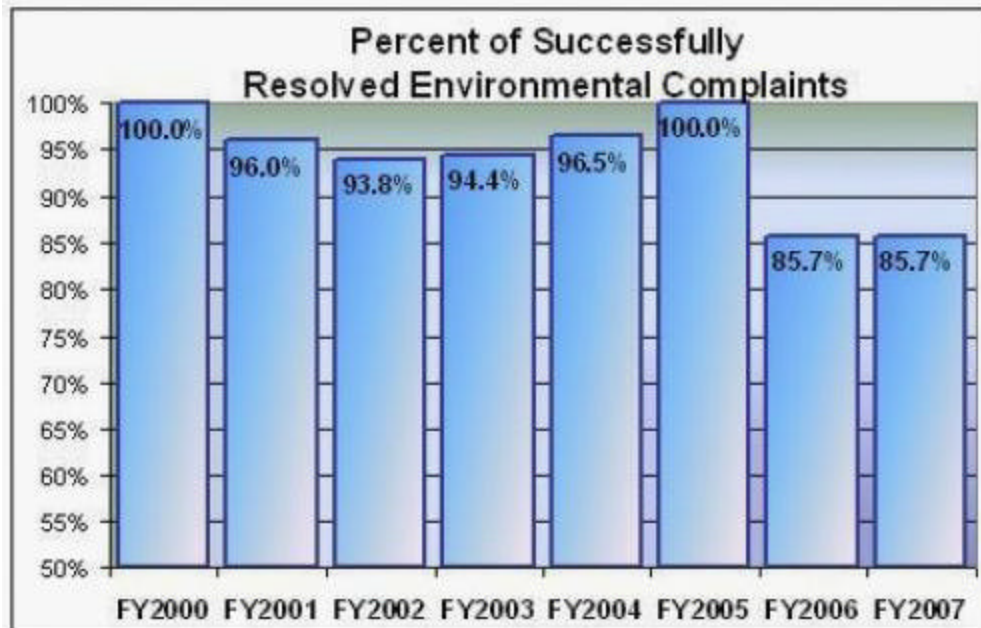
These programs are established to allow us to document compliance.

The measure summarizes department progress with development and implementation of planned programs. 100% of all programs have been completed by the end of FY2007 and we have met our goal.

B3: Strategy - Enforce Controls for Safe Sanitary Practices

Target #1: 100% of environmental complaints are successfully resolved.

Measure #1: The percent of successfully resolved environmental complaints.



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.

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 the department's ability to identify and return violators to a state of compliance.

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Complaints are usually resolved through administrative or civil remedies. 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, either 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.

The receipt and resolution of complaints are tracked in the department's complaint and enforcement tracking database. Many complaints will be resolved in years subsequent to the year the complaint was reported and the database updated for the year the alleged violation occurred. Therefore, prior year data is subject to change as complaints are resolved. The database provides annual totals which are available for FY2007.

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

Key Department Challenges

During FY2008 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

- Maintaining and operating the new Environmental Health Laboratory to its full capacity, to provide accurate, timely, and efficient services to Alaska's growing 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.
- Obtaining and maintaining primacy for federal safe drinking water rules.
- Developing and restructuring the permitting process to allow for an effective method for safe solid waste disposal in Alaska's isolated rural communities so that the environment and public health are protected.

Air Quality

- Converting rural Alaskan communities to clean burning, more expensive 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.
- Serve the DEC Commissioner and the executive sub-cabinet on Climate Change in developing a climate change strategy for Alaska as directed by the Governor by Administrative Order 238.
- 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.
- Guide the collaborative work between Department of Transportation Public Facilities (DOTPF) and local governments in developing pollution control plans in areas not meeting the December 2006 EPA health standards for fine or coarse size airborne particles.

