

State of Alaska FY2006 Governor's Operating Budget

Dept. of Commerce, Community, and Economic Dev.

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Mission

The mission of the Department of Commerce, Community and Economic Development (DCCED) is to promote a healthy economy and strong communities in Alaska.

Core Services

- Coordination, development and promotion of programs for sustainable economic growth.
- Regulation and enforcement to protect the consumer and to provide a stable business climate.
- Assist communities to achieve maximum local self-government.

End Results	Strategies to Achieve Results
<p>A: Sustainable economic growth.</p> <p><u>Target #1:</u> 10,000 jobs created in 3 years. <u>Measure #1:</u> Number of jobs created beginning in FY04.</p>	<p>A1: Implement economic development programs and projects.</p> <p><u>Target #1:</u> Identify and fund 50 programs and projects. <u>Measure #1:</u> Number of programs and projects funded.</p>
End Results	Strategies to Achieve Results
<p>B: Increase number of Alaska citizens who have access to local government services.</p> <p><u>Target #1:</u> Municipal governments providing essential public services. <u>Measure #1:</u> Percentage of municipal governments providing essential public services.</p>	<p>B1: Improve incentives for borough formation.</p> <p><u>Target #1:</u> Increase financial incentives by 100% over the next two years. <u>Measure #1:</u> Percentage increase.</p> <p><u>Target #2:</u> Increase land entitlements received by boroughs by over the next five years. <u>Measure #2:</u> Percentage increase.</p>

Major Activities to Advance Strategies
<ul style="list-style-type: none"> • Strengthen rural communities by providing technical assistance. • Diversify Alaska's economic base to benefit all Alaskans. • Market Alaska's commercial opportunities and geographic advantages to the rest of the nation and the global business community. • Strengthen Alaska's businesses by providing technical and financial assistance. • Maintain a fair and consistent regulatory environment.

FY2006 Resources Allocated to Achieve Results

FY2006 Department Budget: \$135,802,000	Personnel:	
	Full time	503
	Part time	4
	Total	507

Performance Measure Detail

A: Result - Sustainable economic growth.

Target #1: 10,000 jobs created in 3 years.

Measure #1: Number of jobs created beginning in FY04.

A1: Strategy - Implement economic development programs and projects.

Target #1: Identify and fund 50 programs and projects.

Measure #1: Number of programs and projects funded.

B: Result - Increase number of Alaska citizens who have access to local government services.

Target #1: Municipal governments providing essential public services.

Measure #1: Percentage of municipal governments providing essential public services.

B1: Strategy - Improve incentives for borough formation.

Target #1: Increase financial incentives by 100% over the next two years.

Measure #1: Percentage increase.

Analysis of results and challenges: This is a new measure. Data will be collected beginning fiscal year 2006.

Target #2: Increase land entitlements received by boroughs by over the next five years.

Measure #2: Percentage increase.

Analysis of results and challenges: This is a new measure. Data will be collected beginning fiscal year 2006.

Key Department Challenges

The department continues to realign and focus assets to concentrate on its three core functions: economic development, community advocacy, and business regulation/consumer protection.

- Economic Development. Combine the efforts of the Department's industry and business experts, supported closely by community development staff.
- Community Advocacy. Provide important support to smaller communities and villages in rural Alaska. These efforts range broadly from programs involved in local government operational assistance to the administration and management of a host of community grant programs. These efforts continue and are closely coordinated with economic development actions.

- Business Regulation/Consumer Protection. Various oversight functions are absolutely necessary for the orderly function of business and industry throughout the state. These regulatory efforts assist business and industry and provide proper essential consumer protection.

Fisheries Development and Marketing. The commercial fishing industry continues to experience difficulties as world markets adapt to the changing supply of fish from fish farms. The salmon markets have been significantly affected, and as a result they have been extremely volatile for the past several years. It is vitally important that Alaska maintain its place in the worldwide salmon market during these challenging times. The Fish Revitalization Strategy, Commercial Fishing Revolving Loan Fund, Fisheries Enhancement Revolving Loan Fund, and the Alaska Seafood Marketing Institute play an extremely important role in the fishing industry.

