

State of Alaska FY2010 Governor's Operating Budget

Department of Commerce, Community, and Economic Development Investments RDU/Component Budget Summary

RDU/Component: Investments

(There is only one component in this RDU. To reduce duplicate information, we did not print a separate RDU section.)

Contribution to Department's Mission

Promote economic development.

Provide interagency and interdepartmental loan servicing of other loan portfolios that increase operational efficiencies.

Protect the State's investments in the loan funds under administration and provide a return on capital when it does not impair program missions.

Core Services

- Provide direct state loan origination and servicing under six active loan programs: Commercial Fishing, Fisheries Enhancement, Small Business Economic Development, Rural Development Initiative, Capstone Avionics and Self-Help Group Home.
- Provide servicing of loan portfolios owned by other state agencies.
- Protect the financial integrity of the loan funds under administration through loan servicing efforts and provide a return on capital to the state when appropriate.

End Result	Strategies to Achieve End Result
<p>A: Economic development through direct state lending in those industries and in those areas that are not adequately serviced by the private sector.</p> <p><u>Target #1:</u> Eligible aircraft owners receive financing to purchase and install Capstone avionics equipment in 50 aircraft.</p> <p><u>Status #1:</u> New target, as Capstone Avionics program is being implemented during fiscal year 2009. Data will be collected and reported at the end of FY2009.</p> <p><u>Target #2:</u> Provide financing to Alaskan private non-profit aquaculture corporations to produce \$45 million in hatchery-reared salmon to Alaskan commercial fisheries annually.</p> <p><u>Status #2:</u> Aquaculture development: \$65 million hatchery-reared salmon exceeding goal.</p> <p><u>Target #3:</u> Create or maintain 400 jobs annually in the Alaska commercial fishing industry.</p> <p><u>Status #3:</u> Commercial fishing industry: Target of creating or maintaining 400 jobs in FY08 was not met, as total of jobs at fiscal year end was 361.</p> <p><u>Target #4:</u> Create or maintain 90 jobs in rural Alaska annually, as a result of Rural Development Initiative Fund (RDIF) and Small Business Economic Development (SBED) loans.</p> <p><u>Status #4:</u> Rural Development Initiative Funds and Small</p>	<p>A1: Promote installation of Capstone Avionics equipment in Alaskan aircraft by disseminating information about the Capstone Avionics Loan Program (Capstone Program) and providing efficient processing of loan applications.</p> <p><u>Target #1:</u> Provide Capstone Program information to 300 persons involved in the Aviation Industry annually.</p> <p><u>Status #1:</u> New target, as Capstone Avionics program is being implemented during fiscal year 2009. Data will be collected and reported at the end of FY2009.</p> <p><u>Target #2:</u> Process Capstone Program loan applications in 25 days or less.</p> <p><u>Status #2:</u> New target, as Capstone Avionics program is being implemented during fiscal year 2009. Data will be collected and reported at the end of FY2009.</p> <p>A2: Increase financial services provided to Alaskan commercial fishing harvesters.</p> <p><u>Target #1:</u> Provide financial services to 750 commercial fishing harvesters annually.</p> <p><u>Status #1:</u> Exceeded FY08 target of 750 harvesters receiving financial services, as 764 harvesters received those services during FY08. FY09's target remains at 750.</p> <p>A3: Promote development of predominately resident</p>

