

**Department of Commerce, Community and Economic Development**  
**Summary of Budget Changes**  
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Executive Administration / Commissioner's Office	Transfer International Trade Support from the Office of the Governor for Better Alignment	\$125.0 Gen Fund (UGF)	In FY20, funding associated with the Office of International Trade supported a Development Specialist II position (PCN 01-023X). This position has recently been vacated and the Executive Branch is currently assessing whether the workload justifies a full position, or whether other existing positions could be dedicated to supporting the Office of International Trade. In FY21, the Department of Commerce, Community & Economic Development will be working with Select USA to enhance foreign direct investment (FDI) in Alaska, as well as continuing to host consulates and dignitaries visiting Alaska.
2	Community and Regional Affairs / Community and Regional Affairs	Eliminate Kawerak Inc. Named Recipient Grant Due to Direct Federal Funding with No Match Requirement	(\$200.0) Gen Fund (UGF)	<p>The federal Department of Transportation Essential Air Service (EAS) program ensures small communities are served by certificated air carriers with subsidies, if necessary. Previously, Diomedes was the only community in the Essential Air Service (EAS) Air Transportation to Noneligible Places (ATNEP) program. ATNEP did not provide local air carriers a federal subsidy and required a 50% local match. Since FY13, this match has been provided by the State of Alaska as a named recipient grant to Kawerak, Inc. to ensure regular passenger air service to Little Diomedes continued.</p> <p>Due to recent reauthorization of the FAA Reauthorization Act of 2018, Diomedes is now included as a subsidized community in the federal program. As a "full EAS community," a local match will no longer be required after the current agreement ends June 30, 2020.</p>
3	Economic Development / Economic Development	Eliminate Economic Development Funding to be Replaced by Alaska Development Team Appropriation	(\$546.6) Gen Fund (UGF)	<p>Eliminate unrestricted general funds for the Economic Development allocation and replace it with an appropriation for the Alaska Development Team (ADT) three-year pilot program from the sunseting Alaska Capstone Avionics Fund. During the pilot, ADT will work to establish a 501(c)(3) to outsource economic development functions to the private sector similar to the tourism marketing model.</p> <p><b>Fiscal Analyst Comment:</b> See Item 4 for additional information on the Capstone Avionics Revolving Loan Fund.</p>
4	Economic Development / Economic Development	Alaska Development Team Pilot Program (FY20-FY23)	\$2,843.6 Capstone (DGF) <b>MultiYr</b>	The Alaska Development Team (ADT) will be responsible for diversifying Alaska's economy through growing Alaska's existing industries and attracting new industries and investment to the State of Alaska. Over the course of the four-year pilot, the ADT, under the general direction of the Commissioner of the Department of Commerce, Community, and Economic Development, and the ADT advisory board, will work to establish a 501(c)(3) and by FY24, the economic development functions will be outsourced to the private sector. The general fund appropriation and unbudgeted

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4	Economic Development / Economic Development	Alaska Development Team Pilot Program (FY20-FY23)	\$2,843.6 Capstone (DGF) <b>MultiYr</b>	<p>(continued)</p> <p>reimbursable service agreements with the Office of the Governor will be replaced by a multi-year appropriation (FY20-FY23) from the Alaska Capstone Avionics fund. Two budget proposals implement this strategy: a decrement of the general fund base funding in the amount of \$546.6 and a multi-year appropriation for four years (FY20-FY23) of \$2,843.6.</p> <p><b>Fiscal Analyst Comment:</b> The Capstone Avionics Revolving Loan fund was established by the legislature in 2008 (AS 44.33.655) and is scheduled to sunset on July 1, 2020. As of March 2, 2018, the balance of the revolving loan fund was approximately \$5,100.0 and had five outstanding loans totaling \$165.3. Updated details on the revolving loan fund have been requested from DCCED.</p> <p>The Governor's budget requests to use \$4,790.2 directly from the revolving loan fund for the following purposes:</p> <p>1) \$2,843.6 supplemental operating appropriation to the Department of Commerce, Community &amp; Economic Development's Alaska Development Team.</p> <p>2) \$1,946.6 supplemental capital appropriation to the Department of Transportation and Public Facilities for federal-aid aviation match.</p> <p>While the legislature may appropriate a designated fund source for any purpose, Legislative Finance Division recommends lapsing the unexpended and unobligated balance to the general fund and appropriating unrestricted general funds to new projects. This preserves the legislature's option of reauthorizing the revolving loan fund, as well as removes the potential for over-appropriation of the revolving loan fund. In addition, appropriating a one-time fund source may create a potential hole that will need to be addressed in the following fiscal year.</p>
5	Investments / Investments	Eliminate Alaska Capstone Avionics Revolving Loan Fund Due to Sunset	(\$137.5) Capstone (DGF)	<p>Eliminate Alaska Capstone Avionics Revolving Loan fund authorization as the program is scheduled to sunset effective July 1, 2020. Authorization within the Investments allocation was used for administration and management of the loans.</p> <p><b>Fiscal Analyst Comment:</b> See Item 4 for additional information on the Capstone Avionics Revolving Loan Fund.</p>

