

State of Alaska FY2009 Governor's Operating Budget

**Department of Commerce, Community, and Economic
Development
Office of Economic Development
Component Budget Summary**

Component: Office of Economic Development

Contribution to Department's Mission

Improve economic development and increase investment in Alaska by advancing successful tourism and film, fisheries, forest products and minerals programs.

Core Services

- Provide economic analysis information and services for the benefit of state policy makers, industry leaders, local government leaders, and the public.
- Compile and disseminate minerals, fisheries, timber and tourism industry information.
- Promote the development of an industry-friendly business setting in rural Alaska.
- Provide technical assistance and training to rural communities, business and entrepreneurs.
- Provide staff support for industry groups or other agencies as needed to promote economic development in rural Alaska
- Extend outreach to key economic development group i.e. Community Development Quota Program groups (CDQ's) and Alaska Regional Development Organizations (ARDORS) to foster economic activity within their rural regions.

End Result	Strategies to Achieve End Result
<p>A: Rural Alaska communities in economically distressed areas will have more opportunities to diversify their economies through tourism development.</p> <p><u>Target #1:</u> Increased economic benefits from visitors each year.</p> <p><u>Measure #1:</u> Increased lodging tax revenue in rural Alaska communities (excluding Anchorage, Fairbanks and Juneau)</p> <p><u>Target #2:</u> One or more projects developed in each rural Alaska community cluster by FY2008</p> <p><u>Measure #2:</u> Increase number of new tourism products developed by Rural Visitor Industry Product Development Program that will benefit community and regional economics.</p>	<p>A1: Implement Rural Visitor Industry Product Development Program.</p> <p><u>Target #1:</u> Provide technical assistance to 4-6 rural community clusters each year through Developing Alaska Rural Tourism program.</p> <p><u>Measure #1:</u> Number of community clusters receiving technical assistance.</p> <p>A2: Improve customer service skills and employability of Alaska's workforce.</p> <p><u>Target #1:</u> Increase number of students who complete AlaskaHost customer service training by 10% each year.</p> <p><u>Measure #1:</u> Number of students who complete AlaskaHost training each year.</p> <p>A3: Provide a visitor and welcome center on the Alaska Highway and enhance the economic benefits from visitors in Tok, through the Tok Alaska Public Lands Information Center (TAPLIC).</p> <p><u>Target #1:</u> Increase the number of highway travelers served at the Tok Alaska Public Lands Information Center.</p> <p><u>Measure #1:</u> Number of highway visitors served.</p> <p>A4: Conduct research at consistent intervals to determine economic impact of the visitor industry at</p>

	<p>state and regional levels.</p> <p><u>Target #1:</u> Increased economic contribution of all travel and tourism expenditures in Alaska. <u>Measure #1:</u> Total economic contribution of travel and tourism to the state.</p> <p><u>Target #2:</u> Increased employment resulting from travel and tourism expenditures in Alaska. <u>Measure #2:</u> Total employment resulting from travel and tourism expenditures in the state.</p>
End Result	Strategies to Achieve End Result
<p>B: Increase the value of the minerals industry in Alaska</p> <p><u>Target #1:</u> 10% annual increase in statewide mineral exploration spending. <u>Measure #1:</u> Percentage increase in mineral exploration.</p> <p><u>Target #2:</u> 10% annual increase in statewide mineral development expenditures. <u>Measure #2:</u> Percentage increase in minerals development expenditures.</p> <p><u>Target #3:</u> 10% annual increase in statewide mineral production value. <u>Measure #3:</u> Percentage increase in minerals production value.</p> <p><u>Target #4:</u> 10% annual increase in total value of the Alaska minerals industry. <u>Measure #4:</u> Percentage increase in total annual statewide minerals value.</p>	<p>B1: Be a strong advocate for mineral resource development.</p> <p><u>Target #1:</u> Maintain and improve trade show participation. Improve information products for the public. <u>Measure #1:</u> Number of trade shows attended.</p> <p><u>Target #2:</u> Improve the image of the minerals industry within the public sector in Alaska. <u>Measure #2:</u> Public presentations, participation in workforce and educational development efforts</p> <p><u>Target #3:</u> Publish two mining industry analysis reports each calendar year. <u>Measure #3:</u> Completion and publication of reports</p>
End Result	Strategies to Achieve End Result
<p>C: Redevelop a statewide forest products industry.</p> <p><u>Target #1:</u> Increase stable forest products industry workforce in the Southeast region by 10%. <u>Measure #1:</u> 10% employment increase.</p>	
End Result	Strategies to Achieve End Result
<p>D: Through the Fisheries Revitalization Strategy, increase the economic return to the Alaska salmon industry.</p> <p><u>Target #1:</u> By 2007, increase the ex-vessel value of the salmon industry by 10% over the 2003 prices. <u>Measure #1:</u> Measure in ex-vessel value on a price/pound basis.</p> <p><u>Target #2:</u> By 2007, increase the wholesale value of the salmon industry by 10% over the 2003 prices. <u>Measure #2:</u> Measure in wholesale value on a price/pound basis.</p>	<p>D1: The Office will develop a grant program that increases product diversification.</p> <p><u>Target #1:</u> By 2007, the fisheries equipment grant program will support an overall industry trend towards increased fillet production in Alaska to increase total fillet production by 10% by weight. <u>Measure #1:</u> Percentage increases in Alaska salmon fillet production by value and volume.</p> <p>D2: The Office will develop a grant program that increases product diversification among its grantees.</p>