<p>Business Economic Development loans: With 117 jobs realized during FY08, the target of 90 jobs was exceeded.</p>	<p>fisheries by increasing or maintaining the percentage of limited entry permits held by Alaska residents.</p> <p><u>Target #1:</u> Maintain the number of permits held by Alaskans at 78% or greater. <u>Status #1:</u> Did not reach FY08 target of 78% of limited entry permits being held by Alaska residents as 77% were held in FY08.</p> <p>A4: Utilize the Rural Development Initiative Fund and the Small Business Economic Development loan fund to increase the number of jobs created or maintained in rural communities.</p> <p><u>Target #1:</u> Generate twelve new Rural Development Initiative Fund (RDIF) and Small Business Economic Development (SBED) loans, originated and serviced for the Alaska Industrial Development and Export Authority (AIDEA). <u>Status #1:</u> 12 loans were generated during FY08, meeting the new target.</p> <p>A5: Promote enhancement of the state's fisheries by decreasing response time to loan applications from private non-profit aquaculture associations.</p> <p><u>Target #1:</u> Process Fisheries Enhancement Revolving Loan Fund (FERLF) loan applications in eighteen days or less. <u>Status #1:</u> Actual processing time of 14 days was better than the target of 18 days for Fisheries Enhancement Revolving Loan Fund applications.</p>
End Result	Strategies to Achieve End Result
<p>B: Interagency and interdepartmental servicing of loan portfolios.</p> <p><u>Target #1:</u> Generate \$1.6 million or more annually in new loans. <u>Status #1:</u> New loans of \$1.8 million issued exceeding target of \$1.6 million.</p>	<p>B1: Provide prudent financial management of loan funds serviced for other agencies.</p> <p><u>Target #1:</u> Maintain the cumulative delinquency rate of revolving loan portfolios serviced for agencies, other than the Alaska Division of Investments, at 5% or less. <u>Status #1:</u> Exceeded expectations - FY08 actual delinquency rate of 1.9% was less than target of 5%.</p>
End Result	Strategies to Achieve End Result
<p>C: A return of capital to the state through financial management of loan funds.</p> <p><u>Target #1:</u> Generate \$4.5 million annually in net earned revenue that may be utilized to fund government operations. <u>Status #1:</u> Generated \$6 million in net earned revenue exceeding target of \$4 million.</p>	<p>C1: Generate capital excess to loan demand and operational needs to help fund government operations.</p> <p><u>Target #1:</u> Maintain the cumulative delinquency rate of all loan portfolios serviced by the Alaska Division of Investments (ADI), whether serviced for other agencies or owned by ADI, at 6% or less. <u>Status #1:</u> Exceeded expectations - FY08 actual delinquency rate of 1.7% was less than target of 6%.</p>

	<p>Target #2: Maintain the delinquency rate of the Commercial Fishing Revolving Loan Fund (CFRLF) at 8% or less.</p> <p>Status #2: Exceeded expectations - FY08 actual delinquency rate of 4.3% was less than target of 8%.</p>
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Major Activities to Advance Strategies	
<ul style="list-style-type: none"> Promote program awareness through marketing/outreach efforts Loan origination Loan servicing Promote awareness of loan servicing capabilities Loan refinancing Loan modifications and workouts Loan collections Originate loans in rural areas that focus on job creation Increase the safety of air carrier, air taxi and general aviation in Alaska by providing low interest loans to purchase Capstone Avionics equipment 	<ul style="list-style-type: none"> Reduce search and rescue costs in Alaska by providing low interest loans to purchase and install Capstone Avionics equipment Pursue additional funding opportunities when appropriate Continue utilizing fisheries business assistance contract Continue public outreach efforts to rural Alaska Continue participation in the volunteer tax and loan program Participate in hatchery corporation board meetings Administer salmon enhancement tax distribution Provide loans to community quota entities

FY2010 Resources Allocated to Achieve Results							
FY2010 Component Budget: \$4,578,300	<p>Personnel:</p> <table> <tr> <td>Full time</td><td>44</td></tr> <tr> <td>Part time</td><td>0</td></tr> <tr> <td>Total</td><td>44</td></tr> </table>	Full time	44	Part time	0	Total	44
Full time	44						
Part time	0						
Total	44						

Performance

A: Result - Economic development through direct state lending in those industries and in those areas that are not adequately serviced by the private sector.

Target #1: Eligible aircraft owners receive financing to purchase and install Capstone avionics equipment in 50 aircraft.

Status #1: New target, as Capstone Avionics program is being implemented during fiscal year 2009. Data will be collected and reported at the end of FY2009.

Analysis of results and challenges: The Capstone Avionics Loan Program (Capstone Program) was implemented July 1, 2008; therefore no data is available for this reporting period. The Capstone Program is a joint endeavor involving both federal and state government and private industry in an effort to improve aviation safety as well as enhancing economic efficiency in the State of Alaska. The Capstone Program provides low interest loans to aircraft owners that fly a substantial number of flight hours in Alaska so that they can purchase Capstone Avionics equipment. This equipment allows aircraft to interact with ground infrastructure and satellite stations to provide pilots with a whole package of real time data needed for safe flight. The Federal Aviation Administration (FAA) has committed to installing and maintaining the required ground infrastructure (approximately \$493 million) if a sufficient number of aircraft owners install the Capstone Avionics equipment. A pilot project demonstrated that aircraft equipped with Capstone Avionics were involved in 47% fewer accidents. The FAA estimated that the state could reap \$824 million in safety and community access benefits over the next 27 years as a result of this new technology.

Target #2: Provide financing to Alaskan private non-profit aquaculture corporations to produce \$45 million in hatchery-reared salmon to Alaskan commercial fisheries annually.

Status #2: Aquaculture development: \$65 million hatchery-reared salmon exceeding goal.

