

**DEPARTMENT OF COMMERCE, COMMUNITY & ECONOMIC DEVELOPMENT**  
**FY19 - Summary of Significant Budget Issues**

**Governor's Budget Items Approved as Requested**

<b>Item #</b>	<b>Approp/Allocation</b>	<b>Description</b>	<b>Amount/Fund Source</b>	<b>Comment</b>
<b>1</b>	Banking and Securities/ Banking and Securities	Licensing and Regulatory Management Database Hosting and Support	\$180.4 GF/Prgm (DGF)	In FY15, the division entered into a contract using a capital appropriation to purchase a licensing and regulatory management system to replace multiple department-maintained databases and spreadsheets. This database is a single repository for managing and tracking filings, examinations, and enforcement cases and is the division's primary database. Annual hosting and support is needed to maintain functionality of the software. The capital appropriation funding for the initial purchase, development, and implementation is exhausted, and the division does not have sufficient operating receipt authority to cover the on-going hosting and support costs. The legislature approved additional receipt authority in Banking and Securities operating budget to cover these costs beginning in FY19.
<b>2</b>	Banking and Securities/ Banking and Securities	Financial Examiner I/II for Alaska Native Claims Settlement Act Filings and Support	\$103.4 GF/Prgm (DGF)  <b>1 PFT Position</b>	Per AS 45.55.139, the division is required to receive various proxy-related filings from Alaska Native Claims Settlement Act (ANCSA) corporations and shareholders. ANCSA, passed in 1971 and amended in 1988, exempted ANCSA corporations and securities from federal securities laws. Accordingly, the division is the only regulatory agency or consumer protection agency with oversight of, or involvement with, these filings. The filings, reports, proxy solicitations and statements are significant because they can be used to influence the board elections, management direction, and ultimately the financial profitability of Alaska's regional and village Native corporations through election-related balloting.  A Financial Examiner I/II position was approved to maintain service levels for ANCSA filings and requests for information. According to the department, overall ANCSA candidate and corporate filings increased over 300% in FY17 – from 399 in FY16 to 1,212 in FY17. In addition, requests for investigation because of alleged untrue or misleading information (AS 45.55.160) have increased 62% over the last year, from 29 to 47. A supplemental request for the same purposes was also approved (see item 8).

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**Governor's Budget Items Approved as Requested (continued)**

<b>Item #</b>	<b>Approp/Allocation</b>	<b>Description</b>	<b>Amount/Fund Source</b>	<b>Comment</b>
<b>3</b>	Alcohol and Marijuana Control Office/ Alcohol and Marijuana Control Office	FY19 Marijuana Regulation Funding	Net Zero Change  (\$523.6) UGF \$523.6 GF/ Prgm (DGF)  <b>IncOTI</b>	The FY19 Governor's request continued the same level of total funding for the implementation of marijuana regulation activities as was appropriated in FY17 and FY18. The FY19 budget request was consistent with the expectation that state UGF support would decline as the program matures. Total funding, by fiscal year, is as follows: <ul style="list-style-type: none"> <li>• FY17 – IncOTI \$100.0 GF/ Program Receipts and \$1,474.4 UGF</li> <li>• FY18 – IncOTI \$525.4 GF/ Program Receipts and \$1,049.0 UGF</li> <li>• FY19 – IncOTI \$1,049.0 GF/ Program Receipts and \$525.4 UGF</li> </ul> The department anticipates that the Alcohol and Marijuana Control Office will be fully self-supporting by FY20. The "IncOTI" flag serves as a signal to the legislature to review the mixture of UGF and GF/Program Receipts in FY20.
<b>4</b>	Alaska Energy Authority/ Alaska Energy Authority Rural Energy Assistance	Rural Alaska Energy Needs & Infrastructure	\$750.0 Federal Receipts	The Alaska Energy Authority (AEA) had been seeking alternative funding sources to replace lost state funding. AEA Rural Energy Assistance's UGF was reduced by \$861.0 (49.6%) since FY16. In FY19, AEA requested federal authority to receive funding via a Memorandum of Understanding (MOU) with the Denali Commission, the Department of Energy Office of Indian Energy, and the United States Department of Agriculture Rural Utility Service. The increase in federal funding will assist AEA in continuing to meet rural community energy needs, including technical assistance and operator training.
<b>5</b>	Alaska Seafood Marketing Institute/Alaska Seafood Marketing Institute	Eliminate All General Funds	(\$1,000.0) UGF	During the 2016 session, the legislature included intent language that the Alaska Seafood Marketing Institute (ASMI) develop a plan to phase out reliance on unrestricted general funds by FY19. During the 2017 session, the legislature accepted a request to replace \$1 million UGF (half of the \$2 million in the FY17 budget) with Statutory Designated Program Receipts (SDPR), leaving \$1 million of UGF in the FY18 budget. The FY19 request eliminated all remaining UGF. ASMI's budget will be funded primarily with SDPR collected from the industry-determined seafood marketing assessment (AS 16.51.120), currently set at 0.5 percent of the value of seafood products.