	<p><u>Target #1:</u> By 2007, grantees that received fillet processing equipment will increase fillet production by 50% from 2003 levels.</p> <p><u>Measure #1:</u> Percentage increase in fillet production for grantees receiving funds for fillet equipment.</p>
End Result	Strategies to Achieve End Result
<p>E: Alaska Regional Development Organizations (ARDORS) will be more effective in creating and sustaining economic activity within their respective regions.</p> <p><u>Target #1:</u> 5% increase in funding by public, private and non-governmental organizations to the regions, from 2003 through 2007 and 1% thereafter.</p> <p><u>Measure #1:</u> Percentage increase on a year for year basis; to be averaged every five years.</p>	
End Result	Strategies to Achieve End Result
<p>F: Increased economic benefits from sale of Alaska manufactured products.</p> <p><u>Target #1:</u> Increased number of jobs resulting from sale of Alaska manufactured products.</p> <p><u>Measure #1:</u> The number of manufacturing jobs created in Alaska.</p>	<p>F1: Increased numbers of certified "Made in Alaska" products that are manufactured and/or made in Alaska.</p> <p><u>Target #1:</u> Increase the number of Made in Alaska certified products manufactured per year.</p> <p><u>Measure #1:</u> Numbers of certified product categories.</p> <p><u>Target #2:</u> Increase the number of certified Made in Alaska vendors by 3% per year.</p> <p><u>Measure #2:</u> Percentage increase in number of certified vendors.</p>
End Result	Strategies to Achieve End Result
<p>G: Improved understanding and participation by small businesses in the regulatory process.</p> <p><u>Target #1:</u> 100% increase the first year, and 50% increase per year thereafter, in number of small business owners attending seminars.</p> <p><u>Measure #1:</u> Percentage increase in number of small business owners attending seminars.</p>	

Major Activities to Advance Strategies
<ul style="list-style-type: none"> • Conduct and publish annual studies to determine the state of the minerals, seafood, timber, and tourism industries • Provide, to the maximum extent possible, information to the public relative to the minerals, fisheries, timber and tourism industries • Administer grant programs as funding comes available • Publish the "Net Return to the State of Alaska" which documents state revenues and expenditures associated with fisheries, mining, timber and tourism • Analyze and prepare a report on the effects of regulations on small business for the Department and Legislature • Network with business providers around the state, create task force to avoid duplication, and enhance service delivery

FY2009 Resources Allocated to Achieve Results

FY2009 Component Budget: \$2,491,200	Personnel:	
	Full time	10
	Part time	1
	Total	11

Performance Measure Detail

A: Result - Rural Alaska communities in economically distressed areas will have more opportunities to diversify their economies through tourism development.

Target #1: Increased economic benefits from visitors each year.

Measure #1: Increased lodging tax revenue in rural Alaska communities (excluding Anchorage, Fairbanks and Juneau)

Rural Alaska Lodging Tax Revenue (millions \$) w/o ANC, JNU, FBX

Year	YTD
2000	3.97
2001	4.36 +9.82%
2002	4.05 -7.11%
2003	4.14 +2.22%
2004	4.54 +9.66%
2005	5.55 +22.25%
2006	5.45 -1.80%
2007	

Analysis of results and challenges: While statewide municipal lodging taxes revenues increased overall by nearly 2% between 2005 and 2006 from \$21.7 million to \$22.1 million, when Anchorage, Fairbanks, Fairbanks North Star Borough and Juneau are excluded, municipal lodging taxes decreased by approximately 2% from \$5.55 million in 2005 compared to \$5.45 million in 2006. At the time of this update, Bethel numbers were not available, but if numbers remain fairly consistent with last year at \$70,000 the decrease in rural lodging taxes will be 1%.

The Ketchikan Gateway Borough, Mat-su Borough, Nome, and Haines Borough experienced the most significant decreases in lodging tax revenues decreasing 39% (\$70K to \$43K) 27% (from \$827K to \$607K), 14% (\$97K to \$83K) and 12% (\$64K to \$57K) respectively.

2007 data will be available in FY2008.

Target #2: One or more projects developed in each rural Alaska community cluster by FY2008

Measure #2: Increase number of new tourism products developed by Rural Visitor Industry Product Development Program that will benefit community and regional economics.

New Tourism Projects in Rural Alaska

Year	YTD
FY 2005	0
FY 2006	7
FY 2007	3
FY 2008	2

The Developing Alaska Rural Tourism (DART) program was started with a grant from the U.S. Economic Development Administration and funding (personnel) from the Alaska Department of Commerce Community & Economic Development. The initial EDA funding ended June 30, 2007. A USDA grant has been secured for FY08, to fund an off-shoot of the DART program--Tourism Mentorship Assistance Program. Other DART program activities continue in FY08 with limited resources.

Analysis of results and challenges: The decrease in number of products developed corresponds with decreasing funds to provide technical assistance.

Products/projects developed or in development as of November 2007:

Seven Tourism Mentorship Assistance Program entrepreneurs were selected as finalists in the Alaska Marketplace rural business plan competition, 10 tourism business websites were developed for each active participant in the program, 9 business/marketing plans developed.

Bethel/YK Delta: Joint regional tourism strategic plan for Bethel and several Yukon-Kuskokwim Delta villages is underway.

SEATrails: Work underway on a new business and marketing plan for the Southeast Alaska Trail System – SEATrails

A1: Strategy - Implement Rural Visitor Industry Product Development Program.

Target #1: Provide technical assistance to 4-6 rural community clusters each year through Developing Alaska Rural Tourism program.