Total Value of Hatchery-Reared Salmon to Statewide Commercial Fisheries

Year	Hatchery Salmon Value
2007	\$65,109,000
2006	\$59,100,000
2005	\$39,300,000
2004	\$26,500,000
2003	\$39,900,000
2002	\$29,100,000
2001	\$44,300,000
2000	\$57,000,000
1999	\$46,800,000
1998	\$41,700,000

Methodology: Alaska Department of Fish & Game/Division of Commercial Fisheries/Bruce White, Fisheries Biologist. Data is Calendar Year.

Analysis of results and challenges: Salmon hatcheries provide a significant financial contribution to numerous coastal economies. The Alaska Division of Investments (ADI) provides the salmon aquaculture industry in Alaska with a source of low-cost capital through the Fisheries Enhancement Revolving Loan Fund (FERLF). This capital is specifically tailored by statute to meet the needs of this unique industry and is not available in the private sector. Measuring the amount of money generated annually as a result of salmon raised by FERLF participants is a good indicator of the program's effectiveness. The most recent information available from the Alaska Department of Fish & Game (ADF&G) Calendar Year 2007 (CY07), indicates a total market value of hatchery-reared salmon of \$65.1 million. The increase in CY07 is due to very strong fish returns in several different fisheries.

Target #3: Create or maintain 400 jobs annually in the Alaska commercial fishing industry.

Status #3: Commercial fishing industry: Target of creating or maintaining 400 jobs in FY08 was not met, as total of jobs at fiscal year end was 361.

Number of Jobs Created or Maintained Through Commercial Fishing Revolving Loans

Fiscal Year	Jobs Created/Maintained
FY 2008	361
FY 2007	357
FY 2006	400
FY 2005	603

Methodology: Jobs are tracked in the Division of Investments loans software system.

Analysis of results and challenges: Fewer extension requests reduced the number of jobs maintained. Maintaining local ownership of fishery resources, and the jobs associated with this ownership, is critically important to Alaska's economy. Lending activity results in the creation of new jobs and the maintenance of existing jobs for Alaska residents, in addition to providing a necessary source of capital to the commercial fishing industry. Maintaining employment levels is critical to Alaska's economy, particularly in rural areas of the state. The CFRLF plays a significant role in the rural economy, as commercial fishing is often the only viable economic activity.

Target #4: Create or maintain 90 jobs in rural Alaska annually, as a result of Rural Development Initiative Fund (RDIF) and Small Business Economic Development (SBED) loans.

Status #4: Rural Development Initiative Funds and Small Business Economic Development loans: With 117 jobs realized during FY08, the target of 90 jobs was exceeded.

Number of Jobs Created or Maintained Through Rural Development Initiative Fund and Small Business Economic Development Loans

Fiscal Year	Jobs Created/Maintained
FY 2008	117
FY 2007	88
FY 2006	186
FY 2005	204
FY 2004	31
FY 2003	38

Methodology: Jobs are tracked in the Division of Investments loans software system.

Analysis of results and challenges: The RDIF and SBED loan funds are revolving loan funds that utilize borrower repayments from existing loans to fund new loans. With \$2.5 million of additional grant funding received between FY02 and FY04, ADI initiated a significant outreach effort in rural areas of the state. This effort resulted in a dramatic increase in the volume of loans generated in FY05 and FY06. Based on available funding, ADI anticipates similar results in FY09.

A1: Strategy - Promote installation of Capstone Avionics equipment in Alaskan aircraft by disseminating information about the Capstone Avionics Loan Program (Capstone Program) and providing efficient processing of loan applications.

Target #1: Provide Capstone Program information to 300 persons involved in the Aviation Industry annually.

Status #1: New target, as Capstone Avionics program is being implemented during fiscal year 2009. Data will be collected and reported at the end of FY2009.

Analysis of results and challenges: The full economic and safety benefits of the Capstone Avionics Loan Program (Capstone Program) will not be realized unless a significant number of aircraft in Alaska install the required Capstone Avionics equipment. The Aviation Industry in Alaska is a major component of the transportation network required for economic development and a lifeline to and for many rural communities. Networking and providing information concerning the financing available through the Capstone Program to people in the Alaska aviation arena is crucial to the overall success of the Capstone Program.

Target #2: Process Capstone Program loan applications in 25 days or less.

Status #2: New target, as Capstone Avionics program is being implemented during fiscal year 2009. Data will be collected and reported at the end of FY2009.

Analysis of results and challenges: A key component to the Capstone Program will be to make the program a ready access to low interest financing to install the required avionics equipment. Delivering excellent customer service through efficient processing of loan applications will help to ensure the overall success of the Capstone Program and expedite the safety and economic benefits for the people of Alaska.

