Senate Finance Budget Subcommittee
Alaska Department of Commerce, Community and Economic Development

Fiscal Year 2025

1: Legislative Fiscal Information

The Fiscal Year 2025 Budget:

Legislative Fiscal Analyst's Overview of the Governor's Request

Legislative Finance Division

www.legfin.akleg.gov

UGF Short Fiscal Summary - FY24/FY25 Budget

	($ Millions) (Unrestricted General Funds)	FY24 Budget	FY25 Governor	Change, FY24 to FY25	
1	**Revenue**	**6,526.4**	**6,308.4**	**(218.0)**	**-3.3%**
2	UGF Revenue (DOR Fall 2023 Forecast)	2,959.5	2,651.2	(308.3)	-10.4%
3	POMV Draw	3,526.0	3,657.2	131.2	3.7%
4	Misc/Adjust	40.9	-	(40.9)	
5	**Appropriations**	**6,127.2**	**7,285.4**	**1,158.3**	**18.9%**
6	**Operating Budget**	**4,880.5**	**4,676.6**	**(203.9)**	**-4.2%**
7	Agency Operations	4,411.1	4,311.6	(99.5)	-2.3%
8	Statewide Items	346.8	365.0	18.2	5.3%
9	Energy Relief Payment*	110.6	-	(110.6)	-100.0%
10	Supplemental Appropriations	12.0	-	(12.0)	
11	**Capital Budget**	**365.2**	**305.2**	**(60.0)**	**-16.4%**
12	Current Year Appropriations	360.2	305.2	(55.0)	-15.3%
13	Supplemental Appropriations	5.0	-	(5.0)	
14	**Permanent Fund**	**881.5**	**2,303.7**	**1,422.2**	**161.3%**
15	Permanent Fund Dividends	881.5	2,303.7	1,422.2	161.3%
16	**Pre-Transfer Surplus/(Deficit)**	**399.2**	**(977.0)**		
17	Constitutional Budget Reserve*	110.6	-		
18	American Rescue Plan Act (ARPA)	(10.6)	-		
19	Other Fund Transfers	23.8	5.3		
20	**Post-Transfer Surplus/(Deficit)**	**275.4**	**(982.3)**		

Reserve Balances (EOY)		
	FY24	**FY25**
SBR	19.8	-
CBR	3,205.8	2,351.5
ERA	7,470.5	7,220.3

**Revenues exceeding DOR's Spring 2023 forecast are split between between the CBR and a deposit into the dividend fund. The dividend fund appropriation is capped at $318.3 million and would be distributed as an energy relief payment in FY25.*

January 9, 2024

State of Alaska Detailed Fiscal Summary - FY24 and FY25 (Part 1)

($ millions)

		FY24 Budget					FY25 Governor					Change in UGF	
		Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Receipts	All Funds	Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Receipts	All Funds	$	%
1	**REVENUE**	6,526.4	1,088.0	927.0	6,205.4	14,746.8	6,308.4	1,074.7	887.1	6,522.3	14,792.5	(218.0)	-3.3%
2	Unrestricted General Fund Revenue (Fall 2023 Forecast) (1)	2,959.5	-	-	-	2,959.5	2,651.2	-	-	-	2,651.2	(308.3)	-10.4%
3	POMV Payout from ERA	3,526.0	-	-	-	3,526.0	3,657.2	-	-	-	3,657.2	131.2	3.7%
4	Adjustments, Carryforward, Repeals, and Reappropriations (2)	40.9	55.0	40.0	605.0	740.8	-	-	-	-	-	(40.9)	-100.0%
5	Restricted Revenue (3)	-	1,033.0	887.0	5,600.4	7,520.5	-	1,074.7	887.1	6,522.3	8,484.1		
	APPROPRIATIONS												
6	**TOTAL OPERATING APPROPRIATIONS**	4,880.5	897.3	855.2	4,056.7	10,689.7	4,676.6	887.0	804.6	3,531.3	9,899.5	(203.9)	-4.2%
7	**Agency Operations**	4,423.1	782.7	796.5	3,957.7	9,960.1	4,311.6	794.3	733.5	3,447.2	9,286.6	(111.5)	-2.5%
8	**Current Fiscal Year Appropriations**	4,411.1	782.7	796.5	3,955.0	9,945.3	4,311.6	794.3	733.5	3,447.2	9,286.6	(99.5)	-2.3%
9	Agency Operations (Non-Formula)	2,202.1	716.1	747.9	1,760.9	5,427.0	2,245.7	727.7	682.5	1,233.7	4,889.6	43.6	2.0%
10	K-12 Foundation and Pupil Transportation (Formula)	1,300.8	-	32.7	20.8	1,354.3	1,181.3	-	35.5	20.8	1,237.6	(119.5)	-9.2%
11	Medicaid Services (Formula)	700.0	0.4	15.5	2,002.3	2,718.2	703.9	0.4	15.5	2,080.7	2,800.5	3.9	0.6%
12	Other Formula Programs	208.2	66.1	-	170.2	444.5	180.6	66.1	-	112.1	358.9	(27.6)	-13.2%
13	Revised Programs Legislatively Approved (RPLs)	-	-	0.5	0.9	1.4	-	-	-	-	-		
14	*Duplicated Authorization (non-additive) (4)*	-	-	*903.9*	-	*903.9*	-	-	*892.3*	-	*892.3*	-	
15	**Supplemental Appropriations (Agency Operations)**	12.0	-	-	2.8	14.7	-	-	-	-	-		
16	Supplemental Appropriations	12.0	-	-	2.8	14.7	-	-	-	-	-		
17	**Statewide Items**	457.4	114.7	58.7	99.0	701.8	365.0	92.7	71.2	84.1	612.9	(92.4)	-20.2%
18	**Current Fiscal Year Appropriations**	457.4	114.7	58.7	99.0	701.8	365.0	92.7	71.2	84.1	612.9	(92.4)	-20.2%
19	Debt Service	147.5	13.5	21.3	4.8	187.2	138.1	13.1	37.6	4.9	193.7	(9.4)	-6.4%
20	Fund Capitalizations	59.0	15.1	0.3	49.4	123.9	40.6	53.0	0.3	79.2	173.1	(18.3)	-31.1%
21	*Community Assistance*	-	-	-	-	-	*2.2*	*27.8*	-	-	*30.0*	2.2	
22	*REAA School Fund*	*27.9*	-	-	-	-	*27.0*	-	-	-	*27.0*	*(0.9)*	-3.3%
23	*Oil and Gas Tax Credit Fund*	*28.4*	-	-	-	*28.4*	-	-	-	-	-	*(28.4)*	
24	*Other Fund Capitalization*	*2.7*	*15.1*	*0.3*	*49.4*	*67.6*	*11.5*	*25.2*	*0.3*	*79.2*	*116.1*	*8.7*	320.5%
25	State Payments to Retirement Systems	140.3	-	-	-	140.3	186.3	-	-	-	186.3	46.0	32.8%
26	Energy Relief Payment (5)	110.6	-	-	-	110.6	-	-	-	-	-	(110.6)	-100.0%
27	Shared Taxes	-	32.5	37.1	-	69.6	-	26.6	33.2	-	59.8		
28	Alaska Comprehensive Insurance Program	-	53.5	-	44.7	98.2	-	-	-	-	-		
29	*Duplicated Authorization (non-additive) (4)*	-	-	*13.1*	-	*13.1*	-	-	*10.0*	-	*10.0*		
30	**Supplemental Appropriations (Statewide Items)**	-	-	-	-	-	-	-	-	-	-		
31	**TOTAL CAPITAL APPROPRIATIONS**	365.2	73.5	71.5	2,138.1	2,648.3	305.2	76.2	82.3	2,991.0	3,454.6	(60.0)	-16.4%
32	**Current Fiscal Year Appropriations**	360.2	73.5	71.5	2,138.1	2,643.3	305.2	76.2	82.3	2,991.0	3,454.6	(55.0)	-15.3%
33	Project Appropriations	360.2	73.5	71.5	2,138.1	2,643.3	305.2	76.2	82.3	2,991.0	3,454.6	(55.0)	-15.3%
34	*Duplicated Authorization (non-additive) (4)*	-	-	*118.9*	-	*118.9*	-	-	*90.2*	-	*90.2*	-	
35	**Supplemental Appropriations (Capital)**	5.0	-	-	-	5.0	-	-	-	-	-		
36	Capital Projects	5.0	-	-	-	5.0	-	-	-	-	-		
37	*Money on the Street (includes all fund sources) (6)*	*365.2*	*73.5*	*190.4*	*2,138.1*	*2,767.2*	*305.2*	*76.2*	*172.4*	*2,991.0*	*3,544.8*		
38	**Pre-Permanent Fund Authorization (unduplicated)**	5,245.7	970.9	926.8	6,194.8	13,338.1	4,981.7	963.2	886.9	6,522.3	13,354.1	(263.9)	-5.0%
39	***Revenue less operating and capital appropriations***	*1,280.7*					*1,326.7*						
40	**Permanent Fund Appropriations**	881.5	76.4	-	-	957.9	2,303.7	82.0	-	-	2,385.7	1,422.2	161%
41	Permanent Fund Dividends (5)	881.5	-	-	-	881.5	2,303.7	-	-	-	2,303.7	1,422.2	161.3%
42	Non-Mandatory Royalty Deposit to Principal	-	76.4	-	-	76.4	-	82.0	-	-	82.0		
43	Transfer to Principal from Earnings Reserve Account	1,413.0	-	-	-	1,413.0	1,468.0	-	-	-	1,468.0	55.0	3.9%
44	Transfer from Earnings Reserve Account to Principal	(1,413.0)	-	-	-	(1,413.0)	(1,468.0)	-	-	-	(1,468.0)	(55.0)	3.9%
45	**Pre-Transfers Authorization (unduplicated)**	6,127.2	1,047.3	926.8	6,194.8	14,296.0	7,285.4	1,045.2	886.9	6,522.3	15,739.8	1,158.3	18.9%
46	***Pre-Transfer Surplus/(Deficit) (7)***	*389.2*	*Revenue =*	*106.5%*	*of Appropriations*		*(977.0)*	*Revenue =*	*86.6%*	*of Appropriations*			

State of Alaska Detailed Fiscal Summary - FY24 and FY25 (Part 1)

($ millions)

#		FY24 Budget					FY25 Governor					Change in UGF	
		Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Receipts	All Funds	Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Receipts	All Funds	$	%
47	**Fund Transfers (8)**	123.8	40.7	0.2	10.6	175.4	5.3	29.5	0.2	-	35.0	(118.5)	-95.7%
48	**Current Fiscal Year Transfers**	123.8	24.7	0.2	10.6	159.3	5.3	29.5	0.2	-	35.0	(118.5)	-95.7%
49	Renewable Energy Fund	7.5	-	-	-	7.5	5.0	-	-	-	5.0	(2.5)	
50	Alaska Capital Income Fund *(non-additive)* (9)	16.0	23.0	-	-	39.0	-	28.2	-	-	28.2	(16.0)	
51	Other Fund Transfers	0.3	1.7	0.2	-	2.2	0.3	1.3	0.2	-	1.8	(0.0)	
52	General Fund Deposit from American Rescue Plan Act (ARPA)	(10.6)	-	-	10.6	-	-	-	-	-	-	10.6	
53	Constitutional Budget Reserve (5)	110.6	-	-	-	110.6	-	-	-	-	-	(110.6)	
54	**Supplemental Appropriations (Fund Transfers)**	-	16.0	-	-	16.0	-	-	-	-	-	-	
55	Oil & Hazardous Substance Fund	-	16.0	-	-	16.0	-	-	-	-	-		
56	**Post-Transfers Authorization** (undupIicated)	6,251.0	1,088.0	927.0	6,205.4	14,471.4	7,290.7	1,074.7	887.1	6,522.3	15,774.8	1,039.7	16.6%
57	*Post-Transfer Surplus/(Deficit) (10)*	*275.4*	*Revenue =*	*104.4%*	*of Appropriations*		*(882.3)*	*Revenue =*	*86.5%*	*of Appropriations*			
58	**FISCAL YEAR SUMMARY**	6,251.0	1,088.0	927.0	6,205.4	14,471.4	7,290.7	1,074.7	887.1	6,522.3	15,774.8	1,039.7	16.6%
59	**Agency Operations**	4,423.1	782.7	796.5	3,957.7	9,960.1	4,311.6	794.3	733.5	3,447.2	9,286.6	(111.5)	-2.5%
60	Statewide Items	457.4	114.7	58.7	99.0	729.7	365.0	92.7	71.2	84.1	612.9	(92.4)	-20.2%
61	Permanent Fund Appropriations	881.5	76.4	-	-	957.9	2,303.7	82.0	-	-	2,385.7	1,422.2	161.3%
62	**Total Operating**	5,762.0	973.8	855.2	4,056.7	11,647.7	6,980.3	969.0	804.6	3,531.3	12,285.2	1,218.3	21.1%
63	**Capital**	365.2	73.5	71.5	2,138.1	2,648.3	305.2	76.2	82.3	2,991.0	3,454.6	(60.0)	-16.4%
64	*Transfers*	*123.8*	*40.7*	*0.2*	*10.6*	*175.4*	*5.3*	*29.5*	*0.2*	-	*35.0*	*(118.5)*	*-95.7%*

Notes:

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(1) The Department of Revenue's (DOR) Fall 2023 *Revenue Sources Book* forecast for FY25 is 471,200 barrels per day total Alaska production at $76 per barrel.

(2) Carryforward is money that was appropriated in a prior year that is made available for spending in a later year via multi-year appropriations. Repeals increase revenue by reducing prior year authorization. Reappropriations to operating budget funds are counted as UGF revenue.

(3) Restricted revenue equals spending for each category. Designated general funds include 1) program receipts that are restricted to the program that generates the receipts and 2) revenue that is statutorily designated for a specific purpose. Other funds have stricter restrictions on usage, and federal funds originate from the federal government and can be used only for a particular purpose.

(4) Duplicated authorization is in the budget twice, such as when funds flow in and out of a holding account or one agency pays another for services provided. Duplicated authorization also includes the expenditure of bond proceeds when debt service on bonds will be reflected in future operating budgets.

(5) The FY24 Enacted budget includes a provision that if revenues exceed DOR's Spring Revenue Forecast, excess revenues will be split in half between the CBR and a deposit into the dividend fund. The dividend fund appropriation would occur at the end of FY24 and would be distributed as an energy relief payment in FY25 in addition to the FY25 PFD. The dividend fund appropriation is capped at $318.3 million (of excess revenue), and any further revenues would entirely flow into the CBR.

(6) Including duplicated fund sources in the amount of capital spending provides a valuable measure of "money on the street" because it includes projects funded with bond proceeds and other duplicated fund sources.

(7) The "Pre-transfer Surplus/(Deficit)" indicates if projected state revenue is sufficient to pay for the budget before using money from savings or non-recurring revenue sources. If projected state revenue is projected to be insufficient indefinitely, it is often referred to as a "structural deficit."

(8) "Fund Transfers" refer to appropriations that move money from one fund to another within the Treasury. Although transfers are not true expenditures, they reduce the amount of money available for other purposes so must be included in the calculation of the surplus/deficit. For reserve accounts, a positive number indicates a deposit and a negative number indicates a withdrawal. When money is withdrawn and spent, the expenditure is included in the operating or capital budget, as appropriate. For example, the appropriation to transfer court filing fees from the general fund to the civil legal services fund.

(9) In FY24, the amount necessary for the Alaska Capital Income Fund (ACIF) to have an unobligated balance of $0, estimated to be $16 million, is appropriated from the general fund to the ACIF.

(10) No appropriation from the CBR to cover a general fund deficit was enacted for FY24. The Governor's FY25 budget proposal contains language appropriating from the SBR and CBR to cover a general fund deficit.

Projected Fund Balances - FY24 and FY25 (Part 2)

($ millions)

	FY24				FY25			
	BoY Balance	In	Out/ (Deposit)	EoY Balance	BoY Balance	In	Out/ (Deposit)	EoY Balance
Total Budget Reserves and Designated Funds	4,140.1	222.0	(254.4)	4,616.5	4,616.5	255.5	1,130.6	3,741.4
Undesignated Reserves	2,745.9	94.9	(386.0)	3,226.8	3,226.8	108.2	982.3	2,352.6
Total Excluding Permanent Fund	2,745.9	94.9	(386.0)	3,226.8	3,226.8	108.2	982.3	2,352.6
Constitutional Budget Reserve Fund	2,724.9	94.9	(386.0)	3,205.8	3,205.8	108.2	962.5	2,351.5
Statutory Budget Reserve Fund	19.8	-	-	19.8	19.8	-	19.8	-
Alaska Housing Capital Corporation Fund	1.1	-	-	1.1	1.1	-	-	1.1
Select Designated Funds	1,394.2	127.1	131.6	1,389.7	1,389.7	147.4	148.3	1,388.8
Total Excluding Permanent Fund	1,394.2	127.1	131.6	1,389.7	1,389.7	147.4	148.3	1,388.8
Alaska Capital Income Fund*	(16.0)	39.0	29.3	(6.3)	(6.3)	28.2	28.2	(6.3)
Alaska Higher Education Investment Fund	380.4	24.4	23.6	381.2	381.2	24.4	23.6	382.0
Community Assistance Fund	90.0	-	30.0	60.0	60.0	30.0	20.0	70.0
Power Cost Equalization Endowment	939.8	63.7	48.7	954.8	954.8	64.8	76.5	943.1
Unrestricted General Fund Appropriations				6,127.2				7,285.4
Reserves Ratio (Undesignated Reserves / Pre-Transfer Budget)				53%				32%
Pre-Transfer Deficit				399.2				(977.0)
Years of Deficit Coverage (Undesignated Reserves / Pre-Transfer Deficit)				n/a				2.41
Permanent Fund **								
Permanent Fund Principal - Realized (no appropriations allowed)	56,420.2	1,901.3	0.0	58,321.5	58,321.5	1,906.0	0.0	60,227.5
Permanent Fund Earnings Reserve Account - Realized	8,766.3	3,666.3	4,962.1	7,470.5	7,470.5	4,904.0	5,154.2	7,220.3
Permanent Fund -- Unrealized Gain (Loss)	12,825.3	319.0	0.0	13,144.3	13,144.3	426.0	0.0	13,570.3
TOTAL PERMANENT FUND	78,011.8	5,886.6	4,962.1	78,936.3	78,936.3	7,236.0	5,154.2	81,018.1

*The FY24 Enacted Budget appropriates the amount necessary to bring the Alaska Capital Income Fund balance to zero at the start of the year.

**Alaska Permanent Fund Corporation (APFC) unaudited history and projections as of November 30, 2023. Includes LFD adjustments.

