

State of Alaska FY2015 Governor's Operating Budget

Department of Military and Veterans Affairs Alaska Aerospace Corporation Results Delivery Unit Budget Summary

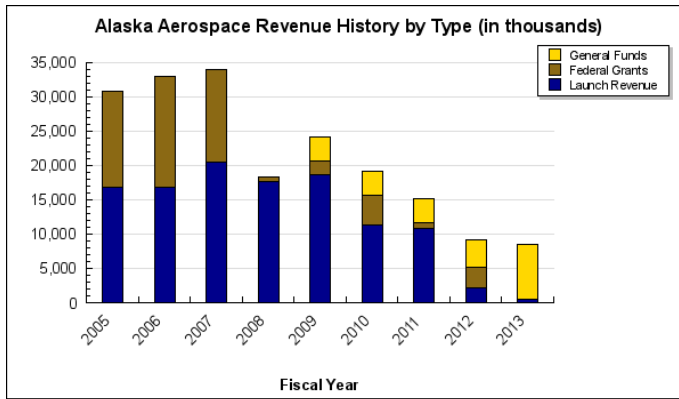
Alaska Aerospace Corporation Results Delivery Unit

Contribution to Department's Mission

Promote aerospace-related economic growth and development and strengthen Alaska's technological infrastructure.

Results

(Additional performance information is available on the web at <https://omb.alaska.gov/results>.)



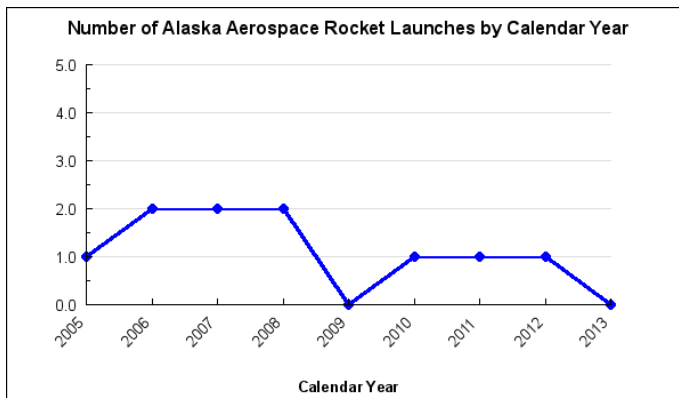
Core Services

- Provide launch facilities and services in Alaska.

Measures by Core Service

(Additional performance information is available on the web at <https://omb.alaska.gov/results>.)

1. Provide launch facilities and services in Alaska.



Major RDU Accomplishments in 2013

Throughout the year, Alaska Aerospace Corporation (AAC) continued development of medium lift capability; initiating the formal Federal Aviation Administration (FAA) Environmental Assessment for development of Launch Pad 3, reaching the 60% point for the structural design, and starting the environmental and permitting process for development of a barge landing bulkhead at Pasagshak Bay. AAC also initiated renewal of Kodiak Launch Complex (KLC) five-year FAA Commercial Spaceport License.

In fiscal year (FY) 2013, AAC regained momentum in securing new business contracts. AAC continued providing services to Space Exploration Technologies (SpaceX) under a contract signed in FY2012, to track the “Dragon” capsule during missions to the International Space Station. The year’s highlight was securing a multi-year commercial service launch contract with Ducommun MiiTec, a Huntsville Alabama company that delivers innovative solutions engineering services, prototype development, avionics, satellite design, launch vehicle design and other space system services, for a late calendar year 2014 launch from KLC. AAC subsequently initiated discussions with MiiTec for additional follow-on launch services at KLC. In FY 2013, AAC also secured a support services contract with Lockheed Martin to support northern latitude testing of the “Mobile User Objective System (MUOS).” Testing was completed in the summer of 2013. Finally, AAC developed a proposal with Lockheed Martin for a package of commercial launches from KLC. By the end of the fiscal year, the proposal was short-listed by the commercial firm seeking the services, with final selection expected in FY2014.

To diversify the AAC portfolio, a consultant, “Peak 3,” was retained to develop a specific business strategy to pursue securing Global Hawk Block 30 unmanned aerial systems (UAS) for operation by Alaska Aerospace Corporation. Additionally, to expand market opportunities, AAC hired an aerospace consultant, “Wyoming Aerospace,” to evaluate global small and medium launch markets and provide suggestions for potential reorganization of Alaska Aerospace Corporation to create a more competitive company structure within the aerospace industry. In June 2013, General William Shelton, Commander of Air Force Space Command, visited KLC. AAC presented a comprehensive briefing on the capabilities of KLC for national security space launch operations. This was coupled with an AAC initiative to insert language into the FY 2014 National Defense Authorization Act that the Federal government should consider and use state spaceports which provide cost-effective capabilities and meet Federal requirements. The language was sponsored by Congressman Don Young.

In our community relations and outreach efforts, AAC hosted the Western Region County Commissioners Conference visit to KLC and a Kodiak Chamber of Commerce “After Hours” reception to present our annual report to the community in December 2012, and co-hosted the Kodiak City/Kodiak Borough Legislative Reception in Juneau. AAC also hosted the European Marshall’s Fellow Program at Kodiak in June. A highlight of the year was an article in the May edition of Alaska Magazine which featured the Kodiak Launch Complex. Complementing this, AAC initiated a new contract to update “*Invitation to Space*” which is used for promotional and business development purposes. AAC teamed with BRPH Architect and Engineering at the National Space Symposium to co-sponsor a booth highlighting Alaskan aerospace opportunities and development of Launch Pad 3. At the invitation of the FAA, AAC served as panel member at the 16th Annual FAA Commercial Space Transportation Conference in Washington D.C. to discuss the use of state run spaceports to the national space program. During the year, AAC also participated in a Statewide Broadband Task Force as a “space-based” alternative expert. Finally, at the request of the Lieutenant Governor’s office, AAC co-hosted the National Secretaries of State Conference in Anchorage.