A2: Strategy - Increase financial services provided to Alaskan commercial fishing harvesters.

Target #1: Provide financial services to 750 commercial fishing harvesters annually.

Status #1: Exceeded FY08 target of 750 harvesters receiving financial services, as 764 harvesters received those services during FY08. FY09's target remains at 750.

Harvesters Provided with Financial Services under the Commercial Fishing Revolving Loan Fund

Fiscal Year	Commercial Harvesters
FY 2008	764
FY 2007	760
FY 2006	912
FY 2005	1032
FY 2004	841

Methodology: Statistics tracked in Division of Investments loans software system.

Analysis of results and challenges: One of the primary benefits of the lending activity and financial services provided under the Commercial Fishing Revolving Loan Fund (CFRLF) is the creation and maintenance of jobs. There is a direct link between new loans and job creation as resident borrowers hire licensed crew to operate their small business enterprises. In addition, the Alaska Division of Investments (ADI) efforts in restructuring troubled loans serve as an economic buffer to the significant potential loss of jobs that would result without such efforts. The reductions in FY07 and FY08 were due to reductions in the number of borrowers requiring assistance through our loan extension program. This program assists those borrowers that are unable to make their loan payments on time. Fewer borrowers now require this assistance as they were able to make their loan payments in a timely manner. ADI expects similar results in FY09.

A3: Strategy - Promote development of predominately resident fisheries by increasing or maintaining the percentage of limited entry permits held by Alaska residents.

Target #1: Maintain the number of permits held by Alaskans at 78% or greater.

Status #1: Did not reach FY08 target of 78% of limited entry permits being held by Alaska residents as 77% were held in FY08.

The Percentage of Limited Entry (LE) Permits Held by Alaskan Residents

Fiscal Year	Alaskan Owned LE Permits
FY 2008	77%
FY 2007	77%
FY 2006	77%
FY 2005	78%
FY 2004	78%
FY 2003	78%
FY 2002	78%
FY 2001	78%
FY 2000	78%
FY 1999	78%
FY 1998	77%

Methodology: Information received from the Commercial Fisheries Entry Commission website. "Permits and Permit Holders".

Analysis of results and challenges: A statutory mission of the Commercial Fishing Revolving Loan Fund is to provide long term, low interest loans to commercial fishing harvesters to promote resident fisheries. The overall resident ownership of limited entry permits is one of the ways to measure program success. Resident ownership is particularly important in rural areas where economic opportunities are limited.

A4: Strategy - Utilize the Rural Development Initiative Fund and the Small Business Economic Development loan fund to increase the number of jobs created or maintained in rural communities.

Target #1: Generate twelve new Rural Development Initiative Fund (RDIF) and Small Business Economic Development (SBED) loans, originated and serviced for the Alaska Industrial Development and Export Authority (AIDEA).

Status #1: 12 loans were generated during FY08, meeting the new target.

The Number of New Rural Development Initiative Fund (RDIF) and Small Business Economic Development (SBED) Loans Originated and Serviced for Alaska Industrial Development and Export Authority

Fiscal Year	New Loans ~ SBED/RDIF
FY 2008	12
FY 2007	14
FY 2006	22
FY 2005	23
FY 2004	9
FY 2003	5

Methodology: Statistics are tracked in the Division of Investments loan software system.

Analysis of results and challenges: The Small Business Economic Development (SBED) and Rural Development Initiative Fund (RDIF) loan programs were designed specifically for creating and maintaining jobs in rural areas of the state. The RDIF and SBED loan funds are revolving loan funds that utilize borrower repayments, from existing loans, to fund new loans. ADI received additional grants in the amount of \$2.5 million dollars between FY02 and FY04. With additional funding available ADI initiated a significant outreach effort in rural areas of the state. The increase in jobs in FY05 and FY06 was the result of the outreach efforts, dramatically increasing loan volume. The reduction in FY07 reflects a decrease in funding available. Funding levels should not remain consistent and ADI anticipates FY09 results to mirror FY08.

A5: Strategy - Promote enhancement of the state's fisheries by decreasing response time to loan applications from private non-profit aquaculture associations.

Target #1: Process Fisheries Enhancement Revolving Loan Fund (FERLF) loan applications in eighteen days or less.

Status #1: Actual processing time of 14 days was better than the target of 18 days for Fisheries Enhancement Revolving Loan Fund applications.

Fisheries Enhancement Loan Application Response Time

Fiscal Year	Days to Process
FY 2008	14
FY 2007	21
FY 2006	5
FY 2005	17
FY 2004	24

Methodology: Statistics are tracked in the Division of Investments loans software system.

