

State of Alaska FY2013 Governor's Operating Budget

Department of Military and Veterans Affairs Alaska Aerospace Corporation Results Delivery Unit Budget Summary

Alaska Aerospace Corporation Results Delivery Unit

Contribution to Department's Mission

Promote aerospace-related economic growth and development and strengthen Alaska's technological infrastructure.

Core Services

- Provide rocket launch venue
- Provide rocket launch support services to customers

Results at a Glance

(Additional performance information is available on the web at <http://omb.alaska.gov/results.>)

End Result A: Launch service operating revenue is maintained or improved.

Target #1: Maintain or improve rocket launch operations and sustainment activity at Kodiak Launch Complex.

Status #1: Increased annual operations revenue by 20% in FY2011 from FY2010.

Strategy A1: Expand launch services offered.

Target #1: Add one new service annually.

Status #1: Alaska Aerospace Corporation provided new engineering services for customers including the National Oceanic and Atmospheric Administration.

End Result B: Contribution to Alaska's economy is maintained or improved.

Target #1: A minimum of 65% of all Alaska Aerospace Corporation spending occurs in Alaska.

Status #1: 86% of Alaska Aerospace Corporation spending was in-state, up eight percentage points in FY2011 from FY2010.

Strategy B1: Increase spending on Alaska payroll, goods and services.

Target #1: Maintain appropriate staffing levels to support the Kodiak Launch Complex in launch-ready capability mode.

Status #1: On June 30, 2011, Alaska Aerospace Corporation had 40 employees.

Target #2: Purchase Alaska goods and services.

Status #2: In FY2011, Alaska vendors made up 77% of all Alaska Aerospace vendor spending up 9% from FY2010.

End Result C: Alaska's technological infrastructure is strengthened.

Target #1: Continue investment in capital assets.

Status #1: In FY2011, the Alaska Aerospace Corporation reinvested \$4,442,317 of capital funding into facility infrastructure and technological improvements, for a cumulative total of \$124,764,662 in capital reinvestments since FY2005.

Strategy C1: Develop Kodiak Launch Complex (KLC) facilities and services.

Target #1: Secure additional funding for Rocket Motor Storage Facility and Launch Pad 3/4.

Status #1: The first earth covered magazine (ECM) for motor storage was placed into service on August 1, 2010. The second ECM is expected to be completed by September 2011.

Major Activities to Advance Strategies

- Expand launch services
- Maintain or improve contribution level to Alaska economy
- Develop infrastructure to enhance capabilities

Key RDU Challenges

In order to be cost competitive with other state and federal ranges, Kodiak Launch Complex (KLC) requires a source for sustainment funding. Segregating sustainment costs guarantees facility readiness for launch customers while allowing competitive pricing for launches. In the past, the Missile Defense Agency (MDA) has provided sustainment funding but the contract vehicle concluded on August 31, 2010. In one year, Alaska Aerospace Corporation (AAC) won two U.S. Air Force launches with MDA funding in place. For FY2012, AAC requested sustainment funding from the state of Alaska and was granted \$4 million that will keep AAC viable during this transition.

Sustainment covers facility readiness, utilities and maintaining trained personnel. Funding allows KLC to continue operations after June 30, 2011 and compete for standard small and medium launch business. Sustainment funding will provide potential customers the confidence that AAC will be able to support the standard 2-3 year launch planning cycle. Sustainment funding is the most critical near term AAC goal.

Annual sustainment funding will enable AAC to capture a market share of competitively bid launches by making KLC cost competitive with other launch facilities. Combined with our modern launch complex and experienced workforce, AAC is in a strong position to win additional launch business. Sustainment funding is also recommended by the Alaska Military Force Advocacy and Structure Team (AMFAST) report.

Several converging national trends are creating new business opportunities that AAC is uniquely positioned to fill. The United States has become dependent on space based assets for national defense, commerce, and global environmental monitoring, but these very assets are vulnerable to loss from routine failure, collision with space debris, and hostile action. The U.S. needs a rapid response launch capability to for immediate critical asset replacement after loss. KLC is the one spaceport in the U.S. that can meet the rapid launch requirement. It alone can offer a dedicated rapid response launch infrastructure operating on a launch on demand protocol.

AAC has leveraged previous state investments to grow an experienced Alaskan workforce and build a modern infrastructure. These investments have provided significant economic returns and other benefits to Alaskans. AAC will become much more attractive to potential customers with annual sustainment funding, which is AAC's most critical requirement.

Significant Changes in Results to be Delivered in FY2013

The AAC requests continuation of funds to maintain services.

Major RDU Accomplishments in 2011

FY2011 saw the Air Force STP S-26 mission successfully launch in November 2010 and the Air Force TacSat 4 mission completed successfully in September 2011. Both of these launches created revenue for Alaska Aerospace over the last three years. The completion of these launch missions, without any delays created by issues with the facility, greatly improved AAC's standing in the launch community and has placed AAC and the Kodiak Launch Complex in the forefront of facilities worldwide.

Completion of the second earthen covered magazine (ECM) for storage of customer motors.

Alaska Aerospace Corporation management continues be very active within the aerospace industry, highlighting all of the Kodiak Launch Complex's capabilities as we actively work to bring additional launch customers to Alaska and to KLC.

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**Alaska Aerospace Corporation
RDU Financial Summary by Component**

All dollars shown in thousands

	FY2011 Actuals				FY2012 Management Plan				FY2013 Governor			
	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds
Formula Expenditures None.												
Non-Formula Expenditures												
AK Aerospace Corp	0.0	0.0	0.0	0.0	940.7	1,283.5	3,361.8	5,586.0	1,569.0	1,296.4	3,400.4	6,265.8
AAC Facilities Maintenance	0.0	0.0	0.0	0.0	3,059.3	1,137.2	23,252.0	27,448.5	6,473.3	1,151.6	23,295.2	30,920.1
Totals	0.0	0.0	0.0	0.0	4,000.0	2,420.7	26,613.8	33,034.5	8,042.3	2,448.0	26,695.6	37,185.9

Alaska Aerospace Corporation
Summary of RDU Budget Changes by Component
From FY2012 Management Plan to FY2013 Governor

All dollars shown in thousands

	<u>Unrestricted Gen (UGF)</u>	<u>Designated Gen (DGF)</u>	<u>Other Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>
FY2012 Management Plan	4,000.0	0.0	2,420.7	26,613.8	33,034.5
Adjustments which will continue current level of service:					
-AK Aerospace Corp	-920.7	0.0	12.9	38.6	-869.2
-AAC Facilities Maintenance	-3,037.0	0.0	14.4	43.2	-2,979.4
Proposed budget increases:					
-AK Aerospace Corp	1,549.0	0.0	0.0	0.0	1,549.0
-AAC Facilities Maintenance	6,451.0	0.0	0.0	0.0	6,451.0
FY2013 Governor	8,042.3	0.0	2,448.0	26,695.6	37,185.9