January 9, 2024

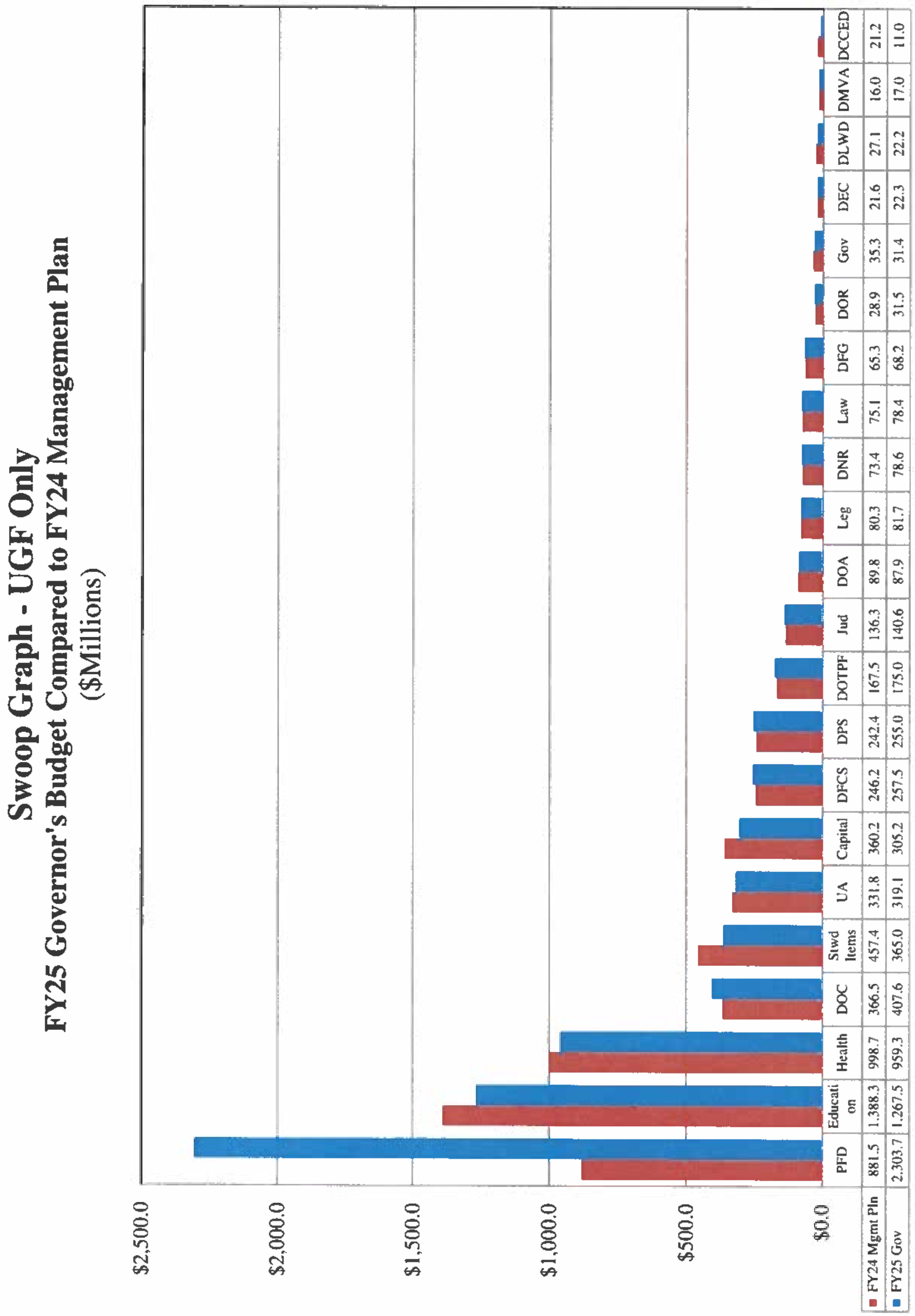
Executive Summary

As required by law, the Governor released his FY25 budget proposal to the public and the legislature on December 14, 2023. The Legislative Finance Division prepared this Overview of the Governor's Budget and "Subcommittee Books" for each agency in accordance with AS 24.20.211-.231.

The Overview provides a starting point for legislative consideration of the Governor's proposed budget and revenue plan. It does not necessarily discuss the merits of budget plans, but focuses on outlining the fiscal situation and presenting the budget in a way that provides objective information to the legislature.

The first chapters in this publication primarily refer to Unrestricted General Funds (UGF). These are the state revenues with no constitutional or statutory restrictions on their use. The statewide fiscal surplus or deficit is calculated using this fund source group. Later in the publication, individual agency narratives account for significant changes in all fund sources. The first chapters also primarily use figures in the millions of dollars, with the decimal indicating hundreds of thousands, while agency narratives generally use figures in the thousands of dollars, with the decimal indicating hundreds.

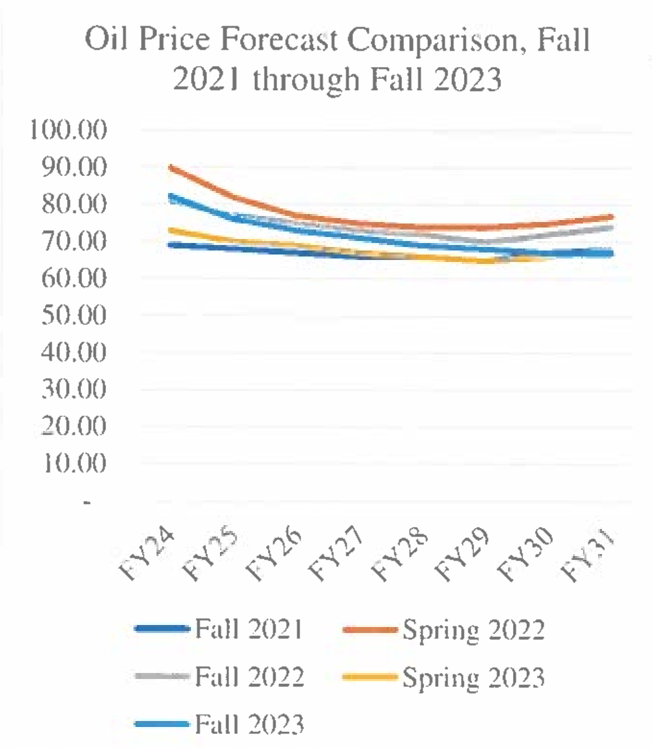
Despite oil price and investment market volatility, the State's long-term fiscal situation is much the same as it has been for a decade: there is a gap between the statutory spending and revenue structures at expected oil prices and financial market projections. The Enacted budget in FY24 left a surplus of several hundred million dollars, but the Governor's FY25 budget relies on nearly a billion-dollar draw from savings.

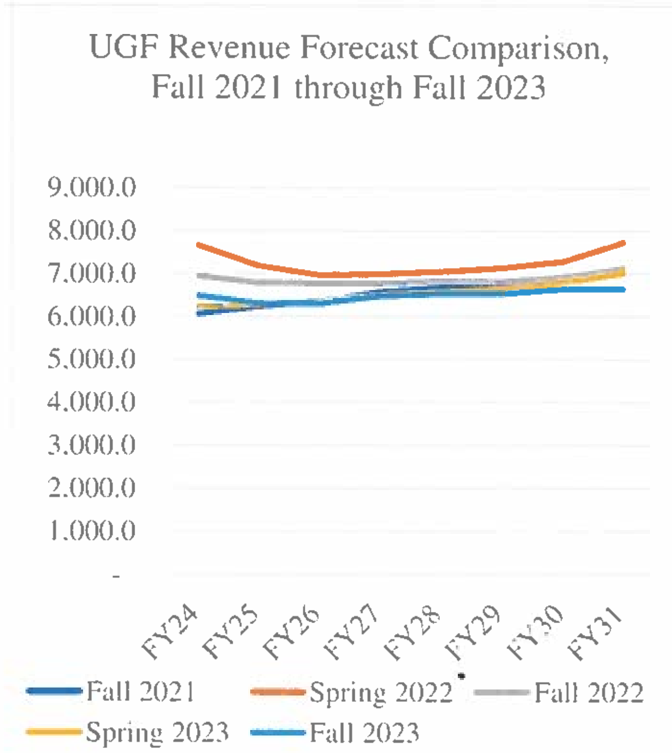


	PFD	Education	Health	DOC	Stwd Items	UA	Capital	DFCS	DPS	DOTPF	Jud	DOA	Leg	DNR	Law	DFG	DOR	Gov	DEC	DLWD	DMVA	DCCED
FY24 Mgmt Pln	881.5	1,388.3	998.7	366.5	457.4	331.8	360.2	246.2	242.4	167.5	136.3	89.8	80.3	73.4	75.1	65.3	28.9	35.3	21.6	27.1	16.0	21.2
FY25 Gov	2,303.7	1,267.5	959.3	407.6	365.0	319.1	305.2	257.5	255.0	175.0	140.6	87.9	81.7	78.6	78.4	68.2	31.5	31.4	22.3	22.2	17.0	11.0

Alaska's Overall Fiscal Situation

Alaska's general fund is still heavily reliant on oil revenue; though it is no longer the *largest* source of UGF revenue, it is the most volatile. In Fiscal Year 2025 (FY25), the Department of Revenue (DOR) projects that petroleum will account for 33 percent of Alaska's UGF revenue. As always, oil prices remain unpredictable, and Alaska's fiscal health appears to change as rapidly as oil prices fluctuate. Despite this short-term volatility, the long-term fiscal situation has not changed significantly; the past five revenue forecasts have shown a narrow band of prices, with $10 or less separating the high and low forecasts for FY27 and beyond. As would be expected, the Unrestricted General Fund (UGF) revenue forecasts have also presented in a narrow band: just $523 million separates the lowest and highest forecasts for FY27 and FY28.

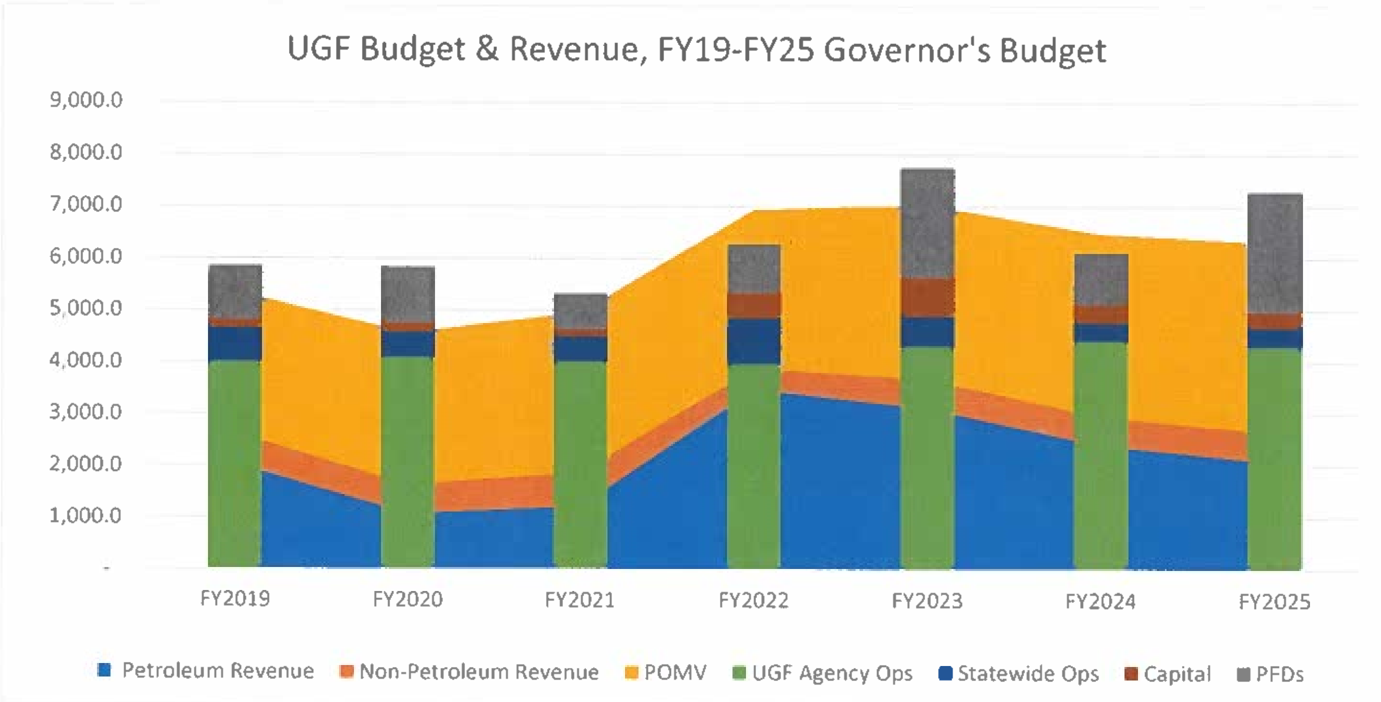




Despite a relatively stable revenue forecast in the past several years, the State's fiscal situation is unsettled. Alaska still has a structural budget deficit: if all spending statutes are followed, the State would have a substantial budget deficit at expected long-term revenue. This has led to a widespread perception that Alaska is in the midst of an ongoing fiscal crisis.

Since SB 26 authorized the Percent of Market Value (POMV) transfer from the Permanent Fund to the general fund beginning in FY19, the State's fiscal stability has increased substantially. The FY19, 20, 21 and 23 budgets had deficits, the FY22 and 24 budgets had surpluses. The Constitutional Budget Reserve (CBR) and Statutory Budget Reserve (SBR), the State's main reserve funds, had a combined balance of about $2.75 billion at the start of FY19 and is estimated to have a balance of about $2.74 billion at the end of FY23.

The difference between the structural deficit and the actual history of relatively balanced budgets is that expenditure statutes are not required to be followed in the appropriations process; most notably, the legislature has not adhered to the Permanent Fund Dividend (PFD) statute since FY16. PFD payments and capital budgets have fluctuated with available revenue. This ad-hoc fiscal policy has stabilized the State's reserve funds, but leaves uncertainty from year to year. A durable solution to the structural deficit would allow for more meaningful fiscal planning.

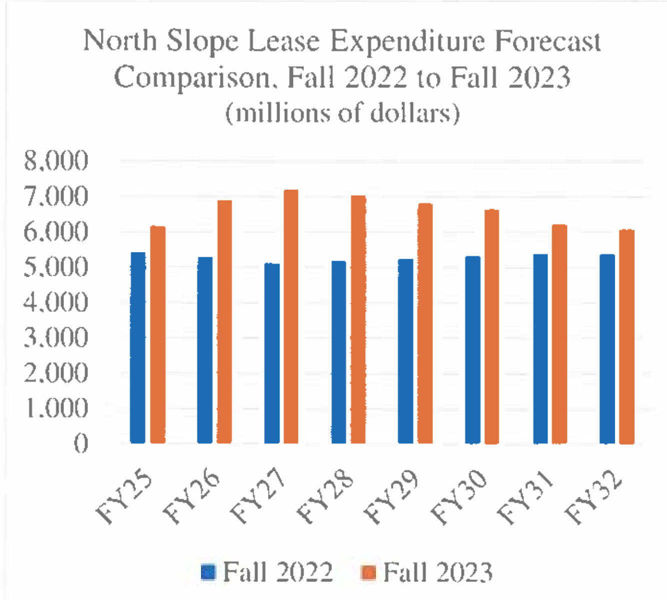


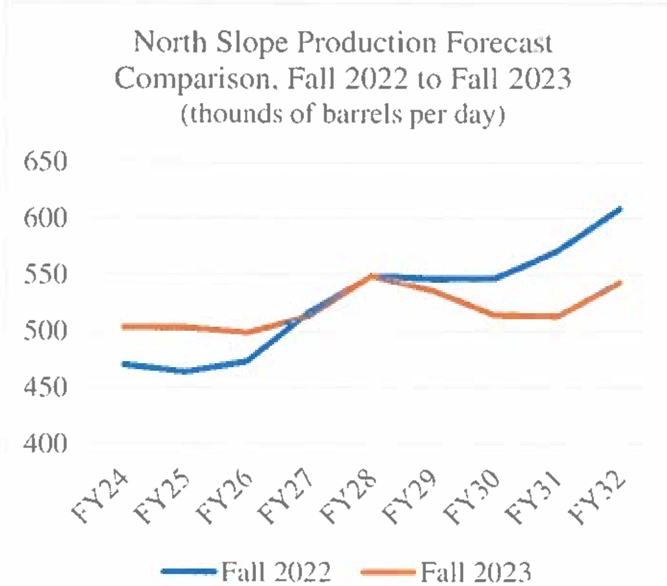
Fall 2023 Revenue Forecast Shows Shifting Alaska Oil Production Landscape

The DOR Fall 2023 Revenue Sources Book's topline revenue numbers are similar to past forecasts, but underneath the surface there are significant changes in Alaska's oil production. Oil prices for FY24 and FY25 are up significantly from the Spring 2023 forecast, but revenue increased less than a price sensitivity table would indicate. This is because oil production decreased overall, while tax-deductible lease expenditures and transportation costs increased.

The most visible reason for this change is the progress of the Willow field, which was mired in lawsuits when the Spring forecast was produced but has since been given the green light to begin development. DOR employs a risking methodology for their forecast that reduces the impact of a potential project based on how likely it is to occur. While it is still not definite that production will occur, ConocoPhillips publicly announced a $700 million development investment for FY24 that is very certain at this point. The result is an increase in lease expenditures in FY24 and beyond, and a projected increase in production starting in FY29. In the short term, this means less revenue for the State because those lease expenditures reduce production taxes, but in the long term, increased production should increase revenue to the State.[1]

The forecast also shows significant production changes in several units: increases in the Prudhoe Bay and Kuparuk satellite fields, and decreases at the main Prudhoe Bay and Kuparuk fields, as well as Greater Mooses Tooth and Point Thomson. Production from different geographical areas impacts revenue differently because of land ownership (the State receives the most royalty revenue from production on State lands) and because new fields are eligible for a Gross Value Reduction (GVR) for their first three to seven years of production. The GVR reduces production taxes by excluding 20 percent or 30 percent of gross value from tax calculations (although it also limits the per-barrel tax credit to a maximum of $5 instead of $8 for non-GVR production). The Fall 2023 forecast shows lower production from non-GVR fields for most of the forecast window, but higher production from GVR-eligible fields in FY25 and beyond.





Altogether, the Fall 2023 revenue forecast marks a significant shift of production to new fields and away from legacy fields. The increase in the price forecast is largely cancelled out in the near term by the shift to GVR-eligible production, but it means that lawmakers may need to reframe their expectations as to what oil prices are needed to sustain State spending. For example, the FY24 Enacted budget had an estimated $293.2 million surplus based on the Spring forecast. It also had a provision that split the first $636.45 million of UGF revenue received above the Spring forecast 50/50 between an energy relief payment (to be paid with the FY25 PFD) and the CBR. At the time, LFD estimated that the energy relief payment would kick in above $73 per barrel and max out (at about $500 per person) at $83 per barrel. With the updated revenue forecast, those trigger points have shifted to $78 and $90, respectively.

[1] See the Department of Revenue's Willow Project Fiscal Analysis from April 2023 for more details about how this project could impact the State's finances: https://tax.alaska.gov/programs/documentviewer/viewer.aspx?7321f

Building the FY25 Budget

FY25 Adjusted Base

The FY25 budget represents a set of changes from the Adjusted Base, which the Legislative Finance Division establishes using the FY24 Enacted budget less one-time appropriations, plus current statewide policy decisions (such as salary adjustments) needed to maintain services at a status quo level.

The FY24 budget included $165.9 million of one-time items that were backed out in the FY25 Adjusted Base. The largest of these was a one-time additional appropriation to schools for $87.4 million, to be distributed according to the K-12 formula. Several other items (particularly in the Department of Education and Early Development) were requested by the Governor as permanent items in FY24 but were made one-time items by the legislature.

Item	Amount
Public Defender	(1,900.0)
Tourism Marketing	(2,500.0)
AGDC	(3,086.1)
ASMI	(5,000.0)
K-12 Foundation	(87,443.0)
Other Education Items	(17,258.8)
Child Care Benefits	(7,500.0)
Public Assistance	(9,569.9)
Statehood Defense	(5,000.0)
CDVSA	(3,000.0)
AMHS Backstop	(10,000.0)
Other Items	(13,064.3)
Total	**(165,322.1)**

Salary adjustments in the FY25 Adjusted Base include PERS rate adjustments and health insurance adjustments for most State employees and Cost of Living Adjustments (COLAs) for members of six bargaining units. The COLAs are not automatic and must be approved by the legislature through the budget to take effect, but are in the Adjusted Base because they do not represent a service level change and cannot be taken individually.