Measure #1: Number of community clusters receiving technical assistance.

Number of Community Clusters Receiving Technical Assistance

Year	YTD
FY 2004	0
FY 2005	4
FY 2006	7
FY 2007	4
FY 2008	2

Analysis of results and challenges: Because of reduced funding (EDA grant ended June 30, 2007), tourism staff continue to serve 2 community clusters through the Developing Alaska Rural Tourism (DART)--the YK Delta and SEATrails.

Previously, OED staff provided assistance to the following major community groups to develop marketing strategies, marketing partnerships, or package tourism products and attractions.

- (1) Central Southeast Alaska
- (2) Yukon-Kuskokwim Delta Communities
- (3) Bering Strait Communities
- (4) Copper Valley Communities
- (5) Bristol Bay,
- (6) Haines/Kluckwan,

A2: Strategy - Improve customer service skills and employability of Alaska's workforce.

Target #1: Increase number of students who complete AlaskaHost customer service training by 10% each year.

Measure #1: Number of students who complete AlaskaHost training each year.

AlaskaHost Students

Year	ANC/FBX/JNU	Rural AK	YTD
2003	182	111	293
2004	301 +65.38%	283 +154.95%	584 +99.32%
2005	316 +4.98%	204 -27.92%	520 -10.96%
2006	367 +16.14%	225 +10.29%	592 +13.85%
2007	300 -18.26%	330 +46.67%	630 +6.42%
2008	0 -100.00%	0 -100.00%	0 -100.00%

An EDA grant which ended in FY07 provided resources to provide training to rural communities. Training funds are essential to maintain or increase program participation, particularly in rural Alaska. AlaskaHost trainings continue in FY08 as resources allow.

Analysis of results and challenges: The total number of students who completed AlaskaHost training increased overall by 6% from 592 in 2006 to 630 in 2007. The increase is due to a 47% increase in the number of students who completed AlaskaHost training in communities outside Anchorage, Juneau, and Fairbanks from 225 in 2006 to 330 in 2007.

The number of students completing AlaskaHost training in Anchorage, Juneau, and Fairbanks decreased 18% between 2006 and 2007. The decline in non-rural trainings in 2007 (367 vs. 200) was due to two factors: one large class of 100 last year in Fairbanks was a one time event and an active trainer at Cook Inlet Tribal Council (CITC) who trained 150-200 students each year was assigned to other responsibilities.

A3: Strategy - Provide a visitor and welcome center on the Alaska Highway and enhance the economic benefits from visitors in Tok, through the Tok Alaska Public Lands Information Center (TAPLIC).

Target #1: Increase the number of highway travelers served at the Tok Alaska Public Lands Information Center.

Measure #1: Number of highway visitors served.

TAPLIC Visitors

Year	YTD
FY 2003	13,662
FY 2004	13,522 -1.02%
FY 2005	13,207 -2.33%
FY 2006	7,364 -44.24%
FY 2007	6,974 -5.30%

TAPLIC: Tok Alaska Public Lands Information Center

The number of declining visitors to the center reflects the overall state of highway travel which has declined and then remained stagnant in recent years. High gas prices over the past two years are also expected to be having effect on highway visitors. To address these issues, the Governor's Office supported and the Legislature approved an appropriation of \$1.3 million in operating and capital grants in FY'07 and nearly \$900,000 in operating grants for FY08 to conduct an independent marketing campaign for highway (and ferry) travel to Alaska.

Until 2007, the center was fully staffed (4 employees) from June through August, three in May and September. One full time manager staffs the center between October and April. This schedule allows the center to be open 7 day a week in the summer (May – September), 5 days a week in winter.

In 2007, budget restraints prevented us from bringing our full summer staff on until July 1, 2007.

Currently, communities and visitors bureaus on and off the road system all the way to Valdez depend on Tok staff to provide information to their visitors.

Analysis of results and challenges: The Tok APLIC is one of four center's that support the appropriate use and enjoyment of Alaska public lands and resources through "one-stop shopping" for public lands information, trip-planning assistance, and resource education. The APLIC's are a system of information and education centers that help provide visitors and residents with meaningful, safe, enjoyable experiences on public lands (and highways) and encourage them to sustain the natural and cultural resources of Alaska. These interactive and fully accessible facilities are nationally recognized for providing consistent, high quality services at all four statewide locations.

FY 07:

- Visitors to the Tok Center – 6,974
- AMHS Deposits - \$192,387

A new Tok APLIC is under design and will be part of the Tetlin National Wildlife Refuge facility in Tok. The new facility is expected to help in the effort to increase economic impact of visitors while in Alaska as well as increase their appreciation and enjoyment of the state while they are here. In FY07, the US Fish and Wildlife Service has nearly completed the purchase of a new site; the Alaska Department of Transportation & Public Facilities has nearly completed the design.

A4: Strategy - Conduct research at consistent intervals to determine economic impact of the visitor industry at state and regional levels.

Target #1: Increased economic contribution of all travel and tourism expenditures in Alaska.

Measure #1: Total economic contribution of travel and tourism to the state.

Economic Contribution of Travel and Tourism in Alaska (billions of dollars)

Year	YTD
2002	1.5
2006	NA
2007	NA

Analysis of results and challenges: Funding for a tourism economic impact study was not approved for FY07 and FY08. The Department is requesting funding in the FY09 budget.

Travel and tourism's economic contribution in Alaska reached \$1.5 billion in 2002. This amount (sales net related imports into the state) contributed 5.2% to Alaska Gross State Product (GSP) and includes direct and indirect effects of all travel and tourism expenditures, but not induced (multiplier effects).