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**Governor's Budget Items Approved as Requested (continued)**

<b>Item #</b>	<b>Approp/Allocation</b>	<b>Description</b>	<b>Amount/Fund Source</b>	<b>Comment</b>
6	Alaska Energy Authority/ Alaska Energy Authority Power Cost Equalization	FY18 Power Cost Equalization (PCE) Program Funding	(\$5.5) million PCE Endowment (DGF)	<p>The Alaska Energy Authority (AEA) requested a total of \$32,355.0 for the PCE program in FY19. This was a \$5.5 million reduction in the estimated level of funding compared to FY18. Power Cost Equalization program payments are expected to decline in FY19 because of lower fuel costs. Program costs are also impacted by the "PCE floor" calculated by the Regulatory Commission of Alaska. In FY17, because of increases in the cost of power in urban Alaska, the PCE floor was raised, reducing the number of communities eligible for residential reimbursement and lowering the overall cost of the program. As of May 30, 2018, the endowment fund balance was \$1.073 billion.</p> <p><b>Legislative Fiscal Analyst Comment:</b> The request is merely a projection of costs; language in the operating budget bill appropriates, from the PCE Endowment Fund, the amount necessary to pay for the PCE program under the statutory formula.</p>

**Legislative Additions**

<b>Item #</b>	<b>Approp/Allocation</b>	<b>Description</b>	<b>Amount/Fund Source</b>	<b>Comment</b>
7	Fund Capitalizations/ Community Assistance Fund	FY19 Deposit for Distribution in FY20	\$30 million PCE Endowment (DGF)	<p>The legislature revised the statutory guidelines (Chapter 43, SLA 2016 (SB 196)) for using earnings of the Power Cost Equalization (PCE) Endowment Fund in order to make excess earnings available for Community Assistance. If endowment earnings in the prior closed fiscal year exceed anticipated PCE program costs, then up to \$30 million of endowment earnings may be appropriated for Community Assistance. FY17 endowment earnings were \$112.3 million, making \$30 million available for Community Assistance in FY19 (affecting distribution during FY20).</p> <p>During SLA 2017, no appropriations were made to the Community Assistance Fund for FY18. Without a FY18 deposit into the fund, the distribution in FY19 would have fallen to \$20 million. The Governor proposed using the \$30 million PCE Endowment funds available in FY19 as a FY18 supplemental. The legislature appropriated the following:</p> <ol style="list-style-type: none"> <li>1) FY18 - \$30 million ACHI and \$4 million UGF for a \$34 million distribution in FY19 (see item 10)</li> <li>2) FY19 - \$30 million of available PCE Endowment funds for a \$30 million distribution in FY20.</li> </ol>

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**FY18 Supplemental Appropriations**

