

State of Alaska FY2004 Governor's Operating Budget

Department of Community & Economic Development Community Assistance & Economic Development Budget Request Unit Budget Summary

Community Assistance & Economic Development Budget Request Unit

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BRU Mission

See components

BRU Services Provided

See components.

BRU Goals and Strategies

See components

Key BRU Issues for FY2003 – 2004

See components.

Major BRU Accomplishments in 2002

See components.

Key Performance Measures for FY2004

Measure:

The change in the number of communities successfully managing new sustainable sewer and water systems.

Sec 24(b)(1) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:

Completed or virtually completed 96 rural systems since efforts began in the 1960's to build such systems. Of these, 5 were completed in FY 02.

Twenty-seven utilities are not considered to be successfully managed. One of the systems completed in FY02 is not considered successfully managed. These 27 utilities have been identified as chronic violators of environmental regulations related to the operation of water and wastewater systems.

Target: 101 communities completed, 25 not considered successful.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

Time frame for measurement is FY 02.

New water and sewer systems - defined as a sanitation project completed, where the project supplies 90% or more of the year-round occupied households with plumbed water and wastewater served via pipes or haul vehicles. Source of data: Alaska Native Tribal Health Consortium, DEC's Facility Construction and Operation Division.

Successfully manages - defined as operating without major interruption of service and without substantial violations of water quality, waste discharge and environmental regulations for more than one quarter. Source of data: EPA issued

Substantial Noncompliance List.

Measure:

The change in the number of Alaskans employed year-round in the visitor industry.

Sec 24(b)(2) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:

The Alaska Visitors Statistics Program IV (AVSP) was completed. The AVSP provides primary visitor expenditure data that is necessary to model visitor employment numbers. Secondary arrival studies will determine the number of visitor arrivals for FY03 - FY05. FY03 visitor numbers are not yet available. Thus, the Division cannot measure the change in the number of Alaskans employed.

FY04 target: The Division expects that FY03 visitor-related employment will match or slightly increase over visitor employment numbers in FY02 as employment numbers follow stable or slight increases in total visitors.

A 1999 update of the Alaska Visitor Industry Economic Impact Study indicated that one in eight private sector workers are now employed in the visitor industry in Alaska. Alaska's visitor industry directly and indirectly accounts for approximately 30,700 jobs (20,300 direct employment; 10,400 indirect employment).

Benchmark Comparisons:

The Travel Industry Association of America released its annual *Impact of Travel on State Economies* in October 2002. The research is based on secondary data from the Bureau of Economic Analysis, Federal Aviation Administration, Bureau of Labor Statistics, Smith Travel Research, and other sources. In comparison, the Alaska Visitor Industry Economic Impact Study, 1999 and the Alaska Visitor Statistics Program are primary research studies designed to produce more accurate information at the state level. The national research is also based on a calendar year rather than a fiscal year.

Nonetheless, the data is useful for general comparisons since current economic data is not yet available from the Division's research staff. The national data show that between 1997 and 2000, full and part-time jobs generated by domestic and international travel spending in Alaska have increased at an annual average growth rate of 2.1% per year. Between 1999 and 2000, however, the data show that travel-generated employment decreased .7%.

Economic Impacts of Travel on Alaska 1997-2001				
	Expenditures (\$Millions)	Payroll (\$Millions)	Employment (Thousands)	Tax Receipts (\$Millions)
1997	1,377.5	656.3	27.6	246.3
1998	1,362.8	686.6	27.5	272.2
1999	1,507.2	751.0	29.5	298.2
2000	1,543.5	780.0	29.3	303.4
Percent Change 1999-2000	2.4%	3.9%	-0.7%	1.7%
Average Annual Growth Rate 1997-2000	4.0%	6.0%	2.1%	7.3%
Source: Travel Industry Association of America, Impact of Travel on State Economies 1997, 1998, 1999, 2000				

According to Travel Industry Association data, employment in most of the travel-related industries continued to grow nationwide through August 2001. This growth contributed to the 12-month average travel employment in 2001 being only slightly below the 2000 level (-.5%), although significant layoffs occurred after the terrorism attacks on September 11, 2001. Since Alaska's visitor season was virtually at an end by September 11, it is likely that Alaska's visitor employment rose between 2000 and 2001 if Alaska's travel-related employment growth followed national trends.

