

# **State of Alaska FY2007 Governor's Operating Budget**

**Dept of Commerce, Community, & Economic Development  
Commissioner's Office  
Component Budget Summary**

**Component: Commissioner's Office**

**Contribution to Department's Mission**

Implement policy directives for the Department and provide support for the divisions.

**Core Services**

Represent the Department in the Governor's cabinet.

Work with community leaders of Alaska to further and enhance economic and community development.

Work with local government officials to accomplish department objectives.

Work with the Legislature on the department's budget and legislative priorities.

Serves as board member to Alaska Housing Finance Corporation, Alaska Aerospace Development Corporation, Alaska Industrial Development and Export Authority, Alaska Energy Authority, Alaska Seafood Marketing Institute and the Alaska Railroad Corporation.

End Results	Strategies to Achieve Results
<p><b>A: Department operates in accordance with state and federal guidelines.</b></p> <p><u>Target #1:</u> The Strategic Plan is 100% implemented by FY 2008.</p> <p><u>Measure #1:</u> % of Strategic Plan implemented.</p>	<p><b>A1: Oversee implementation of Department initiatives.</b></p> <p><u>Target #1:</u> Successful administration of grant programs for communities.</p> <p><u>Measure #1:</u> 100% of grants are disbursed and accounted for under applicable regulations.</p> <p><u>Target #2:</u> Enhance new businesses, issuance of business licenses, formation of new corporate entities and growth in the insurance and financial sectors.</p> <p><u>Measure #2:</u> Increase in number of business licenses issued, increase in corporate entities formed and asset growth in the financial sector.</p>

Major Activities to Advance Strategies
<ul style="list-style-type: none"> <li>• Establish policy.</li> <li>• Manage the department.</li> <li>• Serve as department's liaison with the Governor's Office.</li> <li>• Participate in boards and commissions.</li> </ul>

### FY2007 Resources Allocated to Achieve Results

<b>FY2007 Component Budget: \$930,300</b>	<b>Personnel:</b>	
	Full time	9
	Part time	0
	<b>Total</b>	<b>9</b>

## Performance Measure Detail

### A: Result - Department operates in accordance with state and federal guidelines.

**Target #1:** The Strategic Plan is 100% implemented by FY 2008.

**Measure #1:** % of Strategic Plan implemented.

#### Percentage of Strategic Plan Implemented

Year	YTD Total
2003	80%
2004	85%
2005	92%

### A1: Strategy - Oversee implementation of Department initiatives.

**Target #1:** Successful administration of grant programs for communities.

**Measure #1:** 100% of grants are disbursed and accounted for under applicable regulations.

#### Percentage of Grant disbursed

Fiscal Year	YTD Total
FY 2004	92%
FY 2005	94%

**Target #2:** Enhance new businesses, issuance of business licenses, formation of new corporate entities and growth in the insurance and financial sectors.

**Measure #2:** Increase in number of business licenses issued, increase in corporate entities formed and asset growth in the financial sector.

#### Number of business licenses issued

Fiscal Year	YTD Total
FY 2004	70537
FY 2005	67229
	-4.69%

**Analysis of results and challenges:** DCCED's strategy is designed so that our goals and measures are achieved through economic development with licensing and regulation of insurance, securities and banking, coupled with the administration of grants for communities and local governments. The Department does not directly create new jobs or economic growth -- the Department instead creates the opportunities for economic development while protecting consumers through regulatory enforcement.

This measure plots the department's progress against its strategic plan. Progress is measured against results achieved by divisions.

## Key Component 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.** Statewide economic development requires increased investment throughout Alaska. Combining the efforts of the Department's industry and business experts, supported closely by community development staff, provides a template to meet these challenges.
- **Community Advocacy.** Sustainability of communities is a major issue due to the increasing cost for major budget items such as fuel and insurance. The formation of regional governments and capacity building for smaller communities and villages is a crucial issue.
- **Business Regulation/Consumer Protection.** Financial Institution examinations are being changed from annual visitations to an on-going site monitoring program. Providing consumer protection and business industry regulation remains a key challenge.

### Office of Economic Development

Lack of access, power, and labor presents a significant impediment to mineral development. This becomes an issue in deciding venues for project investment. Stable and reasonable taxation is also critical to attracting mining companies to the State.

Rural areas are working to increase tourism as a way to bring new wealth but lack resources necessary to prepare for and attract visitors.

### Occupational Licensing.

An unexpected challenge facing nationwide licensing programs is how to handle applicants whose credential documents were destroyed as a result of Hurricane Katrina. Several State Licensing boards are working with national organizations to establish guidelines on how to assist these individuals. The division anticipates moving the Business Licensing program database to a new software system, ultimately combining both Corporations and Business Licensing records.

### Fisheries Development and Marketing.

Competition from farmed salmon and aquaculture remains a primary concern. It is vitally important that Alaska maintain its place in the worldwide salmon market during these challenging times. While many fisheries are strong, the Alaska salmon industry continues to suffer lower prices, due to the increase of farmed fish on the world market.