Water

- Serve as a single point of contact for federal agencies, universities, and other organizations regarding the department's research needs and priorities.
- Assuming greater responsibility from the federal government for control of Alaska's water quality.
- Seek and assume primacy for the federal wastewater discharges permitting program National Pollutant Discharge Elimination System (NPDES).
- 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

- Phasing in new regulations for flowlines, compliance and oversight will require additional staff and will involve significant revision of field inspection and strategies.
- Comprehensive baseline risk assessment for the entire North Slope oil and infrastructure including production, storage, transportation systems, the Trans Alaska Pipeline and Valdez Marine Terminal which will begin in FY2008.
- Reducing the occurrence of oil and hazardous substance spill 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 states' 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 4-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. Revenues have reached a point where they can no longer sustain the division's core spill prevention, preparedness and response programs beyond FY2008.

Alaska is experiencing a significant increase in issues concerning integrity management of aging oil production and transportation infrastructure within the state. The number of spills from oil exploration and production facilities is increasing annually. As the average age of Alaska's pipelines and production facilities increases, maintenance issues and oversight of system integrity becomes vitally important to ensure continued safe operation and to reduce the number and severity of oil spills. Aggressive oversight is also important to ensure that revenues from oil production not be reduced or stopped due to inadequate industry maintenance and operational processes.

Along with aging oil transportation infrastructure issues, oil exploration in Alaska is currently on an upswing, necessitating additional resources to accommodate additional facilities and new oilfield operators unfamiliar with state pollution control requirements.

DEC is not keeping pace with the current level of oil and gas activities in Alaska and cannot keep up with the expected increased level of oil and gas integrity issues or exploration and development activities.

- Oil and gas facilities are not inspected for compliance with state environmental laws as thoroughly or as often as required to provide adequate oversight.
- The aging oil production infrastructure requires additional oversight to maintain compliance with state requirements.
- The cumulative impact of oil and gas waste discharges to the air, from the North Slope industrial operations, have not been monitored or measured to assess the aggregate potential harm to land, water, vegetation, wildlife and humans.
- As new oilfield operators enter the state, significant compliance assistance is needed to make sure that state requirements are met.
- There is little communication or collaboration with industry and concerned stakeholders on the planning and design of projects to minimize environmental problems and take advantage of opportunities to promote environmentally responsible development.
- Much of the work carried out on the North Slope is made by contractors whose day to day activities are often not monitored or given departmental oversight due to the current lack of a full-time field presence of staff.

Significant Changes in Results to be Delivered in FY2009

Significant changes in results in the Department of Environmental Conservation 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.

Drinking Water Primacy

The EPA has been rolling out new requirements for public drinking water systems stemming from amendments made by Congress to the Safe Drinking Water Act in 1996. EPA must implement these new requirements in Alaska until such time that the state adopts regulations to assume primacy for implementing these new requirements. Funding for the third year of a three year plan to obtain and maintain primacy in the Drinking Water Program is being sought in FY2009 to give Alaska the resources needed to take on these new federal mandates.

EPA retains partial primacy and enforces the new rules until the State is able. Traditionally, EPA enforcement is swift, strict and does not include technical assistance - making it difficult for public drinking water systems to attain and maintain compliance. If the State does not catch up, primacy may be lost altogether.

In addition to providing needed technical support, State primacy allows:

1. Issuance of monitoring waivers to reduce the cost of routine monitoring. EPA does not.
2. Issuance of variances or exemptions that allow public drinking water systems to achieve compliance over time while still providing public health protection. EPA does not.
3. Issuance of construction and operation approvals that reflect local knowledge, experience and an understanding of arctic engineering principles. Experience EPA does not have.

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.

Cruise Ship Ballot Initiative

The initiative passed in August, 2006, requires DEC to develop and maintain a new permit program for Large Commercial Passenger Vessels ("cruise ships") to replace the current program for regulating these vessels. It also requires DEC to place marine engineers ("Ocean Rangers") licensed by the Coast Guard on the cruise ships to monitor compliance with State and Federal environmental laws.

Major Department Accomplishments in 2007

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.

