

State of Alaska FY2002 Governor's Operating Budget

Department of Community & Economic Development

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Department Mission

To promote a healthy economy and strong communities.

Department Goals and Strategies

STRENGTHEN RURAL COMMUNITIES

- Increase the capacity of local government to effectively provide essential public services by providing communities training and onsite technical assistance.
- Enhance the availability and quality of basic local government services by providing financial assistance that supplements local revenue generation (State Revenue Sharing, Safe Communities, shared State Fisheries Business Tax, shared Federal National Forest Receipts, Federal Payment-in-Lieu-of-Taxes).
- Promote local economic development by providing technical and financial support for community infrastructure critical to economic development and small business startup.
- Provide assistance, through coordinated response partnerships, to communities experiencing sudden economic dislocation as a result of major economic disruptions.
- Improve the safety and cost effectiveness of energy sources for power generation and heating in rural Alaska by constructing and repairing bulk fuel storage facilities.
- Protect the State's investments in rural electric power systems through training of the local operators and administrators, and by providing technical and financial assistance to prevent disasters.

WORK WITH RURAL COMMUNITIES AND THE PRIVATE SECTOR IN CREATING NEW JOBS FOR ALASKANS.

- Ensure that residents of small rural communities in western Alaska get the maximum benefits from their participation in the Community Development Quota (CDQ) program, a fisheries development initiative.
- Partner with other state agencies, private businesses, ANCSA corporations, tribes, and local governments to identify and develop opportunities for rural, regional and local economic development.
- Facilitate the exchange of information between Alaska exporters and potential customers through business intelligence services and trade practice assistance.
- Identify and assist in planning and developing new tourism opportunities to expand Alaska's tourist season and increase visits to rural Alaska.
- Encourage new international and domestic air carriers to use Alaska as a passenger and freight delivery point.
- Increase independent visitors on Alaska's highways and roads.
- Work with the Governor's Jobs Cabinet in seeking solutions and strategies for improving the economic climate in rural Alaska.

MARKETING ALASKA-SELL ALASKA'S GOODS AND SERVICES THROUGHOUT THE WORLD.

- In partnership with a private industry association, raise national and international awareness of Alaska as a tourist destination, and increase the consumption of Alaska seafood products through generic and targeted marketing.
- Organize and conduct business trade missions to expand product sales in current markets and develop new markets.
- Participate in special promotions and presentations, trade shows and seminars to raise the visibility of Alaska as a good place to do business.
- Continue the Governor's Business Opportunities Program under which the Governor, Commissioner and other Alaskans visit corporate boardrooms to solicit investment in Alaska.
- Make information on Alaska's economy, goods and services, investment opportunities, and departmental databases available on the Internet.
- Expand the public's ability to obtain department services through the Internet.

MAINTAIN A FAIR AND CONSISTENT BUSINESS REGULATORY ENVIRONMENT IN THE STATE.

- Expedite the conversion of Alaska's telecommunications industry from a monopoly-based to a competitive, market-based industry structure, while guaranteeing universal access to service.
- Assist businesses and consumers by placing the database of licensed professionals, corporations, and insurance carriers on the Internet, including information about disciplinary actions.
- Create simple, self-explanatory securities, corporations, insurance, and occupational licensing applications and forms available on the Internet to improve service to the public and reduce requests for staff assistance.

Key Department Issues for FY2001 – 2002

STATE WORKFORCE

The Department is increasingly encountering the recruitment/retention difficulties faced by all state agencies. Recruitment for positions requiring specialized technical expertise (computer programmers, utility engineering and tariff analysis, etc.) is becoming more and more difficult due to lack of qualified in-state candidates coupled with non-competitive salaries within those fields nationwide. State employee salaries and benefits generally are no longer as competitive as is necessary to attract quality candidates for many state positions. A contributing factor is the "graying" of the workforce, a nationwide phenomenon wherein the "baby boomer" generation of workers are reaching retirement age en masse. Younger replacement workers are not only far fewer in numbers, they do not share the prior generations' notion of staying with the same employer for years. Even if quality replacement workers are found, the state currently does not have the tools or ability to provide retention incentives.

OPERATION RENEW HOPE

In July the Governor declared a fisheries disaster for the Yukon River, Kuskokwim River and Norton Sound salmon fisheries. In response to this disaster, the Governor created Operation Renew Hope to pull together all the various state and federal programs that could respond to the short and long term disaster impacts under this organizational umbrella. The department's participation in this effort has resulted in substantial new responsibilities for staff, particularly within the Commissioner's Office and the Division of Community and Business Development's regional office structure. At this point, federal funding is uncertain. Federal and/or State funding is necessary for the department to maintain the current level of assistance.

MUNICIPAL GOVERNMENT

Many cities in Alaska are struggling to maintain basic services. There are more than 40 smaller municipalities in Alaska that rely on state shared revenue for over 30% of their operating budget. Many communities (particularly in the Yukon/Kuskokwim Delta) are choosing to recognize their tribal organizations as their local governments, raising questions concerning the distribution of municipal property and the extent of tribal powers. Over the last 15 years, the state's two major revenue sharing programs have been cut by more than 85%. Division of Community and Business Development staff have been working with the Legislature to explore modified revenue sharing programs that could limit the impact of cuts on the most financially vulnerable cities, and working with cities to identify sources of local revenue and decide how to most effectively use these limited resources.