Traditionally, the Department of Commerce is the primary provider of Alaska visitor statistics and economic impact studies for government and private sector use and planning. Every four years, the Department of Commerce conducts the Alaska Visitor Statistics Program (AVSP) to gather important information on Alaska visitor characteristics, expenditures and opinions. Following the initial survey, Commerce uses the data to measure the economic impact of these visitors to the state and regional economies. Currently, AVSP V is in the field and the Summer data will be finalized in March 2006. Previous economic impact studies were conducted with 1999 and 2002 data. The economic impact study should be updated in FY08 with 2006 data. Ideally, this study would be conducted at least every other year.

Target #2: Increased employment resulting from travel and tourism expenditures in Alaska.

Measure #2: Total employment resulting from travel and tourism expenditures in the state.

Travel and Tourism-Related Employment

Year	YTD
2002	37,650
2006	NA
2007	NA

Analysis of results and challenges: Funding for a tourism economic impact study was not approved for FY07 and FY08. The department is requesting funding for the study in the FY09 budget.

B: Result - Increase the value of the minerals industry in Alaska

Target #1: 10% annual increase in statewide mineral exploration spending.

Measure #1: Percentage increase in mineral exploration.

Percentage of Expenditures in mineral exploration Alaska

Year	In Millions	% Increase
2002	26.5	0
2003	27.6	4.15%
2004	70.8	156.52%
2005	103.9	46.75
2006	178.9	72.2%
2007	250.0	39.74%

2007 data is projected.

Analysis of results and challenges: The increase in mineral exploration investment has far surpassed the target. The increase reflects the pro-development philosophy of the state, the recognition of the very high mineral potential, and the increases in metal prices.

Target #2: 10% annual increase in statewide mineral development expenditures.

Measure #2: Percentage increase in minerals development expenditures.

Value of Development Expenditures in Alaska

Year	Millions \$\$	% Increase
2002	34.1	0
2003	39.2	14.96%
2004	209.1	433.42%
2005	347.9	66.4%
2006	495.7	42.5%
2007	280.0	-43.51%

2007 data is projected.

Analysis of results and challenges: Development investment increased 42.5% from 2005 and the average increase from 2002 has been 95.4%. This increase reflects construction efforts at Pogo, advanced stripping at Fort Knox, project construction at Kensington, equipment acquisition and construction at Rock Creek in Nome, construction at Nixon Fork and investment in a number of rock, sand, gravel and placer projects.

Development dollars will be spent to develop those projects that have been approved for commissioning by company boards. Development expenditures are expected to decrease in the near term (2007 - 2009) due to phased completion of the Pogo project then Nixon Fork, then Kensington and Rock Creek; Stripping expenditures will continue at Ft. Knox and maintenance capital will continue at the other large mines. Increases in the longer term (2010 and beyond) are expected due to commissioning of Chuitna Coal, Donlin Creek, Pebble Copper.

Target #3: 10% annual increase in statewide mineral production value.

Measure #3: Percentage increase in minerals production value.

Value of Minerals Production in Alaska

Year	In Billions	% Increase
2002	1.013	0
2003	1.0007	-.92%
2004	1.3387	33.87%
2005	1.4016	4.70%
2006	2.858	103.91%
2007	3.20	11.97%

2007 data is projected.

Analysis of results and challenges: Mineral production values increased 103.9% between 2005 and 2006. The most significant influence to the increase in value has been the very aggressive appreciation in commodity prices; in addition, increases in gold production are noted due to Pogo commissioning. Production values are expected to increase in 2007 due to continued price increases and to commissioning of the Pogo mine. Thereafter, Kensington, Rock Creek/Big Hurrah, Nixon Fork, Chuitna Coal, Donlin Creek, etc. will be commissioned and will influence production values significantly.

Target #4: 10% annual increase in total value of the Alaska minerals industry.

Measure #4: Percentage increase in total annual statewide minerals value.

Total Value of Alaska Minerals Industry

Year	Billions \$\$	% Increase
2002	1.0734	0
2003	1.0674	-.24%
2004	1.62	51.40%
2005	1.8534	38.4%
2006	3.533	90.6%
2007	3.73	5.58%

The growth of the industry has been positive and has exceeded expectations.

2007 data is projected.

Analysis of results and challenges: The improvement in value between 2005 and 2006 was \$1.68B 90.7% over the 2005 value. The forecast for the overall value of the industry is very positive and expected to increase steadily for the foreseeable future.

Challenges are presented to the state in overcoming high profile negative public sentiment, shortages of skilled personnel, lack of infrastructure, and high and increasing power and fuel costs.

B1: Strategy - Be a strong advocate for mineral resource development.

Target #1: Maintain and improve trade show participation. Improve information products for the public.

Measure #1: Number of trade shows attended.

Number of Trade Show Participation

Year	YTD	Target
FY 2004	3	3
FY 2005	6	6
FY 2006	6	6
FY 2007	6	6
FY 2008	6	6
FY 2009	0	7

Trade show participation maintained at 6 for FY 2007.

Target #2: Improve the image of the minerals industry within the public sector in Alaska.

Measure #2: Public presentations, participation in workforce and educational development efforts

Analysis of results and challenges: Provided informational presentations to organized groups and informational services in the major population centers of the state. Distributed informational CD. Participated in the College of Engineering and Mines Advisory and Development Council (CEMADC) and Putting Alaska Resources to Work (PARW) group.