Salary Adjustment Type	UGF
PERS/JRS Rates	11,036.0
Health Insurance	5,713.2
PSEA COLA 3%	2,548.4
ACOA COLA 2% (FY24)	2,351.5
GGU COLA 5%	16,157.3
CEA COLA 5%	184.4
AVTECA COLA 2.5%	30.8
TEAME COLA 2%	3.8
UA 2.5%	6,130.6
Misc. Adjustments	325.0
Total	**44,481.0**

The FY25 Adjusted Base includes $97.0 million in total salary adjustments, of which $44.5 million are funded with UGF. There are three bargaining units currently negotiating for FY25 that may be included in future Governor's amendments: the Supervisory Unit, the Alaska Correctional Officers Association, and the Labor, Trades and Crafts Unit. (Note that there are already salary adjustments in the budget for the Alaska Correctional Officers Association. That funding reflects a Letter of Agreement from FY24 that gave them a 2 percent increase that was not authorized in the FY24 budget.)

Formula	UGF	All Funds
K-12 Foundation	(30,090.3)	(27,242.1)
K-12 Pupil Transportation	(1,973.8)	(1,973.8)
School Debt Reimbursement	(9,201.7)	(9,650.5)
Other Debt Service	(234.6)	15,769.4
State Contributions to Retirement	45,990.2	45,990.2
REAA Fund Capitalization	(919.0)	(919.0)
Total Adjusted Base Formula Adjustments	**3,570.8**	**21,974.2**

Additionally, changes to formula programs are also addressed in the Adjusted Base so that policy changes are more clearly distinguished from formula-driven changes in the Governor's Budget. For the K-12 Formula, while Basic Need is increased by $0.8 million (a $3.0 million increase due to Pre-K funding in the Alaska Reads Act and a $2.2 million decrease due to the student count), the State's share of funding is down by $27.2 million because of increases to the required local contribution ($12.2 million) and deductible federal impact aid ($15.8 million). Retirement contributions are up due primarily to higher PERS and TRS past service costs based on June 30, 2022, valuations. School debt reimbursement continues to decline due to the ongoing (FY16 - FY26) moratorium on new debt.

Governor's FY25 Budget Proposal

The Governor's FY25 budget proposal appears to be a work in progress that will develop through the amendment process. The budget as presented contains no reductions and only a few significant increases, yet significant gaps exist where future increases are likely.

1. Education – in FY24, the legislature appropriated $175.9 million outside the foundation formula for school districts, but the Governor vetoed that in half to $87.4 million. The Governor did not put forward a proposal to increase the education formula or additional outside the formula funding, but some amount is likely to be approved, at least matching the amount from FY24. There is also a pending issue with the federal disparity test that could cause State costs to increase by $89.1 million.
2. Medicaid – the Governor's budget does not contain an increase to Medicaid funding, but the Department of Health stated that the projection will be trued up in a future amendment. Preliminary projections indicate the need for an additional $22.6 million of UGF.
3. Senior Benefits – the Senior Benefits program will sunset on June 30, 2024 without legislative action. The Governor did not include funding for the program in his budget, deferring it to a fiscal note (which aligns with past legislative practice). However, this means that the final budget will likely be $20.8 million higher in UGF with that reincorporated.
4. Alaska Energy Authority Electrical Grid Grant – the Alaska Energy Authority (AEA) received a $206.5 million federal grant to upgrade the Alaska Railbelt electrical grid, but it requires equal matching funds. The funds may be spread over several years, but securing the grant will require a significant investment of general funds. AEA is considering multiple funding options, but the need this legislative session is likely to be $30.0 - $35.0 million.
5. Alaska Marine Highway – the Governor's budget request does not change funding levels or sources from the Calendar Year (CY) 24 Enacted budget, but it does not include any backstop funding if federal funding is insufficient. If a similar amount of federal grants are awarded in CY25 as the State expects in CY24, there will be a $38.0 million shortfall in the CY25 budget.
6. Ongoing Employee Bargaining Negotiations – three unions (Alaska Correctional Officers Association, Alaska Public Employees Association Supervisory Unit, and Labor, Trades and Crafts) are currently negotiating new contracts to begin in FY25. Collectively, these units cover about 4,800 State employees. In addition, AS 39.27.011(m) indicates that the legislature shall increase the salary schedule for partially-exempt employees to match future increases for the supervisory unit. Legislation would be needed to modify the salary schedule set out in statute. This could potentially affect an additional 2,800 employees if exempt employees are included.

Collectively, these items could increase the UGF budget by hundreds of millions of dollars by the time it leaves the legislature.

The Governor's budget has a projected deficit of $982.3 million based on the Fall revenue forecast, which is filled from a combination of the Statutory Budget Reserve and the Constitutional Budget Reserve.

Agency Operations

The Governor's FY25 budget for agency operations is $94.9 million above the Adjusted Base. This is a 2.3 percent increase, above the out-year assumption in the Governor's 10-year plan but below LFD's 2.5 percent inflation assumption.

Governor's FY25 Budget Compared to Adjusted Base				
	Adjusted Base	Governor	Comparison	
Fall Revenue Forecast	**6,308.4**	**6,308.4**		
Agency Operations	4,216.7	4,311.6	94.9	2.3%
Statewide Items	351.4	365.0	13.6	3.9%
Capital Budget	360.2	305.2	(55.0)	-15.3%
Perm. Fund Dividend	914.3	2,303.7	1,389.4	152.0%
Total Budget	**5,42.5**	**7,285.4**	**1,442.9**	**24.7%**
Pre-Transfer Surplus/(Deficit)	**465.8**	**(977.0)**		

The Agency Narratives section of this publication includes details on the Governor's proposed changes to agency budgets. Overall, the Governor's budget proposes relatively few major changes to agency budgets. The Departments of Corrections, Education and Early Development, and Public Safety have the largest increases above Adjusted Base, while the Department of Health is the only agency with a UGF decrease from Adjusted Base.

Statewide Items

The Governor funds statewide items to their statutory levels, including the PFD, which is estimated to be $2.3 billion, paying about $3,600 per recipient. The increase over the Adjusted Base (25 percent of the POMV draw from the Permanent Fund) is about $1.4 billion; additionally, the FY24 energy relief deposit would be paid out in FY25 although the funds would be deposited at the end of FY24. That amount is estimated to be $110.6 million, adding about $175 per person to the FY25 PFD.

Another item of note is the Community Assistance program. The Governor vetoed a $30.0 million UGF deposit into the fund in FY24 but is proposing a $30.0 million deposit in FY25 (of which $27.8 million is from the PCE Fund and $2.2 million is UGF). Without a supplemental appropriation, the FY25 payments to local governments would be $20.0 million (one-third of the balance at the end of FY24). With the $30.0 million deposit in FY25, the FY26 payments would equal $23.3 million.

More discussion of statewide items can be found in the Operating Language section of this publication.

Capital Budget

The Governor's FY25 capital budget request totals $305.2 million of UGF, down from $359.8 million in the FY24 budget. Half of the UGF in the Governor's capital budget is used for federal match. For more details on the capital budget, see the Capital Budget Overview section of this publication.

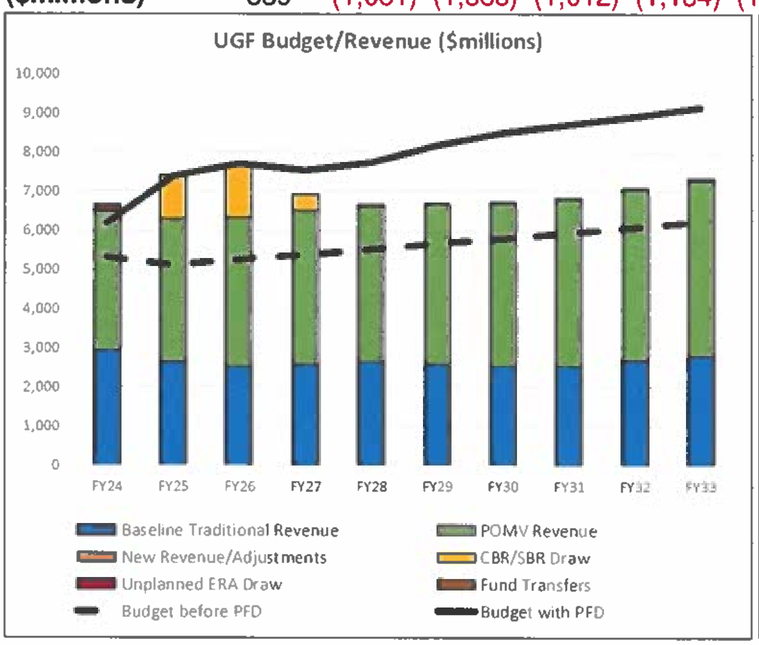
Long-Term Fiscal Outlook

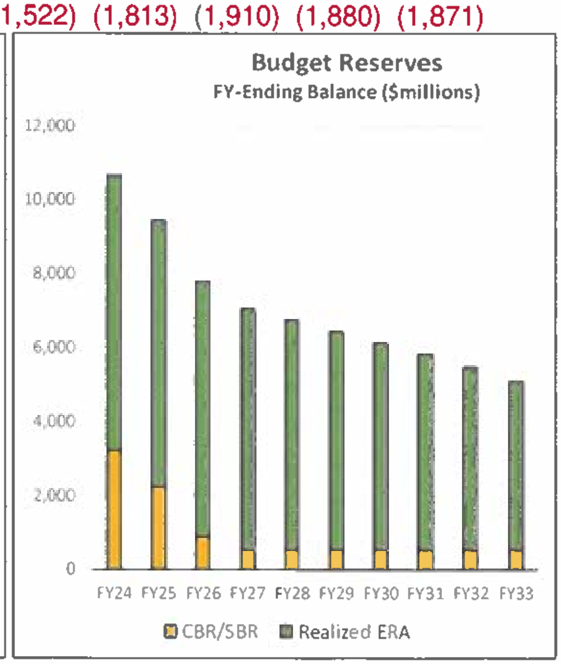
LFD Baseline Fiscal Projections

For the long-term baseline scenario, the Legislative Finance Division's fiscal model reflects current statutes and expenditures growing with inflation. It uses the FY25 Adjusted Base, growing with inflation of 2.5 percent per year (including in FY25), with all statewide items (including the Permanent Fund Dividend) funded at their statutory level. Any policy or statutory changes can therefore be compared to this neutral baseline to see their effect on the fiscal situation.

LFD Baseline	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Agency Operations	4,322.1	4,430.2	4,540.9	4,654.4	4,770.8	4,890.1	5,012.3	5,137.6	5,266.1
Statewide Items	365.0	388.2	403.1	425.7	432.7	442.5	444.9	458.4	471.4
Capital Budget	368.8	378.0	387.5	397.2	407.1	417.3	427.7	438.4	449.3
Supplementals	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
PFDs	2,283.3	2,469.4	2,158.9	2,220.8	2,507.6	2,680.3	2,727.6	2,763.4	2,787.8
Total Budget	**7,389.2**	**7,715.8**	**7,540.3**	**7,748.0**	**8,168.1**	**8,480.2**	**8,662.5**	**8,847.8**	**9,024.7**

Surplus/(Deficit)	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
($millions)	339	(1,081)	(1,388)	(1,012)	(1,134)	(1,522)	(1,813)	(1,910)	(1,880)	(1,871)



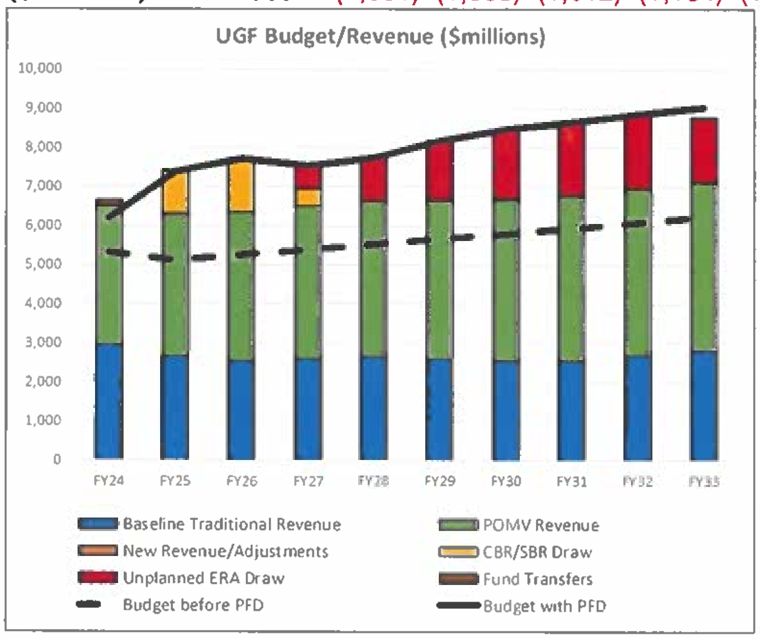


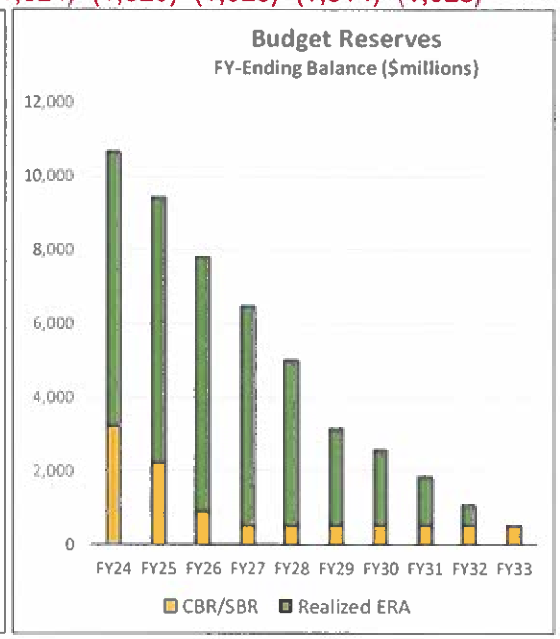
	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Effective POMV Draw Rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
PFD/Person	$1,312	$3,654	$3,731	$3,241	$3,333	$3,772	$4,042	$4,140	$4,243	$4,352

LFD's baseline projection shows a deficit of $1.1 billion in FY25, increasing to a peak of over $1.9 billion in FY31. This baseline does not include any deficit-filling draws from the ERA and leaves a $500.0 million balance in the CBR for cashflow; the gap between the revenue bars on the graph on the left and the budget line represents an unfilled deficit.

If deficits are filled from the ERA, deficits would increase from the baseline scenario due to compounding effects, and by FY33, there would not be sufficient funds in the ERA to fill the entire deficit.

Surplus/(Deficit) ($millions)	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
	339	(1,081)	(1,388)	(1,012)	(1,134)	(1,524)	(1,820)	(1,928)	(1,914)	(1,928)





	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Effective POMV Draw Rate	5.00%	5.00%	5.00%	5.00%	5.77%	6.38%	6.85%	7.17%	7.26%	7.21%
PFD/Person	$1,312	$3,654	$3,731	$3,241	$3,333	$3,765	$4,017	$4,079	$4,127	$4,156

These models demonstrate that there is a continued structural budget deficit. The legislature could choose to fill this deficit from any combination of spending reductions (including Permanent Fund Dividends, as it has done in recent years) and new revenue.

Comparison of Governor's 10-Year Plan to LFD Baseline

The Governor is required by AS 37.07.020(b) to "submit a fiscal plan with estimates of significant sources and uses of funds for the succeeding 10 fiscal years." The plan "must balance sources and uses of funds held while providing for essential state services and protecting the economic stability of the state," among other requirements.

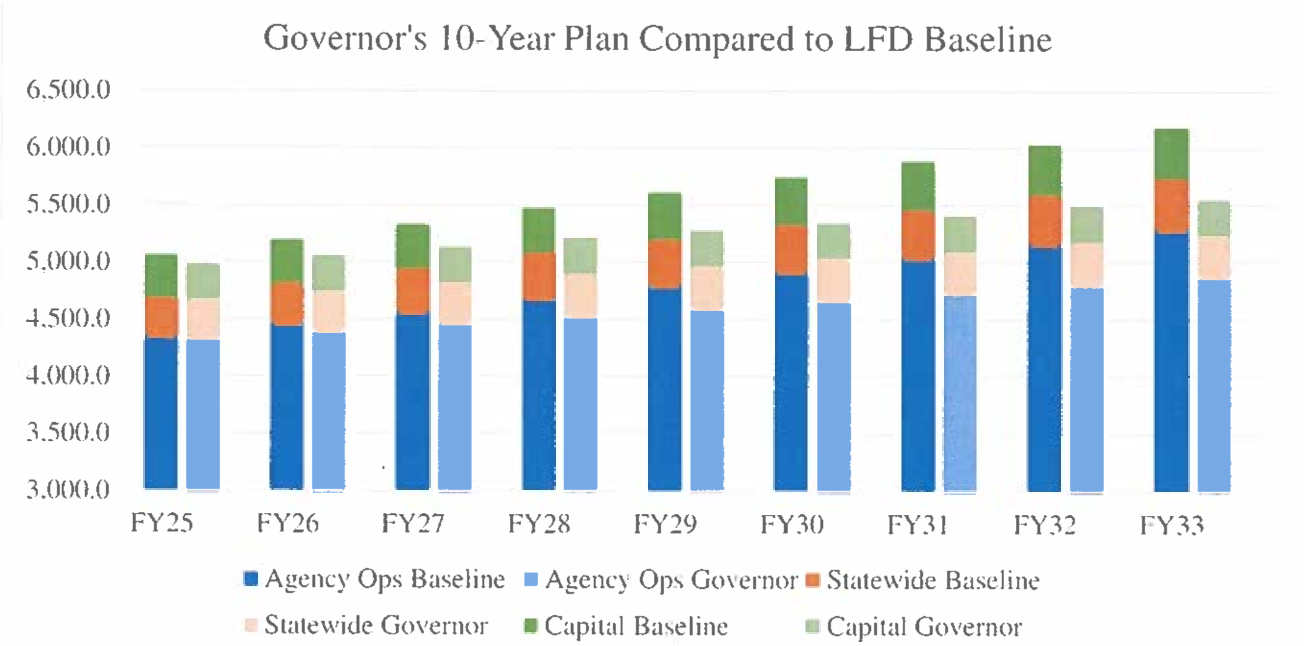
The 10-Year Plan submitted by the Governor on December 14, 2023, does not comply with this statutory requirement: the CBR is drawn below zero in FY27 and down to *negative* $10.6 billion at the end of the 10-year window in FY34.

The Governor's 10-Year Plan does make two policy changes compared to LFD's modeling baseline: agency operations and the capital budget grow at 1.5 percent per year instead of with inflation. Second, Community Assistance is not funded with UGF, while LFD projects that an average of $13.6 million of UGF would be needed in combination with PCE funds to make the statutory $30.0 million annual deposits.

The Governor's 10-Year Plan also has three non-policy choice assumption differences from LFD's modeling. The Governor assumes zero supplemental appropriations (net of any lapsing appropriations), while LFD assumes $50 million per year based on historical averages. The Governor also assumes that no new school debt will be authorized even after the program resumes in 2025, while LFD assumes that $7.8 million per year of new debt will be added annually based on historical averages. This assumption also influences the REAA Fund deposit, which changes proportionally to school debt payments. Finally, the Fall 2023 Revenue Sources Book uses draft numbers from the Alaska Permanent Fund Corporation that do not match their current projections; LFD uses figures from the November 2023 History and Projections Report, which show higher POMV draws than the Governor's 10-Year Plan.