POWER COST EQUALIZATION

The PCE endowment fund is expected to generate approximately \$7.3 million for PCE in FY02. The endowment is expected to generate approximately \$13.5 million for PCE in future years beginning in FY03 after the proceeds from Four Dam Pool divestiture are deposited. The key issue for FY02 is that the estimated \$7.3 million contribution from the endowment fund, plus carry forward from FY01 and short-term interest earnings, leaves a shortfall of \$7.8 million.

RURAL ENERGY

Increased funding from the Denali Commission offers a rare opportunity to upgrade both fuel storage facilities and electric utility systems in rural Alaska on a broad scale. A key issue is to provide sufficient management resources and accelerate the pace of project development so that rural communities can realize as much benefit as possible from this opportunity.

The need to reduce energy costs in rural Alaska has become more urgent due to the sharp increase in fuel prices that has occurred during the past year. Strategies to reduce these costs through energy production efficiencies, energy production alternatives, and energy conservation need to be clearly identified, developed, and aggressively implemented.

Demand for loans from the Bulk Fuel Revolving Loan Fund has continued to grow and to outstrip the available funds. A key issue will be to develop policies to prioritize loan requests in line with this continuing shortfall or to identify supplemental financing for bulk fuel purchases.

INTERNATIONAL TRADE AND MARKET DEVELOPMENT

Maintaining and growing Alaska's export market share, and expanding and diversifying the economy, are key for Alaska's economy and jobs. For export markets, the key is Asia. Countries in the region account for nearly 80% of Alaska's total worldwide exports. The state must maintain our effective trade presence - via in-state trade specialists and overseas representatives in Japan, Korea, Taiwan and the Russian Far East -- to assist Alaska businesses as the post "Asian economic crisis" recovery continues. Alaska must also establish an active trade presence in China, the world's largest emerging market. To expand the economy, Alaska must attract new industry and investment to the state -- a highly competitive endeavor. Cities, counties, states and nations compete to attract business to their communities. If Alaska is to succeed in attracting its fair share, sufficient resources will need to be deployed.

TOURISM

The rate of growth of tourism visitation is declining both for cruise ship passengers and non-cruise visitors. However, Alaskan cruise passenger travel continues to grow at a higher rate than the national average while the rate of growth of non-cruise visitations declined 45 percent below the national average rate. Increasing the number of non-cruise travelers will require special focus by both the department, through its planning and development activities, and the private industry association acting as the state's tourism marketing contractor.

ALASKA SEAFOOD

The seafood industry is the largest private employer in Alaska, providing one sixth of all the employment (35,000 full-time and 70,000 seasonal jobs). The industry continues to lose markets due to increasing competition from foreign and domestic seafood producers, primarily farmed salmon. The farm competition now represents nearly 53% of all salmon production worldwide, which has negatively impacted consumption of Alaskan products in US and foreign markets. The Alaska Seafood Marketing Institute's main focus for FY01/FY02 will be to rejuvenate all of its marketing strategies based on sound market research funded by a grant from the U.S. Economic Development Administration. ASMI will incorporate a new strategic marketing plan into all programs, assisting the Alaska salmon industry in combating the impacts of imported farmed salmon in the United States markets, and will incorporate research results from ASMI's foreign markets into all overseas marketing programs.

ALASKA SCIENCE AND TECHNOLOGY FOUNDATION

The \$101 million principal of ASTF's endowment is co-invested with the Permanent Fund and generates earnings annually appropriated by the legislature for both ASTF and the non-ASTF purposes. The cumulative effects of annual operating budget appropriations of ASTF earnings (University of Alaska \$2.6 M, Alaska Aerospace Development Corporation \$558 K) and ASTF's past support of the state's share of large capital projects (Kodiak Launch Complex \$10 M, UAF Low Rank Coal Water Fuel \$4.25 M) have been to reduce ASTF's annual grant budget from approximately \$8-9 M to less than \$5 M starting in FY02. With a lower amount of principal to generate earnings and fewer capital gains expected in a flatter stock market than seen in recent years, the full impact of the shortfall is only borne by the ASTF's ability to co-finance new projects. At a time when Alaska's economy is growing more slowly than the national economy and our faster growing technology sector is still relatively small compared to other states, this lessened ability of ASTF to provide seed capital and finance group projects with industry merits concern.

BANKING, SECURITIES & CORPORATIONS

Additional data processing resources are needed to allow the division to handle increased workloads with increased productivity rather than a commensurate increase in staff. These resources are also necessary to enable the division to provide adequate services to the public through use of the Internet and electronic filing. Considerable work is needed to update and create improved databases for all three sections in the division to improve productivity and public service.

INSURANCE

In November 1999 President Clinton signed into law the Gramm-Leach-Bliley Act (GLBA) that repealed restrictions in the Glass-Steagall Act and the Bank Holding Company Act of 1956 on affiliations between banks, insurance companies and securities firms. GLBA changes the landscape of regulation for the financial services industry in the United States. GLBA supports functional regulation of the various financial service sectors, and states maintain their authority to regulate insurance. However, greater cooperation and communication with federal regulators and among state insurance departments is crucial to maintain the quality of regulation that the Division of Insurance provides.