<b>Item #</b>	<b>Approp/Allocation</b>	<b>Description</b>	<b>Amount/Fund Source</b>	<b>Comment</b>
<b>8</b>	Banking and Securities/ Banking and Securities	Financial Examiner I/II for Alaska Native Claims Settlement Act Filings and Support	\$30.0 GF/Prgm (DGF)  <b>1 PFT Position</b>	A Financial Examiner I/II position was requested to maintain service levels for ANCSA filings and requests for information beginning in FY18. The department also received funding and a position in FY19 for the same purpose, see item 2 for additional details.
<b>9</b>	Insurance Operations/ Alaska Reinsurance Program	Alaska Reinsurance Program	(\$25.0 million) ACHI (DGF)	For fiscal years FY16 through FY19, Insurance Premium Taxes totaling approximately \$179.4 million flowed directly into the Alaska Comprehensive Health Insurance (ACHI) fund. The legislature made two appropriations from the fund totaling \$110 million: <ul style="list-style-type: none"> <li>• \$55 million to the Reinsurance Program for calendar year 2017 (FY17-FY18)</li> <li>• \$55 million to the Reinsurance Program for calendar years 2018 through 2022 (FY18-FY23)</li> </ul> In addition, the legislature appropriated open-ended federal receipt authority for the department to receive an estimated \$322 million in federal funding for the Reinsurance Program. In FY18, Premera contributed \$25 million to the Alaska Comprehensive Health Insurance Agency (ACHIA) for the Reinsurance program. This contribution reduced the State's required contribution for the calendar year 2017 Reinsurance program and \$25 million was returned to the ACHI Fund.

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**FY18 Supplemental Appropriations (continued)**

Item #	Approp/Allocation	Description	Amount/Fund Source	Comment
10	Fund Capitalizations/ Community Assistance Fund	FY18 Deposit for Distribution in FY19	Total: \$34 million \$30 million ACHI (DGF) \$4 million UGF	<p>As mentioned in item 7 above, there were no appropriations made in SLA 2017 to the Community Assistance Fund in FY18 (for distribution in FY19). Without a FY18 deposit into the fund, the distribution in FY19 would have fallen to \$20 million. In SLA 2018 the Governor proposed using the \$30 million PCE Endowment funds available in FY19 as an FY18 supplemental. The legislature appropriated the following:</p> <p>1) FY18 - \$30 million ACHI and \$4 million UGF for a \$34 million distribution in FY19  2) FY19 - \$30 million of available PCE Endowment funds for a \$30 million distribution in FY20 (see item 7).</p> <p><b>Legislative Fiscal Analyst Comment:</b> As mentioned in item 9 above, approximately \$179.4 million flowed into the ACHI fund and \$85 million was appropriated from the ACHI fund for the Reinsurance Program -- leaving an approximate balance of \$94.4 million available for appropriation. The legislature appropriated \$30 million to the Community Assistance Fund in FY18 and \$57 million to various other items in the operating and capital budgets -- leaving approximately \$7.4 million unobligated in the ACHI fund.</p>