### Alaska Aerospace Development Corporation

The biggest challenges in the coming year are building systems that are able to respond to the U.S. Department of Defense, Missile Defense Agency's changing requirements for launch services; and recruitment and training of the workforce.

### Alaska Insurance Market Place

The State of Alaska continues to lack 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 FY2007

### BANKING AND SECURITIES

Banking is working in with the mortgage lending industry to introduce legislation to regulate mortgage lenders and brokers who are currently unregulated. If the bill is successful, the division anticipates a dramatic increase in workload.

The division began regulating payday lenders who were previously unregulated. To date, the division has issued 20 licenses and is in the process of conducting an on-site visitation to each licensee. All pay day lenders will be examined at least once every 18 months.

#### ALASKA AEROSPACE DEVELOPMENT CORPORATION (AADC)

AADC is currently performing the third year of a five year support service agreement with the U.S. Department of Defense, Missile Defense Agency. The U.S. Missile Defense Agency continues to request additional launch service support and continues to increase the requirement for management data. An additional eight staff is required to support these requirements and AADC's goal to contribute to the Alaska economy.

#### ALASKA SEAFOOD MARKETING INSTITUTE

An increase to the U.S. Department of Agriculture's Market Access Program (MAP) will result in additional promotional efforts in the international market. The additional State match required for this program will also result in additional promotional efforts in the domestic market

#### REGULATORY COMMISSION OF ALASKA

The Regulatory Commission of Alaska (RCA) is in the process of developing the Small Hydroelectric Power regulations which will allow the State to take over licensing of small hydroelectric power projects from the Federal Energy Regulatory Commission (FERC).

#### COMMUNITY ADVOCACY

Additional funding from the Environmental Protection Agency (EPA) for the Rural Utility Business Advisory (RUBA) program will allow the continuation of training programs developed to assist community residents in assuming responsibility of its local sanitation facility and system. The success of each entity's ability to manage and train its employees, manage its finances, and manage the day-to-day operations is paramount to the success of each local sanitation system. In fiscal year 2006 the training was discontinued due to increased personal services and travel costs.

#### ALASKA ENERGY AUTHORITY POWER COST EQUALIZATION PROGRAM

Increased funding will result in rural utilities receiving approximately 100 percent of their eligibility amount instead of the pro rated levels they have been receiving in recent years.

#### OFFICE OF ECONOMIC DEVELOPMENT

The U.S. undersecretary of Agriculture has agreed to consider creating sustained yield units in parts of the Tongass forest to better enable the Forest Service to reestablish a dependable timber supply in Southeast Alaska. The Forest Product Development Specialist will work with industry representatives and Forest Service personnel to move this item forward.

### **Major Component Accomplishments in 2005**

#### COMMUNITY ADVOCACY

Staff provided extensive support to the Local Boundary Commission during the year. This included providing technical assistance, completing technical reviews of numerous petitions, initiating proceedings for local government boundary changes and special projects including city and borough incorporations, consolidations, borough detachments and city reclassifications. Staff completed the full value determination of the proposed Deltana borough and the proposed Copper River Basin Model Borough and started working on the Lake and Peninsula Borough. Staff became involved in solving the fuel shortage issues for 45 communities. Further, staff assisted these communities to purchase fuel to keep facilities and utilities functioning and provided technical assistance on managing bulk fuel. Staff responded to management emergencies in 10 rural communities. The Made in Alaska program continues to serve over one thousand permit holders with 1,190 products permitted as of early August.

#### INVESTMENTS

The Commercial Fishing Revolving Loan Fund 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. In fiscal year 2005, 140 new loans were approved, totaling a little over \$9.2 million, and 135 loan extension requests were processed.

The division approved 23 Small Business Economic Development (SBED) loans totaling \$3.1 million, which resulted in the creation/retention of 155 jobs.

The division also approved Rural Development Initiative Fund loans to businesses located in communities totaling \$931,500, which resulted in the creation/retention of 49 jobs.

#### ALASKA AEROSPACE DEVELOPMENT CORPORATION (AADC)

AADC successfully executed the second year of providing services for its' anchor tenant, the U.S. Department of Defense, Missile Defense Agency (MDA). The first of several rockets was launched from Kodiak Launching Station to test the nation's missile defense system.

#### QUALIFIED TRADE ASSOCIATION

The Alaska.com program has increased interest in travel to Alaska by 3%. Training seminars and renewed sponsorship of the Destination Specialist Alaska course resulted in 151 newly Certified Travel Agents. An increase in international visitors to Alaska resulted from working with partners to secure winter airline charters. A national magazine advertising campaign promoting Alaska was executed, which is estimated to have reached 22 million readers.

#### INSURANCE

The Division of Insurance has implemented procedural changes to allow nonresident applicants to electronically file an insurance application and receive approval within 24 hours. Since this process has been implemented, 50% of initial applications received have been transmitted electronically. 15,316 licenses to persons selling insurance in Alaska were issued or renewed. Over 14,300 company appointments and 82,000 terminations of company appointments were processed. 459 consumer complaints were opened and investigated.