GLBA requires states to adopt reciprocity in agent and broker licensing or lose authority to license non-residents, and requires states adopt and enforce privacy standards relating to defined nonpublic personal health or financial information. Legislation to bring Alaska into compliance with GLBA will be introduced.

OCCUPATIONAL LICENSING FEES

AS 08.01.065(c) mandates that the department set license fees for each occupation at a level that approximately equals the cost of regulating the occupation. Enforcement costs often vary considerably from year-to-year, depending on the number of complaints. This makes fees very volatile. A 1997 legislative audit directed the division to set fees incorporating professions' surpluses and deficits from prior years. The audit also recommended strictly applying the fee law and requiring each of the division's 130 professions to pay their own costs rather than accounting at the board/program level. The result of a strict legal interpretation would be even greater variation in fees for small professions. Attention must be given to an effort to revise the fee structure to reduce these serious fluctuations in fees.

Major Department Accomplishments in 2000

Successfully merged the Departments of Commerce and Economic Development and Community and Regional Affairs in accordance with HB 40, passed by the 1999 Legislature. Reorganized the former divisions of Tourism, Trade & Development, and Municipal & Regional Assistance into two new divisions: International Trade & Market Development and Community & Business Development, effective July 1, 2000.

Coordinated Operation Renew Hope, the State's multi-departmental response to the Yukon, Kuskokwim, and Norton Sound fishery disaster.

COMMUNITY & BUSINESS DEVELOPMENT (CBD)

- The division, in conjunction with the Department of Fish & Game, conducted the first ever multi-species Community Development Quota (CDQ) allocation. All species including groundfish, halibut and crab were allocated among the six groups for the two-year CDQ allocation period of 2001 and 2002. In recognition of the growing maturity of the CDQ groups, the department also worked with the National Marine Fisheries Service and the CDQ groups to streamline the CDQ regulatory process.
- CBD conducted a review of the state's tourism marketing programs to ensure that state dollars are used most effectively and efficiently to promote Alaska.
- Despite low gold prices, the division successfully attracted new mineral exploration to Alaska. Alaska is seen to have a favorable mineral investment climate because of incentives, stable government and geologic pedigree, when compared with other countries.
- The Rural Utility Business Advisor (RUBA) program coordinated numerous state and federal agencies and local entities to relocate 22 houses in Alakanuk from eroding riverbanks to a safe location provided with piped water and sewer. This year the houses have been placed on the prepared lots and are currently being connected to the city's utility system.

INTERNATIONAL TRADE AND MARKET DEVELOPMENT (ITMD)

- The division introduced fresh Alaska seafood to hotel restaurants and other high-end customers - to the benefit of seafood and air cargo industries. Missions and promotions resulted in over \$200,000 in direct sales and over \$2 million projected sales by Alaska seafood companies to new customers in Korea.
- Alaska businesses made contacts in Japan and China during an October 2000 trade mission led by the Governor. The ten-day, 33-member trade mission highlighted Alaska businesses' strengths in energy, seafood, and technical services in Tokyo, Hong Kong, Shanghai and Beijing. Results included actual new business contracts and potential business for Alaska companies.
- ITMD promoted the sale of Alaska produce (seed potatoes, table stock potatoes, cabbage, and carrots) in Taiwan and promoted a decision by People's Republic of China (PRC) to allow seedstock potatoes into their country. Alaska's produce was introduced and highlighted to Taiwan buyers and importers. Efforts also increased the likelihood of the PRC allowing Alaska seed potato imports following division-hosted missions by PRC agricultural officials and follow-up visits to those officials during the Governor's trade mission.

INVESTMENTS

The division applied for and was awarded a \$3 million dollar grant from the Economic Development Administration to fund a new program called the Western Alaska Program. The grant was matched with \$1 million dollars from the

Alaska Industrial Development and Export Authority, to provide a total of \$4 million dollars for new loans to projects that create jobs and diversify local economies in areas of the state affected by the 1998 fisheries disaster. During FY00, 3 loans were approved and processed for a total amount of \$575,000.

ALASKA AEROSPACE DEVELOPMENT CORPORATION

- Completed construction of the Kodiak Launch Complex (KLC).
- Successfully negotiated and signed a contract for US Air Force launch, Quick Reaction Launch Vehicle (QRLV) in March 2001.
- Negotiated contract for US Army launch in May 2001, West Coast Risk Reduction Flight (WC RRF), the first launch of a multi-year/multi-launch Strategic Target System (STARS) contract.
- Developed KLC Marketing Plan identifying goals and potential missions, promoting customer interface and seeking launch contract awards.
- Successfully supported customer needs to complete two launches, US Air Force QRLV and US Army STARS.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY/ALASKA ENERGY AUTHORITY

- Purchased approximately \$30 million in loan participations originated through financial institutions for businesses and projects in Alaska, and issued \$6.9 million in conduit financing for private sector and non-profit projects.
- Completed bulk fuel storage consolidations and upgrades in 11 communities totaling \$8.7 million, completed preliminary or final design work on 21 additional bulk fuel storage projects with total estimated construction costs of \$46.2 million, and completed rural power system upgrades in 6 communities totaling \$2.3 million.

ALASKA SCIENCE AND TECHNOLOGY FOUNDATION

Through ASTF support of the Alaska Manufacturing Association (AKMA), seven mills now have approximately 70-90 million board feet a year of dimensional lumber graded by the Western Wood Products Association representative in state. For the first time, this manufactured amount now approximately equals state imports.