Target #3: Publish two mining industry analysis reports each calendar year.

Measure #3: Completion and publication of reports

Analysis of results and challenges: The initial and final calendar year report is published each year. The reports present the initial and final exploration, development and production information, respectively.

C: Result - Redevelop a statewide forest products industry.

Target #1: Increase stable forest products industry workforce in the Southeast region by 10%.

Measure #1: 10% employment increase.

Forest Products Employment - SE Alaska

Year	Logging	Manufacturing	YTD
2001	500	300	800
2002	350 -30.00%	150 -50.00%	500 -37.50%
2003	400 +14.29%	150 0%	550 +10.00%
2004	315 -21.25%	135 -10.00%	450 -18.18%
2005	349 +10.79%	150 +11.11%	499 +10.89%

Data for 2006 are not yet available.

Analysis of results and challenges: The timber industry provided the economic foundation for many of Southeast Alaska communities. Year-round, well-paying jobs helped increase the standard of living and developed an infrastructure that made growth possible in other industries like tourism and seafood. The current state of decline in the industry affects transportation costs and other public services that were initiated in part to serve a growing timber industry. The recovery of forest products manufacturing in Southeast Alaska is therefore a critical task for improving the economic health of many SE communities.

While the Southeast region experienced some increase in timber-related employment between 2002 and 2003, it has declined since that time and the potential for a catastrophic collapse remains high. The employment increase in 2005 is accounted for by unsustainable infusions of timber from State of Alaska holdings. DNR and OED's participation in a Governor's office initiative to help the Forest Service offer more economic timber is critical to this sector's recovery.

D: Result - Through the Fisheries Revitalization Strategy, increase the economic return to the Alaska salmon industry.

Target #1: By 2007, increase the ex-vessel value of the salmon industry by 10% over the 2003 prices.

Measure #1: Measure in ex-vessel value on a price/pound basis.

2003 to 2006 Alaska Salmon Ex-Vessel Values

Species	2003	2004	2005	2006	% Change '03 to '04	% Change '04 to '05	% Change '05 to '06	% Change '03 to '06
Chinook	\$1.37	\$1.93	\$2.27	\$2.77	41%	18%	22%	102%
Sockeye	\$0.60	\$0.60	\$0.73	\$0.67	0%	22%	-8%	12%
Coho	\$0.49	\$0.70	\$0.76	\$0.99	43%	9%	30%	102%
Pink	\$0.08	\$0.10	\$0.12	\$0.13	25%	20%	8%	63%
Chum	\$0.17	\$0.21	\$0.27	\$0.31	24%	29%	15%	82%
Total	\$ 0.25	\$ 0.34	\$ 0.35	\$ 0.42	34%	3%	22%	67%

Table in process of being updated and will be available in fiscal year 2008.

Analysis of results and challenges: From 2003 to 2006 the ex-vessel price of salmon increased 88% overall; Chinooks (or Kings) salmon saw the greatest price increases. Every salmon specie, save one, either saw its price per pound double or nearly-double during that four year period. Sockeye salmon is Alaska's most valuable specie by volume, yet its price did not increase from 2003 to 2006 as much as the other salmon species.

Preliminary data suggests that salmon prices in 2007 retreated somewhat. It should be noted, however, that the overall value of salmon harvested in 2007 increased. Commercial salmon fishermen hauled in over \$374 million in 2007, the most since 1999.

The increase in total fishery value and volume (and the decline in total average price) can be explained by the massive return of pink salmon to Southeast Alaska and Prince William Sound. Statewide pink salmon harvests increased from 270 million pounds in 2006 to 505 million pounds in 2007. Harvests of "money fish" (Chinook and Coho) were down considerably in 2007. In Southeast chum harvests declined by nearly 48 million pounds. In Bristol Bay, sockeye harvests increased nearly 7 million pounds this past season – the largest sockeye harvest in "the Bay" since 1996.

The salmon market bottomed out in 2002 with low returns and low dock prices. The Alaska Fisheries Revitalization Strategy (AFRS) began in 2003. The program was funded with \$50 million in federal disaster funds. That money has been granted out to fishermen, processors, communities, consultants, and departments to help trigger innovation and renewal in the industry. Specifically the AFRS provided investment support for new quality/value-added equipment and marketing programs that would establish new high value niches for Alaska salmon. Time will tell whether the money was spent wisely, but data on dock prices, wholesale prices, and market sentiment is encouraging – wild Alaska salmon is increasingly becoming a valuable high-end, niche product that customers seek out.

It's obvious that relying on dock prices is a very crude measure of success that doesn't factor in cultural, social, and other economic factors. In the future we hope to provide better data and analysis addressing value-added products, direct marketing efforts, the development of other fisheries, cultural and social ramifications, and community impacts. It's also important to note that statewide prices don't always reflect the larger changes that affect regions or a region's species from year to year.

Target #2: By 2007, increase the wholesale value of the salmon industry by 10% over the 2003 prices.

Measure #2: Measure in wholesale value on a price/pound basis.

Wholesale price for Alaska Salmon from 2003 to 2005

	2003	2004	2005	% Change 03 to 04	% Change 04 to 05	% Change 03 to 05
Chinook	\$ 2.20	\$ 3.52	\$ 3.80	60%	8%	73%
Chum	\$ 0.91	\$ 1.01	\$ 1.10	11%	9%	20%
Coho	\$ 1.54	\$ 2.01	\$ 2.11	31%	5%	37%
Pink	\$ 0.89	\$ 0.88	\$ 0.95	-2%	8%	6%
Sockeye	\$ 2.05	\$ 2.03	\$ 2.26	-1%	12%	10%
Total	\$ 1.29	\$ 1.43	\$ 1.53	11%	7%	18%

Table in process of being updated and will be available in fiscal year 2008.