Key RDU Challenges

The pressures of a tight Federal budget, coupled with sequestration that was implemented in March 2013, significantly impeded AAC’s ability to secure increased launch opportunities from the Federal government. While AAC was fortunate to secure a multi-year commercial launch service contract in FY 2013, due in part to sequestration another Federal agency was forced to cancel a program that had slated KLC as the launch location. Similarly, as the Federal budget has tightened, the Department of Defense has reduced the opportunities for small and medium lift launches, preferring to retain heavy-lift capability. While AAC has been approved for launches by Lockheed Martin and Orbital Sciences for small and medium lift launches from KLC under the Orbital/Suborbital 3 Program (OSP-3), to date the Air Force has not scheduled any OSP-3 missions.

The second challenge facing AAC is the fact that the normal planning cycle for satellite production and launch scheduling is between twenty four and thirty six months. Therefore, any launches expected for FY 2015 must already be in the governments/commercial company’s development cycle. However, according to the research done by Wyoming Aerospace, there is a latent international demand for launch services that can be exploited in the near-term,

as well as the developing interest in KLC as an alternative launch location for programs that are already under development, separate from OSP-3.

To meet these challenges, AAC is aggressively pursuing a multi-facet approach to marketing. Increased and focused efforts are being made to expand the customer base away from solely the U.S. Federal government. International opportunities are being pursued. To ensure that AAC is authorized to conduct foreign launch operations from KLC, AAC has initiated the certification process to permit International Traffic in Arms Regulations (ITAR) exemption for certain international business. This coupled with the certification of KLC as a Foreign Trade Zone (FTZ), means AAC is well positioned to offer cost-effective, schedule responsive launch opportunities to international customers.

In addition, AAC is actively diversifying the business focus, to include aerospace service agreements, joint venture opportunities, inter-state agreements, and other non-launch endeavors. Memorandums of Agreement have been signed with both Virginia Commercial Spaceflight Authority and the Hawaii Office of Aerospace Development to pursue joint projects that provide economic development and academic advancements for Alaska, Virginia, and Hawaii. One of the first pursuits is to develop an Alaska/Virginia partnership that can offer common core services for both KLC and the Mid Atlantic Regional Spaceport (MARS) small lift operations.

AAC is also actively working with the Alaska congressional delegation to pursue Federal funding to support the operations and sustainment requirements for KLC. In addition to the FY2014 Defense Authorization Act (NDAA) language that was accomplished last year, AAC is currently pursuing additional language in the FY2014 NDAA that expands the requirements of Federal agencies to use state spaceports, such as KLC and MARS. This will be followed by a request for specific Federal funding for state spaceports in the Federal FY2015 budget.

Significant Changes in Results to be Delivered in FY2015

FY 2015 will be a banner year for AAC. To start, AAC is projecting reduced state funding for operations and sustainment each year starting in FY 2015. To meet the annual budget requirements with reduced state funding, AAC is projecting conservative, but steady small-lift launch contracts for each year, both government sponsored and commercial operations, starting in FY 2015. AAC will continue working with both Lockheed Martin and Orbital Sciences to establish a west coast medium-lift capability at KLC, which will also generate new income for AAC. AAC will also be aggressively pursuing international business opportunities, especially in the commercial satellite area, to bring back a portion of the U.S. commercial satellite launch business that is currently conducted overseas. Additionally, AAC will be diversifying into non-launch businesses which will generate new income for the corporation. Finally, AAC is actively pursuing Federal funding to start as early as FY 2015 to support the operations and sustainment costs of maintaining a national space launch asset in Kodiak.

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

All dollars shown in thousands

	FY2013 Actuals				FY2014 Management Plan				FY2015 Governor			
	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds	UGF+DGF Funds	Other Funds	Federal Funds	Total Funds
Formula Expenditures None.												
Non-Formula Expenditures												
AK Aerospace Corp	3,491.5	163.6	0.0	3,655.1	3,311.7	1,310.0	0.0	4,621.7	2,460.5	1,602.1	0.0	4,062.6
AAC Facilities Maintenance	4,550.8	116.0	324.4	4,991.2	4,817.5	1,179.7	0.0	5,997.2	3,623.8	2,439.1	0.0	6,062.9
Totals	8,042.3	279.6	324.4	8,646.3	8,129.2	2,489.7	0.0	10,618.9	6,084.3	4,041.2	0.0	10,125.5

Alaska Aerospace Corporation
Summary of RDU Budget Changes by Component
From FY2014 Management Plan to FY2015 Governor

All dollars shown in thousands

	<u>Unrestricted Gen (UGF)</u>	<u>Designated Gen (DGF)</u>	<u>Other Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>
FY2014 Management Plan	8,129.2	0.0	2,489.7	0.0	10,618.9
Adjustments which will continue current level of service:					
-AK Aerospace Corp	10.3	0.0	4.4	0.0	14.7
-AAC Facilities Maintenance	12.4	0.0	2.8	0.0	15.2
Proposed budget decreases:					
-AK Aerospace Corp	-861.5	0.0	-258.7	0.0	-1,120.2
-AAC Facilities Maintenance	-1,206.1	0.0	0.0	0.0	-1,206.1
Proposed budget increases:					
-AK Aerospace Corp	0.0	0.0	546.4	0.0	546.4
-AAC Facilities Maintenance	0.0	0.0	1,256.6	0.0	1,256.6
FY2015 Governor	6,084.3	0.0	4,041.2	0.0	10,125.5