Background and Strategies:

Tourism industry employment data is not easily discernable through the Standard Industrial Classification (SIC) system utilized by the Department of Labor and Workforce Development. Therefore, the Division is preparing a request for proposals (RFP) to develop a model that will measure basic visitor industry activity including employment. The

model will enable the Division to measure changes in visitor industry employment annually. The RFP is being released Fall 2002.

Division staff will continue to provide tourism research, planning and development assistance to individuals, businesses, organizations and communities including identifying and developing tourism employment opportunities.

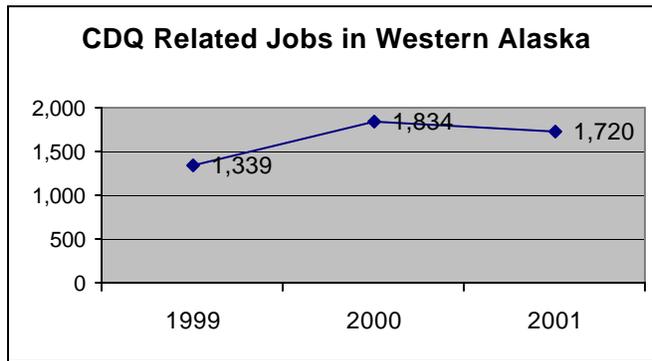
Measure:

The change in the number of CDQ-related (community development quota related) jobs in Western Alaska.

Sec 24(b)(3) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:

There were 1,720 CDQ related jobs created in 2001 and 1834 CDQ related jobs created in 2000, a decrease of 114. The employment includes positions on offshore factory trawlers, onshore processing plants, CDQ halibut and salmon plants, local halibut fisheries, and various management and administrative jobs within the six CDQ groups.



Target: Increase the number of seafood industry jobs in the CDQ program by increasing CDQ ownership in groundfishing vessels and better recruitment and placement of employees by the CDQ groups.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

The data for this measure was taken from the 1999 - 2001 CDQ Quarterly Reports.

Measure:

The number of municipalities that dissolve.

Sec 24(b)(4) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:

No petitions for dissolutions were filed in FY02 or FY01.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

Information for this measure comes from petitions for dissolution from municipalities.

Measure:

How much, expressed as a percentage, local governments rely on revenue sharing in their general operating budgets.

Sec 24(b)(5) Ch 124 SLA 2000(HB 515)

Alaska's Target & Progress:

The average percentage was 10.22% for FY 01, 10.53% for FY 02, and 15.80% for FY 03. In FY03, there are 162 local governments with a range from 94.25% as the high; .31% as the low; and 51 cities rely on SRS/SC for over 20% of their general operating budgets.

This performance measure is not conducive to establishing a target goal. While it is a Department goal that local governments become more self-sufficient through increased local revenue generation, the percentage local governments rely on revenue sharing in their operating budgets can be impacted in several ways not related to the Department's efforts in this area. For example, the level of revenue sharing funding appropriated by the Legislature and local government operating revenues received by other State agencies or the Federal Government has a direct effect on the annual percentage rates.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

A listing of the governments and the percentages and figures used in the calculations is available upon request from the Division of Community and Business Development.

Measure:

The number of coordinated regional efforts resulting in the creation of new business opportunities.