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**Fiscal Notes**

<b>Item #</b>	<b>Bill #</b>	<b>Title</b>	<b>Amount/Fund Source</b>	<b>Comment</b>
11	HB 76 (Chapter 93, SLA 2018)	Mariculture Revolving Loan Fund	\$6.4 MariculRLF (DGF)	<u>Investments</u> HB 76 expands eligibility provisions to allow Alaska residents or entities organized in Alaska to borrow from the Mariculture Revolving Loan Fund for mariculture farming, mariculture hatcheries, or shellfish enhancement projects. Additional receipt authority was approved to cover one-time costs of training loan staff and updating regulations, internal policy and procedures, and applications.
12	HB 106 (Chapter 89, SLA 2018)	Civil Legal Services Fund	\$300.3 UGF Fund Transfer to Civil Legal Services Fund  \$300.3 Legal Serve (DGF) Grant to Named Recipient	<u>Civil Legal Services Fund &amp; Community and Regional Affairs</u> HB 106 allows the legislature to appropriate up to 10 percent of the filing fees received by the Court System during the previous fiscal year to the Civil Legal Services Fund, and for appropriations to be made from that fund to organizations that provide civil legal services to low-income individuals.  The legislature made two appropriations: 1) \$300.3 from the general fund to the Civil Legal Services Fund based on FY17 collections deposited into the general fund; and 2) \$300.3 from the Civil Legal Services fund to the Division of Community & Regional Affairs for payment as a grant to Alaska Legal Services Corporation.
13	HB 110 (Chapter 10, SLA 2018)	Massage Therapy Licensing; Exemptions	\$10.8 Rcpt Svcs (DGF)	<u>Corporations Business and Professional Licensing</u> HB 110 provides authority for the Board of Massage Therapy to establish a license for massage therapy establishments and to develop regulations for licensing requirements. The bill also: <ul style="list-style-type: none"> <li>• amends qualifications for initial licensure as a massage therapist;</li> <li>• allows the board to issue exemptions;</li> <li>• changes the requirement of fingerprinting and background check from every renewal to only once every six years; and</li> <li>• removes the prohibition against a former member of another licensing board to serve as the public member of this board.</li> </ul> Additional receipt authority was approved to cover one-time legal costs, printing, and postage associated with amending regulations.

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**Fiscal Notes (continued)**

<b>Item #</b>	<b>Bill #</b>	<b>Title</b>	<b>Amount/Fund Source</b>	<b>Comment</b>
14	HB 147 (Chapter 74, SLA 2018)	Public Accounting	\$4.0 Rcpt Svcs (DGF)	<p><u>Corporations Business and Professional Licensing</u>            HB 147 amends the Board of Public Accountancy statutes by:</p> <ul style="list-style-type: none"> <li>• removing the requirement that a full copy of proposed regulations be mailed to every licensee;</li> <li>• removing specific accounting experience requirements for licensure from statute and allowing for them by regulation; and</li> <li>• updating statutes to reflect the national Uniform Accountancy Act (UAA).</li> </ul> <p>Additional receipt authority was approved to cover one-time legal costs, printing, and postage associated with a regulations project.</p>
15	HB 267 (Chapter 77, SLA 2018)	Release Hunting/ Fishing/ Records to Muni	\$7.7 Rcpt Svcs (DGF)	<p><u>Corporations Business and Professional Licensing</u>            HB 267 allows municipalities to access all historical, current, and future confidential hunt records for the purpose of verifying taxes payable if that municipality levies a tax on such activities.</p> <p>Additional receipt authority was approved to cover a one-time regulations project and information technology costs to create reports from the licensing data base.</p>
16	HB 280 (Chapter 45, SLA 2018)  <i>*originally SB 108</i>	Marital/Family/Ther. Bd; Medical Licensing	\$252.3 Rcpt Svcs (DGF)  <b>2 PFT Positions</b>	<p><u>Corporations Business and Professional Licensing</u>            SB 108 (incorporated into HB 280) establishes a licensing program for certified medical assistants that would allow them to practice as medical assistive personnel. It allows certified medical assistants to act as delegates to access the Prescription Drug Monitoring program on behalf of prescribing physicians.</p> <p>Additional receipt authority was approved to support two new PFT positions:</p> <ul style="list-style-type: none"> <li>• A Records and Licensing Supervisor to implement the program and provide dedicated support to the medical licensing programs.</li> <li>• A Licensing Examiner to process approximately 475 new medical assistant applications annually.</li> </ul>

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**Fiscal Notes (continued)**