Air 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 FY2008 as performance audits and quality management tools provide important feedback on how well the reform is accomplishing each of its intended goals.

As an outgrowth of this review, the 2005 Legislature authorized DEC to seek and assume primacy for the federal wastewater discharges permitting program, National Pollutant Discharge Elimination System (NPDES). The state program will be the Alaska Pollutant Discharge Elimination System (APDES). The department will increase its expertise in federal wastewater discharge permitting (NPDES program) by drafting federal permits under workshare agreements with the EPA. This will prepare the department for program delegation during FY2008. The Compliance and Enforcement Program will provide the requisite training to staff so that inspections will be conducted in a consistent manner providing the public assurance that an appropriate enforcement response will follow documented noncompliance.

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. As a result there has been expanded and updated statewide emergency response team training, DEC responders are now at 117. Staff participated in spill drills that included Prince William Sound Tanker Drills, SeaRiver

and BP Shipping, Alaska Shield Northern Edge 2007 Exercise, and the Alyeska Pipeline Service Company Trans-Alaska Pipeline Northern Edge 2007 Drill as well as community response training at various locations.

Economic redevelopment of contaminated sites through an innovative risk based approach for cleanup has resulted in the reuse of contaminated properties including the Delta Junction tank farm site, the former Weeks Field Development project, multiple rural abandoned canneries, the Bentley Trust Properties in Fairbanks and the Alaska Highway Gateway Arch Project in Delta Junction.

Effective Food Safety Statewide

Adopted revisions to the Alaska Food Code to include elements of Active Managerial Control (AMC) and updated requirements to reflect current science and achieve better alignment with the FDA's model food code. In addition to food manager and worker certification, changes include the voluntary use of standard operating procedures (SOPS) and self-assessments so operators can control factors that contribute to foodborne illness. Our new approach relies on operator certification, restaurant specific risk management and rigorous enforcement by DEC. This new program will provide equal protection from Metlakatla to Barrow. It will hold owners and operators responsible for knowing how food becomes contaminated and assures that standard operating procedures protect their customers. We will move from the spot inspection of the past to mandatory every-day management systems.

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, with 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. In FY2007 and FY2008, the department is working closely with the Alaska Village Electric Cooperative, the University of Alaska Institute of Social and Economic Research, and others to complete a health and economic assessment to determine the impacts of the new standards and develop a plan for Alaska for the EPA consideration.

New Environmental Health Laboratory

Passed Avian Influenza (AI) proficiency tests to maintain certification as an official testing laboratory. Alaska's laboratory was one of only 40 in the nation to pass this rigorous testing certification. The laboratory completed over 3,500 AI tests on birds from Alaska, of which 2,500 tests were performed as part of a contract with the USDA. Statewide surveillance testing for Avian Influenza was performed by the State Veterinarian at agricultural fairs (Palmer, Kenai, Fairbanks, and Kodiak) as part of the state's Influenza Response Plan. No High Pathogenic Avian Influenza was identified.

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 | 13. Office of the State Veterinarian |
| 2. Finance/Budget/Procurement | 14. Emergency Response |
| 3. Climate Change | 15. General Laboratory Services |
| 4. Air Permitting Program | 16. Contaminated Sites |
| 5. Network Services | 17. Pesticides |
| 6. Air Non-Point Mobile Sources and Monitoring Program | 18. Solid Waste |
| 7. Drinking Water Safety Program | 19. Operator Certification Program |
| 8. Wastewater Permitting and Compliance Program | 20. Environmental Crimes |
| 9. Food Safety and Sanitation | 21. Remote Maintenance Worker Program |
| 10. Water Quality Standards and Monitoring Program | 22. Municipal Grants and Loan Programs |

- 11. Non-Point Source Pollution Permitting and Protection Program
- 12. Industry Preparedness
- 23. Village Safe Water Program
- 24. Ocean Ranger Program

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Department Budget Summary by RDU