Sec 24(d)(1) Ch 124 SLA 2002(HB 515)

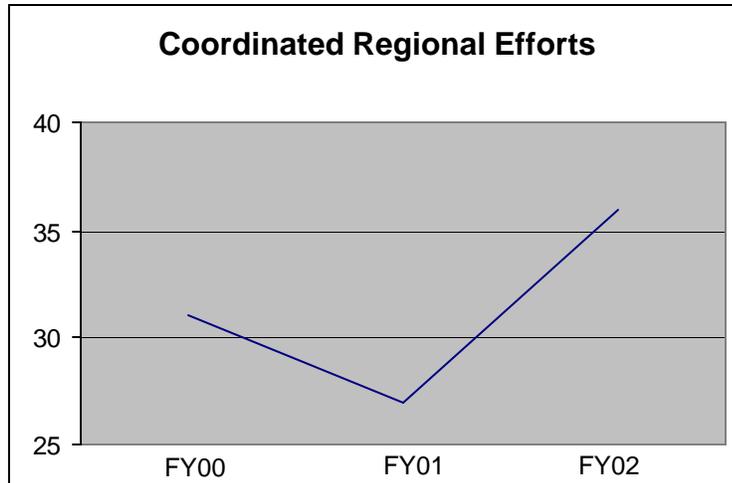
Alaska's Target & Progress:

This measure counts certain ARDOR activities, but it does not reflect the range of ARDOR activities. For example, the Southeast Conference is integrally involved with the Southeast Inter-Island ferry authority while the Prince William Sound Economic Development District focuses more on coordinating small business seminars.

Other examples include:

- Anchorage Economic Development Corporation and the Mat-Su Resource Conservation and Development Council are working together on economic development planning efforts.
- Fairbanks Borough Economic Development Commission worked with the Fairbanks Economic Development Corporation to secure funding for cold weather testing.
- Northwest Arctic Borough Economic Development Commission worked with the Borough School District to secure funding for arts and crafts education in the Borough schools.

In FY02, there were 36 coordinated regional efforts within the Alaska Regional Development Organizations (ARDORs) resulting in creation of new business opportunities. In FY01, there were 27 coordinated regional efforts and in FY00 there were 31.



Target: There will be 30 coordinated regional efforts resulting in creation of new business opportunities.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

The data was taken from the FY03 ARDOR application information that will be used to publish the January 2003 ARDOR annual report. One ARDOR (Interior Rivers) did not report their FY02 information and one ARDOR (Lower Yukon) was decertified during FY02.

Measure:

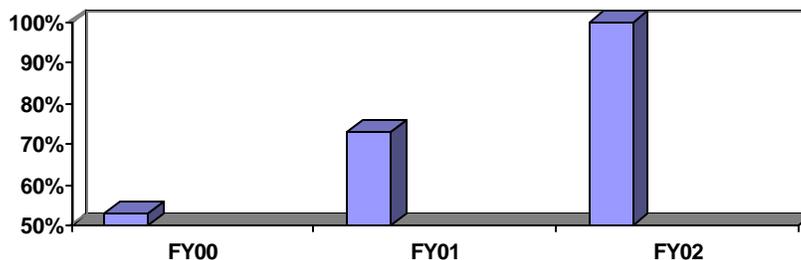
The percentage of goals identified through regional processes that are achieved.

Sec 24(d)(2) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:

The percentage of goals identified through regional processes that are achieved is an average of 91%. Figures were taken from the Alaska Regional Development Organization FY03 grant applications. The percentage report was derived by dividing the number of goals accomplished during the year by the number of goals identified at the beginning of the year. The percentage of goals from the FY01 grant applications is an average of 53%, the first year of the measure. The percentage of goals from the FY02 grant applications is an average of 73%.

Percentage of Goals Achieved



Target: The percentage of goals identified through regional processes that are achieved will be an average of 90%.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

The information is taken from the FY03 ARDOR grant applications. The goals used in the calculation are the grantees' goals.