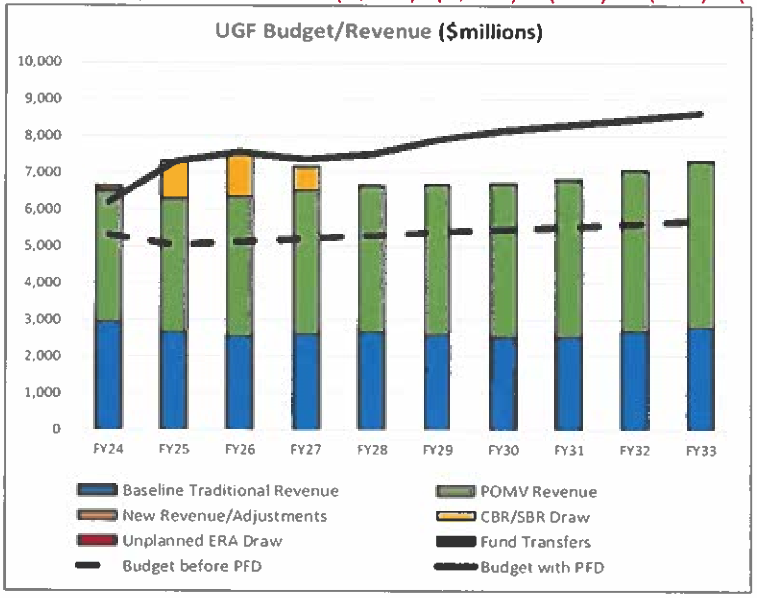
Comparison of Governor's 10-Year Plan Budget Figures to LFD Baseline

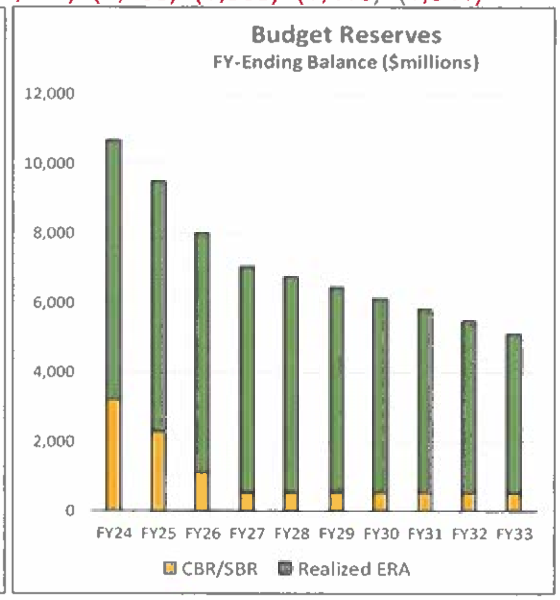
	FY25	**FY26**	**FY27**	**FY28**	**FY29**	**FY30**	**FY31**	**FY32**	**FY33**
Baseline	5,105.9	5,246.4	5,381.5	5,527.3	5,660.5	5,799.8	5,934.9	6,084.4	6,236.8
Governor	4,981.8	5,054.7	5,135.4	5,216.7	5,279.0	5,347.8	5,409.1	5,492.1	5,553.1
Difference	**(124.1)**	**(191.7)**	**(246.0)**	**(310.6)**	**(381.5)**	**(452.0)**	**(525.8)**	**(592.2)**	**(683.7)**



This model shows the policy proposals in the Governor's 10-Year Plan (the lower growth rates and partial funding of Community Assistance) in LFD's model, without any deficit-filling draws that would draw the CBR below zero. Despite the assumption differences, the policy choices in the Governor's 10-Year Plan result in a similar outcome in LFD's model as in the plan itself: persistent deficits and a depleted CBR in FY27. This model shows unfilled deficits of $1.0 billion in FY25 increasing to over $1.5 billion in FY31.

Surplus/(Deficit) ($millions)	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
	339	(1,007)	(1,250)	(823)	(893)	(1,227)	(1,463)	(1,503)	(1,413)	(1,341)

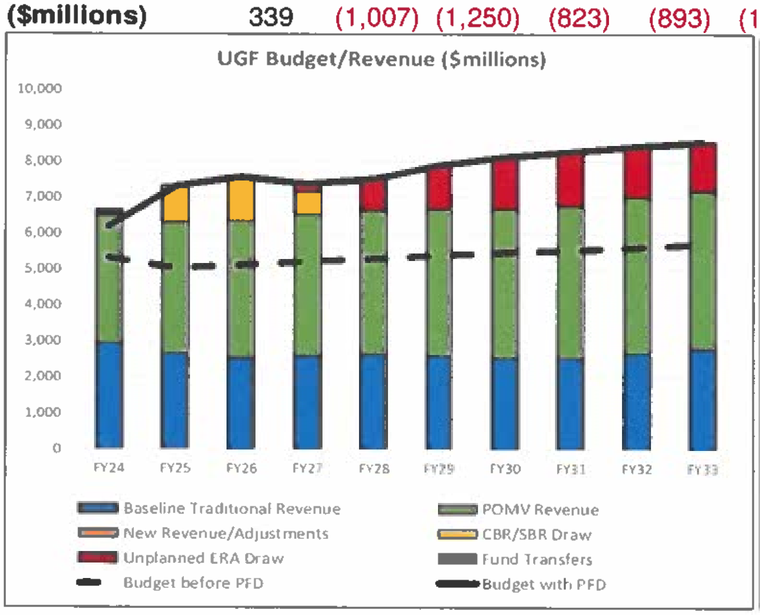


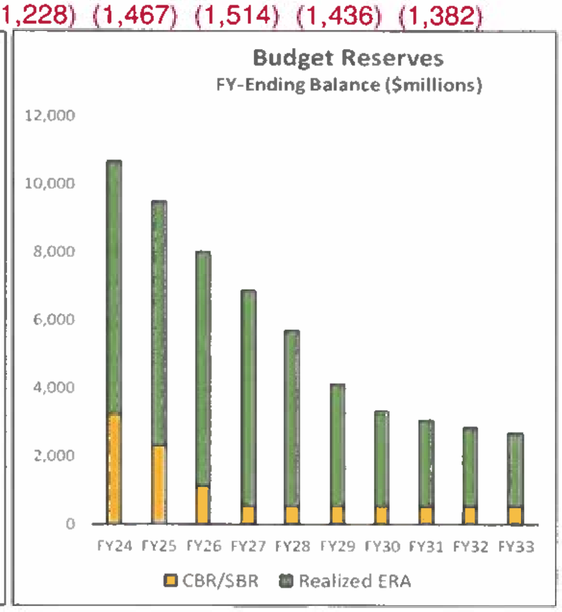


	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Effective POMV Draw Rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
PFD/Person	$1,312	$3,654	$3,731	$3,241	$3,333	$3,772	$4,042	$4,140	$4,243	$4,352

The Governor's 10-Year Plan shows continued draws on the CBR even after the balance goes negative. If the deficits are made up from the ERA instead, the compounding effect of those overdraws would result in larger deficits.

Surplus/(Deficit) ($millions)	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
	339	(1,007)	(1,250)	(823)	(893)	(1,228)	(1,467)	(1,514)	(1,436)	(1,382)





	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33
Effective POMV Draw Rate	5.00%	5.00%	5.00%	5.00%	5.25%	6.08%	6.48%	6.74%	6.76%	6.64%
PFD/Person	$1,312	$3,654	$3,731	$3,241	$3,333	$3,769	$4,029	$4,101	$4,164	$4,214

Constitutional and Statutory Appropriation Limits

Alaska has two appropriation limits: a limit in Article IX, Section 16 of the Alaska Constitution, and another in AS 37.05.540(b). Both limits factor in changes in inflation and population that can only be estimated ahead of time, so these figures may change when actual inflation and population changes are known.

The constitutional limit is binding, but the statutory limit can be (and has been) exceeded through the appropriations process.

Expenditures Subject to the Limits

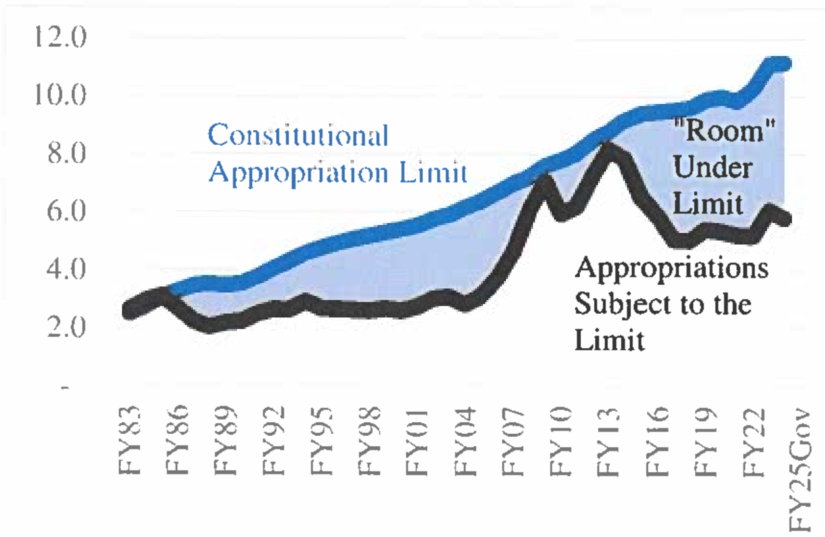
Article IX, Section 16 and AS 37.05.540(b) both set out exclusions from the limit that are both *sources of money* and *uses of money*. Excluded sources are:

- Proceeds of revenue bonds
- Money held in trust for a specific purpose (this includes all federal funding and most "Other" funds)
- Corporate revenues

Excluded purposes are:

- Permanent Fund Dividends
- General obligation and revenue bond interest
- Appropriations to the Permanent Fund
- Appropriations to meet a state of disaster

Calculating the Constitutional Limit



The constitutional appropriation limit is equal to $2.5 billion times the cumulative change in population and inflation since July 1, 1981. Based on the way the limit has been calculated by the executive branch in the Annual Comprehensive Financial Report (ACFR), we estimate that in FY24 the limit will be $11.2 billion and in FY25 the limit will be $11.5 billion.[2] This is based on actual changes in inflation and

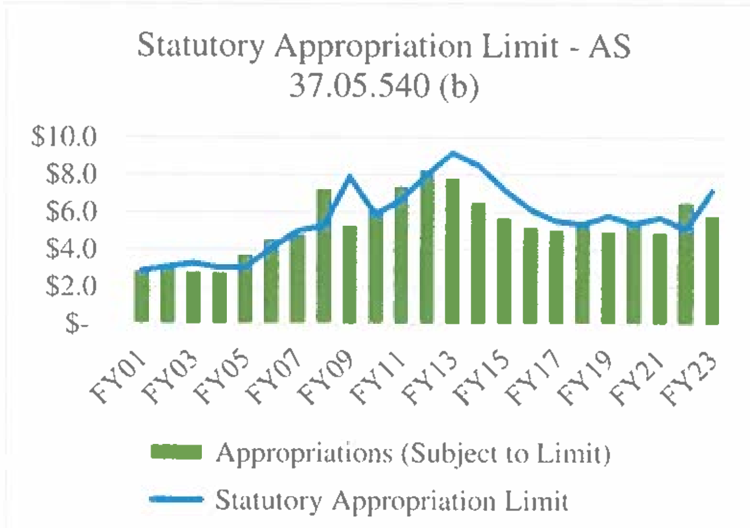
[2] This ACFR calculates the adjustment for inflation and population by multiplying the two factors together; an alternative approach would be to add the changes together (the Anchorage tax cap is worded identically to the State limit but is calculated in this way, for example). Under this alternative calculation, the limit would be $8.3 billion in FY24 and $8.5 billion in FY25.

population through FY23, a 2.5% inflation assumption, and the Department of Labor's population growth assumption.

The enacted FY24 budget subject to the limit was $5.8 billion, $5.4 billion below the estimated appropriation limit. The Governor's proposed FY25 budget subject to the limit is $5.5 billion, $6.0 billion below the estimated appropriation limit.

Calculating the Statutory Limit

While the constitutional limit applies to expenditures *for* a fiscal year, the statutory limit applies to appropriations *made in* a fiscal year, regardless of what year they were effective (essentially, it compares appropriations from one session to the next). Appropriations in a fiscal year may not exceed the appropriations made in a previous fiscal year by more than 5% plus the change in inflation and population.



Appropriations made in FY23 subject to the limit were $5,817.3 million. Based on the same inflation and population assumptions used for the constitutional limit, that would allow for appropriations of $6,610.2 million in FY24.

The Governor's proposed budget subject to the limit totals $5,565.9 million, but that does not yet include supplemental appropriations (which are due on the 15th legislative day) or amendments. This means that $1,044.3 million remains under the statutory appropriation limit.

Revenue Requirements of the State

AS 24.20.231(2) provides that the Legislative Finance Division analyze the revenue requirements of the State. As the above sections indicate, Alaska still faces a structural budget deficit, and increasing revenue is one option to close that deficit. The following section provides a brief analysis along with potential revenue sources and any issues therein.

New Revenue Options

To introduce additional revenue, the State could increase existing taxes or impose new ones. Alaska is the only state without a statewide broad-based tax, so existing taxes are primarily resource-based taxes or excise taxes on certain consumer items such as motor fuels, alcohol, and tobacco. Increasing existing taxes may cause Alaska to have higher rates than other states, but increases could bring in revenue quickly with minimal administrative costs. New taxes would take longer to set up and would require additional administrative costs. However, significant revenue could be generated with new broad-based taxes.

The following options are reflective of common practice in other states, and do not constitute a policy recommendation. Equity, economic impacts, efficiency, and other considerations are not presented here but should be addressed if the legislature chooses to explore revenue options.

Modify Existing Taxes

Oil and Gas Production Tax

Alaska's oil and gas production tax is projected to bring in $642.4 million in FY25. Oil prices are highly variable, and the production tax's complex structure adds further volatility. The tax features a two-tiered structure, with a net tax and an alternative gross tax "floor." Proposals aimed at only one component may not impact revenue at all price levels. For instance, DOR estimates that capping the per-taxable barrel credit at $5 would increase revenue by roughly $450 million at $80/barrel but would have no revenue impact at $40/barrel. Past proposals to increase this tax have included raising the tax "floor" from 4% of gross revenue to 5% or higher; eliminating the per-taxable barrel credit; or more complex changes proposed in Ballot Measure 1, which failed to pass in 2020.

The revenue impact of production tax changes is highly dependent on oil prices. At low oil prices, increasing the minimum tax would have a positive revenue impact but modifying the per-taxable barrel credit would have no impact. At higher prices, the reverse is true. The legislature should be mindful of this impact when assembling a fiscal plan to ensure that the plan can survive lower oil prices.

Corporate Income Tax

The petroleum and non-petroleum corporate income taxes are projected to bring in a combined $460.0 million in FY25. Alaska's 9.4% top marginal rate is the fourth highest in the nation. Alaska is one of two states with a corporate income tax but no individual income tax (along with Florida), which results in C-Corporations paying taxes but S-Corporations not paying taxes (as their income flows through to the owners and personal income is not taxed). The Department of Revenue (DOR) estimates that taxing S-Corporations at the same rates as C-Corporations would raise $131 million in the first full year administered. Another potential change would be to decouple Alaska's tax code from the federal code, which would eliminate unanticipated shifts in revenue due to changes in federal tax law (such as provisions in the federal CARES Act which allowed taxpayers to carryback losses against past tax liabilities).

Other Resource Taxes

Alaska's Mining License Tax is estimated to bring in $29.1 million in FY25. The Fisheries Business and Fishery Resource Landing taxes are estimated to bring in $23.3 million in UGF revenue and an additional $25.0 million that is shared with municipal governments. National comparisons for these taxes are difficult.

Excise Taxes

Alaska imposes excise taxes on several consumer goods. The largest of these are:

- Tobacco taxes: Estimated FY25 revenue is $47.3 million, of which $32.2 million is UGF and $15.1 million is DGF. Alaska's cigarette tax of $2 per pack ranks 19th nationwide. The tax on other tobacco products is 75% of the wholesale price, which ranks 8th nationwide.
- Alcoholic beverage tax: $42.6 million, split equally between UGF and DGF. Alaska's tax is designed to tax all alcoholic beverages equally on a per-drink basis. The $12.80 per gallon tax on liquor ranks 9th nationwide. The $2.50 per gallon tax on wine and $1.07 per gallon tax on beer are both second highest in the country.
- Motor fuel tax: $33.5 million, all DGF. Alaska's $0.08 per gallon tax on highway fuel ranks 50th nationwide. Tripling Alaska's tax to the national median of $0.24 would bring in an additional $66 million.
- Marijuana taxes: $27.7 million, of which $6.9 million is UGF and $20.8 million is DGF. Alaska taxes $50/ounce for flowers, $15/ounce for stems and leaves, and $25/ounce for immature flowers/buds. National comparisons are challenging because many states have a mix of per-ounce and excise taxes. Twenty-four states either have in place or are implementing permitting and taxation of recreational marijuana.

New Taxes

Income Tax

Income is taxed in 41 states (not including New Hampshire or Washington, which only tax income from specific sources). Of these, 30 have progressive income taxes, and the remaining 11 have flat taxes. Alaska had an income tax from statehood until 1980, when it was repealed. At the time of its repeal, Alaska's income tax brackets ranged from 3% to 14.5% and brought in $117 million in FY79. Adjusted for inflation and population, that is the equivalent of about $700 million in 2022.

DOR estimates an individual income tax levied at 10% of federal income tax liability would generate $350 million in the first full year administered. Using federal income tax liability would be consistent with Alaska's existing corporate income tax. However, most other states levy individual income taxes based on federal Adjusted Gross Income (AGI). LFD estimates an individual income tax based on 3% of AGI, with no exemptions or deductions, would generate roughly $1 billion in the first full year administered.

Sales Tax

Statewide sales taxes exist in 45 states, while four states have no state or local sales tax. Alaska is the only state that has no statewide sales tax but allows for the collection of local sales taxes. Of the 45 states with a statewide sales tax, 37 have additional municipal sales taxes. In Alaska, sales taxes may be levied at the city or borough level. As of 2022, 107 of Alaska's 129 taxing municipalities imposed sales taxes, at rates ranging from 1% to 7%.

DOR estimates a broad-based 4% sales tax including all services and business to business exempting only prescription drugs, medical equipment, and business-to-business purchases to resale, would generate $1.28 billion in the first full year administered. DOR estimates that a 4% sales tax styled on Wyoming's sales and use tax would generate $619 million in the first full year administered. This tax would exempt groceries, prescription medicine, medical equipment, and some business-to-business sales and services.

Property Tax

All 50 states have property taxes that are applied by either state or local governments. Alaska has a statewide property tax for oil and gas property, but other property is taxed only at the municipal level. Fifteen of Alaska's nineteen boroughs levy personal property taxes. Additionally, nine cities located outside of boroughs levy a property tax. Some boroughs rely very heavily on property tax revenue, and Alaska's average property tax burden ranks 21st nationwide despite not being universally applied.

Alaska could impose a statewide property tax that excludes oil and gas property. Implementing such a tax would be administratively challenging because property values would have to be determined in any area of the state that does not already have a property tax. Unlike most states, Alaska does not require that real estate sale prices be reported publicly to ensure accurate assessments, although some municipalities do.