OCCUPATIONAL LICENSING

- Offered business licensing through the Internet in the autumn of 2000 to the State's 73,000 license holders. Licenses can now be purchased, renewed, updated and reprinted online.
- Created a licensing program for Speech-Language Pathologists, established the first regulations governing manicurist licensing, began implementation of a new law licensing practitioners of Tattooing and Permanent Cosmetic Coloring, and Body Piercing, and issued the first licenses to professional counselors and bachelor and master social workers.

Key Performance Measures for FY2002

Measure: Create at least 250 new jobs for Alaskans in FY 2002 by providing financial assistance to economic development projects that meet defined criteria for feasibility and financial success.

(Revised from Legislature's FY2001 version.)

Current Status:

In FY 2000 AIDEA funded loan participations totaling approximately \$30 million, creating approximately 530 construction jobs and 295 new jobs.

Benchmark:

No other state in the nation has a public development corporation identical to AIDEA.

Background and Strategies:

AIDEA provides the financing mechanisms necessary to participate in long-term commercial loans, and to own projects that promote economic development.

In FY 2002, AIDEA will purchase \$30.0 million in loan participations with financial institutions; and participate in or guarantee \$5.0 million in small rural loans.

AIDEA will continue to work with the private sector to develop infrastructure projects that AIDEA can own and lease to the private sector, complimenting private sector investment.

Measure: Complete 10 bulk fuel storage consolidation and upgrade projects in FY02.
(Revised from Legislature's FY2001 version.)

Current Status:

11 projects were completed during FY00.

Benchmark:

AEA's bulk fuel storage data base and priority list includes information on tank farms in 161 rural communities.

Background and Strategies:

There are approximately 1100 above-ground tank farms in 161 remote villages in rural Alaska. Most of these tank farms have serious deficiencies. The U.S. Coast Guard and the Environmental Protection Agency are continuing to issue citations to owners of many substandard facilities in rural Alaska but have thus far refrained from ordering them closed as long as effective measures are underway to bring them into regulatory compliance.

A typical rural village may presently have separate tank farms owned and operated by the City government, the tribal government, the village corporation, the local school, the electric utility, and other public or private entities. Relying primarily on federal funds, the State has conducted a program over the last several years to replace these tank farms with new or refurbished facilities that meet all applicable safety and environmental codes. Most of these projects seek to consolidate several tank farms into a single facility so that the potential for adverse impacts is no longer spread among several tank farm sites around the community. Consolidation also helps to avoid the inconsistent maintenance and operations practices that can result from multiple projects operated by multiple owners.

Measure: The number of Alaskans employed year-round in the visitor industry.
(Developed jointly with Legislature in FY2001.)

Current Status:

Baseline data will be available in fall 2001.

Benchmark:

Not available.

Background and Strategies:

Data is being gathered through the Alaska Visitors Statistics Program administered by the Division of Community and Business Development. Tourism industry employment data is not easily discernable through the Standard Industrial Classification (SIC) system utilized by the Department of Labor and Workforce Development.

Measure: Reduce response time up to 25 percent by the end of FY03 for the filing and retrieval of licensing and corporate documents, by providing forms and information on the Internet and using e-commerce.

(Not yet addressed by Legislature.)

Current Status:

Data on Internet usage of department web sites has been collected for more than one year. Business License online transaction baseline data will be collected beginning in fall 2000. Currently it averages 2 to 3 weeks for a business to apply for and receive a new or renewed business license through the mail.

Benchmark:

Not applicable.

Background and Strategies:

The primary focus of this measure is the services provided by the divisions of Banking, Securities, & Corporations, Insurance, and Occupational Licensing. By providing searchable data bases and downloadable forms on the department's web pages, the amount of staff time responding to similar in-person, phone, and letter requests has been reduced already. Web usage trends are tracked 24 hours a day.

Over the next three years the department will make available the option of filing of various applications online. The first service offered online in fall 2000 is the purchase of Business Licenses or renewals. Approximately 35,000

Business License renewal notices were mailed November 1, 2000. At the end of the renewal period, data will be available regarding the number of renewals conducted online as well as the number of new business licenses purchased online. These transactions are instantaneous. This data will then be compared with historical data on volume and length of processing time for issuing new and renewed business licenses.

Measure: Increase volume of product sold through ASMI promotions in FY02 by 10% in the United States
(Revised from Legislature's FY2001 version.)

Current Status:

ASMI is maximizing value of relationships with existing promotional partners, developing new retail and foodservice partnerships in areas of value-added products and increasing demand for Alaska seafood product usage via Alaska Seafood brand oriented marketing programs.

Benchmark:

ASMI will use its own FY01 volume of pounds sold figures as a baseline for FY02.

Background and Strategies:

Background: A \$5 million grant to ASMI to assist the Alaska salmon industry against the impact of imported farmed salmon has been incorporated into ASMI's next three fiscal years' budgets. ASMI has increased the amount of funds for domestic marketing programs through the grant. The board has approved carrying forward a substantial amount of funds to serve as the match for the federal grant and to even out the potential shortfall expected due to loss of fish revenue.

