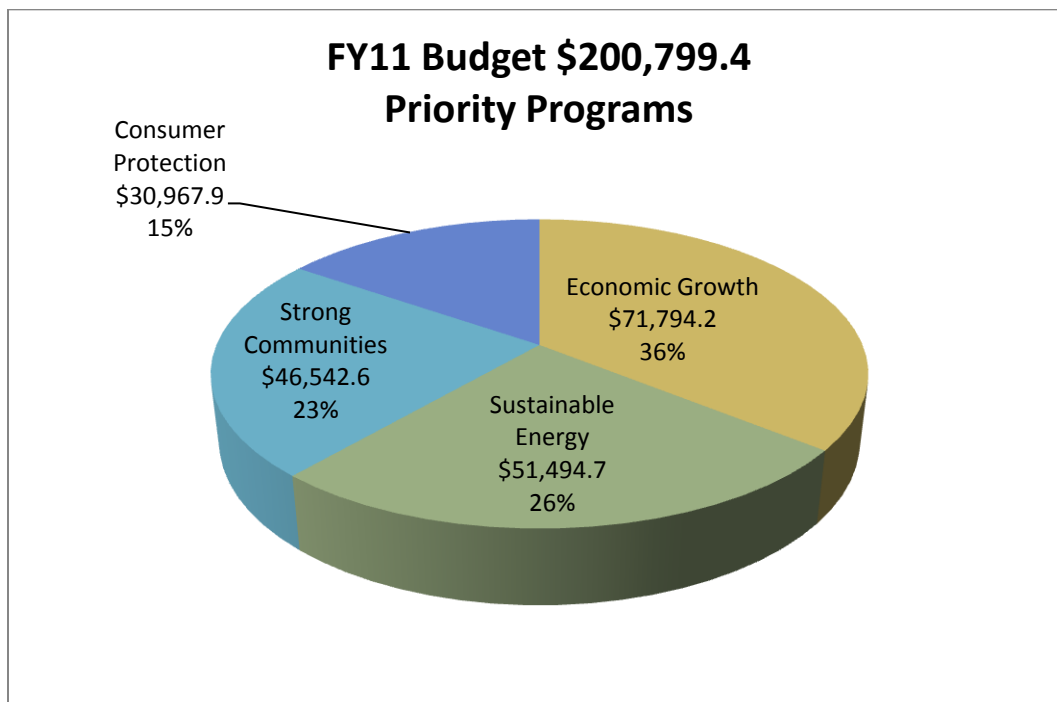


DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT
Department Overview
February 2010

- **The FY11 Governor's Operating Budget is \$200.8 million, a 3% increase over FY10.**
16% GF 33% Federal 51% Other
- The mission of the Department of Commerce, Community, and Economic Development is to promote a healthy economy, strong communities, and protect consumers in Alaska.
- The department works to achieve this mission through the efforts of nine core agencies and five corporate agencies that provide a wide range of services, including:
 - Access to capital markets for businesses
 - State grants and loans
 - Programs aimed at key economic sectors such as electric power generation, tourism, mining, fishing, and aerospace
 - Marketing of Alaska products and visitor attractions
 - Regulation of banking, securities and corporations, insurance, occupations and public utilities
 - Assistance to local governments and unincorporated communities in the form of grants, technical assistance, financial and utility management, planning and energy management
- We currently have 529 full time positions in eleven locations.