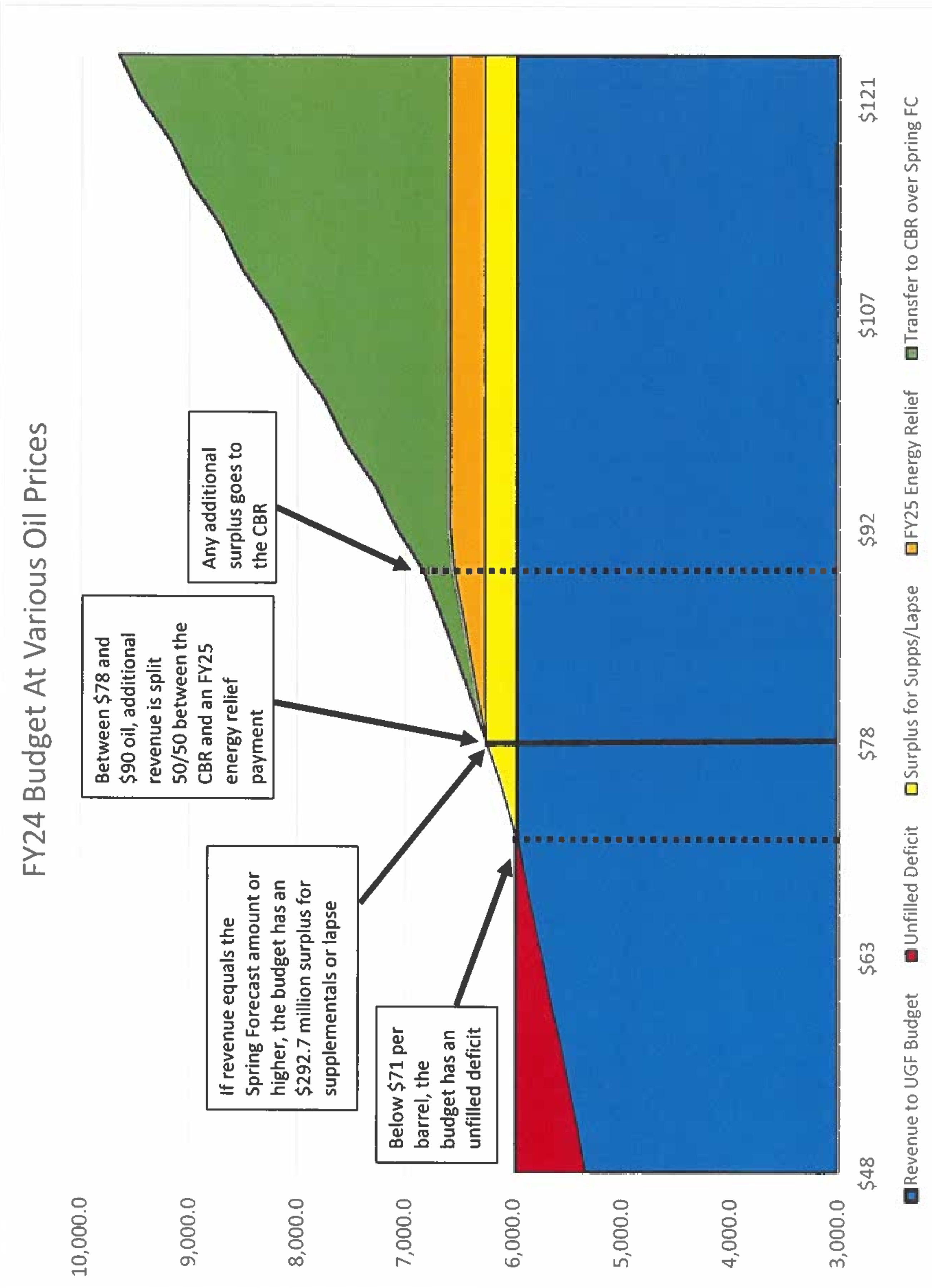
DOR estimates that a tax on all in-state property of 0.1% (10 mills) of assessed value would generate $117.5 million in the first full year administered.

Payroll Tax or Head Tax

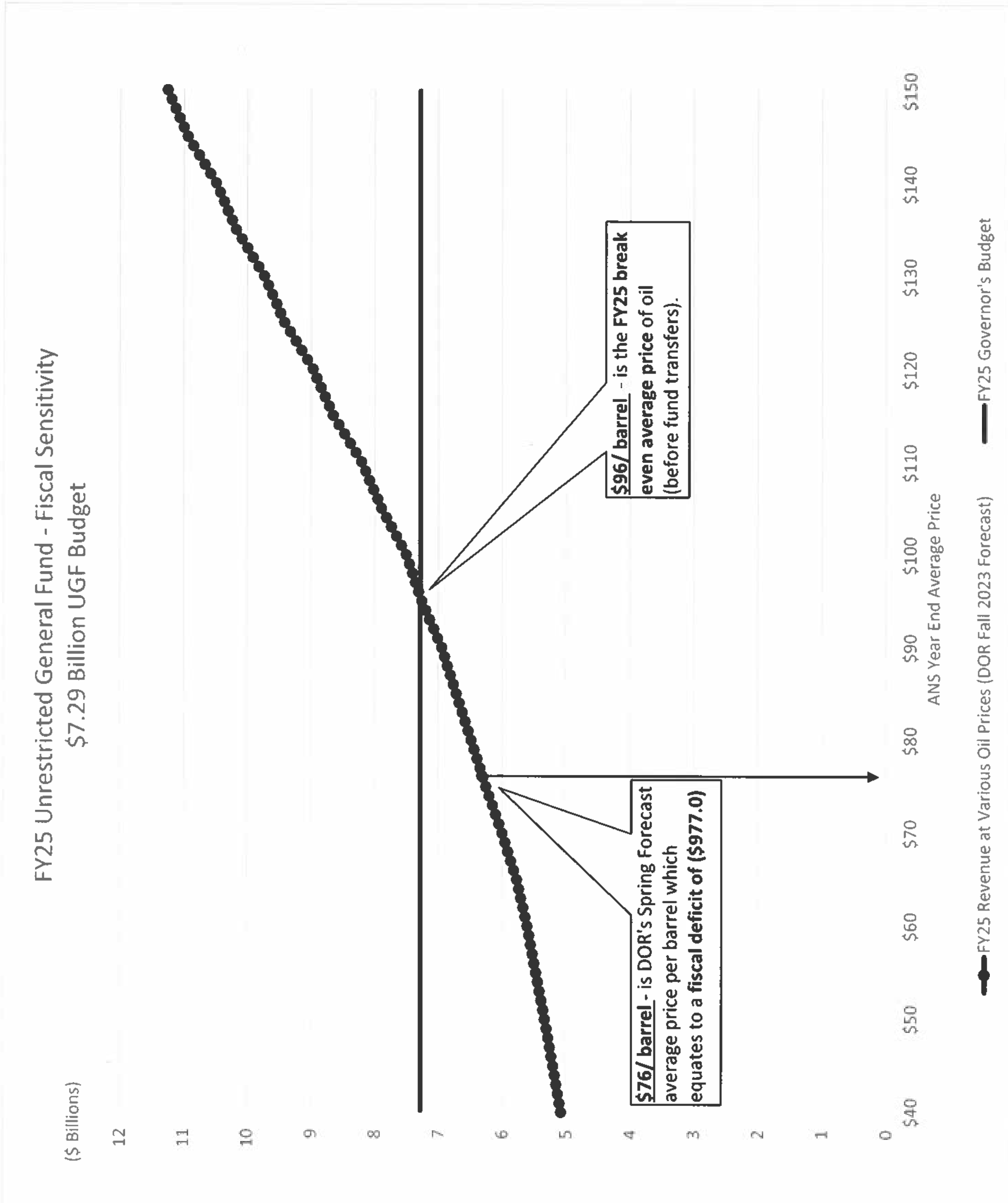
Alaska had a $10 per worker "head tax" to pay for a portion of the education budget until its repeal in 1980. Such taxes are a flat amount per person rather than a percentage of income. No other state currently imposes a head tax.

Several pieces of legislation have proposed graduated head taxes or other payroll taxes. Such taxes could build on the existing payroll tax administered for workers' compensation so they could be implemented with fewer additional resources. However, these taxes would have a narrower base than an income tax because they exclude dividend and investment income, so their revenue-raising potential is more limited.

DOR estimates a $30 payroll tax on all resident and nonresident workers in Alaska would generate $13.5 million in the first full year administered. DOR estimated the initial implementation cost to be $11 million, with an additional $0.8 million in annual administration costs.



FY24 Budget At Various Oil Prices
10,000.0
9,000.0
8,000.0
7,000.0
6,000.0
5,000.0
4,000.0
3,000.0
$48
$63
$78
$92
$107
$121
Below $71 per barrel, the budget has an unfilled deficit
If revenue equals the Spring Forecast amount or higher, the budget has an $292.7 million surplus for supplementals or lapse
Between $78 and $90 oil, additional revenue is split 50/50 between the CBR and an FY25 energy relief payment
Any additional surplus goes to the CBR
Revenue to UGF Budget
Unfilled Deficit
Surplus for Supps/Lapse
FY25 Energy Relief
Transfer to CBR over Spring FC

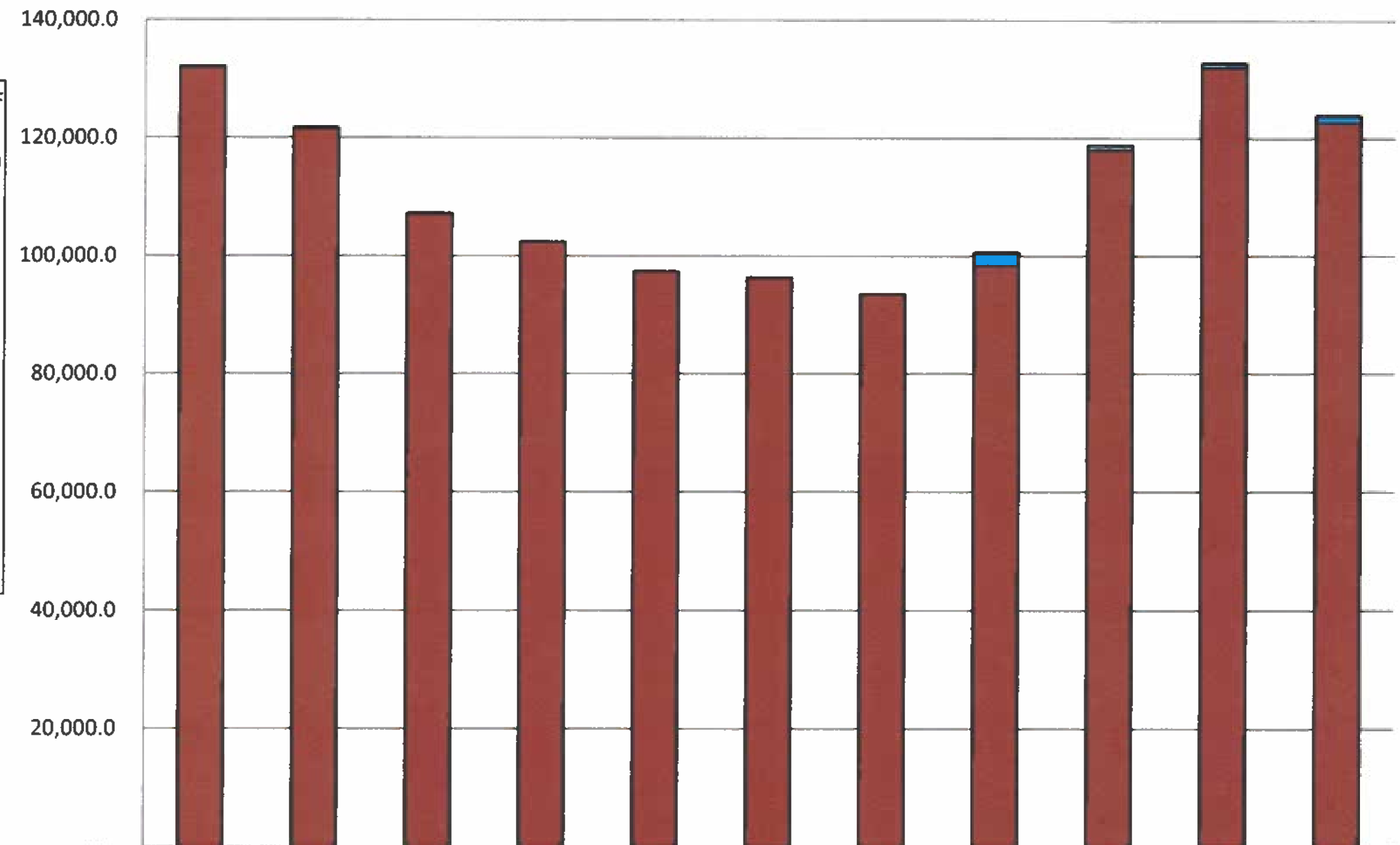

FY25 Unrestricted General Fund - Fiscal Sensitivity
$7.29 Billion UGF Budget
($ Billions)
12
11
10
9
8
7
6
5
4
3
2
1
0
$40
$50
$60
$70
$80
$90
$100
$110
$120
$130
$140
$150
ANS Year End Average Price
$96/ barrel - is the FY25 break even average price of oil (before fund transfers).
$76/ barrel - is DOR's Spring Forecast average price per barrel which equates to a fiscal deficit of ($977.0)
FY25 Revenue at Various Oil Prices (DOR Fall 2023 Forecast)
FY25 Governor's Budget

2: Budget History

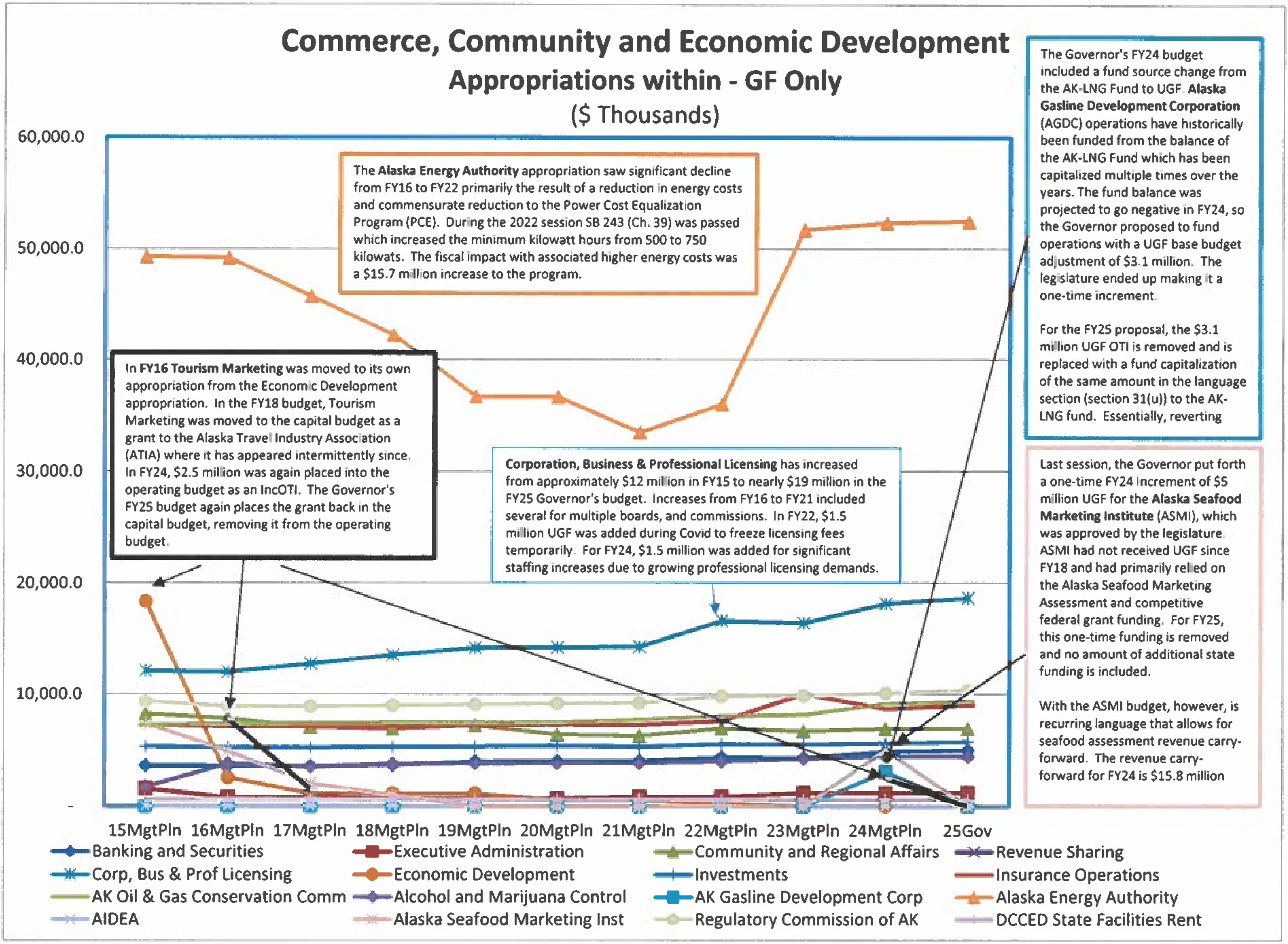
Commerce, Community and Economic Development
Total General Fund Budget
($ Thousands)

The Department's GF budget decreased by $9.4 million between FY15 and FY25 Governor - an average annual decline rate of 0.7%.

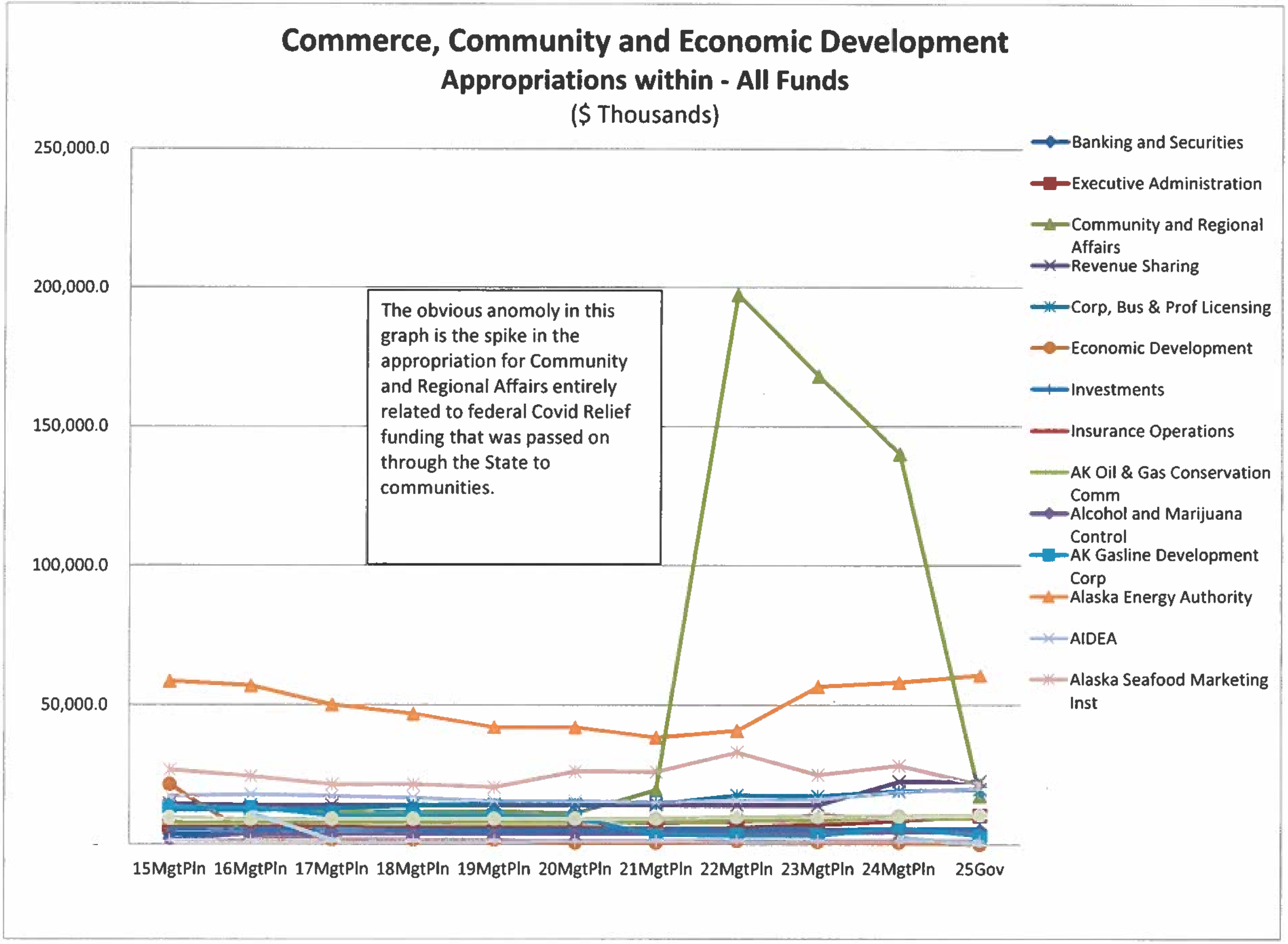
The FY25 GF budget equates to **$387 per resident worker**, based on 316,809 Alaskan workers.