Strategies: A three-year Strategic Marketing Plan (starting FY 01) has been implemented to create a dynamic market-driven environment that will expand the global consumption of Alaska seafood products by fostering growth opportunities within the food industry through collaborative marketing and quality assurance efforts. All species of seafood will benefit from the enhanced salmon marketing effort funded by the federal grant.

Measure: Dollar value of exports from the state.
(Added by Legislature in FY2001 version.)

Current Status:

In 1999 the dollar value of exports from Alaska increased 31% from 1998 to \$2.6 billion.

Benchmark:

During 1999, the dollar value of all U.S exports increased 1.8% from 1998 to was \$692.8 billion. This information is recorded and reported by the U.S. Census Bureau. Figures are derived from Export Statistics, State of Origin series.

Background and Strategies:

Information and assistance to Alaska companies to initiate or expand export business activities; research potential niche-market opportunities for value-added products.

Status of FY2001 Performance Measures

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
<ul style="list-style-type: none"> • Create at least 350 new jobs for Alaskans in FY 01 by providing financial assistance to economic development projects that meet defined criteria for feasibility and financial success. • In FY01, complete construction of 10 code-compliant bulk fuel consolidation (CCBFC) or project upgrades (PU), complete design and begin construction of 8 CCBFC or PUs, and begin design of 17 CCBF. 		X	X		

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
<ul style="list-style-type: none"> • Increase the number of Alaskans employed in the visitor industry to 32,000 by the year 2001 with an emphasis on employment in smaller communities and rural areas of the state. • Reduce response time up to 25 percent by the end of FY03 for the filing and retrieval of licensing and corporate documents, by providing forms and information on the Internet and using e-commerce. • Increase the consumption of Alaska seafood by increasing the volume of product sold through ASMI promotions by 10 percent in FY01. 		X	X		

Department Budget Summary by BRU

All dollars in thousands

	FY2000 Actuals				FY2001 Authorized				FY2002 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
Formula Expenditures												
Municipal Revenue Sharing	28,491.0	0.0	3,400.0	31,891.0	28,493.4	14,000.0	1,000.0	43,493.4	28,493.4	16,000.0	1,000.0	45,493.4
Rural Energy Program	0.0	0.0	14,562.2	14,562.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fish Enhancement Tax Receipts	3,860.9	0.0	0.0	3,860.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rural Energy Programs	0.0	0.0	0.0	0.0	0.0	0.0	15,700.0	15,700.0	0.0	0.0	15,700.0	15,700.0
National Forest Receipts	0.0	1,834.2	0.0	1,834.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-Formula Expenditures												
Executive Admin	3,521.0	45.5	1,798.6	5,365.1	2,624.4	0.0	1,608.0	4,232.4	1,532.1	0.0	1,457.2	2,989.3
Comm Assist & Ec Dev	0.0	0.0	0.0	0.0	4,235.0	1,161.0	3,763.2	9,159.2	5,997.8	1,372.7	3,562.4	10,932.9
Qualified Trade Assoc. Contract	0.0	0.0	0.0	0.0	4,800.0	0.0	50.0	4,850.0	4,805.3	0.0	50.1	4,855.4
Investments	0.0	0.0	3,317.0	3,317.0	0.0	0.0	3,361.6	3,361.6	0.0	0.0	3,356.4	3,356.4
Alaska Aerospace Devel Corp	0.0	0.0	758.4	758.4	0.0	0.0	1,840.4	1,840.4	0.0	0.0	4,949.2	4,949.2
AIDEA	0.0	0.0	4,192.3	4,192.3	0.0	0.0	6,990.1	6,990.1	0.0	0.0	7,064.3	7,064.3
Rural Energy Program	287.9	71.4	1,980.9	2,340.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Rural Energy Programs	0.0	0.0	0.0	0.0	387.9	265.6	1,797.8	2,451.3	489.7	166.0	1,808.9	2,464.6
Alaska Seafood Marketing Inst	6,982.7	2,138.2	71.7	9,192.6	30.5	3,500.0	7,717.8	11,248.3	0.0	3,500.0	7,030.3	10,530.3
AK Science & Tech Foundation	0.0	0.0	8,477.0	8,477.0	0.0	0.0	11,001.5	11,001.5	0.0	0.0	9,992.1	9,992.1
Banking, Securities, and Corp	1,717.1	0.0	1.1	1,718.2	39.8	0.0	1,773.3	1,813.1	0.0	0.0	1,903.4	1,903.4
Circuit Rider	100.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

	FY2000 Actuals				FY2001 Authorized				FY2002 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
Program												
Insurance	3,923.2	0.0	0.0	3,923.2	77.4	0.0	4,365.1	4,442.5	0.0	0.0	4,610.5	4,610.5
Occupational Licensing	5,357.8	0.0	171.2	5,529.0	603.3	0.0	6,078.2	6,681.5	545.0	0.0	6,318.1	6,863.1
Reg Comm of Ak	0.0	0.0	4,307.1	4,307.1	0.0	0.0	5,314.8	5,314.8	0.0	0.0	5,944.2	5,944.2
DCED State	0.0	0.0	0.0	0.0	496.3	0.0	0.0	496.3	359.9	0.0	178.0	537.9
Facilities Rent												
Local Government Assistance	2,363.5	4,087.4	3,821.9	10,272.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Comm. & Econ. Development	720.9	0.0	902.7	1,623.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tourism Development	1,912.1	0.0	123.6	2,035.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
AK Tourism Mktg Council	3,242.7	0.0	1,299.9	4,542.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Totals	62,480.8	8,176.7	49,185.6	119,843.1	41,788.0	18,926.6	72,361.8	133,076.4	42,223.2	21,038.7	74,925.1	138,187.0