Analysis of results and challenges: Efficient processing of applications benefits the aquaculture industry during periods of economic stress such as we are currently experiencing. Projects funded through loans are not as likely to be jeopardized by delays and cost overruns when applications are processed timely. FY06 processing days were based on one loan, while FY07 was based on eight and FY08 on four. Additionally, the FY06 borrower contacted an ADI Loan Officer prior to submission of their application, which made the actual processing of their application much faster than usual once it was actually received by ADI.

B: Result - Interagency and interdepartmental servicing of loan portfolios.

Target #1: Generate \$1.6 million or more annually in new loans.

Status #1: New loans of \$1.8 million issued exceeding target of \$1.6 million.

New Loans Generated From Loan Portfolios Serviced for Other Agencies

Fiscal Year	New Loans Generated
FY 2008	\$1,752,548
FY 2007	\$1,618,575
FY 2006	\$2,540,000
FY 2005	\$2,989,100
FY 2004	\$1,031,400
FY 2003	\$1,374,600

Methodology: Statistics tracked in the Division of Investments loans software system.

Analysis of results and challenges: The RDIF and SBED loan funds are revolving loan funds that utilize borrower repayments from existing loans to fund new loans. With \$2.5 million of additional grant funding received between FY02 and FY04, ADI initiated a significant outreach effort in rural areas of the state. This effort resulted in a dramatic increase in the volume of loans generated in FY05 and FY06. Based on available funding, ADI anticipates results similar to FY08 in FY09.

B1: Strategy - Provide prudent financial management of loan funds serviced for other agencies.

Target #1: Maintain the cumulative delinquency rate of revolving loan portfolios serviced for agencies, other than the Alaska Division of Investments, at 5% or less.

Status #1: Exceeded expectations - FY08 actual delinquency rate of 1.9% was less than target of 5%.

Average Annual Delinquency Rate of Portfolios Serviced for Other Agencies

Fiscal Year	Average Delinquency Rate
FY 2008	1.9%
FY 2007	2.6%
FY 2006	6.8%
FY 2005	14.8%
FY 2004	10.2%
FY 2003	11.0%

Methodology: Delinquency rates are calculated monthly utilizing information obtained from the Division of Investments loans software system.

Analysis of results and challenges: The consolidation of lending functions across various agencies to the Alaska Division of Investments (ADI) results in more efficient government. Maintaining low delinquency rates on the loan funds administered by ADI results in greater operational efficiencies and a higher rate of return to the loan funds. The majority of loans serviced for other agencies are small business loans aimed at rural areas. Commercial lending in rural Alaska requires experience and knowledge in rural economic conditions to stimulate economic development while maintaining prudent lending practices. ADI accomplishes this by utilizing an experienced and knowledgeable staff. Improved market conditions and efficient program management led to dramatic improvements in delinquency rates in FY07 and FY08.

C: Result - A return of capital to the state through financial management of loan funds.

Target #1: Generate \$4.5 million annually in net earned revenue that may be utilized to fund government operations.

Status #1: Generated \$6 million in net earned revenue exceeding target of \$4 million.

Net Earned Revenue Utilized for Government Operations

Fiscal Year	Net Earned Revenue Utili
FY 2008	\$5,982,348
FY 2007	\$5,500,000
FY 2006	\$4,000,000
FY 2005	\$5,557,000
FY 2004	\$2,875,300
FY 2003	\$4,530,100
FY 2002	\$2,040,200
FY 2001	\$3,115,500
FY 2000	\$1,508,600

Methodology: Net earned revenue is calculated using interest earnings and revenues generated from Division of Investments loan funds, less Division of Investments operating expenses.

Analysis of results and challenges: Proper financial management of the Alaska Division of Investments loan portfolios creates earnings that can be made available for the operations of state government. Net earnings realized from continuing operations of the loan funds, combined with interest earned by the Treasury from cash in the loan funds when managed carefully, can be utilized without sacrificing program goals. Improved market conditions and efficient program management resulted in increased earnings in FY08.

C1: Strategy - Generate capital excess to loan demand and operational needs to help fund government operations.

Target #1: Maintain the cumulative delinquency rate of all loan portfolios serviced by the Alaska Division of Investments (ADI), whether serviced for other agencies or owned by ADI, at 6% or less.

Status #1: Exceeded expectations - FY08 actual delinquency rate of 1.7% was less than target of 6%.