All dollars shown in thousands

	FY2007 Actuals				FY2008 Management Plan				FY2009 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	2,338.9	1,614.0	4,497.2	8,450.1	2,645.3	2,042.1	2,833.9	7,521.3	2,716.8	1,836.7	2,920.9	7,474.4
DEC Bldgs Maint & Operations	611.0	0.0	58.0	669.0	559.0	0.0	54.4	613.4	506.8	0.0	55.3	562.1
Environmental Health	5,461.5	4,132.3	2,715.7	12,309.5	5,826.4	5,616.8	2,626.7	14,069.9	6,274.2	6,047.7	2,739.3	15,061.2
Air Quality	1,517.0	859.4	3,437.4	5,813.8	1,578.0	1,685.1	5,790.0	9,053.1	1,630.1	1,717.2	5,955.3	9,302.6
Spill Prevention and Response	0.0	3,042.4	12,213.9	15,256.3	606.5	3,752.3	12,069.7	16,428.5	619.3	3,876.3	12,516.5	17,012.1
Water	6,446.5	6,126.6	3,163.9	15,737.0	6,677.8	7,437.4	5,408.6	19,523.8	6,905.7	7,528.7	8,155.1	22,589.5
Totals	16,374.9	15,774.7	26,086.1	58,235.7	17,893.0	20,533.7	28,783.3	67,210.0	18,652.9	21,006.6	32,342.4	72,001.9

Funding Source Summary			
<i>All dollars in thousands</i>			
Funding Sources	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
1002 Federal Receipts	15,774.7	20,533.7	21,006.6
1003 General Fund Match	3,099.6	3,541.6	3,897.3
1004 General Fund Receipts	11,824.2	12,816.1	13,170.8
1005 General Fund/Program Receipts	1,451.1	1,535.3	1,584.8
1007 Inter-Agency Receipts	3,672.6	1,398.9	1,438.1
1018 Exxon Valdez Oil Spill Settlement	57.5	90.8	90.9
1052 Oil/Hazardous Response Fund	13,199.9	13,197.3	13,652.4
1061 Capital Improvement Project Receipts	2,626.2	3,850.5	3,997.5
1075 Alaska Clean Water Loan Fund	48.6	63.5	65.7
1093 Clean Air Protection Fund	2,166.7	4,072.2	4,184.4
1108 Statutory Designated Program Receipts	51.9	225.1	225.3
1156 Receipt Supported Services	3,265.6	3,632.7	3,800.0
1166 Commercial Passenger Vessel Environmental Compliance Fund	997.1	2,252.3	4,888.1
Totals	58,235.7	67,210.0	72,001.9

Position Summary		
Funding Sources	FY2008 Management Plan	FY2009 Governor
Permanent Full Time	527	531
Permanent Part Time	1	1
Non Permanent	4	4
Totals	532	536

FY2009 Capital Budget Request				
Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Monitoring of Dust Control Technologies in Rural Alaska	224,107	0	0	224,107
Water and Wastewater Infrastructure Projects	41,876,374	78,728,511	500,000	121,104,885
Department Total	42,100,481	78,728,511	500,000	121,328,992

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 FY2008 Management Plan to FY2009 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2008 Management Plan	17,893.0	20,533.7	28,783.3	67,210.0
Adjustments which will continue current level of service:				
-Administration	71.5	-205.4	87.0	-46.9
-DEC Bldgs Maint & Operations	-52.2	0.0	0.9	-51.3
-Environmental Health	186.0	169.0	129.3	484.3
-Air Quality	52.1	32.1	165.3	249.5
-Spill Prevention and Response	12.8	124.0	446.8	583.6
-Water	227.9	91.3	146.5	465.7
Proposed budget decreases:				
-Environmental Health	0.0	0.0	-16.7	-16.7
Proposed budget increases:				
-Environmental Health	261.8	261.9	0.0	523.7
-Water	0.0	0.0	2,600.0	2,600.0
FY2009 Governor	18,652.9	21,006.6	32,342.4	72,001.9