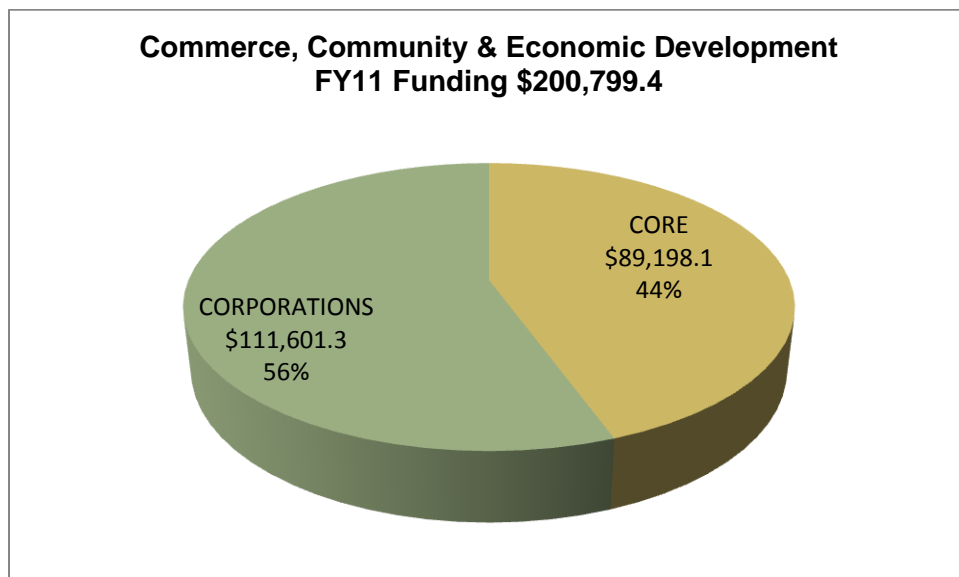


PRIORITIES

- The department is committed to the priority of economic growth to provide full employment of Alaskans. Successful development will require that a foundation of sustainable energy for Alaskans and businesses be in place. Significant department resources are dedicated to both of these priorities, including 62% of the total budget and:
 - **85% of the GF budget is for economic growth & energy (\$28 million)**
- At the same time that we pursue energy solutions and economic growth, we need to strengthen our communities so they will be able to benefit from and take advantage of the future opportunities. We need to protect our communities and the state/federal investment in rural infrastructure. About 23% of the total budget is committed to this priority, this includes \$30 million in pass thru dollars and:
 - **14% of the GF budget is for strong communities (\$4.6 million)**
- Another area of primary concern to the department is a stable business climate and consumer protection through the regulation and enforcement of insurance, banking, corporations, business and professional licenses, and utilities. This priority is funded primarily by fees and it accounts for about 15% of the total budget.

CHALLENGES

- Briefly touched on above is the diversity of agencies and functions that fall under the department's purview. The corporate agencies, although aligned with the department's mission, operate more independently than core state agencies. In this department, the corporate agencies account for 56% of the total budget and close to 40% of the positions.
 - **87% of the requested FY11 budget change is Corporations related**



- With the global economic downturn, many of the challenges identified in prior years continue to pose difficulties in the department's effort to achieve its' mission, including:
 - Sustainability of communities due to increased operating costs, staff turnover, and potential for reduced federal funding
 - Lack of infrastructure and the high cost of doing business in rural Alaska
 - Ability to attract and evaluate diverse economic development projects
 - High energy cost that impacts tourism, local communities and economic development efforts

ACCOMPLISHMENTS

- Re-established the Alaska Film Office
- Helped nine new tourism businesses get started through the Tourism Mentorship program
- Administered over 1,400 grants with a value in excess of \$766 million
- Community & Regional Affairs presented 39 trainings throughout the state on bookkeeping, land planning, utility management, and tax assessment.
- As one of two lead states, Alaska demonstrated that state regulation of insurance is the ideal model by which the industry should be regulated. Alaska's actions resulted in a substantial settlement that brought reform to a nationwide company, and increased protection to policy holders.
- Insurance also entered into a settlement that put an end to a company's practice of selling benefit policies that failed to contain the benefits mandated by Alaska law, requiring restitution to 145 consumers
- AEA completed five bulk fuel system upgrades and six rural power system upgrades and implemented the Renewable Energy Fund legislation. As of January 2010, 75% of renewable energy projects were under way with \$69 million in grants issued and \$19 million in grant payments made.
- AIDEA :
 - Completed installation of a second ship lift and grounding grid for the Ketchikan Shipyard. This helps to expand the shipyard's capacity to build and repair marine craft on a year round basis
 - Completed the first phase of upgrades to the Skagway Ore Terminal
 - Completed the Strategic Management Plan
- Aerospace executed the first year of a new contract with the Missile Defense Agency, with two rocket launches scheduled in FY10.
- ASMI – Alaska seafood has become one of the top three food brands on the menus of the top 500 U.S. restaurant chains.