Funding Source Summary

All dollars in thousands

Funding Sources	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
1002 Federal Receipts	8,176.7	18,926.6	21,038.7
1003 General Fund Match	604.9	608.2	708.0
1004 General Fund Receipts	43,596.7	40,345.2	40,882.2
1005 General Fund/Program Receipts	18,279.2	547.4	633.0
1007 Inter-Agency Receipts	6,800.5	8,032.0	7,463.8
1025 Science & Technology Endowment Income	9,032.2	11,558.5	10,558.3
1035 Veterans Revolving Loan Fund	147.8	150.7	107.4
1036 Commercial Fishing Loan Fund	2,597.2	2,661.4	2,698.8
1040 Real Estate Surety Fund	47.0	273.5	273.8
1051 Rural Development Initiative Fund	98.0	99.8	
1053 Investment Loss Trust Fund		287.2	
1054 State Employment & Training Program	3,400.0		
1057 Small Business Loan Fund	3.3	3.3	3.4
1061 Capital Improvement Project Receipts	1,149.6	2,133.2	1,205.0
1062 Power Project Loan Fund	802.5	802.5	807.5
1067 Mining Revolving Loan Fund	5.0	5.0	5.1
1068 Child Care Revolving Loan Fund	5.8	5.8	6.0
1069 Historical District Revolving Loan Fund	2.5	2.5	2.5
1070 Fisheries Enhancement Revolving Loan Fund	325.5	333.1	332.6
1071 Alternative Energy Revolving Loan Fund	148.7	151.7	151.7
1074 Bulk Fuel Revolving Loan Fund	49.0	49.0	49.3
1089 Power Cost Equalization Fund	14,562.2	15,700.0	15,700.0
1101 Alaska Aerospace Development Corporation Receipts	43.2	243.2	4,200.6
1102 Alaska Industrial Development & Export Authority Receipts	3,267.8	3,979.1	4,035.2
1107 Alaska Energy Authority Corporate Receipts	605.0	1,049.5	1,051.9
1108 Statutory Designated Program Receipts	1,388.1	12.5	20.0
1111 Fishermans Fund Income		100.0	115.0
1115 International Trade and Business Endowment Income	409.5	4.3	496.5
1141 RCA Receipts	4,295.2	5,310.1	5,944.2
1156 Receipt Supported Services		19,701.1	19,696.5
Totals	119,843.1	133,076.4	138,187.0

Position Summary

Funding Sources	FY2001 Authorized	FY2002 Governor
Permanent Full Time	461	480
Permanent Part Time	9	6
Non Permanent	1	1
Totals	471	487

FY2002 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Language Section: Power Cost Equalization	4,680,000	0	3,120,000	7,800,000
Securities Database	0	0	300,000	300,000
Operation Renew Hope	500,000	30,000,000	0	30,500,000
Community Block Grants	0	9,000,000	0	9,000,000
Federal Community Development Grants	150,000	1,050,000	0	1,200,000
Bulk Fuel Systems Upgrades	0	3,350,000	1,600,000	4,950,000
Rural Power Systems Upgrades	500,000	10,000,000	0	10,500,000
Language Section: Electrical Emergencies	0	0	350,000	350,000
Alternative Energy Program	500,000	5,287,000	0	5,787,000
Alaska-Russian Far East Projects Phase 2	0	305,835	0	305,835
Kodiak Launch Complex Facilities	0	4,500,000	0	4,500,000
Arctic Winter Games Team Alaska	75,000	0	0	75,000
Department Total	6,405,000	63,492,835	5,370,000	75,267,835

This is an appropriation level summary only. For allocations and the full project details see the capital budget.

Overview of Departmental Budget Changes

UPDATE EXECUTIVE ADMINISTRATION AND SUPPORT COST ALLOCATION PLAN

In FY2000, the department implemented an administrative cost allocation plan (ACAP) that identified the costs of services provided by the Commissioner's Office and the Division of Administrative Services to operating divisions, special funds, and independent agencies. The ACAP was based on actual expenditures for FY97. The department implemented the ACAP to decrease the reliance on general funds for its centralized executive and support functions, allocating the cost for those services to the agencies and industries supported. To reflect changes in department operations, including the recent merger with DCRA and internal reorganizations, the ACAP has now been updated based on FY2000 actual expenditures. As a result of the update, allocated costs for services provided by the Commissioner's Office and the Division of Administrative Services for some divisions and agencies have increased while others have decreased. Increments and decrements are presented in the FY2002 budget request in recognition of these adjustments. However, no additional funding for the Commissioner's Office and the Division of Administrative Services is requested.

TRANSFER TRADE PROGRAM FUNDING FROM GOVERNOR'S OFFICE TO DCED

In the FY01 budget, the Legislature transferred a portion of the international trade authorization from the department to the Office of the Governor although statutes place it in DCED. In order to maintain an effective, coordinated economic development program in State government, the Governor's Office has chosen to continue the international trade function within the department. The division regularly coordinates its activities with the Governor's Office. The funding for the international trade program was transferred back to the Division of International Trade and Market Development by a Reimbursable Services Agreement in FY 2001. The Governor's budget transfers the program appropriation back to the Division of International Trade and Market Development in FY 2002.