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6	Alaska Oil and Gas Conservation Commission / Alaska Oil and Gas Conservation Commission	Transfer AOGCC from the Department of Administration		<p>Per Administrative Order 307, transfer the Alaska Oil and Gas Conservation Commission from the Department of Administration to the Department of Commerce, Community, and Economic Development.</p> <p>This structure change transfers \$7,756.8 in total authority (\$120.0 Federal Receipts / \$150.0 Statutory Designated Program Receipts / \$7,486.8 AOGCC Receipts) and 33 PFT positions and is reflected in the FY20 Management Plan.</p>
7	Alaska Gasline Development Corporation / Alaska Gasline Development Corporation	Reduce Alaska Gasline Development Corporation Operational Expenditures	(\$6,254.0) AGDC-LNG (Other) <b>(10) PFT Positions</b> <b>(1) TMP Position</b>	<p>This reduction includes the deletion of 10 full-time and 1 temporary positions, as well as reduction in staff overhead expenditures by eliminating office space, reducing contracts, travel, and commodity purchases. The Alaska Gasline Development Corporation's (AGDC's) statutory mission will continue to be carried out at the reduced spending level with the remaining resources. The remaining authority in AGDC's budget totals \$3,431.6 AGDC-LNG and 15 full-time positions.</p> <p><b>Fiscal Analyst Comment:</b> The Governor's request also includes a deposit of Statutory Designated Program Receipts, not to exceed \$20 million, received by AGDC into the Alaska Liquefied Natural Gas Project fund.</p>
8	Alaska Energy Authority / Alaska Energy Authority Power Cost Equalization	Power Cost Equalization and Endowment Funding for FY21	(\$2,500.0) PCE Endow (DGF)	<p>The Alaska Energy Authority (AEA) is reducing grant authority by \$2.5 million, from \$32.4 million to \$29.9 million, based on historical averages and similar trends in fuel costs. Power Cost Equalization (PCE) grant disbursements were \$31.6 million in FY16; \$26.4 million in FY17; \$26.2 million in FY18; and estimated to be \$28.7 million in FY19. PCE disbursements are expected to remain relatively stable in FY21. Program costs are impacted by the "PCE floor" calculated by the Regulatory Commission of Alaska (RCA). In FY18, because of increases in the cost of power in urban Alaska, the PCE floor was raised, lowering the overall cost of the program. AEA does not expect the program payments to exceed \$29.5 million in FY21. However, changing factors can cause this estimate to be higher or lower than actual costs.</p> <p>The PCE program provides economic assistance to communities and residents in rural areas, where the cost of electricity can be three to five times higher than for customers in more urban areas of the state. The program was created to equalize power cost per kilowatt-hour (kWh) statewide at a cost close to or equal to the mean of the cost per kWh in Anchorage, Fairbanks, and Juneau.</p>

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8	Alaska Energy Authority / Alaska Energy Authority Power Cost Equalization	Power Cost Equalization and Endowment Funding for FY21	(\$2,500.0) PCE Endow (DGF)	(continued) Under Alaska Statutes 42.45.100-170, the RCA determines if a utility is eligible to participate in the program and calculates the amount of PCE per kWh payable to the utility. AEA determines eligibility of community facilities and residential customers and authorizes reimbursement to the electric utility for the PCE credits extended to customers.