SERVICE DELIVERY FOCUS FOR FY 11

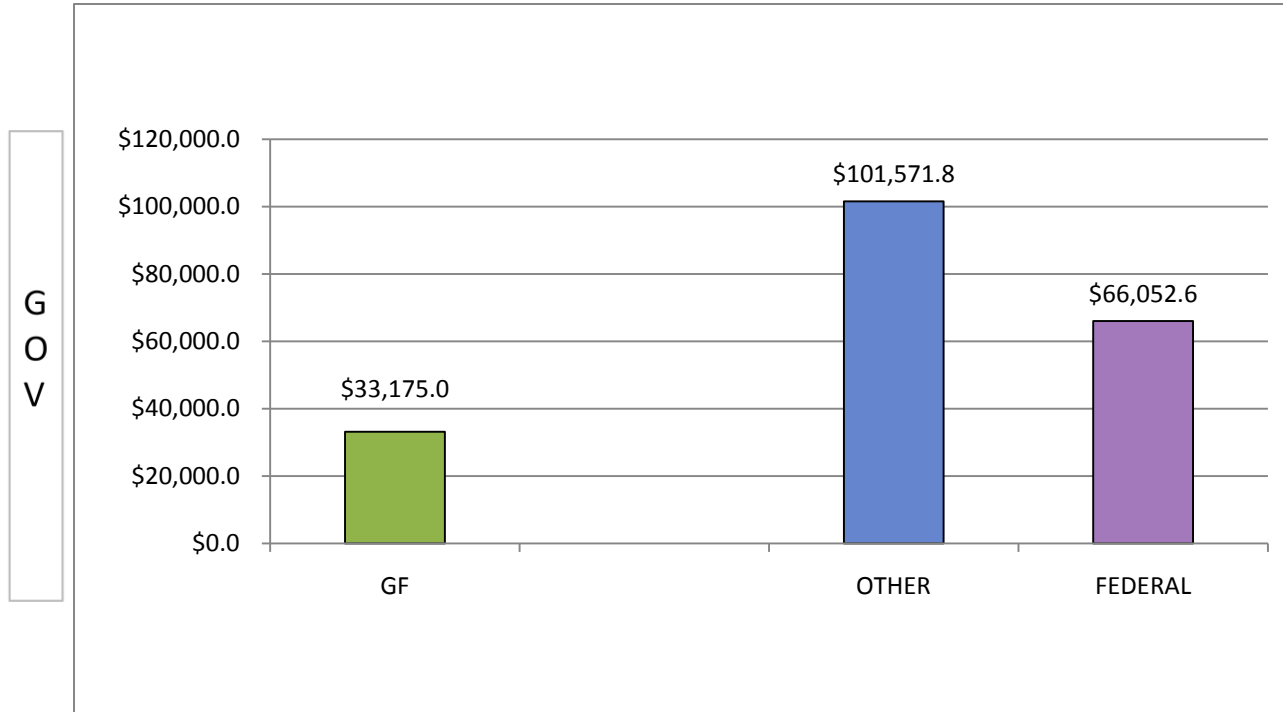
- The next year will be one of increased scrutiny and focus on the economic development function within the department core agencies and in the coordination with corporate agencies. Curtis Thayer, the department's new Deputy Commissioner, is charged with overseeing this initiative and is available to provide more information on that effort.
- There is a growing need for assistance in our most at risk communities, and we are developing strategies to respond to this situation. In FY 11, the Division of Community & Regional Affairs plans to:
 - Increase the effort to strengthen a community's capacity to provide essential services through local government assistance
 - Administer \$ 24 million in federal Coastal Impact Assessment funds
 - Provide communities with increased assistance on ANCSA 14 (c) (3) land management, site control and land status verifications that are needed to ensure clear title on village corporation land.
- On the regulatory front, we need to ensure that adequate resources are applied to performing the basic core services that protect consumers and assure financial solvency of entities – particularly in a period of economic downturn. Our budget request includes small increments to continue these services for both the Banking and Insurance divisions.
- ASMI requests \$1 million for a major sustainability campaign in Europe and to maintain its purchasing power abroad. In addition, ASMI plans to take advantage of an existing opportunity to capture more of the domestic market due to reduced Chilean imports resulting from farm diseases.