Analysis of results and challenges: Wholesale values, the value obtained by the first company that buys the salmon from fishermen increased 10% from 2005 to 2006 and 39% from 2003 to 2006. The greatest price increases have been seen in the Chinook and coho species that are often troll-caught and sold as fresh or frozen fillets. Chums have been the target of increased by-product utilization efforts while a large percentage of sockeyes and pinks still end up as canned salmon. While the canned salmon market has been sluggish, there are some who feel the product form can still benefit from the overall positive image of wild Alaskan salmon.

Even though wholesale price gains appear impressive in 2006, it's important to note that these price per pound data represent net (or processed pounds). So this may not translate into true increases in value because in order to make fillets you remove weight that would otherwise be sold in a less processed form. Nonetheless, increases in wholesale prices are good indicator of strong market demand.

Export markets are vital to the salmon industry. In 2006, Alaska exported \$2.17 billion worth of seafood (salmon and other commercial species) to foreign countries – up \$17 million from 2005. Seafood accounted for 50% of Alaska's total exports in 2006. Traditionally, the bulk of those exports went to Japan, however those trends are changing as customers in other parts of the world are buying more Alaska seafood.

D1: Strategy - The Office will develop a grant program that increases product diversification.

Target #1: By 2007, the fisheries equipment grant program will support an overall industry trend towards increased fillet production in Alaska to increase total fillet production by 10% by weight.
Measure #1: Percentage increases in Alaska salmon fillet production by value and volume.

Product form	Total Volume			Total Value		
	2003	2004	% change	2003	2004	% change
Canned	193,262,188	192,813,614	0%	\$ 227,970,115	\$ 246,823,763	9%
Fillets	13,498,511	19,303,610	43%	\$ 26,590,193	\$ 47,539,469	79%
Head & Gut	201,874,729	244,025,805	21%	\$ 205,586,061	\$ 306,141,547	49%
Minced/Other	1,493,756	1,671,187	12%	\$ 756,104	\$ 1,116,442	48%
Roe	25,742,399	21,223,647	-18%	\$ 110,938,813	\$ 97,617,165	-12%
Whole	15,278,582	28,658,356	88%	\$ 11,240,578	\$ 24,014,369	114%
Total	451,150,166	507,696,019	13%	\$ 583,081,864	\$ 725,252,755	24%

Product form	\$/lb		
	2003	2004	% change in \$/lb
Canned	\$ 1.18	\$ 1.29	9%
Fillets	\$ 1.97	\$ 2.46	25%
Head & Gut	\$ 1.02	\$ 1.25	23%
Minced/Other	\$ 0.51	\$ 0.67	32%
Roe	\$ 4.31	\$ 4.60	7%
Whole	\$ 0.74	\$ 0.84	14%
Total	\$ 1.29	\$ 1.43	11%

Reading from top left to right and then down, the three charts indicate total volume in pounds, total dollars and price per pound, respectively. Alaska salmon fillet production increased 43% at the wholesale level from 2003 to 2004. With an increase in the price per pound of 25%, this meant a total increase in the value of fillets of 79%. While this was impressive, other product forms witnessed similar significant increases in value - indicating a strong demand in the market for wild Alaska salmon. This table is in the process of being updated and will be available in fiscal year 2008.

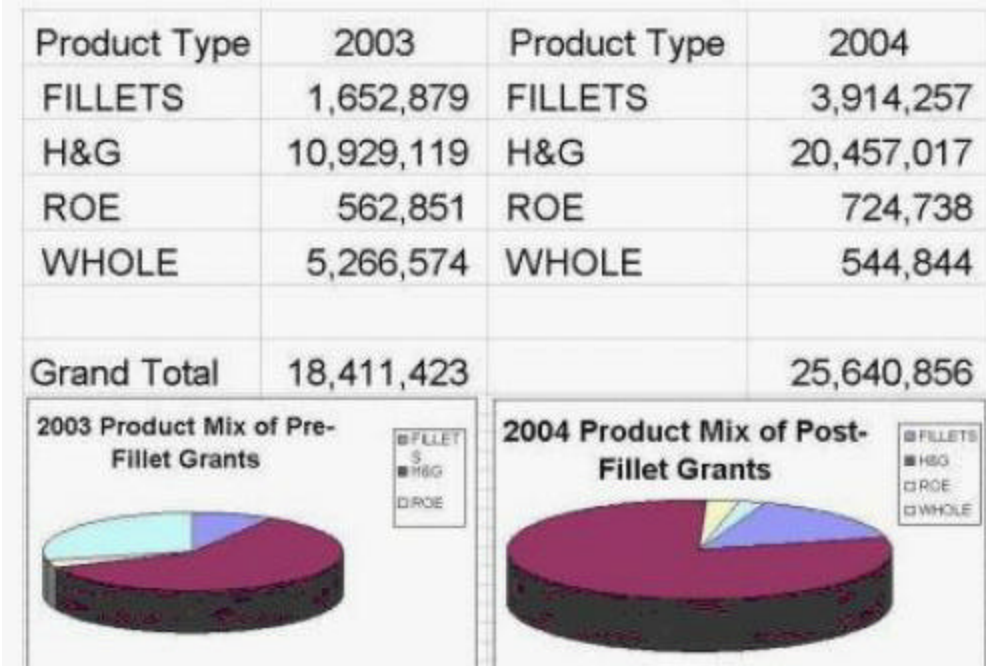
Analysis of results and challenges: 2004 fillet production numbers mark a significant increase in Alaska salmon fillet production. Fillet production increased steadily the past few years, but garnered only about 2% of all production. That increased to 4% for 2004. While this remains a small amount of the overall production, this relatively big increase in this product form indicates Alaska salmon producers are making investments in an effort to meet changing consumer demands.