Average Annual Delinquency Rate of All Loan Funds

Fiscal Year	Average Delinquency Rate
FY 2008	1.7%
FY 2007	2.6%
FY 2006	2.1%
FY 2005	6.3%
FY 2004	10.7%
FY 2003	15.6%
FY 2002	15.1%
FY 2001	10.4%
FY 2000	6.9%

Methodology: Delinquency rates are calculated monthly utilizing information obtained from the Division of Investments loans software system.

Analysis of results and challenges: Maintaining an appropriately low delinquency rate on loan funds under the Alaska Division of Investments (ADI) administration increases cash flow into the funds, making more funds available to lend and generating more interest income. Delinquency management is an integral part of the financial management of loan funds. ADI accomplishes this by utilizing an experienced and knowledgeable collections staff. Improved market conditions and focused collection efforts led to dramatic improvements in delinquency rates in FY06 and FY07. Improved market conditions and efficient program management resulted in extremely low delinquency rates in FY06, FY07 and FY08.

Target #2: Maintain the delinquency rate of the Commercial Fishing Revolving Loan Fund (CFRLF) at 8% or less.

Status #2: Exceeded expectations - FY08 actual delinquency rate of 4.3% was less than target of 8%.

Average Annual Delinquency Rate of the Commercial Fishing Revolving Loan Fund

Fiscal Year	Average Delinquency Rate
FY 2008	4.3%
FY 2007	4.9%
FY 2006	4.8%
FY 2005	9.6%
FY 2004	13.5%
FY 2003	21.5%
FY 2002	20.4%
FY 2001	17.0%
FY 2000	25.0%

Analysis of results and challenges: The commercial fishing industry in Alaska has experienced dramatic and stressful changes in the recent past, primarily as a result of the impact of farmed salmon on world markets. The Alaska Division of Investments (ADI) utilized many creative solutions to help meet the needs of the industry and accomplish program goals while protecting the integrity of the Commercial Fishing Revolving Loan Fund. ADI will continue to effectively manage delinquencies by utilizing an experienced and knowledgeable collections staff. Improved market conditions and efficient program management resulted in lower delinquency rates in FY06, FY07 and FY08.

Key Component Challenges**Rural Economic Development**

Lack of infrastructure and elevated costs—including travel costs and the cost of capital—present tremendous challenges to rural Alaska residents attempting to expand economic activity in their regions. The Alaska Division of Investments will continue to conduct outreach efforts and to ensure that two small business loan programs (Small Business Economic Development & Rural Development Initiative) are available to rural residents. Both of these programs create jobs and stimulate local economies.

Salmon Industry

The commercial fishing industry continues to experience competition as world markets adapt to the ever changing supply of fisheries products. Commercial fishing is very cyclical with periods of low returns followed by strong returns. Without access to capital, Alaskan harvesters will not be able to compete in world markets and the loss of commercial fishing operations in our villages would have devastating economic affects. Dramatically increased costs present a serious challenge for many harvesters. The Alaska Division of Investments is in the process of implementing a new program to help Alaskan harvesters purchase new engines that are far more fuel efficient. This will reduce operating expenses and help increase their profitability. This new program goes into effect on September 27, 2008.

Significant Changes in Results to be Delivered in FY2010

No significant changes.

Major Component Accomplishments in 2008**Alaska Capstone Avionics Revolving Loan Fund (ACARLF)**

The Division of Investments (ADI) and the Department of Transportation and Public Facilities spearheaded efforts to achieve passage of legislation that created the ACARLF. The bill (SB 249), which was introduced by Governor Palin and passed unanimously by the legislature, provides low interest loans to aircraft owners that fly a substantial number of flight hours in Alaska so that they can purchase Capstone Avionics equipment. This equipment allows aircraft to interact with ground infrastructure and satellite stations to provide pilots with real time data needed for

safe flight. A pilot project demonstrated that aircraft equipped with Capstone Avionics were involved in 47% fewer accidents. The FAA estimated that the state could reap \$824 million in safety and community access benefits over the next 27 years as a result of this new technology. ADI developed program regulations, policies and procedures, accounting infrastructure and servicing guidelines, and implemented the program on July 1, 2008.

Loan Servicing Software Replacement

ADI completed conversion to a new loan servicing software package. This new software will increase efficiencies and provide better information to management, the legislature, and the public. ADI is in the process of customizing the software to maximize its effectiveness.

Commercial Fishing Revolving Loan Fund Program (CFRLF). In fiscal year 2008, the Alaska Division of Investments (ADI) made 120 new loans totaling \$6.7 million dollars and processed forty loan extension requests. ADI also developed a streamlined application process to assist borrowers in their refinancing efforts as they submit applications for lower interest rates. As a result of our efforts, ADI processed 78 refinancing applications in FY08. The Commercial Fishing Revolving Loan Fund (CFRLF) borrowers experienced very low delinquency rates this fiscal year. The CFRLF produced excess earnings of approximately \$6.0 million dollars that were available to fund other government operations.