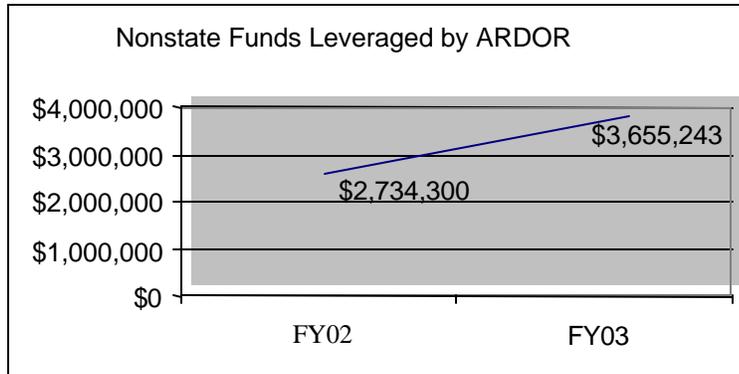
Measure:

The change in the amount of nonstate funds leveraged by ARDOR grants.

Sec 24(d)(3) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:

The amount of nonstate funds leveraged by the FY03 ARDOR grants is \$3,655,243, an increase from \$2,734,300 in FY02.



Target: The amount of nonstate funds leveraged by the FY04 ARDOR grants will increase 10% from FY03.

Benchmark Comparisons:

Not applicable.

Background and Strategies:

The information is taken from the FY03 ARDOR grant applications.

Measure:

The cost per trade lead in international trade and development.

Sec 25(b)(1) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:

No baseline number as yet. This is a new measure approved by the 22nd Legislature. Based on a performance measure approved by the 21st Legislature, the division began in FY01 to maintain records quantifying the number of trade leads distributed to Alaska exporters, overseas buyers, film community, and other Alaska businesses.

In FY 02 the Division was involved in generating, responding to, and distributing more than 1150 trade leads. This amounts to approximately 5 per business day. In addition the division responded to approximately 1000 requests for information, statistics and research in FY 02. This amounts to approximately 4 per day to the private sector and other non-governmental inquirers.

Benchmark Comparisons:

A comparison between Alaska and other states will be problematic. According to the two leading national organizations supporting international trade and economic development (NASDA and SIDO) for the states, comparative data is neither collected nor reported.

Background and Strategies:

Handling of leads is one of many activities performed by the division. The division's in-state trade specialists and overseas trade representatives work closely with Alaska and overseas companies to identify and pursue opportunities for trade and development by:

- striving to increase number of leads and qualify leads for appropriateness and potential, while working to contain cost;
- distributing leads to appropriate Alaska and overseas businesses;
- identifying and helping Alaska companies to pursue new export opportunities;
- participating in special promotions and presentations, trade shows and seminars to raise the visibility of Alaska as a potential source for products and services, and a good place to do business;
- educating potential customers overseas about what Alaska has to offer, through efforts of overseas trade representatives in Japan, Korea, China, Taiwan, and the Russian Far East; and
- organizing and conducting trade missions, inbound and outbound, to introduce buyers in key markets to Alaska sellers.

The division has not yet devised a mechanism that can efficiently quantify the cost per lead. The division will seek to work with the legislature to modify this measure so that it can be recorded and reported appropriately.

Measure:

The increase in the number of Alaska firms that export services and products.

Sec 25(b)(2) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:

According to the U.S. Department of Commerce's publication, "A Profile of U.S. Exporting Companies, 1998-1999", in 1999, the most recent year for which figures are available, the number of Alaska-based exporters was 859. This number represents a 10% increase from 1998.

Target: Meet or exceed the national rate of growth of the number of exporting companies.



Benchmark Comparisons:

During the 1998 to 1999 period, the national rate of growth of the number of exporting companies was 7.5%, based on information collected and reported by the U.S. Department of Commerce.

Background and Strategies:

Diversifying markets is beneficial to Alaska companies and Alaska's economy. The division assists export-ready companies to begin and expand export markets.

- Provide trade information and services to export-ready Alaska companies.
- Assist smaller and new-to-export firms to "test the waters" overseas through relatively inexpensive means such as Alaska Products Catalogs distributed to trade groups, and shared Alaska booths at targeted trade shows.