#### ALASKA ENERGY AUTHORITY (AEA)

AEA, in cooperation with Alaska Vocational Training (AVTEC) produced bulk fuel and power plant operator training CDs and provided training for 63 students in different areas of power plant and bulk fuel. AEA committed to 54 loans for \$6.7 million through the Bulk Fuel Revolving Loan Fund program.

#### ALASKA SEAFOOD MARKETING INSTITUTE (ASMI)

ASMI was able to increase consumption of fresh and frozen Alaska seafood in the U.S. and the key international markets. ASMI has put more effort on consumer campaigns and advertising for Alaska seafood products in the U.S. and conducted vigorous campaigns promoting canned salmon in the U.S. and Hispanic markets, while achieving greater alignment than ever before with industry trade spending. ASMI's Alaska pavilion in Europe's largest trade show generated projected sales over 12 months of over \$106 million for 15 participating Alaska seafood companies.

#### REGULATORY COMMISSION OF ALASKA (RCA)

Issued 578 substantive orders and 103 procedural orders  
 Processed 657 utility and pipeline tariff filings  
 Handled 412 Rural Informal Services complaints  
 Reduced the number of pending dockets from 151 to 107  
 Processed 431 non-regulated and 119 regulated Poser Cost Equalization filings

### **Statutory and Regulatory Authority**

AS 44.33.010-020 Department of Community and Economic Development

#### **Contact Information**

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**Commissioner's Office  
Component Financial Summary**

*All dollars shown in thousands*

	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	722.7	750.6	803.1
72000 Travel	128.0	95.0	95.0
73000 Services	45.3	25.0	25.0
74000 Commodities	28.5	7.2	7.2
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>924.5</b>	<b>877.8</b>	<b>930.3</b>
<b>Funding Sources:</b>			
1004 General Fund Receipts	139.1	187.3	197.8
1007 Inter-Agency Receipts	725.4	690.5	732.5
1175 Business License and Corporation Filing Fees and Taxes	60.0	0.0	0.0
<b>Funding Totals</b>	<b>924.5</b>	<b>877.8</b>	<b>930.3</b>

**Estimated Revenue Collections**

Description	Master Revenue Account	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
<b>Unrestricted Revenues</b>				
Unrestricted Fund	68515	0.1	0.0	0.0
<b>Unrestricted Total</b>		<b>0.1</b>	<b>0.0</b>	<b>0.0</b>
<b>Restricted Revenues</b>				
Interagency Receipts	51015	725.4	690.5	732.5
Business License Receipts	51173	60.0	0.0	0.0
<b>Restricted Total</b>		<b>785.4</b>	<b>690.5</b>	<b>732.5</b>
<b>Total Estimated Revenues</b>		<b>785.5</b>	<b>690.5</b>	<b>732.5</b>

**Summary of Component Budget Changes  
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>
<b>FY2006 Management Plan</b>	<b>187.3</b>	<b>0.0</b>	<b>690.5</b>	<b>877.8</b>
<b>Adjustments which will continue current level of service:</b>				
-Transfer PCN 08-T006 to Commissioner's Office from Office of Economic Development	0.0	0.0	110.9	110.9
-Transfer PCN08-T008 & 08-X102 from Commissioner's Office to Office of Economic Development	0.0	0.0	-202.3	-202.3
-FY 07 Wage Increases for Bargaining Units and Non-Covered Employees	3.3	0.0	10.5	13.8
-FY 07 Health Insurance Cost Increases for Bargaining Units and Non-Covered Employees	0.3	0.0	1.1	1.4
-FY 07 Retirement Systems Cost Increase	6.5	0.0	20.4	26.9
<b>Proposed budget increases:</b>				
-Increase Interagency Receipts in Commissioner's Office	0.0	0.0	100.0	100.0
-Risk Management Self-Insurance Funding Increase	0.4	0.0	1.4	1.8
<b>FY2007 Governor</b>	<b>197.8</b>	<b>0.0</b>	<b>732.5</b>	<b>930.3</b>

**Commissioner's Office  
Personal Services Information**

<b>Authorized Positions</b>		<b>Personal Services Costs</b>		
<u>FY2006</u>		<u>FY2007</u>		
	<u>Management</u>	<u>Governor</u>		
	<u>Plan</u>			
Full-time	10	9	Annual Salaries	611,889
Part-time	0	0	COLA	16,045
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	299,116
			<i>Less 13.37% Vacancy Factor</i>	<i>(123,950)</i>
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>10</b>	<b>9</b>	<b>Total Personal Services</b>	<b>803,100</b>

**Position Classification Summary**

<b>Job Class Title</b>	<b>Anchorage</b>	<b>Fairbanks</b>	<b>Juneau</b>	<b>Others</b>	<b>Total</b>
Administrative Clerk II	0	0	1	0	1
Commissioner	0	0	1	0	1
Dep Commissioner	1	0	1	0	2
Exec Secretary III	0	0	1	0	1
Project Coordinator	1	0	0	0	1
Secretary	1	0	1	0	2
Spec Asst To The Comm II	0	0	1	0	1
<b>Totals</b>	<b>3</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>9</b>