<b>Item #</b>	<b>Bill #</b>	<b>Title</b>	<b>Amount/Fund Source</b>	<b>Comment</b>
17	HB 346 (Chapter 29, SLA 2018)	Dentist: Temporary Permit	\$2.6 Rcpt Svcs (DGF)	<u>Corporations Business and Professional Licensing</u> HB 346 establishes a temporary permit intended to expedite permitting so that a dentist from outside the State could temporarily replace a dentist who is incapacitated. Additional receipt authority was approved to cover one-time legal costs, printing, and postage associated with amending the regulations.
18	SB 4 (Chapter 23, SLA 2018)	Barber/ Hairdresser; Tattoo; Braiding; Coloring	\$3.6 Rcpt Svcs (DGF)	<u>Corporations Business and Professional Licensing</u> SB 4 authorizes two new license types: one for hair braiding, and one for barbers with a limited scope of practice. Additional receipt authority was approved to cover one-time legal costs, printing, and postage associated with amending the regulations.
19	SB 15 (Chapter 57, SLA 2018)	E-Cigs/ Tobacco/ Nicotine & Minors; Sales	\$5.6 GF/ Prgm (DGF)	<u>Corporations Business and Professional Licensing</u> SB 15 will make selling to a minor or possession by a minor of "electronic smoking products, or products containing nicotine" a criminal offense. Additional receipt authority was approved to cover one-time legal costs, printing, and postage associated with amending the regulations relating to business license endorsement for retailers, information technology services for system changes and printing and postage to mail new signage.
20	SB 32 (Chapter 58, SLA 2018)	Prescriptions for Biological Products	\$4.5 Rcpt Svcs (DGF)	<u>Corporations Business and Professional Licensing</u> SB 32 allows a substitution of a prescription for a biological product with an interchangeable biological product if the original product is not available in the pharmacy or is more expensive than the interchangeable product. Additional receipt authority was approved to cover one-time legal costs, printing, and postage associated with amending the regulations.
21	SB 37 (Chapter 66, SLA 2018)	Pharmacy Bd/ Commercial Fisheries Comm	\$173.3 Rcpt Svcs (DGF)  <b>1 PFT Position</b>	<u>Corporations Business and Professional Licensing</u> SB 37 gives the Board of Pharmacy authority to license and inspect out-of-state wholesale drug distributors, third-party logistics providers, and outsourcing facilities. Additional receipt authority was approved to support a new Executive Administrator position which will assist the board in complying with the new Federal regulations, to serve as the principal executive officer of the board and liaison to the legislative and executive branches of state government, the media, and other state pharmacy boards.



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**Fiscal Notes (continued)**

<b>Item #</b>	<b>Bill #</b>	<b>Title</b>	<b>Amount/Fund Source</b>	<b>Comment</b>
22	SB 105 (Chapter 75, SLA 2018)	Marital/ Family Therapy Lic & Med Services	\$1.3 Rcpt Svcs (DGF)	<u>Corporations Business and Professional Licensing</u> SB 105 clarifies training and supervision requirements for initial licensure under the Board of Marital and Family Therapy. Additional receipt authority was approved to cover a one-time legal costs, printing, and postage associated with amending the regulations.
23	SB 126 (Chapter 28, SLA 2018)	Visiting Physicians with Sports Teams	\$2.5 Rcpt Svcs (DGF)	<u>Corporations Business and Professional Licensing</u> SB 126 creates an exemption for out-of-state physicians who are under contract by an athletic team to provide medical services to members of the team while traveling in Alaska. It also revises the statute regarding pupil participation in a sporting event to reference such an exempt physician for concussion determination. Additional receipt authority was approved to cover one-time legal costs, printing, and postage associated with amending the regulations.
24	SB 155 (Chapter 67, SLA 2018)	Real Estate Appraisal Mngmt. Companies	\$111.9 Rcpt Svcs (DGF)  <b>1 PFT Position</b>	<u>Corporations Business and Professional Licensing</u> SB 155 establishes a registration and regulatory structure for Appraisal Management Companies (AMC) operating in Alaska. Previously, appraisal management companies were the only entities in the real estate valuation process that were not subject to licensing or regulation in Alaska, nor were there any laws or regulations specific to their activity. Additional receipt authority was approved to support a new Occupational Licensing Examiner position which will serve as the licensing examiner over multiple existing programs as well as the new program. The position's costs would be spread among those programs through positive timekeeping. Implementation will also require a regulations project.