COMMUNITY AND BUSINESS DEVELOPMENT CHANGES

- Regional Office Staff Funding Source Change from RDIF to GF -- AIDEA will no longer provide the formerly titled Rural Development Initiative Fund (RDIF) financial support to CBD for the 2002 budget year because the program is inactive. The monies funded 2 CBD rural positions (Bethel & Nome) who provided technical assistance on the RDIF but also performed numerous other functions. AIDEA has created a new program and the Division of Investments will generate and service the new loans. To maintain the level of service provided by the regional offices, general funds are sought to replace RDIF funds.
- EDA General Fund Match Increment --The division annually receives a grant from the U.S. Economic Development Administration to conduct Economic Development planning and implementation at the state level. The grant generally requires a 1:1 match. The match has traditionally been requested in the capital budget but was not funded the last 2 years in part because of criticism that it should be in the operating budget where the EDA grant federal receipts authorization is located. As a result, a general fund match increment is requested this year in the operating budget.
- Increased General Fund Program Receipts - Additional authorization is requested to receive and expend general fund program receipts from the Made in Alaska permits and miscellaneous receipts such as the sale of publications and advertising, and conference registration fees.
- Additional Federal Funding - Increased federal funding from the U.S. Dept. of Agriculture, the Denali Commission and the U.S. Forest Service is anticipated. These grants will be for block grants to communities throughout the state for economic development and community assistance.
- Delete duplicate ARDOR funding -- Ch. 43 SLA 00 extended the Alaska Regional Development Organizations (ARDOR) program. When the fiscal note was approved, it inadvertently duplicated the existing funding authorization. A decrement removes the duplicate authorization.
- Additional Federal Funding for National Program Receipts --Congress has enacted legislation (HR 2389) which will increase and stabilize future national forest receipt funding. Starting in FY 02 and continuing for six years, the Department will receive an annual payment based on the average of the three highest payment years between FFY 86 - 99. It is estimated that the annual payment to the state will be between approximately \$9 to 10 million. At this time it appears the federal appropriation for the Payment in Lieu of Taxes Program will increase from the \$134 million funding level for FY 01 to \$200 million for FY 02. The division estimates that the Department's pass-through share for cities in the Unorganized Borough will increase in FY 02 to between approximately \$5 to 6 million.

ALASKA AEROSPACE DEVELOPMENT CORPORATION

- New Positions and Related Expenses -- With the launch site transitioning from a construction project to a revenue producing enterprise, the AADC Board of Directors has determined the need for additional staff to support the administrative, operational and maintenance demands of the Corporation. Increments are requested that would fund two positions in Anchorage: Deputy Director and a Procurement Specialist; and four positions at the Kodiak Launch

Complex: Facilities Engineer, Mechanical Technician, Documentation Specialist, and Secretary. Increased contractual services authorization is also sought due to additional launch activities and an increase in the insurance costs. Funding source is AADC corporate receipts.

· AADC Facilities Maintenance Fund Source Change -- This budget component was established in the FY 2001 budget to accurately capture the costs of the Kodiak Launch Complex (KLC). In FY 2001 federal funds have been utilized to fund a portion of operations of KLC as it moved from construction phase to operational phase of the project. The construction project is complete in FY 2001. Since the KLC will be in its operational phase in FY2002, administrative costs of running the facility will be paid from AADC corporate receipts.

RURAL CIRCUIT RIDER PROGRAM FUNDING SOURCE CHANGE

This program insures the reliable and efficient performance of electrical systems in rural Alaska communities and works towards completion of an inventory and assessment of facilities annually to update the Alaska Energy Authority's (AEA) database. A funding source change switching a portion of federal funds to general funds is requested because a stable source of federal funds is not available.

BANKING, SECURITIES, AND CORPORATIONS NEW POSITIONS

Two new fee supported positions are requested. The first is a new Administrative Clerk II. The position is needed in Anchorage to support the Business Registration Examiner to reduce the large backlog of corporation filings, many of which originate in Anchorage.

The second position is a new Analyst Programmer. This position will develop and maintain the new Securities Database requested in the Capital Budget. In addition, the position will work with current Data Processing staff to move the division to on-line filing and processing. The positions are to be funded with fees through receipt supported services.

OCCUPATIONAL LICENSING CHANGES

As required by AS 08.01.065(c), all Occupational Licensing increments would be funded with license fees through receipt supported services.

· DCED hearing officer funding source change -- Prior to FY00, the DCED hearing examiner conducted hearings for several divisions within the department. The Division of Occupational Licensing received interagency receipts from other divisions for hearing services. The volume of occupational licensing hearing work has required dedication of the hearing examiner exclusively to the Division of Occupational Licensing. A funding source change from interagency receipts to receipt supported services is requested to reflect the hearing examiner's current 100% funding from occupational license fees. The funding source change would be consistent with the statutory requirement that the fees from each occupation cover the cost of regulating the occupation.

· Specific Board Requests -- The State Medical Board requests additional licensing staff to speed processing of physician and physician assistant license applications. Alaska hospitals and doctors have requested quicker processing and more frequent communication during application review. The division believes this goal can best be achieved with an administrative clerk II in Anchorage and a medical licensing examiner in Juneau. The medical and nursing programs would share the clerk.