	15MgtPln	16MgtPln	17MgtPln	18MgtPln	19MgtPln	20MgtPln	21MgtPln	22MgtPln	23MgtPln	24MgtPln	25Gov
% of All Agencies' Budgets	2.5%	2.5%	2.3%	2.2%	2.1%	2.1%	1.9%	2.2%	2.4%	2.6%	2.4%
Average of SB55	-	-	-	-	-	-	-	2,207.2	711.0	711.0	1,218.1
Total Agency Budget (GF Only)	132,087.4	121,626.1	107,174.1	102,302.7	97,382.8	96,353.2	93,478.6	98,371.7	118,062.6	131,998.4	122,695.5



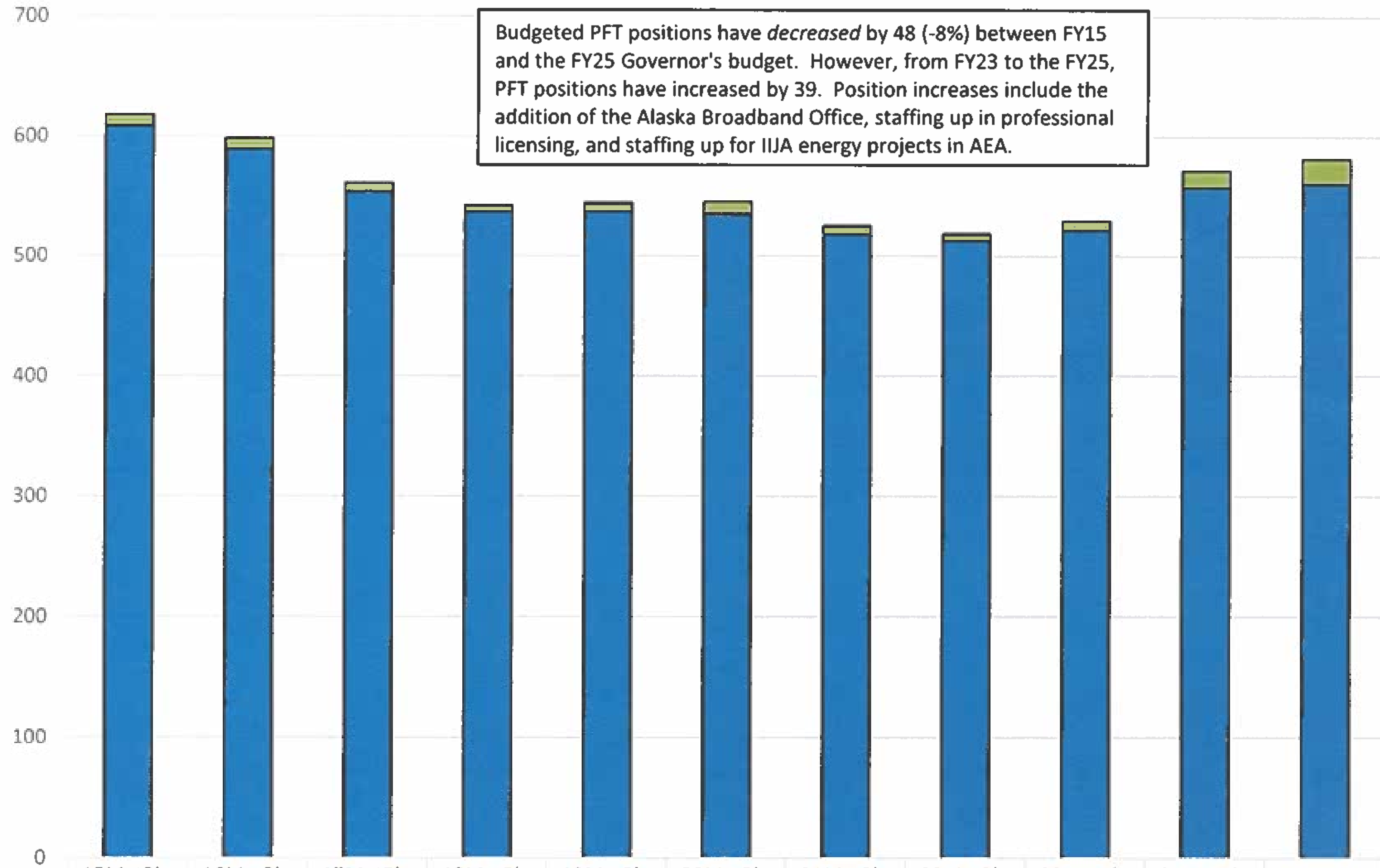
Commerce, Community and Economic Development
Appropriations within - GF Only
($ Thousands)
60,000.0
50,000.0
40,000.0
30,000.0
20,000.0
10,000.0
-
15MgtPln 16MgtPln 17MgtPln 18MgtPln 19MgtPln 20MgtPln 21MgtPln 22MgtPln 23MgtPln 24MgtPln 25Gov
The **Alaska Energy Authority** appropriation saw significant decline from FY16 to FY22 primarily the result of a reduction in energy costs and commensurate reduction to the Power Cost Equalization Program (PCE). During the 2022 session SB 243 (Ch. 39) was passed which increased the minimum kilowatt hours from 500 to 750 kilowats. The fiscal impact with associated higher energy costs was a $15.7 million increase to the program.
In **FY16 Tourism Marketing** was moved to its own appropriation from the Economic Development appropriation. In the FY18 budget, Tourism Marketing was moved to the capital budget as a grant to the Alaska Travel Industry Association (ATIA) where it has appeared intermittently since. In FY24, $2.5 million was again placed into the operating budget as an IncOTI. The Governor's FY25 budget again places the grant back in the capital budget, removing it from the operating budget.
Corporation, Business & Professional Licensing has increased from approximately $12 million in FY15 to nearly $19 million in the FY25 Governor's budget. Increases from FY16 to FY21 included several for multiple boards, and commissions. In FY22, $1.5 million UGF was added during Covid to freeze licensing fees temporarily. For FY24, $1.5 million was added for significant staffing increases due to growing professional licensing demands.
The Governor's FY24 budget included a fund source change from the AK-LNG Fund to UGF. **Alaska Gasline Development Corporation** (AGDC) operations have historically been funded from the balance of the AK-LNG Fund which has been capitalized multiple times over the years. The fund balance was projected to go negative in FY24, so the Governor proposed to fund operations with a UGF base budget adjustment of $3.1 million. The legislature ended up making it a one-time increment.
For the FY25 proposal, the $3.1 million UGF OTI is removed and is replaced with a fund capitalization of the same amount in the language section (section 31(u)) to the AK-LNG fund. Essentially, reverting
Last session, the Governor put forth a one-time FY24 Increment of $5 million UGF for the **Alaska Seafood Marketing Institute** (ASMI), which was approved by the legislature. ASMI had not received UGF since FY18 and had primarily relied on the Alaska Seafood Marketing Assessment and competitive federal grant funding. For FY25, this one-time funding is removed and no amount of additional state funding is included.
With the ASMI budget, however, is recurring language that allows for seafood assessment revenue carry-forward. The revenue carry-forward for FY24 is $15.8 million
Banking and Securities
Executive Administration
Community and Regional Affairs
Revenue Sharing
Corp, Bus & Prof Licensing
Economic Development
Investments
Insurance Operations
AK Oil & Gas Conservation Comm
Alcohol and Marijuana Control
AK Gasline Development Corp
Alaska Energy Authority
AIDEA
Alaska Seafood Marketing Inst
Regulatory Commission of AK
DCCED State Facilities Rent



Commerce, Community and Economic Development
Appropriations within - All Funds
($ Thousands)
250,000.0
200,000.0
150,000.0
100,000.0
50,000.0
The obvious anomoly in this graph is the spike in the appropriation for Community and Regional Affairs entirely related to federal Covid Relief funding that was passed on through the State to communities.
15MgtPln
16MgtPln
17MgtPln
18MgtPln
19MgtPln
20MgtPln
21MgtPln
22MgtPln
23MgtPln
24MgtPln
25Gov
Banking and Securities
Executive Administration
Community and Regional Affairs
Revenue Sharing
Corp, Bus & Prof Licensing
Economic Development
Investments
Insurance Operations
AK Oil & Gas Conservation Comm
Alcohol and Marijuana Control
AK Gasline Development Corp
Alaska Energy Authority
AIDEA
Alaska Seafood Marketing Inst

Commerce, Community and Economic Development

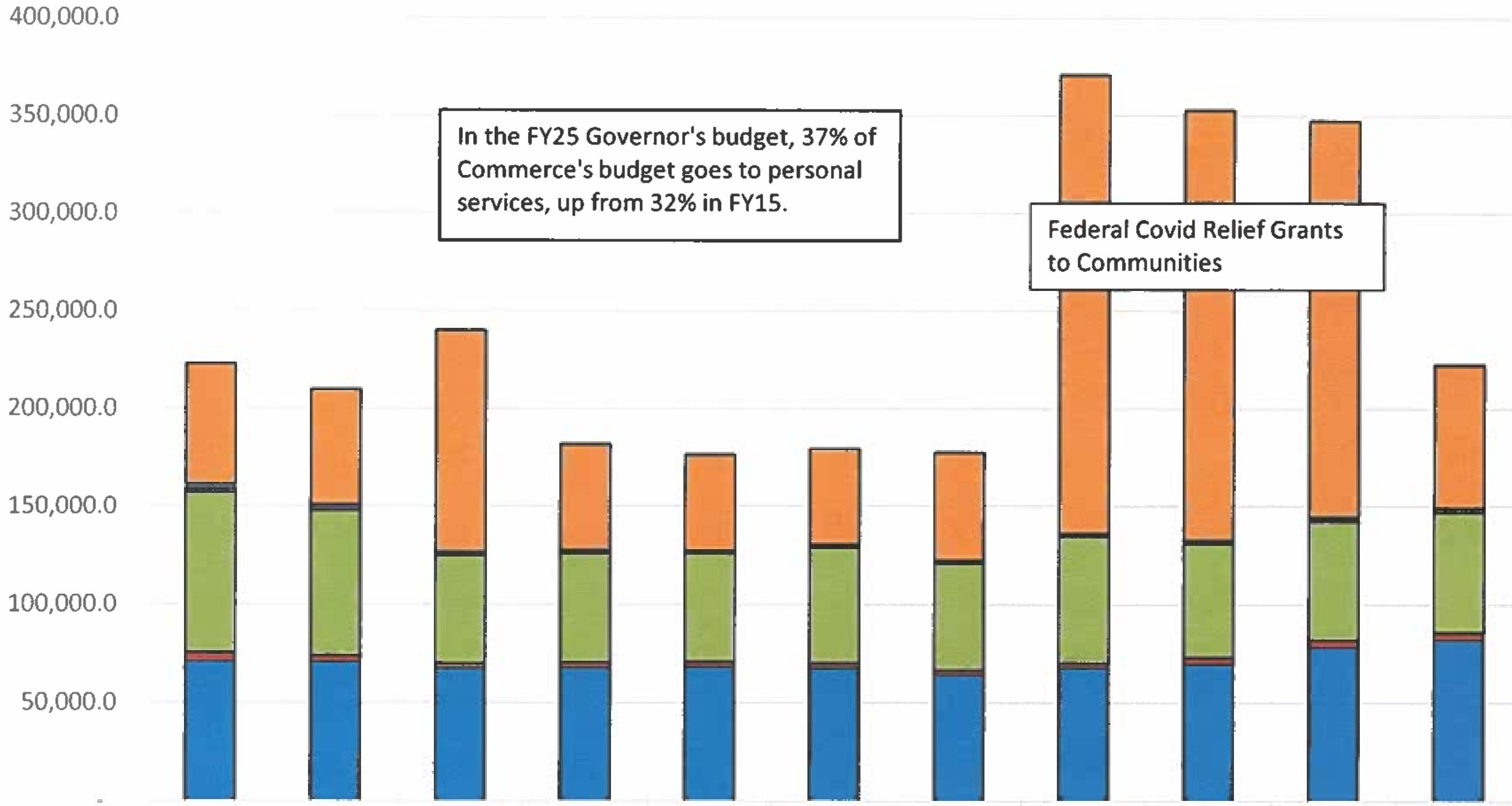
Budgeted Positions



Budgeted PFT positions have *decreased* by 48 (-8%) between FY15 and the FY25 Governor's budget. However, from FY23 to the FY25, PFT positions have increased by 39. Position increases include the addition of the Alaska Broadband Office, staffing up in professional licensing, and staffing up for IIJA energy projects in AEA.

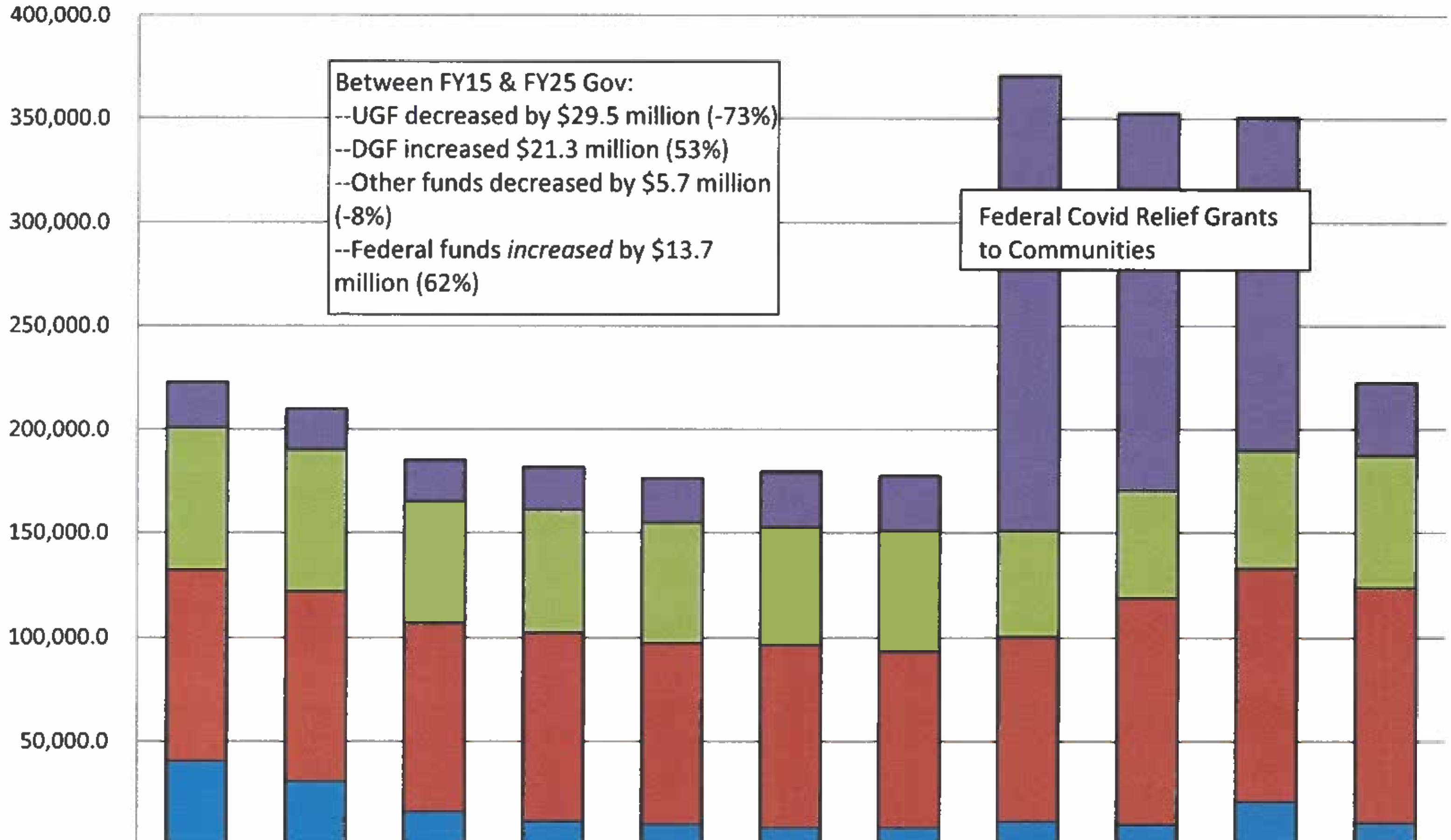
	15MgtPln	16MgtPln	17MgtPln	18MgtPln	19MgtPln	20MgtPln	21MgtPln	22MgtPln	23MgtPln	24MgtPln	25Gov
Temporary	9	8	7	5	7	10	7	5	8	14	21
Perm Part Time	1	1	0	0	0	0	0	0	0	0	0
Perm Full Time	608	589	554	537	537	535	518	513	521	557	560

Commerce, Community and Economic Development
Budget by Line Item - All Funds



	15MgtPln	16MgtPln	17MgtPln	18MgtPln	19MgtPln	20MgtPln	21MgtPln	22MgtPln	23MgtPln	24MgtPln	25Gov
7 Grants, Benefits	61,636.0	59,068.7	113,544.6	54,302.4	49,112.7	49,121.5	54,972.7	234,804.7	220,569.3	203,357.1	73,451.2
5 Capital Outlay	1,542.8	162.8	150.6	162.6	162.5	137.1	125.1	125.1	125.1	150.1	220.1
4 Commodities	2,297.6	3,081.8	1,546.6	1,445.6	1,445.3	1,643.9	1,443.3	1,451.9	1,506.4	1,712.2	2,170.5
3 Services	82,266.7	73,910.2	54,839.3	55,537.2	54,906.3	58,633.8	54,559.5	64,433.0	57,799.9	60,529.3	60,950.5
2 Travel	4,196.8	2,941.4	2,486.8	2,627.5	2,633.5	2,436.3	2,362.9	2,389.7	3,335.7	3,882.0	4,054.0
1 Personal Services	70,843.3	70,788.0	67,501.4	67,733.4	68,121.3	67,623.5	63,992.2	67,670.2	69,507.3	77,898.7	81,686.4

Commerce, Community and Economic Development
Total Funding Comparison by Fund Group - All Funds
($ Thousands)



	15MgtPln	16MgtPln	17MgtPln	18MgtPln	19MgtPln	20MgtPln	21MgtPln	22MgtPln	23MgtPln	24MgtPln	25Gov
Federal Receipts (Fed)	21,924.0	20,015.9	20,186.0	21,091.2	21,758.8	27,106.8	26,740.3	220,110.7	182,637.3	161,049.2	35,591.6
Other State Funds (Other)	68,771.8	68,310.9	57,710.8	58,414.8	57,240.0	56,136.1	57,236.8	50,185.0	51,432.8	56,856.9	63,027.5
Designated General (DGF)	91,633.1	91,147.8	90,949.3	90,716.1	87,281.2	87,830.7	85,016.6	88,997.4	108,759.1	111,549.2	112,953.2
Unrestricted General (UGF)	40,454.3	30,478.3	16,224.8	11,586.6	10,101.6	8,522.5	8,462.0	11,581.5	10,014.5	21,160.2	10,960.4