ADI developed new regulations that will provide low interest loans to commercial fishing harvesters that wish to upgrade their vessel engines to new fuel-efficient models.

Fisheries Enhancement Revolving Loan Fund Program (FERLF). During fiscal year 2008, ADI made four loans totaling \$2.2 million. These loans provided one aquaculture corporation with funds for capital improvements to a hatchery located in Southeast Alaska and the other three provided operating funds for hatcheries located in Central Alaska.

Small Business Economic Development (SBED) Loan Program. This program provides loans to small businesses located in areas of the state that have experienced economic difficulties. The purpose of the program is to create jobs and stimulate economic activity in these communities. During fiscal year 2008, ADI made seven loans totaling \$1 million. These loans provided: 1) \$25,000 for the construction of a building and the purchase of equipment for processing value-added seafood products; 2) \$175,000 to increase the capacity of a fishing vessel thereby increasing the number of fisheries in which the borrower could participate; 3) \$82,500 to purchase real estate to set up a new business; 4) \$132,000 to purchase an aircraft and new floats to be used for flight-seeing tours; 5) \$220,000 for operating capital for a fisheries related business; 6) \$175,000 for the purchase of a commercial fishing vessel and 7) \$200,000 for the purchase of a lodge at Lake Louise. These loans resulted in the retention and/or creation of seventy jobs in Alaska.

Rural Development Initiative Fund (RDIF). During fiscal year 2008, ADI made five loans totaling \$0.7 million. These loans provided: 1) \$171,048 for the purchase of a new vessel to be used for an existing guided sport fish and sightseeing business; 2) \$100,000 for the purchase of a vessel to be used for charter and sightseeing purposes; 3) \$72,000 for the purchase of a vessel to be used for the purpose of providing charters; 4) \$200,000 for the purpose of purchasing land and equipment to expand an existing logging and milling business and 5) \$200,000 for the purchase of fish processing equipment and to finish work on a building. These loans have resulted in the creation and/or retention of 49 jobs in Alaska.

Volunteer Tax and Loan Program (VTLP). During the 2008 tax season, the Volunteer Tax and Loan Program teams comprised of advanced college accounting students and tax supervisors, as well as Alaska Business Development Center consultants, visited a total of 92 villages in nine areas to provide tax preparation and loan application services as well as financial counseling. The nine areas around the state that were assisted included Western, Yukon Delta, Kodiak, Bristol Bay, Southeast, Interior, Pribilofs, North Slope and the Aleutian Islands. Volunteer Tax and Loan Program volunteers prepared 2,836 tax returns, assisting approximately 5,730 people. As a result of these efforts, more than \$3.1 million in tax refunds are returning to these communities.

Salmon Enhancement Tax Distribution. A total of \$5.2 million was disbursed in fiscal year 2008 to six associations: Prince William Sound Aquaculture Association, Northern Southeast Regional Aquaculture Association, Southern Southeast Regional Aquaculture Association, Chignik Regional Aquaculture Association, Cook Inlet Aquaculture Association, and Kodiak Regional Aquaculture Association. The Alaska Division of Investments adopted

new regulations to streamline the process for disbursing Salmon Enhancement Taxes to participating regional aquaculture associations.

Statutory and Regulatory Authority

AS 16.10.300 -.370	Commercial Fishing Loan Act
AS 16.10.500 -.620	Fisheries Enhancement Loan Program
AS 26.15.010 -.170	WWII Veterans Revolving Fund
AS 27.09.010 -.060	Mining Loan Fund
AS 44.29.210 -.230	Alcoholism and Drug Abuse Revolving Loan Fund
AS 44.33.020	Dept of Commerce, Community, & Economic Development
AS 44.33.240 -.275	Child Care Facility Revolving Loan Fund
AS 44.33.650 - 690	Alaska Capstone Avionics Revolving Loan Fund
AS 44.88.400 -.430	Small Business Economic Development Revolving Loan Fund
AS 44.88.600 -.900	Rural Development Initiative Fund
AS 45.88.010 -.050 - .500	Alternative Energy Revolving Loan Fund
AS 45.88.100 -.190	Residential Energy Conservation Fund
AS 45.81.200 -.290	Small Business Revolving Loan Fund
AS 45.98.010 -.070	Historical District Revolving Loan Fund
3 AAC 41.010 -.900	Veterans Loan Assumptions
3 AAC 75.010 - 900	Capstone Avionics Loans
3 AAC 77.010 -.900	Reposessed Property
3 AAC 78.010 -.900	Alternative Energy Loans
3 AAC 79.010 -.900	Residential Energy Conservation Loans
3 AAC 80.010 -.900	Commercial Fishing Loans
3 AAC 81.010 -.900	Fisheries Enhancement Loans & Grants
3 AAC 82.010 -.900	Child Care Facility Loans
3 AAC 83.010 -.900	Historical District Loans
3 AAC 86.010 -.900	Small Business Loan Assumptions
3 AAC 87.010 -.900	Mining Loans
3 AAC 89.010 -.900	Fisheries Enhancement Tax Appropriations
3 AAC 99.800 -.820	Small Business Economic Development Loan Program
3 AAC 170.010 -.900	Rural Development Initiative Fund

