

State of Alaska FY2012 Governor's Operating Budget

**Department of Commerce, Community, and Economic
Development
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.

- Due to the customer launch delays in FY10, revenues are down 42.44% from \$18 million to \$10 million.

Status of Strategies to Achieve End Result

- Achieved target of adding a new service with completion of first Earthen Covered Magazine (ECM) for storage of customer motors in FY11.

END RESULT B: Contribution to Alaska's economy is maintained or improved.

- In-state spending by Alaska Aerospace Corporation totaled \$15.2 million in FY10; this is an 11% increase of in-state spending from FY09.

Status of Strategies to Achieve End Result

- On June 30, 2010, there were 44 employees.
- Spending with Alaska vendors compared to total vendor spending increased 17.50% from FY09 to FY10.

END RESULT C: Alaska's technological infrastructure is strengthened.

- Achieved target of continuing AAC's investment in capital assets, with cumulative investment increasing by 10.82% over FY10. In FY10 AAC management continues to reinvest capital funding in facility infrastructure and technological improvements.

Status of Strategies to Achieve End Result

- The first 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 FY11, AAC requested sustainment funding from the state of Alaska and was granted \$4 million that will keep AAC viable during this transition. All other federal and state spaceports receive sustainment funding through their respective states or Departments of Defense funding similar to the MDA funding previously received by AAC.

Sustainment covers facility readiness, spaceport services, facility sustainment upgrades, utilities and maintaining trained personnel. Funding will allow KLC to continue operations after June 2011 and compete for standard small

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 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 replace critical assets in days to hours 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 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 FY2012

The AAC requests continuation of funds to maintain services.

Major RDU Accomplishments in 2010

FY10 had personnel support the build up for the Air Force STP S-26 launch scheduled for November 2010. This launch experienced two launch slips which generated revenue by Alaska Aerospace employees performing baseline requirements for the mission specific configuration that occurs prior to launch. Repeated mission slips also impacts the preparation timeline because of requirements creep and false starts that cause work to be done and redone. Staff also performed maintenance of the launch facility to ensure launch readiness which was supported by the indirect rate structure that the Air Force has been paying during the launch slips.

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

Management continues to communicate with the aerospace industry highlighting all of Kodiak Launch Complex's capabilities as we actively work to bring additional launch customers to Alaska.

Contact Information

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

All dollars shown in thousands

	FY2010 Actuals				FY2011 Management Plan				FY2012 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	3,756.8	3,756.8	0.0	1,264.7	3,286.6	4,551.3	0.0	1,283.5	3,361.8	4,645.3
AAC Facilities Maintenance	0.0	3,134.9	9,918.9	13,053.8	0.0	1,112.7	23,170.0	24,282.7	0.0	1,137.2	23,252.0	24,389.2
Totals	0.0	3,134.9	13,675.7	16,810.6	0.0	2,377.4	26,456.6	28,834.0	0.0	2,420.7	26,613.8	29,034.5

Alaska Aerospace Corporation
Summary of RDU Budget Changes by Component
From FY2011 Management Plan to FY2012 Governor

All dollars shown in thousands

	<u>Unrestricted</u> <u>Gen (UGF)</u>	<u>Designated</u> <u>Gen (DGF)</u>	<u>Other Funds</u>	<u>Federal</u> <u>Funds</u>	<u>Total Funds</u>
FY2011 Management Plan	0.0	0.0	2,377.4	26,456.6	28,834.0
Adjustments which will continue current level of service:					
-AK Aerospace Corp	0.0	0.0	18.8	75.2	94.0
-AAC Facilities Maintenance	0.0	0.0	24.5	82.0	106.5
FY2012 Governor	0.0	0.0	2,420.7	26,613.8	29,034.5