D2: Strategy - The Office will develop a grant program that increases product diversification among its grantees.

Target #1: By 2007, grantees that received fillet processing equipment will increase fillet production by 50% from 2003 levels.

Measure #1: Percentage increase in fillet production for grantees receiving funds for fillet equipment.

Fillet Production for Fisheries Economic Development Grant Recipients



2004 fillet production for the Fisheries Economic Development Grant Program grantees who received fillet equipment for the 2004 season increased 142% over 2003. H&G - Headed and gutted. This table is in the process of being updated and will be available in fiscal year 2008.

Analysis of results and challenges: The increase in statewide salmon fillet production in 2004 was 43%. The increase in fillet production among the Fisheries Economic Development Program grantees with fillet awards was 142%. When you remove the volume of production from the grant recipients from the statewide total, the increase in fillet production falls to 30%. Fillet equipment grants to Alaska producers influenced an increase in the annual fillet production by 12%.

E: Result - Alaska Regional Development Organizations (ARDORS) will be more effective in creating and sustaining economic activity within their respective regions.

Target #1: 5% increase in funding by public, private and non-governmental organizations to the regions, from 2003 through 2007 and 1% thereafter.

Measure #1: Percentage increase on a year for year basis; to be averaged every five years.

Participation and Funding Increase

Year	Percentage Increase
2007	5%

Analysis of results and challenges: This program will expect to show the amount of collaboration and participation from within the communities in support of the ARDOR program. The analysis may also show where the weaknesses in collaboration among the communities and the partners are to be corrected. The challenge may be with the limited amount of public, private, and non-governmental organizations in these regions that are able to support with funding in some areas.

F: Result - Increased economic benefits from sale of Alaska manufactured products.

Target #1: Increased number of jobs resulting from sale of Alaska manufactured products.

Measure #1: The number of manufacturing jobs created in Alaska.

Analysis of results and challenges: Data will be collected and reported in FY2008.

F1: Strategy - Increased numbers of certified "Made in Alaska" products that are manufactured and/or made in Alaska.

Target #1: Increase the number of Made in Alaska certified products manufactured per year.

Measure #1: Numbers of certified product categories.

Analysis of results and challenges: Data will be collected and reported in FY 2008.

Target #2: Increase the number of certified Made in Alaska vendors by 3% per year.

Measure #2: Percentage increase in number of certified vendors.

Number of Certified Vendors

Year	# of Certified Vendors	% Increase
2006	1097	0
2007	1132	3.19%

Analysis of results and challenges: The challenges include identifying businesses that are not operated as hobbies and have the potential to grow, and helping Alaska small businesses with logistical problems that impede growth.

G: Result - Improved understanding and participation by small businesses in the regulatory process.

Target #1: 100% increase the first year, and 50% increase per year thereafter, in number of small business owners attending seminars.

Measure #1: Percentage increase in number of small business owners attending seminars.

Small Business Owners Attending Seminars

Year	# of Attendees
2006	15
2007	37 +146.67%
2008	55 +48.65%

Analysis of results and challenges: There will be an increase in the number of small business owners that attend technical training courses. The challenge is in getting attendance from businesses statewide. This will be addressed with facilitator travel to hubs Fairbanks, Juneau, Nome, Dillingham, and Bethel.

Key Component Challenges

- Optimizing the current level of resources to meet increasing needs for economic development.
- Difficulty in obtaining accurate and meaningful industry information. Access to raw data is highly compartmentalized within local, state, and federal government agencies.
- Ongoing need for customer service training in rural areas, even in places where tourism is well developed because of high workforce turnover.

Significant Changes in Results to be Delivered in FY2009

- Remove barriers to obtaining information currently hindering acquisition of tax information – will facilitate more accurate reporting.
- Promote the development of a value-added minerals facility in the state
- Continue to bolster the value of “Net Return to the State” for economic analysis purposes by state and local governments.
- Work with leading Alaska economists and industry groups to publish an economic impacts report associated with the seafood, mining, tourism, and timber industries. This report and the model employed would seek to quantify the direct and secondary impacts on the local, regional, and state economy.
- Complete Tourism Economic Impact Study.
- Enhance our western Alaska tourism activities by realigning two part time Tok positions to a full time Fairbanks position.
- Publish an annual report on Alaska’s Seafood Industry.
- Provide an economic component to the Community Profiles data base to offer a more comprehensive understanding of the economic landscape in rural Alaska.