Alaska Insurance Market Place. The State of Alaska has an increasing lack of a healthy, competitive insurance market place. Alaska faces a crisis in funding for the Alaska Insurance Guaranty Association due to the insolvency of a major workers compensation carrier. The workers compensation market is dominated by relatively few carriers which put the state at risk of losing a viable option for employers to obtain a statutorily mandated coverage. The homeowner's market is fast becoming difficult with two carriers writing 65% of the business and seeking to reduce market share. This, in turn, creates pressure on the real estate industry as sales of property and re-financing depends on the availability of insurance coverage to satisfy the lenders.

Significant Changes in Results to be Delivered in FY2006

OFFICE OF ECONOMIC DEVELOPMENT

The office will begin measuring the effectiveness of the grants awarded under the \$35 million Fisheries Revitalization Strategy Program and will shift its focus from program development and implementation to industry and government support services in an effort to withstand the potential impact of farmed salmon.

Implementation of the Developing Alaska Rural Tourism project that will provide hands-on technical assistance to four to six economically distressed regions and/or community clusters within rural Alaska to expand their visitor industry infrastructure, services, and attractions. This will result in more tourism within these rural communities, increase employment opportunities, and more advances to higher paying positions within the visitor industry.

QUALIFIED TRADE ASSOCIATION

With increased funding, the Qualified Trade Association will increase its promotional efforts such as increasing Alaska's television presence, conducting familiarization tours for travel professionals whom work predominately with independent travelers, and strengthening the international marketing program, particularly in Asia.

OCCUPATIONAL LICENSING

On September 17, 2004, Administrative Order 219 transferred the Corporations program to the Division of Occupational Licensing from the Division of Banking. In FY06, integration of the division licensing programs will continue with the intended result of allowing licensees and the public greater internet capabilities to obtain licensing information. There is also the possibility that the division may encounter a name change by the Legislature.

ALASKA AEROSPACE DEVELOPMENT CORPORATION (AADC)

AADC is currently performing the second year of a five-year support services agreement with the Missile Defense Agency (MDA). MDA continues to request additional launch services support and continues to increase its requirements for management data. Five additional staff are requested to support these requirements. Travel increases are requested to support MDA's increased requirements to support both launches and attendance at planning meetings by both AADC personnel and AADC contractors.

Major Department Accomplishments in 2004

COMMUNITY ADVOCACY

Staff provided extensive support to the Local Boundary Commission during the year, initiating proceedings for the following local government boundary changes and special projects:

- City Incorporation – One completed (City of Gustavus), and one continuing (Naukati)
- City Annexation – One dismissed (City of Akutan) and two continuing (City of Homer and City of Petersburg)
- City Reclassification – Technical assistance regarding home-rule status (City of Wasilla)
- Borough Incorporation – One under appeal (Skagway) and five prospective proposals (Eagle River area, Delta Greely/Upper Tanana Basin region, Prince William Sound region, Kuspuk region, and Calista region.)
- Consolidation – One proposed (City of Ketchikan and Ketchikan Gateway Borough)
- Special Projects - "School Consolidation: Public Policy Considerations and a Review of Opportunities for Consolidation." Report completed and submitted to the 2004 Legislature.

INVESTMENTS

This program promotes the development of a predominantly resident fishery by providing loans to Alaskan commercial fishing harvesters. Market conditions in the commercial fishing industry have dramatically changed in recent years creating tremendous challenges for commercial fishing harvesters that utilize the Commercial Fish Revolving Loan Fund. During FY04, 114 new loans were approved, totaling a little over \$6.5 million, and 171 loan extension requests were processed.

ALASKA AEROSPACE DEVELOPMENT CORPORATION (AADC)

AADC successfully executed the first year of providing services for its' anchor tenant, the U.S. Department of Defense Missile Defense Agency, under a five year contract and accepted delivery of the new Range Safety and Telemetry System on 1 July 2004.

Construction began on Phase 2 of the 19,000 square foot Maintenance and Storage Facility project which is expected to cost \$4.5 million and be completed in the spring of 2005.

ALASKA ENERGY AUTHORITY (AEA)

AEA completed or initiated construction of bulk fuel facility upgrades in 11 communities and rural power system upgrades in 14 communities.

ALASKA SEAFOOD MARKETING INSTITUTE (ASMI)

Alaska Seafood Brand Equity. Alaska Seafood is now the second most popular food brand on menus of the top 500 U.S. restaurant chains, up from third place in 2001.