· The Board of Nursing requests additional staff to speed licensing of nurses and nurse aides. Alaska has over 8,000 nurses and over 2,000 certified nurse aides. These numbers have grown substantially over the past decade and continue to rise, straining the existing staff's ability to respond. There is a great deal of mobility in the nursing profession, and health care facilities need to be able to put new nurses and nurse aides to work immediately. The division believes the addition of an administrative clerk II in Anchorage shared by the medical and nursing programs would improve service to the public.

· The Board of Registration of Architects, Engineers and Land Surveyors requests a licensing examiner to speed licensing, improve administration of examinations, and free the board administrator to handle more complex tasks. The board is responsible for 5,000 licensed design professionals and a single licensing examiner is no longer sufficient to meet board and applicant needs.

· Department of Law Rate Increases -- Rates increased in FY01 and will increase in FY02. The division makes extensive use of the Department of Law attorneys and as a result needs additional funding to cover the increased costs.

REGULATORY COMMISSION OF ALASKA

· Lease --The RCA does not now have enough space to accommodate all of the current staff. The current lease expires March 31, 2001. The current lease had a ten-year term and very favorable lease rates. RCA was not able to

acquire additional space within the existing building and an RFP for new office space was issued. The new lease will have a 15-year term.

- New Positions -- The RCA continues to maintain a high current caseload in an extremely dynamic utility and telecommunications environment while addressing the large backlog of cases left from the previous Commission. Seven new positions are needed to reduce the backlog and maintain current levels of service in the face of an increasing workload.

- Travel -- The travel budget has not allowed RCA to conduct hearings in locations other than Anchorage. This limits the opportunity for public participation. In order to make the agency and its processes more accessible to the public, the RCA needs to be able to conduct hearings in the affected communities.

DCED STATE FACILITIES RENT FUND SOURCE ADJUSTMENTS

Increments are requested for DCED state facilities rent in the form of interagency receipts collected from the Divisions of Banking, Securities, and Corporations; Insurance; and Occupational Licensing as receipt supported services. General Fund monies are transferred to the Department of Administration.

Summary of Department Budget Changes by BRU

From FY2001 Authorized to FY2002 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	41,788.0	18,926.6	72,361.8	133,076.4
Adjustments which get you to start of year:				
-Comm Assist & Ec Dev	-7.9	3.5	-1.5	-5.9
-Qualified Trade Assoc. Contract	5.3	0.0	0.1	5.4
-Investments	0.0	0.0	-22.5	-22.5
-Alaska Aerospace Devel Corp	0.0	0.0	-1.3	-1.3
-AIDEA	0.0	0.0	9.3	9.3
-Alaska Seafood Marketing Inst	0.0	0.0	-29.1	-29.1
-AK Science & Tech Foundation	0.0	0.0	-13.5	-13.5
-Banking, Securities, and Corp	0.0	0.0	-47.6	-47.6
-Insurance	0.0	0.0	71.6	71.6
-Occupational Licensing	6.2	0.0	71.8	78.0
-Reg Comm of Ak	0.0	0.0	31.0	31.0
Adjustments which will continue current level of service:				
-Executive Admin	-1,092.3	0.0	4.3	-1,088.0
-Comm Assist & Ec Dev	1,615.7	8.2	526.2	2,150.1
-Investments	0.0	0.0	17.3	17.3
-Alaska Aerospace Devel Corp	0.0	0.0	16.9	16.9
-AIDEA	0.0	0.0	37.5	37.5
-Rural Energy Programs	100.0	-100.0	0.0	0.0
-Alaska Seafood Marketing Inst	-30.5	0.0	41.6	11.1
-AK Science & Tech Foundation	0.0	0.0	4.1	4.1
-Banking, Securities, and Corp	-39.8	0.0	51.5	11.7
-Insurance	-77.4	0.0	101.7	24.3
-Occupational Licensing	-64.5	0.0	-48.7	-113.2
-Reg Comm of Ak	0.0	0.0	-75.5	-75.5
-DCED State Facilities Rent	-136.4	0.0	0.0	-136.4
Proposed budget decreases:				
-Executive Admin	0.0	0.0	-155.1	-155.1
-Comm Assist & Ec Dev	0.0	0.0	-760.5	-760.5
-Alaska Seafood Marketing Inst	0.0	0.0	-700.0	-700.0
-AK Science & Tech Foundation	0.0	0.0	-1,000.0	-1,000.0
Proposed budget increases:				
-Comm Assist & Ec Dev	155.0	200.0	35.0	390.0
-Municipal Revenue Sharing	0.0	2,000.0	0.0	2,000.0
-Alaska Aerospace Devel Corp	0.0	0.0	3,093.2	3,093.2
-AIDEA	0.0	0.0	27.4	27.4
-Rural Energy Programs	1.8	0.4	11.1	13.3
-Banking, Securities, and Corp	0.0	0.0	126.2	126.2
-Insurance	0.0	0.0	72.1	72.1
-Occupational Licensing	0.0	0.0	216.8	216.8
-Reg Comm of Ak	0.0	0.0	673.9	673.9
-DCED State Facilities Rent	0.0	0.0	178.0	178.0

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Governor	42,223.2	21,038.7	74,925.1	138,187.0