CONCLUSION

In conclusion, the state and the department have many challenges to address on the path to economic growth and sustainable communities. We look forward to a continued discussion on how to keep the forward momentum, and on the role of the department's core and corporate agencies in this statewide effort. The department's FY11 budget request reflects a commitment to continue the services of our priority programs for economic development, energy, strong communities, and consumer protection.

Thank you for your time today, and I'll now ask our Administrative Director to present the Operating Budget Overview.

**DEPARTMENT OF COMMERCE, COMMUNITY & ECONOMIC DEVELOPMENT
FUND CLASSIFICATION IMPACT
FY11 FUNDING - \$200,799.4**



Department of Commerce, Community, and Economic Development

TOTAL OPERATING BUDGET	GF	FED	OTHER	TOTAL	PFT	PPT	NP
FY10 CURRENT CAPACITY	35,712.5	65,925.0	93,168.8	194,806.3	529	2	13
FY11 GOVERNOR'S TRANSACTIONS	(2,537.5)	127.6	8,403.0	5,993.1	(1)	0	2
TOTAL FY11 GOVERNOR'S BUDGET	33,175.0	66,052.6	101,571.8	200,799.4	528	2	15

Corporate Agencies	-8.5%	0.4%	8.5%	2.7%
Core Agencies	1.4%	-0.2%	0.5%	0.4%
Percent Change Total	-7.1%	0.2%	9.0%	3.1%

Of the \$5,993.1 million increment request for FY11, \$2,526.2 is duplicated interagency receipts and:

- 66% is for maintaining current services or technical fixes
- 28% is for new or expanded services (ASMI, CIAP)
- 6% is for increased workloads

The impact on priority programs from the FY11 transaction changes include:

- \$4,939.9 relates to economic growth and energy
- \$ 813.0 to protect rural communities and the state investment in infrastructure
- \$ 239.0 for consumer protection

FY11 Component Changes	GF	FED	OTH	TOTAL	PFT	PPT	NP
Alaska Aerospace Corp		84.1	23.3	107.4	(1)		
AEA Power Cost Equalization	(4,140.9)	0.0	2,780.9	(1,360.0)			
AEA Rural Energy	93.3	0.0	2,314.1	2,407.4			
AIDEA	0.0	0.0	2,636.8	2,636.8			
Alaska Seafood Marketing	1,000.0	0.0	39.3	1,039.3			
Regulatory Commission of Alaska	0.0	192.1	168.4	360.5	(1)		2
Commissioner's Office	1.5	0.0	11.3	12.8			
Administrative Services	0.9	0.0	1.1	2.0			
Banking & Securities	0.0	(250.0)	127.9	(122.1)			
Corporations, Business & Professional Licensing	0.0	0.0	(50.9)	(50.9)			
Community Development Quota	0.0	0.0	(57.6)	(57.6)			
Community & Regional Affairs	445.0	0.0	122.0	567.0	3		
Insurance	0.0	0.0	208.0	208.0			
Investments	0.0	0.0	2.0	2.0	(1)		
National Forest Receipts	0.0	1,400.0	0.0	1,400.0			
Office of Economic Development	62.0	0.0	76.4	138.4	(1)		
Serve Alaska	0.7	(1,298.6)	0.0	(1,297.9)			
Department Total Change	(2,537.5)	127.6	8,403.0	5,993.1	(1)	0	2