REGULATORY COMMISSION OF ALASKA (RCA)

Rural Internet Services Grant. Received second \$7.5 million from the United States Department of Agriculture for rural Alaska Internet deployment.

Prioritization of Agency Programs

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

Category A – Functions and programs that are essential to the Department's mission of promoting a healthy economy and strong communities in Alaska.

1. Local Government Development
2. Local Boundary Commission
3. Community and Business Development
4. Community Development Quota (CDQ) Program
5. Fisheries Development and Marketing
6. Development Financial Services
7. State Assessor and Property Tax
8. Land Management and Mapping
9. Rural Utility Business Advisor (RUBA)

Category B – Essential programs and functions other than those listed in Category A that are central to the Department's mission.

- 10. Alaska Energy Authority Programs
- 11. Alaska Aerospace Development

Category C – Regulatory programs established in statute to protect the consumer and to provide for a stable business climate.

- 12. Regulate Financial Institutions
- 13. Regulate Securities
- 14. Register Corporations
- 15. Regulate Insurance Industry
- 16. Occupational Licensing
- 17. Business Licensing
- 18. Regulate Public Utilities and Pipeline Carriers

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| <ul style="list-style-type: none">1. Local Government Development. Ensure local governments are functioning and viable by providing advice, information regarding public services, financial management training, election information, and financial assistance.2. Local Boundary Commission. Offer recommendations regarding municipal boundary changes and incorporations.3. Community & Business Development. Provide grants, advice, information, financial management training, and financial assistance to tribal governments, communities and other organizations.4. Community Development Quota (CDQ) Program. Promote commercial fisheries related economic development in western Alaska through allocation of percentages of each fisheries species to coalitions of communities.5. Fisheries Development and Marketing. Promote economic development of Alaska's commercial fisheries and seafood industry and market Alaska seafood products domestically and overseas.6. Development Financial Services. Provide various means of financing and facilitate the financing of businesses, commercial fisheries, and hatcheries in Alaska.7. State Assessor and Property Tax. Assist municipalities regarding assessment and tax issues; make local property full and true value determinations; monitor local assessment practices for compliance with State law.8. Land Management and Mapping. Ensure public projects have site control; administer the Municipal Lands Trust program; produce and provide community maps.9. Rural Utility Business Advisor (RUBA). Encourage rural water and sewer utilities to operate as a business; offer business, finance, personnel and management assistance to local governments and organizations. | <ul style="list-style-type: none">10. Alaska Energy Authority Programs. Administer rural energy programs.11. Alaska Aerospace Development. Provide rocket launch services to government and commercial customers.12. Regulate Financial Institutions. Regulate commercial banks, mutual savings banks, credit unions, trust companies, bank holding companies, small loan offices, premium finance offices, and Business and Industrial Development Corporations.13. Regulate Securities. Regulate the offer and sale of securities in Alaska.14. Register Corporations. Provide legal recognition to businesses by serving as a filing agency.15. Regulate Insurance Industry. Develop and enforce the insurance statutes and regulations to: protect and educate the consumer; assure competitive, viable, ethical and lawful insurance is available to Alaskans; and enhance the insurance business environment16. Occupational Licensing. Administer 38 occupational licensing programs covering 130 occupations.17. Business Licensing. License approximately 73,000 businesses to engage in commerce in Alaska.18. Regulate Utilities and Pipeline Carriers. Ensure affordable and reliable utility and pipeline services. |
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Department Budget Summary by RDU