Contact Information

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Investments Component Financial Summary

All dollars shown in thousands

	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	2,572.7	3,473.7	3,543.5
72000 Travel	33.9	33.5	33.5
73000 Services	1,359.2	936.1	957.1
74000 Commodities	85.1	38.4	38.4
75000 Capital Outlay	12.1	5.8	5.8
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	4,063.0	4,487.5	4,578.3
Funding Sources:			
1007 Inter-Agency Receipts	2.0	4.1	4.2
1036 Commercial Fishing Loan Fund	3,545.4	3,704.2	3,784.5
1070 Fisheries Enhancement Revolving Loan Fund	467.6	557.6	564.1
1164 Rural Development Initiative Fund	28.0	51.8	52.5
1170 Small Business Economic Development Revolving Loan Fund	20.0	50.0	50.7
1209 Alaska Capstone Avionics Revolving Loan Fund	0.0	119.8	122.3
Funding Totals	4,063.0	4,487.5	4,578.3

Estimated Revenue Collections

Description	Master Revenue Account	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Interagency Receipts	51015	2.0	4.1	4.2
Commercial Fishing Loan Fund	51100	3,545.4	3,704.2	3,784.5
AK Capstone Avionics Revolving Loan Fund	51242	0.0	119.8	122.3
Fisheries Enhance. Revolving Loan Fund	51245	467.6	557.6	564.1
Rural Development Initiative Fund (2000)	51435	28.0	51.8	52.5
Small Business Dev Revolving Loan Fund	51467	20.0	50.0	50.7

Estimated Revenue Collections				
Description	Master Revenue Account	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Restricted Total		4,063.0	4,487.5	4,578.3
Total Estimated Revenues		4,063.0	4,487.5	4,578.3

**Summary of Component Budget Changes
From FY2009 Management Plan to FY2010 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2009 Management Plan	0.0	0.0	4,487.5	4,487.5
Adjustments which will continue current level of service:				
-FY2010 Wage and Health Insurance Increases for Bargaining Units with Existing Agreements	0.0	0.0	77.2	77.2
Proposed budget increases:				
-Core Service Increases	0.0	0.0	13.6	13.6
FY2010 Governor	0.0	0.0	4,578.3	4,578.3

Investments
Personal Services Information

Authorized Positions			Personal Services Costs	
	FY2009 Management Plan	FY2010 Governor		
Full-time	44	44	Annual Salaries	2,383,371
Part-time	0	0	COLA	94,681
Nonpermanent	1	1	Premium Pay	0
			Annual Benefits	1,288,207
			<i>Less 5.91% Vacancy Factor</i>	(222,759)
			Lump Sum Premium Pay	0
Totals	45	45	Total Personal Services	3,543,500

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant V	0	0	1	0	1
Accounting Spvr I	0	0	1	0	1
Accounting Spvr II	0	0	1	0	1
Accounting Tech I	0	0	4	0	4
Accounting Tech II	0	0	2	0	2
Accounting Tech III	0	0	3	0	3
Administrative Assistant I	1	0	1	0	2
Administrative Assistant II	0	0	1	0	1
Administrative Clerk II	0	0	2	0	2
Administrative Clerk III	0	0	1	0	1
Administrative Officer II	0	0	1	0	1
Analyst/Programmer II	0	0	1	0	1
Analyst/Programmer III	0	0	1	0	1
Analyst/Programmer IV	0	0	2	0	2
Division Director	0	0	1	0	1
Loan Closer/Processor I	1	0	0	0	1
Loan Closer/Processor II	1	0	4	0	5
Loan Closer/Processor III	0	0	1	0	1
Loan/Collection Manager	0	0	2	0	2
Loan/Collection Off I	2	0	0	0	2
Loan/Collection Off II	1	0	7	0	8
Loan/Collection Officer III	1	0	1	0	2
Totals	7	0	38	0	45