Major Component Accomplishments in 2007

- The gross value of the minerals industry reached \$3.5 billion, in 2006 and is expected to improve in fiscal year 2008.
- Published the annual minerals industry report.
- Administered nearly \$2.1 million in fisheries grants. The average ex-vessel price for all salmon species was about \$0.50/lb in 2006, a 23.7% increase over 2005. This growth is the result of better quality, better marketing, and more value-added products.
- Assisted MAP with the Alaska Young Fishermen’s Summit II.
- Development of a new region in Alaska designated as an Alaskan Regional Development Organization (ARDOR).
- Completed Fall/Winter segment of the 2006-2007 Alaska Visitor Statistics Program.
- Trained 600 new students, 40 new AlaskaHost Trainers, and 10 CulturalHost Trainers.
- Seven Tourism Mentorship Assistance Program entrepreneurs were selected as finalists in the Alaska Marketplace rural business plan competition, 10 tourism business websites were developed for each active participant in the program, 9 business/marketing plans developed, 8 TMAP entrepreneurs attended the ATIA Convention for networking and business development purposes.
- Completed a new business and marketing plan for the Southeast Alaska Trail System – SEATrails and initiated a joint regional tourism strategic plan for Bethel and several Yukon-Kuskokwim Delta villages.
- Served 10,000 visitors at the TAPLIC and transacted \$250,000 in AMHS sales.
- Participated in and followed-up on leads/contacts from 2007 Cineposium and 2008 Locations Expo.
- Increased exposure of Made in Alaska products with new display area at Ted Stevens International Airport.

- Conducted research on impact of regulations on small businesses. Made eleven presentations statewide on regulatory issues, process, and right to participation.
- Developed website to direct user to over 150 business providers and resources.

Statutory and Regulatory Authority

AS 44.33.020	Department of Commerce, Community and Economic Development
AS 44.33.020 & AS 44.33.740	Rural Development
AS 44.33.431	Alaska Minerals Commission
AS 44.33.020(36)	Tourism Development
AS 44.33.895	Alaska Regional Development Organizations Program
AS 36.30.332-338	Alaska Product Preference
AS 45.65.010-070	Made in Alaska Program

Contact Information
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**Office of Economic Development
Component Financial Summary**

All dollars shown in thousands

	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	1,305.8	1,181.1	1,142.1
72000 Travel	94.5	69.5	69.5
73000 Services	322.5	532.3	637.1
74000 Commodities	9.7	19.6	19.6
75000 Capital Outlay	0.6	2.9	2.9
77000 Grants, Benefits	688.1	680.0	620.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	2,421.2	2,485.4	2,491.2
Funding Sources:			
1002 Federal Receipts	56.6	165.2	89.2
1004 General Fund Receipts	129.1	75.6	109.3
1007 Inter-Agency Receipts	767.4	643.6	729.3
1061 Capital Improvement Project Receipts	67.6	102.6	72.6
1108 Statutory Designated Program Receipts	64.7	126.1	76.1
1175 Business License and Corporation Filing Fees and Taxes	1,051.5	1,051.5	1,089.1
1200 Vehicle Rental Tax Receipts	284.3	320.8	325.6
Funding Totals	2,421.2	2,485.4	2,491.2

Estimated Revenue Collections

Description	Master Revenue Account	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Unrestricted Revenues				
Unrestricted Fund	68515	0.3	0.0	0.0
Unrestricted Total		0.3	0.0	0.0
Restricted Revenues				
Federal Receipts	51010	56.6	165.2	89.2
Interagency Receipts	51015	767.4	643.6	729.3
Statutory Designated Program Receipts	51063	64.7	126.1	76.1
Business License Receipts	51173	1,051.5	1,051.5	1,089.1
Capital Improvement Project Receipts	51200	67.6	102.6	72.6
Restricted Total		2,007.8	2,089.0	2,056.3
Total Estimated Revenues		2,008.1	2,089.0	2,056.3

**Summary of Component Budget Changes
From FY2008 Management Plan to FY2009 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2008 Management Plan	396.4	165.2	1,923.8	2,485.4
Adjustments which will continue current level of service:				
-Correct Unrealizable Fund Sources for Salary Adjustments: GGU	7.4	-4.2	-3.2	0.0
-Transfer Trade Funds to the Governor's Office	-60.0	0.0	0.0	-60.0
-Transfer from Community and Regional Affairs for Forestry Services	0.0	0.0	75.0	75.0
-Replace Unrealizable Funding	156.0	-76.0	-80.0	0.0
-Transfer to Cover Costs of New Grant Administrator from Office of Economic Development to Community & Regional Affairs	-76.5	0.0	0.0	-76.5
-ETS Chargeback Redistribution	6.8	0.0	0.0	6.8
-FY 09 Health Insurance Increases for Exempt Employees	0.1	0.0	0.6	0.7
-FY 09 Bargaining Unit Contract Terms: General Government Unit	4.7	4.2	37.9	46.8
Proposed budget increases:				
-Core Service Increases Paid to Department of Administration	0.0	0.0	13.0	13.0
FY2009 Governor	434.9	89.2	1,967.1	2,491.2

**Office of Economic Development
Personal Services Information**

Authorized Positions		Personal Services Costs		
	<u>FY2008</u> <u>Management</u> <u>Plan</u>	<u>FY2009</u> <u>Governor</u>		
Full-time	12	10	Annual Salaries	748,120
Part-time	3	1	COLA	43,700
Nonpermanent	0	3	Premium Pay	0
			Annual Benefits	357,814
			<i>Less 0.66% Vacancy Factor</i>	<i>(7,534)</i>
			Lump Sum Premium Pay	0
Totals	15	14	Total Personal Services	1,142,100

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Clerk II	0	1	0	1	2
Administrative Supervisor	0	0	0	1	1
College Intern IV	0	1	0	0	1
Dev Spec I, Option A	2	0	1	0	3
Dev Spec II, Option A	0	0	1	0	1
Dev Spec II, Option B	0	1	2	0	3
Economic Development Coordinat	1	0	0	0	1
Planner III	0	0	1	0	1
Project Manager	1	0	0	0	1
Totals	4	3	5	2	14