All dollars shown in thousands

	FY2004 Actuals				FY2005 Management Plan				FY2006 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												
State Revenue Sharing	0.0	32,748.4	1,677.6	34,426.0	0.0	15,830.0	1,600.0	17,430.0	0.0	15,830.0	1,600.0	17,430.0
Alaska Energy Authority	0.0	0.0	0.0	0.0	0.0	0.0	15,700.0	15,700.0	0.0	0.0	20,730.0	20,730.0
Power Cost Equalization	0.0	0.0	15,700.0	15,700.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-Formula Expenditures												
Executive Admin and Dev	1,050.2	0.0	1,873.0	2,923.2	1,108.5	0.0	3,381.1	4,489.6	1,207.2	200.0	3,462.3	4,869.5
Comm Assist & Ec Dev	5,783.6	1,271.8	4,709.6	11,765.0	4,162.6	2,640.4	2,637.0	9,440.0	4,016.7	1,683.7	2,102.6	7,803.0
Qualified Trade Assoc. Contract	3,463.3	0.0	0.0	3,463.3	2,005.1	0.0	2,000.0	4,005.1	3,005.1	0.0	2,000.0	5,005.1
Investments	0.0	0.0	3,413.5	3,413.5	0.0	0.0	3,773.3	3,773.3	0.0	0.0	3,895.9	3,895.9
Alaska Aerospace Devel Corp	0.0	0.0	9,893.3	9,893.3	0.0	0.0	22,190.6	22,190.6	0.0	0.0	22,874.9	22,874.9
AIDEA	0.0	0.0	5,932.4	5,932.4	75.5	0.0	6,793.7	6,869.2	0.0	0.0	6,877.3	6,877.3
Rural Energy Programs	389.3	17.0	2,360.6	2,766.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Alaska Energy Authority	0.0	0.0	0.0	0.0	289.3	168.3	3,637.3	4,094.9	289.3	168.3	3,832.2	4,289.8
Alaska Seafood Marketing Inst	0.0	3,769.2	5,409.3	9,178.5	0.0	5,500.0	5,597.9	11,097.9	0.0	5,500.0	9,615.0	15,115.0
Banking, Securities, and Corp	0.0	0.0	2,163.2	2,163.2	0.0	0.0	2,831.7	2,831.7	0.0	0.0	2,369.3	2,369.3
Insurance	0.0	0.0	4,885.0	4,885.0	0.0	0.0	5,361.4	5,361.4	0.0	0.0	5,533.4	5,533.4
Occupational Licensing	0.0	0.0	7,507.0	7,507.0	0.0	0.0	8,270.5	8,270.5	0.0	0.0	9,146.8	9,146.8
Reg Comm of Ak	0.0	180.0	6,233.0	6,413.0	0.0	0.0	5,501.3	5,501.3	0.0	0.0	5,861.5	5,861.5
RCA Audits & Investigations	0.0	0.0	0.0	0.0	0.0	0.0	1,012.8	1,012.8	0.0	0.0	0.0	0.0
DCED State Facilities Rent	373.0	0.0	409.4	782.4	384.6	0.0	409.8	794.4	384.6	0.0	409.8	794.4
AK State Community Services Com	65.4	1,199.0	194.1	1,458.5	65.6	2,833.3	70.8	2,969.7	67.3	3,038.6	100.2	3,206.1
Totals	11,124.8	39,185.4	72,361.0	122,671.2	8,091.2	26,972.0	90,769.2	125,832.4	8,970.2	26,420.6	100,411.2	135,802.0

Funding Source Summary

All dollars in thousands

Funding Sources	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
1002 Federal Receipts	39,185.4	25,772.0	26,420.6
1003 General Fund Match	291.0	356.7	367.9
1004 General Fund Receipts	10,831.1	7,715.8	8,583.6
1005 General Fund/Program Receipts	2.7	18.7	18.7
1007 Inter-Agency Receipts	9,261.3	9,322.7	9,015.6
1035 Veterans Revolving Loan Fund	22.8		
1036 Commercial Fishing Loan Fund	3,042.0	3,176.8	3,288.4
1040 Real Estate Surety Fund	120.1	257.3	261.1
1057 Small Business Loan Fund	3.5		
1061 Capital Improvement Project Receipts	1,941.8	2,876.1	2,918.4
1062 Power Project Loan Fund	739.8	965.2	965.2
1067 Mining Revolving Loan Fund	5.2		
1068 Child Care Revolving Loan Fund	6.4		
1069 Historical District Revolving Loan Fund	2.5		
1070 Fisheries Enhancement Revolving Loan Fund	347.3	501.1	513.0
1071 Alternative Energy Revolving Loan Fund	61.9		
1074 Bulk Fuel Revolving Loan Fund		51.0	51.0
1089 Power Cost Equalization Fund	15,700.0	15,700.0	20,730.0
1101 Alaska Aerospace Development Corporation Receipts	9,628.8	20,884.9	21,543.7
1102 Alaska Industrial Development & Export Authority Receipts	3,352.8	4,288.4	4,342.8
1107 Alaska Energy Authority Corporate Receipts	249.4	1,067.1	1,067.1
1108 Statutory Designated Program Receipts	117.6	350.8	380.3
1111 Fishermans Fund Income	54.8	115.0	55.0
1141 RCA Receipts	6,191.6	6,514.1	5,861.5
1156 Receipt Supported Services	19,281.5	20,759.8	25,395.8
1164 Rural Development Initiative Fund	15.0	44.7	46.2
1170 Small Business Economic Development Revolving Loan Fund	41.9	43.4	44.8
1175 Business License Receipts	2,173.0	3,850.8	3,931.3
1188 Federal Unrestricted Receipts		1,200.0	
Totals	122,671.2	125,832.4	135,802.0