- With private sector interest and support, organize and conduct trade missions matching industries with potential markets to expand sales in current markets and develop new markets.

Measure:

The change in the dollar value of exports from the state.

Sec 24(d)(3) Ch 124 SLA 2002(HB 515)

Alaska's Target & Progress:

The dollar value of goods exported from Alaska totaled \$ \$2.458 billion in 2001, a decrease of less than one percent from 2000. According to ITMD's 2001 annual report, Alaska exports totaled \$2.418 billion. In Oct. 2002, The U.S. Department of Commerce revised the Alaska export total to \$2.458 billion. This revised figure is presented here accordingly.



Target: Meet or exceed the national growth rate of exports.

Benchmark Comparisons:

Based on information collected and reported by the U.S. Department of Commerce Census Bureau, the change in the dollar value of Alaska exports can be compared with the change in the dollar value of exports from other states. Figures are derived from Export Statistics, State of Origin series. U.S. exports decreased 6.3% in 2001.

Background and Strategies:

The state's export industries continue to benefit from Alaska's trade presence in key overseas markets. The division assists Alaska companies and industries to export in the following ways:

- Provide information and assistance to help Alaska companies initiate or expand export business activities.
- Research potential niche-market opportunities for value-added Alaska products. Identify potential buyers in promising markets, and introduce them to Alaska suppliers.
- Keep Alaskans informed about key markets through periodic newsletters and special reports.
- Promote exports to Alaska's key markets - Japan, Korea, Canada, China, Taiwan, and the Russian Far East.
- Focus on Alaska's key markets by contracting for trade representation in Tokyo, Seoul, Taipei and Sakhalin. Overseas trade representatives maintain contacts with key officials in private sector and government, promote Alaska products and services, and provide timely, useful market information to Alaskans.
- Utilize overseas trade representatives to extend the effectiveness of Alaska companies overseas - provide market research on specific goods and services, and assist Alaskans to make contact with buyers.

Community Assistance & Economic Development

BRU Financial Summary by Component

All dollars in thousands

	FY2002 Actuals				FY2003 Authorized				FY2004 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
<u>Formula Expenditures</u>	None.											
<u>Non-Formula Expenditures</u>												
Community & Business Development	4,265.8	1,108.9	2,683.5	8,058.2	4,625.2	1,405.4	2,861.9	8,892.5	0.0	0.0	0.0	0.0
Int'l Trade and Market Dev	1,461.3	0.0	357.1	1,818.4	415.0	0.0	1,569.8	1,984.8	0.0	0.0	0.0	0.0
Community Advocacy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4,018.0	1,403.7	2,969.4	8,391.1
Trade and Development	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	666.6	0.0	1,582.1	2,248.7
Totals	5,727.1	1,108.9	3,040.6	9,876.6	5,040.2	1,405.4	4,431.7	10,877.3	4,684.6	1,403.7	4,551.5	10,639.8

**Community Assistance & Economic Development
Proposed Changes in Levels of Service for FY2004**

See components.

**Community Assistance & Economic Development
Summary of BRU Budget Changes by Component
From FY2003 Authorized to FY2004 Governor**

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2003 Authorized	5,040.2	1,405.4	4,431.7	10,877.3
Adjustments which will continue current level of service:				
-Community & Business Development	-4,221.1	-1,387.8	-2,861.9	-8,470.8
-Int'l Trade and Market Dev	-299.0	0.0	-1,569.8	-1,868.8
-Community Advocacy	4,005.5	1,403.7	2,843.8	8,253.0
-Trade and Development	666.6	0.0	1,407.1	2,073.7
Proposed budget decreases:				
-Community & Business Development	-404.1	-17.6	0.0	-421.7
-Int'l Trade and Market Dev	-116.0	0.0	0.0	-116.0
Proposed budget increases:				
-Community Advocacy	12.5	0.0	125.6	138.1
-Trade and Development	0.0	0.0	175.0	175.0
FY2004 Governor	4,684.6	1,403.7	4,551.5	10,639.8