Position Summary

Funding Sources	FY2005 Management Plan	FY2006 Governor
Permanent Full Time	493	503
Permanent Part Time	4	4
Non Permanent	2	2
Totals	499	509

FY2006 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Manufacturing Extension Program	0	800,000	800,000	1,600,000
Alaska Visitors Statistics Program	750,000	0	0	750,000
Tourism Promotion	530,000	0	0	530,000
Organization Grants	700,000	0	0	700,000
Community Development Grants	488,000	14,050,000	0	14,538,000
Community Block Grants	70,000	6,045,000	0	6,115,000
Energy Projects	0	20,000,000	750,000	20,750,000
Language Section: Electrical Emergencies	0	0	330,000	330,000
Language Section: NPR-A Impact Grant Program	0	29,517,700	0	29,517,700
Kodiak Launch Site Infrastructure	0	36,000,000	0	36,000,000
Protection and Education of Investors	0	0	300,000	300,000
City of Valdez - Harborview Demolition	1,000,000	0	0	1,000,000
City of Unalaska - Boat Harbor	0	0	2,000,000	2,000,000
City of Cordova - Cordova Center	1,000,000	0	0	1,000,000
Morris Thompson Cultural and Visitors Center	250,000	0	0	250,000
Tongass Coast Aquarium, Inc.	0	0	100,000	100,000
Alaskan Native Heritage Center	500,000	0	0	500,000
Lower Kuskokwim School District - The People's Learning Center	1,000,000	0	0	1,000,000
Department Total	6,288,000	106,412,700	4,280,000	116,980,700

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 FY2005 Management Plan to FY2006 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2005 Management Plan	8,091.2	26,972.0	90,769.2	125,832.4
Adjustments which will continue current level of service:				
-Executive Admin and Dev	93.3	0.0	81.2	174.5
-Comm Assist & Ec Dev	-284.0	-1,156.7	115.6	-1,325.1
-Investments	0.0	0.0	126.6	126.6
-Alaska Aerospace Devel Corp	0.0	0.0	62.9	62.9
-AIDEA	0.7	0.0	83.6	84.3
-Alaska Seafood Marketing Inst	0.0	0.0	17.1	17.1
-Banking, Securities, and Corp	0.0	0.0	-624.3	-624.3
-Insurance	0.0	0.0	126.2	126.2
-Occupational Licensing	0.0	0.0	876.3	876.3
-Reg Comm of Ak	0.0	0.0	168.2	168.2
-AK State Community Services Com	1.7	5.3	0.2	7.2
Proposed budget decreases:				
-Comm Assist & Ec Dev	0.0	0.0	-650.0	-650.0
-Investments	0.0	0.0	-4.0	-4.0
-AIDEA	-76.2	0.0	0.0	-76.2
-RCA Audits & Investigations	0.0	0.0	-1,012.8	-1,012.8
Proposed budget increases:				
-Executive Admin and Dev	5.4	200.0	0.0	205.4
-Comm Assist & Ec Dev	138.1	200.0	0.0	338.1
-Qualified Trade Assoc. Contract	1,000.0	0.0	0.0	1,000.0
-Alaska Aerospace Devel Corp	0.0	0.0	621.4	621.4
-Alaska Energy Authority	0.0	0.0	5,224.9	5,224.9
-Alaska Seafood Marketing Inst	0.0	0.0	4,000.0	4,000.0
-Banking, Securities, and Corp	0.0	0.0	161.9	161.9
-Insurance	0.0	0.0	45.8	45.8
-Reg Comm of Ak	0.0	0.0	192.0	192.0
-AK State Community Services Com	0.0	200.0	29.2	229.2
FY2006 Governor	8,970.2	26,420.6	100,411.2	135,802.0