3: Program Priority Statutes

DCCED Program Priority Table

Program	*Constitutional Requirement*	*Federal Requirement*	*Statutory Req.*	*Rating of Effectiveness*
RDU: Executive Administration				
Commissioner's Office	C		Yes	
Administrative Services			Yes	
RDU: Banking and Securities				
Examinations*		F[1]	Yes	
Operations & Licensing*		F[1]	Yes	
Enforcement & Outreach*		F[1]	Yes	
Program Support*		-	Yes	
RDU: Community and Regional Affairs				
Municipal & Community Policy & Research	C		Yes	
Alaska Native Language and Preservation and Advisory Council				
Community Mapping				
Local Boundary Commission				
Municipal Land Trust				
Office of the State Assessor				
Research & Analysis				
Local Government Assistance / Rural Utility Business Advisor	C		Yes	
Bulk Fuel Revolving Loan Program				
Floodplain Management Program				
Rural Utility Business Advisor (federally funded)				
Community Aid & Accountability	C		Yes	
Grants Administration (operating and capital)				
Community Assistance Program administration				
Operating Grants for Life/Health/Safety *		-	Yes	
Alaska Marine Safety Education Association (Boat Receipts)				
Kawerak, Inc. for Essential Air Service to Little Diomede				
Alaska Legal Services Corporation				
Rural Utility Business Assistance program operator training & other small grants				
Life Alaska Donor Services (Anatomical Gift Funds)				

DCCED Program Priority Table

Program	*Constitutional Requirement*	*Federal Requirement*	*Statutory Req.*	*Rating of Effectiveness*
Program Support		-	Yes	
Serve Alaska		-	Yes	
RDU: Revenue Sharing				
Payment in Lieu of Taxes		F	Yes	
National Forest Receipts	C	F	Yes	
Fisheries Taxes	C		Yes	
RDU: Corporations, Business and Professional Licensing				
Business Licensing & Corporations		-	Yes	
Professional Licensing		Yes[2]	Yes	
Investigations		-	Yes	
Program Support		-	-	
RDU: Economic Development				
Economic Development		-	Yes	
Made in Alaska				
Comprehensive Economic Development Strategy				
Marketing and research for Alaska's unique industries – minerals, forest products, mariculture, unmanned aerial systems, etc.				
RDU: Investments				
Investments		-	Yes	
Lending and collections for 9 loan programs:				
Alternative Energy Conservation (minimal funding)				
Alaska Capstone Avionics				
Commercial Charter Fisheries				
Commercial Fishing				
Fisheries Enhancement				
Mariculture				
Alaska Microloan				
Rural Development Initiative Fund				

DCCED Program Priority Table

Program	*Constitutional Requirement*	*Federal Requirement*	*Statutory Req.*	*Rating of Effectiveness*
Small Business Economic Development				
RDU: Insurance				
Filings & Market Conduct Reviews		-	Yes	
Property / Casualty				
Life / Health				
Financial Examinations		-	Yes	
Investigations & Consumer Services		-	Yes	
Licensing		-	Yes	
Financial Reports & Audits		-	Yes	
Program Support		-	Yes	
Reinsurance Program		-	Yes	
RDU: Alcohol and Marijuana Control Office				
Licensing		F	Yes	
Education & Program Support		F	Yes	
Enforcement		F	Yes	
Alaska Energy Authority (AEA)		-	Yes	
Power Cost Equalization Program		-	Yes	
Alaska Industrial Development and Export Authority (AIDEA)		-	Yes	
Alaska Seafood Marketing Institute		-	Yes	
Alaska Gasline Development Corporation		-	AS 31.25	
Regulatory Commission of Alaska		-	Yes	
RDU: State Facilities Rent				

DCCED Program Priority Table

Program	*Constitutional Requirement*	*Federal Requirement*	*Statutory Req.*	*Rating of Effectiveness*
DCCED State Facilities Rent		-	-	

[1] All banking and some securities activities are federally required.

[2] Three Professionally Licensing programs are federally required: Nursing Home Administrators, Nurse Aides, and Real Estate Appraisers.

4: FY 24 Budget Issues

Department of Commerce, Community and Economic Development

FY24 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
1	Executive Administration / Commissioner's Office	Add Boards and Regulations Advisor (08-X191) for Boards and Regulations	$256.1 I/A Rcpts (Other) **1 TMP Position**	$256.1 I/A Rcpts (Other) **1 TMP Position**	A temporary Boards and Regulations Advisor (range 27) is added in Juneau to support the Office of the Commissioner. The position will be funded with interagency receipts collected from the other divisions for administrative support. The Boards and Regulations Advisor will monitor board activity, serve as the agency's board liaison, and be the primary point of contact for boards that the Commissioner sits on. This position will direct and oversee the agency's regulatory review process and liaise with boards and divisions to ensure that information is shared, and board activities are appropriately facilitated. They will also provide 'best practices' training to boards, and work with the Governor's Office of Boards and Commissions to develop expectations and onboarding processes for new board members. The agency reports that this workload is currently managed by division directors and executive administration.
2	Executive Administration / Commissioner's Office	Add Executive Secretary 3 (08-#056) for Administrative Support in the Commissioner's Office	$153.8 I/A Rcpts (Other) **1 PFT Position**	$153.8 I/A Rcpts (Other) **1 PFT Position**	Interagency receipts will be collected from the other divisions to support the addition of an Executive Secretary 3 (range 16) in the Commissioner's Office. This position will be located in Ketchikan. Agency responsibilities have been augmented in recent years with the creation of the Office of International Trade and the Alaska Broadband Office, as well as the addition of new grant programs. The agency describes an increased demand to receive, administer, and report on federal funding, and requests additional executive administrative support to meet this demand. This position will assume responsibility for administering the Commissioner's schedule and travel reconciliations, as well as managing the Commissioner's communications. An existing Executive Assistant in Anchorage will continue to provide executive support for other Anchorage-based Commissioner's Office staff and will focus more time on duties related to the Office of International Trade.

Department of Commerce, Community and Economic Development

FY24 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
3	Various	Alaska Broadband Office Program Implementation **Structure**	n/a	n/a	The Alaska Broadband Office (ABO) was established in FY23 with the passage of HB 363 (Ch. 52 SLA22). The program is funded with an FY23 capital appropriation of $6 million in federal authority to receive funds appropriated in the Infrastructure Investment and Jobs Act (IIJA) for Broadband Equity and Access Deployment. The ABO was initially authorized with a temporary increment (FY23-FY27) of $513.0 in CIP Receipt authority to support a Director, Broadband Technician, and Project Administrator. In addition, $399.7 of CIP Receipt authority was added to the base in FY23, which represents the agency's fiscal note projection less the $513.0 of temporary authorization, which had already been provided in the FY23 operating budget to stand up the new allocation. The actions below were included in the FY24 budget for the following **appropriations / allocations** - the Governor's budget request had added them to the ABO base budget, but the **legislature continued them as Temporary Increments (IncT's) for FY24-25.** **Executive Administration / Alaska Broadband Office:** 1. $513.0 of CIP Receipts for the three existing positions; 2. $159.1 of CIP Receipts for broadband grants management; 3. $236.2 of CIP Receipts and a Tribal Liaison (range 21) located in Juneau; 4. $256.2 for FY24 fiscal note costs related to the implementation of HB 363. In addition, the Governor's budget included a **base budget increment in Community and Regional Affairs which was approved as requested by the Legislature:** 1. $350.0 I/A and 2 PFT Grants Administrator 1/2/3 positions (range 15/17/19) located in Fairbanks. I/A will be supported by CIP Receipts in the ABO allocation.

Department of Commerce, Community and Economic Development

FY24 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
4	Banking and Securities / Banking and Securities	Increased Legal Costs and Financial Examiner 4 (08-#071) for Investigations and Enforcement	$481.0 GF/Prgm (DGF) **1 PFT Position**	$481.0 GF/Prgm (DGF) **1 PFT Position**	A Financial Examiner 4 (range 23) is added in Anchorage to supervise two existing investigators with the Division of Banking and Securities enforcement team. The agency reports a steady workload increase over the past five years with the emergence of new fiscal industries and increased digital fraud targeting Alaskans' financial information. This has resulted in a lack of timely enforcement for a variety of complaints and cases brought before the Division. In addition to adding a position, this increment seeks to increase program receipt authority in order to contract Department of Law support for negotiated settlement or prosecution of these matters. The services line includes $275.0 for Department of Law costs, as well as $25.0 for statewide and department core services related to the new position.
5	Community and Regional Affairs / Community and Regional Affairs	Increase Ongoing General Fund Grant to Alaska Legal Services	n/a	**Net Zero**	There are multiple ongoing grants built within the Community and Regional Affairs base budget including a grant to Alaska Legal Services, Inc. for $400.0 UGF. In addition, AS 37.05.590 provides that the legislature may appropriate 10 percent of court system filing fees to the Civil Legal Services Fund which may then be appropriated to Alaska Legal Services. For FY24, the estimated amount of the 10 percent filing fees is $301.2. The Governor's FY24 budget request included both of these for a total of $701.2 to Alaska Legal Services. After public testimony regarding the backlog of need for Alaska Legal Services type services, **the legislature included an additional $140.0 UGF** to the ongoing base budget grant for a total of $841.2. This amount, however, **was vetoed by the Governor.**
6	Community and Regional Affairs / Community and Regional Affairs	Grant Funding to Palmer Emergency Food and Services Inc.	n/a	$125.0 Gen Fund (UGF) **IncOTI**	Accrued backlogs in most public assistance programs in the Department of Health also significantly impacted the Supplemental Nutrition Assistance Program (SNAP). This program is commonly known as "Food Stamps." There has been grant funding directed at alleviating the backlog for SNAP to state-wide food service non-profits, yet the legislature directed funding specifically for the issues in the Mat-Su Valley and Palmer to the Palmer Emergency Food and Services Inc.

($ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
7	Community and Regional Affairs / Community and Regional Affairs	Community Assistance Program and Fund Capitalization	n/a	**Net Zero**	The Community Assistance Program receives funding from appropriations capitalizing the Community Assistance Fund. This action occurs in the language section of the bill under Fund Capitalizations so it does not appear in the DCRA budget. However, the program is managed by DCRA and is included here for reference. Per AS 29.60.850, if the Community Assistance Fund balance is at least $15 million on June 30 of the prior year, the agency shall distribute one-third of the balance of the fund to recipient communities that fiscal year. The fund balance ending FY23 was $90 million and in FY24, $30 million will be distributed. An amount to recapitalize the fund for FY24 was omitted by the Governor leaving a balance of $60 million for FY25 in his budget. The legislature chose to appropriate $30 million back to the fund again bringing the balance to $90 million for FY25, but that was vetoed by the Governor citing the fiscal climate. **Barring a supplemental appropriation to the fund next session, the fund balance will be $60 million which would make for a $20 million distribution to communities in FY25.** The formula for Community Assistance is broken down into a base payment amount per community, plus an amount distributed on a per capita basis for any amount over the base payments. Currently the base payments for all recipients totals approximately $20 million and under a one-third payout that is basically what communities would receive. Anything over $20 million would be distributed on a per capita basis.
8	Revenue Sharing / National Forest Receipts	Increase Federal Receipt Authority to match expected revenues from the Secure Rural Schools Act	n/a	$8,600.0 Fed Rcpts (Fed)	Historically, the distribution of funds under the National Forest Receipts Program was authorized under a 1908 federal law (16 USC 500) where 25 percent of the annual income earned from activities within a national forest was shared with the State for distribution to boroughs, cities and regional educational attendance areas (REAAs) located within the national forest. With the passage of the Secure Rural Schools and Community Self-Determination Act of 2000 (SRS), National Forest Receipts payments to the State are based on a formula calculation completed by the USDA. The SRS program requires Congressional reauthorization and funding, which has been somewhat

Department of Commerce, Community and Economic Development

FY24 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
8	Revenue Sharing / National Forest Receipts	Increase Federal Receipt Authority to match expected revenues from the Secure Rural Schools Act	n/a	$8,600.0 Fed Rcpts (Fed)	(continued) unpredictable in timing. In 2017 the SRS program was not reauthorized and so the pass-through amount was just $533.5. Since that time, actual receipts have been between $8 million and $10 million per year with FY22 revenue at $10,824.9. The DCCED base budget has been $600.0 for quite some time to reflect the expected revenues prior to the SRS program and a language section appropriation has been included in the budget to allow for receipt and expenditure of additional federal forest receipts revenues. However, given the continued congressional reauthorization since FY18, this base budget increment is intended to better reflect the expected revenues.
9	Corporations, Business and Professional Licensing / Corporations, Business and Professional Licensing	Stabilize Volatile Licensing Fees by Offsetting Investigative Costs with General Funds	**Net Zero** $2,200.0 Gen Fund (UGF) ($2,200.0) Rcpt Svcs (DGF)	**Net Zero** $5.0 Gen Fund (UGF) ($5.0) Rcpt Svcs (DGF)	The Governor's FY24 budget included a fund change that was essentially denied by the legislature adding $2.2 million of general funds to the agency's base budget to supplant a three-year average of investigative costs that are otherwise paid through licensing receipts. AS 08.01.065 requires the Department to set licensing fees at a level so that the total amount of fees collected approximates the regulatory costs of the licensure program. Historically, the professional licensing programs have had to deal with highly volatile investigative costs which have created significant adjustments in licensing fees. This fund source change was intended to provide increased stability for licensing fees across the regulated professions.
10	Corporations, Business and Professional Licensing / Corporations, Business and Professional Licensing	Add Licensing Supervisor, Admin Assistants (7), & Licensing Examiners (4) to Address Increases in Professional Licensing	$1,545.0 Rcpt Svcs (DGF) **12 PFT Positions**	$1,545.0 Rcpt Svcs (DGF) **12 PFT Positions**	The Division of Corporations, Business and Professional Licensing reports significant growth in licensing volume over the last three fiscal years. Notably, from FY19 through FY22 the professional licensing unit experienced a 24 percent overall increase in licensure. As a result, twelve new positions and funding were added to the budget in response to the significant and continued growth in licensure. These positions will help the division to improve licensing timeliness, to set and achieve reasonable service expectations and reduce risk to employers - particularly health care facilities and people seeking licensure to work in Alaska.

Department of Commerce, Community and Economic Development

FY24 - Summary of Significant Budget Issues

($ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
11	Corporations, Business and Professional Licensing / Corporations, Business and Professional Licensing	Funding for Big Game Board Executive Director	n/a	$160.0 GF/Prgm (DGF) **1 PFT Position** **IncOTI**	Due to frequent violations and investigations relating to big game guiding in Alaska, the legislature created an Executive Director position to oversee the State Big Game Board in an attempt to gain some control over the frequent issues.
12	Tourism Marketing / Tourism Marketing	Tourism Marketing Grant to the Alaska Travel Industry Association (ATIA)	$5,000.0 Gen Fund (UGF)	$2,500.0 Gen Fund (UGF) **IncOTI**	Included in the **Governor's Capital Budget** request was a $5 million UGF grant to the Alaska Travel Industry Association (ATIA) for continued tourism marketing efforts. Those efforts include creating and distributing the Alaska Vacation Planner, managing the TravelAlaska website, and collecting and analyzing visitor statistics. Prior to FY17, marketing activities were included as ongoing funding in the operating budget. Considering that this budget item reflects ongoing annual operations, the legislature moved the funding to the operating budget as a One-time Increment (IncOTI) for FY24. The Governor did veto the half of the amount as a result of a worsening fiscal picture in the DOR Spring revenue forecast.
13	Insurance Operations / Insurance Operations	Sec 60(g), HB39 - Extend State Match for the Alaska Reinsurance Program (FY2023-FY2027) **Supplemental**	**Net Zero**	**Net Zero**	A supplemental language section was requested by the Governor to extend the appropriation made in Sec. 27(h), Ch. 1 (HB 57), SSSLA 2017 for the Alaska reinsurance program. Approximately $53.5 of the original $55 million remains in this appropriation to match the extended term of the federal 1332 waiver. The extended waiver maintains the terms of the original waiver, which required this state participation.
14	Alaska Oil and Gas Conservation Commission / Alaska Oil and Gas Conservation Commission	(SB 48) CARBON OFFSET PROGRAM ON STATE LAND **Fiscal Note**	$908.0 Gen Fund (UGF) **2 PFT Positions**	$908.0 Gen Fund (UGF) **2 PFT Positions**	SB 48 authorizes the Alaska Oil and Gas Conservation Commission (AOGCC) to pursue primacy from the U.S. Environmental Protection Agency (EPA) over Class VI wells. Costs outlined in the fiscal note include one fully-exempt Senior Carbon Engineer (range 26) and one fully-exempt Carbon Assistant (range 18), along with costs for legal support through the Department of Law and other

($ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
14	Alaska Oil and Gas Conservation Commission / Alaska Oil and Gas Conservation Commission	(SB 48) CARBON OFFSET PROGRAM ON STATE LAND **Fiscal Note**	$908.0 Gen Fund (UGF) **2 PFT Positions**	$908.0 Gen Fund (UGF) **2 PFT Positions**	(continued) professional contract support for project development. In FY24 through FY25, the agency will be focused on obtaining Class VI primacy from the EPA. The general fund expenditures for these years may be offset by potential grant receipts through the EPA Class VI Grant Program.
15	Alaska Gasline Development Corporation / Alaska Gasline Development Corporation	Support Ongoing Operations of the Alaska Gasline Development Corporation	**Net Zero** $3,086.1 Gen Fund (UGF) ($3,086.1) AGDC-LNG (Other)	$3,086.1 Gen Fund (UGF) **IncOTI**	The Governor's FY24 budget included a fund source change for the Alaska Gasline Development Corporation (AGDC) from the AK-LNG Fund to Unrestricted General Funds (UGF). AGDC operations have historically been funded from the balance of the AK-LNG Fund which has been capitalized multiple times over the years. The fund balance was projected to go negative in FY24 given projected expenditures without an infusion of capital. Instead the governor chose to fund deficit spending with a UGF base budget adjustment - deleting use of the AK-LNG Fund and substituting it with UGF. This would have effectively created an ongoing operating funding amount for AGDC. Later in session, the Governor requested an amendment to include $4 million of federal receipts with $2.5 million UGF state match to capitalize the AK_LNG Fund (**see Item 16**). As a result of the fund capitalization amendment, the legislature created a one-time increment of $3.1 million UGF while maintaining the $3.1 million expenditure authority from the AK-LNG Fund.
16	Alaska Gasline Development Corporation / Alaska Gasline Development Corporation	Language Sec 72(v) & (w) HB39 -GA 4/18- Fed Receipts and State Match to the Alaska Liquefied Natural Gas Project Fund	**Total: $6,500.0** $4,000.0 Fed Rcpts (Fed) $2,500.0 GF/ Match (UGF)	**Total: $6,500.0** $4,000.0 Fed Rcpts (Fed) $2,500.0 GF/ Match (UGF)	As mentioned in **Item 15,** the Governor submitted an amendment for capitalization of the AK-LNG Fund totaling $6.5 million. The Alaska Gasline Development Corporation (AGDC) is transitioning from sole ownership of the Alaska Liquefied Natural Gas (LNG) Project to a venture structure led by private industry. This request provides authorization for ADGC to receive $4.0 million from the Department of Energy's National Energy Technology Lab which will be matched by $2.5 million of state general funds. Senator Murkowski put this funding in the bipartisan funding bill congress passed in December 2022. This funding will support preliminary Front End Engineering and Design (FEED).

($ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
17	Alaska Energy Authority / Alaska Energy Authority Rural Energy Assistance	Infrastructure Investment and Jobs Act (IIJA) Staff Support (FY24-FY27)	$958.0 CIP Rcpts (Other) **IncT**	$958.0 CIP Rcpts (Other) **IncT**	This increment will support five new positions in the Alaska Industrial Development and Export Authority (AIDEA) appropriation that are contracted to perform work for Alaska Energy Authority (AEA). In FY23, AEA received multiple capital appropriations to leverage federal IIJA funds. The added positions in AIDEA will be funded with I/A supported by this temporary increment. **Items 17 and 19 are related.**
18	Alaska Energy Authority / Alaska Energy Authority Power Cost Equalization	Power Cost Equalization Technician Support and Administrative Cost Increases	$233.9 PCE Endow (DGF)	$233.9 PCE Endow (DGF)	Power Cost Equalization (PCE) Fund authority is budgeted to support a PCE Technician position and to pay for increased core services costs. The position will be budgeted in the AIDEA appropriation but is contracted to perform work for AEA. The PCE Technician will assist in providing training to rural communities throughout Alaska on how to apply for PCE credits and how the program works, as well as updating AEA's inventory of community facilities across the state.
19	Alaska Industrial Development and Export Authority / Alaska Industrial Development and Export Authority	Infrastructure Investment and Jobs Act (IIJA) Staff for the Alaska Energy Authority (FY24-FY27)	$676.6 I/A Rcpts (Other) **5 TMP Positions** **IncT**	$676.6 I/A Rcpts (Other) **5 TMP Positions** **IncT**	This increment will support five positions that will be budgeted in the AIDEA appropriation but will be contracted to perform work for AEA projects. In FY23 budget, AEA received multiple capital appropriations related to federal funds made available through the IIJA legislation. These positions will be funded from the capital improvement project receipts increment in AEA and passed through to AIDEA as inter-agency receipts, via a reimbursable services agreement. The following positions are requested in the AIDEA appropriation, AIDEA allocation: 1. Project Manager, range 24, Anchorage 2. Project Manager, range 24, Anchorage 3. Contracting Officer, range 20, Anchorage 4. Senior Accountant, range 18, Anchorage 5. Grant Coordinator, range 18, Anchorage

($ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
19	Alaska Industrial Development and Export Authority / Alaska Industrial Development and Export Authority	Infrastructure Investment and Jobs Act (IIJA) Staff for the Alaska Energy Authority (FY24-FY27)	$676.6 I/A Rcpts (Other) **5 TMP Positions** **IncT**	$676.6 I/A Rcpts (Other) **5 TMP Positions** **IncT**	(continued) **Items 17 and 19 are related.**
20	Alaska Seafood Marketing Institute / Alaska Seafood Marketing Institute	General Fund Participation in Seafood Marketing	$5,000.0 Gen Fund (UGF) **IncOTI**	$5,000.0 Gen Fund (UGF) **IncOTI**	The Governor put forth a One-time Increment of $5 million UGF for the Alaska Seafood Marketing Institute, which was approved by the legislature. ASMI had not received UGF since FY18 and has primarily relied on the Alaska seafood marketing assessment (AS 16.51.120) and competitive federal grant funding. Beginning in FY19, ASMI has used Statutory Designated Program Receipts to match competitive federal grants.

5: FY 24 Mid-Year Status Report

Department of Commerce, Community and Economic Development
FY24 Midyear Status Report

<table>
<tr><th>Item No.</th><th>Appropriation / Allocation</th><th>Description</th><th>Amount / Fund Source</th><th>LFD Questions</th></tr>
<tr><td>1</td><td>Banking and Securities / Banking and Securities</td><td>Increased Legal Costs and Financial Examiner 4 (08-#071) for Investigations and Enforcement</td><td>$481.0 GF/Prgm (DGF) 1 PFT Position</td><td>Has the Examiner 4 position been hired? If so, when? Is the plan still that this position will lead a small enforcement team? It was mentioned that multiple cases have been identified historically, but have not been referred to the Department of Law due to staffing resources. Does this increment and new position provide the resources necessary to investigate and enforce a challenging and growing financial industry?</td></tr>
<tr><td></td><td colspan="4">Agency Response
The Financial Examiner 4 was recruited for and filled, but recently became vacant and is currently in active recruitment. This position supervises two Investigator positions.

This position provides additional staff support to advance necessary enforcement actions. The division's enforcement actions increased 60% from calendar year 2020 to calendar year 2022, and the volume of activity is not anticipated to decline. This position will allow the division to continue efforts to decrease backlogs and initiate enforcement activities as necessary to protect Alaskans from financial crimes.</td></tr>
<tr><td>2</td><td>Community and Regional Affairs / Community and Regional Affairs</td><td>Grant Funding to Palmer Emergency Food and Services Inc.</td><td>$125.0 Gen Fund (UGF) IncOTI</td><td>When was this grant agreement signed and the funding distributed? Was it distributed in a lump sum? Was the grant agreement solely for food supplies or were there other expenditures allowed?</td></tr>
<tr><td></td><td colspan="4">Agency Response
The grant agreement for $125,000 was fully executed on September 6, 2023. This is a cost-reimbursable grant based on quarterly financial and progress reports documenting eligible expenditures, and as of January 15, 2024, $24,000 has been disbursed. The objective of the project is to improve capacity to collect, store, and distribute food by upgrading the current operational processes at the Palmer Food Bank. Funding may also be used for: purchasing equipment including a larger walk-in freezer, Connex storage unit, a cargo vehicle, and facility utilities.</td></tr>
<tr><td>3</td><td>Corporations, Business and Professional Licensing / Corporations, Business and Professional Licensing</td><td>Add Licensing Supervisor, Admin Assistants (7), & Licensing Examiners (4) to Address Increases in Professional Licensing</td><td>$1,545.0 Rcpt Svcs (DGF) 12 PFT Positions</td><td>Which positions and how many have been filled? What were their hiring dates?</td></tr>
<tr><td></td><td colspan="4">Agency Response
The Records and Licensing Supervisor position for the State Medical Board licensing team was filled 10/30/2023. All other positions have been have been created and are in active recruitment.</td></tr>
</table>

Item No.	Appropriation / Allocation	Description	Amount / Fund Source	LFD Questions
4	Corporations, Business and Professional Licensing / Corporations, Business and Professional Licensing	Funding for Big Game Board Executive Director	$160.0 GF/Prgm (DGF) 1 PFT Position IncOTI	Is this position filled and when was the hire date?
	Agency Response This position has not yet been filled.			
5	Tourism Marketing / Tourism Marketing	Tourism Marketing Grant to the Alaska Travel Industry Association (ATIA)	$2,500.0 Gen Fund (UGF) IncOTI	Please provide details on how this funding has been utilized to date and if it will be fully expended by fiscal year end.
	Agency Response This one-year operating grant runs from July 1, 2023-June 30, 2024. This is a cost-reimbursable grant based on monthly financial and progress reports documenting eligible expenditures. To date, funding has been used towards data management, website development and management, advertising, public relations, 2024 Vacation Planner, travel trade and international efforts, personnel and fringe, and administration. As of the November 30, 2023, status report, $815,156.25 has been disbursed. This grant is expected to be fully expended by the end of the fiscal year. The objectives of the grant include, •Promote large scale awareness of Alaska's diverse experiences both statewide and year-round to potential visitors. •Enhance and strengthen Alaska's destination brand both domestically and internationally. •Establish Alaska as an innovative leader in the travel and tourism industry. •Continued focus on cultural and substantial integration in all brand efforts. •Generate high-quality leads and requests for trip-planning information. •Monitor and generate reporting mechanisms to measure effectiveness and efficiency of the program.			
6	Alaska Oil and Gas Conservation Commission / Alaska Oil and Gas Conservation Commission	(SB 48) CARBON OFFSET PROGRAM ON STATE LAND Fiscal Note	$908.0 Gen Fund (UGF) 2 PFT Positions	Have the Senior Carbon Engineer and Carbon Assistant positions been filled? If so, when?
	Agency Response Both positions are in active recruitment. The Alaska Oil and Gas Conservation Commission is optimistic that both positions will be filled in spring 2024.			

Item No.	Appropriation / Allocation	Description	Amount / Fund Source	LFD Questions
7	Alaska Gasline Development Corporation / Alaska Gasline Development Corporation	Support Ongoing Operations of the Alaska Gasline Development Corporation	$3,086.1 Gen Fund (UGF) IncOTI	Is this funding projected to be fully utilized in FY24? Will any be available for carry-forward into FY25?
	Agency Response This funding is anticipated to be fully expended in FY24.			
8	Alaska Gasline Development Corporation / Alaska Gasline Development Corporation	Language Sec 72(v) & (w) HB39 -GA 4/18- Fed Receipts and State Match to the Alaska Liquefied Natural Gas Project Fund	Total: $6,500.0 $4,000.0 Fed Rcpts (Fed) $2,500.0 GF/Match (UGF)	Has the grant from the Department of Energy's National Energy Technology Lab been secured? Please provide an update on progress.
	Agency Response The Alaska Gasline Development Corporation (AGDC) has worked with the U.S. Department of Energy to verify grant terms and finalize eligibility. AGDC anticipates receipt of the award in spring 2024.			
9	Alaska Energy Authority / Alaska Energy Authority Power Cost Equalization	Power Cost Equalization Technician Support and Administrative Cost Increases	$233.9 PCE Endow (DGF)	Has this position been filled? If so, when and have they been successful assisting communities with the PCE program?
	Agency Response This position was filled on August 8, 2023. This position has provided the needed support to ensure timely Power Cost Equalization (PCE) payments. Since this position was hired, the Alaska Energy Authority has made all PCE payments to communities within 30 days. This position has also supported ongoing PCE program administration and audit functions.			
10	Alaska Seafood Marketing Institute / Alaska Seafood Marketing Institute	General Fund Participation in Seafood Marketing	$5,000.0 Gen Fund (UGF) IncOTI	Explain how this funding is being used in FY24 and why it is unnecessary in FY25? What is unique about FY24 to require the UGF? Will it be fully expended in FY24?

Item No.	Appropriation / Allocation	Description	Amount / Fund Source	LFD Questions
	Agency Response Starting in 2023 and continuing into 2024, the Alaska Seafood industry is experiencing a significant imbalance between supply and demand for nearly all Alaska species that has placed undue stress on Alaska's seafood industry. Market distortions, inflation, a strong U.S. dollar, and the loss of global markets due to unfair trade competition, notably from Russia and China, have created market turbulence. Experts warn that these market conditions have thrust the Alaska seafood industry into an economic squeeze, echoing challenges not witnessed for decades. As of 1/18/24, ASMI is has spent $2.76 million and encumbered $2.1 million of this funding, and will expend the entirety of the funds in FY24. The primary focus for this funding has been the U.S. Domestic market on the following species and products: sockeye, keta and pink salmon, surimi, and sablefish. The ASMI Board identified these key species as requiring additional near-term focus due to volume and value challenges experienced by Alaska's fishermen and processing community. This funding has allowed ASMI to increase nationwide store and foodservice penetration, heightened digital coupon promotions, and create brand partnerships that would not be achieved without additional funding. Additionally, ASMI has expanded international promotions in Japan and Europe and supported marketing activities to diversify Alaska seafood exports from the Chinese market. ASMI marketing activities were expanded in Southeast Asia and Latin America in FY24. ASMI also conducted a trade mission to Morrocco in FY24 as North Africa and the Middle East have been identified as a new market for Alaska seafood exports with great potential.			

6: FY 25 Proposed Budget Items

2024 Legislature - Operating Budget
Appropriation Summary - FY25 Governor Structure

umbers and Language
gencies: DCCED

Appropriation	[1] 24Enroll	[2] 24Auth	[3] 24MgtPln	[4] AdjBase	[5] Gov	[5] - [3] 24MgtPln to Gov		[5] - [4] AdjBase to Gov	
Commerce, Community & Econ Dev									
Executive Administration	8,643.4	8,643.4	8,643.4	8,707.3	10,425.3	1,781.9	20.6 %	1,718.0	19.7 %
Banking and Securities	4,934.0	4,934.0	4,934.0	5,095.5	5,095.5	161.5	3.3 %	0.0	
Community and Regional Affairs	12,937.2	140,060.9	140,060.9	12,969.5	17,457.0	-122,603.9	-87.5 %	4,487.5	34.6 %
Revenue Sharing	22,728.2	22,728.2	22,728.2	22,728.2	22,728.2	0.0		0.0	
Corp, Bus & Prof Licensing	18,527.7	19,233.3	19,233.3	19,581.9	19,761.9	528.6	2.7 %	180.0	0.9 %
Economic Development	0.0	705.5	705.5	0.0	0.0	-705.5	-100.0 %	0.0	
Investments	5,628.5	5,628.5	5,628.5	5,792.6	5,792.6	164.1	2.9 %	0.0	
Tourism Marketing	5,000.0	2,500.0	2,500.0	0.0	0.0	-2,500.0	-100.0 %	0.0	
Insurance Operations	9,248.6	9,248.6	9,248.6	8,480.3	9,580.3	331.7	3.6 %	1,100.0	13.0 %
AK Oil & Gas Conservation Comm	8,543.3	9,451.3	9,451.3	9,562.5	9,712.5	261.2	2.8 %	150.0	1.6 %
Alcohol and Marijuana Control	4,530.1	4,530.1	4,530.1	4,449.6	4,449.6	-80.5	-1.8 %	0.0	
AK Gasline Development Corp	6,172.2	6,172.2	6,172.2	3,086.1	3,086.1	-3,086.1	-50.0 %	0.0	
Alaska Energy Authority	58,120.7	58,120.7	58,120.7	57,316.6	60,541.8	2,421.1	4.2 %	3,225.2	5.6 %
AIDEA	18,745.2	18,745.2	18,745.2	19,027.3	20,244.5	1,499.3	8.0 %	1,217.2	6.4 %
Alaska Seafood Marketing Inst	26,739.4	28,329.0	28,329.0	21,800.0	21,800.0	-6,529.0	-23.0 %	0.0	
Regulatory Commission of AK	10,225.2	10,225.2	10,225.2	10,498.0	10,498.0	272.8	2.7 %	0.0	
DCCED State Facilities Rent	1,359.4	1,359.4	1,359.4	1,359.4	1,359.4	0.0		0.0	
Agency Total	**222,083.1**	**350,615.5**	**350,615.5**	**210,454.8**	**222,532.7**	**-128,082.8**	**-36.5 %**	**12,077.9**	**5.7 %**
wide Total	**222,083.1**	**350,615.5**	**350,615.5**	**210,454.8**	**222,532.7**	**-128,082.8**	**-36.5 %**	**12,077.9**	**5.7 %**
Funding Summary									
Unrestricted General (UGF)	22,712.8	21,160.2	21,160.2	10,775.9	10,960.4	-10,199.8	-48.2 %	184.5	1.7 %
Designated General (DGF)	111,023.0	111,549.2	111,549.2	111,745.2	112,953.2	1,404.0	1.3 %	1,208.0	1.1 %
Other State Funds (Other)	56,856.9	56,856.9	56,856.9	56,342.1	63,027.5	6,170.6	10.9 %	6,685.4	11.9 %
Federal Receipts (Fed)	31,490.4	161,049.2	161,049.2	31,591.6	35,591.6	-125,457.6	-77.9 %	4,000.0	12.7 %

Department of Commerce, Community and Economic Development

FY2025 - Summary of Significant Budget Issues

($ thousands)

Narrative report for significant items in the Governor's FY25 operating budget.

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Executive Administration / Alaska Broadband Office	Continued Implementation of Federal Broadband Grants	$1,406.0 CIP Rcpts (Other) **1 PFT Position**	Efforts continue to implement elements of the federal Broadband, Equity, Access and Deployment (BEAD) program. Multiple increments of federal funding via the capital budget (CIP Receipts) are added to continue standing up operations. These include: - $300.0 for a Project Coordinator and targeted contractual support; - $120.0 to fund a Research Analyst position in Community and Regional Affairs for project support including geographic information system (GIS) mapping and program analysis. Additionally, to meet the federal requirement for streamlined permitting, funding is added to pay for dedicated permitting positions in other agencies. These include: -$246.0 for two right-of-way permit positions in the Department of Transportation and Public Facilities; -$740.0 for multiple other positions in relevant agencies to work with the Office of Project Management and Permitting (OPMP) to manage permitting and land activities.
2	Community and Regional Affairs / Community and Regional Affairs	Provide Support to Alaskan Food Banks and Pantries to Promote Food Security **Supplemental**	$3,000.0 Gen Fund (UGF)	The grant program details for this funding are still under consideration, but the goal would be to provide funding to a broad group of food providers. The number of projected grantees is not yet known. In FY23, $1.682 million was distributed to food banks across Alaska through the Department of Health (DOH). When determining an amount for the FY24 Supplemental, OMB worked with DCCED and DOH to set a higher amount based on an anticipated increased need. The new funds will be distributed via a grant program and will include, food banks, food pantries, and other entities that distribute food.
3	Community and Regional Affairs / Serve Alaska	Federal Receipt Authority for Extended Federal Grants	$4,000.0 Fed Rcpts (Fed)	Serve Alaska works in partnership with the Corporation for National and Community Service bringing Americorps programs to Alaska. Increased federal receipt authority is desired to manage grant funding staggered over multiple years and to pursue additional federal grants. With this increment Serve Alaska would have $5.9 million of authority for FY25 with projected federal grant revenue near $5.8 million.

Department of Commerce, Community and Economic Development

FY2025 - Summary of Significant Budget Issues
($ thousands)

Narrative report for significant items in the Governor's FY25 operating budget.

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Corporations, Business and Professional Licensing / Corporations, Business and Professional Licensing	Restore Big Game Commercial Services Board Executive Administrator	$160.0 Rcpt Svcs (DGF) **1 PFT Position**	Due to frequent violations and investigations relating to big game guiding in Alaska, the legislature created an executive director position to oversee the Big Game Board in an attempt to gain some control over the issues. The funding was added on a one-time basis in FY24 and this increment would add it to the base budget moving forward. The fund source used for FY24 was GF/Program Receipts which are generated from business licensing and corporation filing receipts. The proposal for FY25 uses Receipt Supported Services revenue which is generated from professional licensing and the more appropriate fund source.
5	Tourism Marketing / Tourism Marketing	Reverse One-Time Increment of Tourism Marketing Grant to the Alaska Travel Industry Association (ATIA)	($2,500.0) Gen Fund (UGF)	Tourism marketing has received funding in both the operating and capital budgets over the years. The Alaska Travel Industry Association (ATIA) is the usual recipient of the funding and uses it in creating and distributing the Alaska Vacation Planner, managing the TravelAlaska website, and collecting and analyzing visitor statistics. Prior to FY17, funding was appropriated each year in the operating budget. In FY18, it was moved to the capital budget as a grant to ATIA where it has appeared intermittently since. For FY24, the governor proposed an amount in the capital budget following the precedent of recent years. During session, however, the legislature deemed the money necessary to the operations of ATIA and moved the appropriation to the operating budget as a one-time increment (IncOTI). The Governor's FY25 budget again places the grant back in the capital budget and this OTI transaction is highlighted here to show that money is proposed for tourism marketing, but not in the FY25 operating budget.

Department of Commerce, Community and Economic Development

FY2025 - Summary of Significant Budget Issues
($ thousands)

Narrative report for significant items in the Governor's FY25 operating budget.

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
6	Alaska Gasline Development Corporation / Alaska Gasline Development Corporation	Reverse General Fund for Alaska Gasline Development Corporation Annual Operating Costs	($3,086.1) Gen Fund (UGF)	The Governor's FY24 budget included a fund source change from the AK-LNG Fund to Unrestricted General Funds (UGF). AGDC operations have historically been funded from the balance of the AK-LNG Fund which has been capitalized multiple times over the years. The fund balance was projected to go negative in FY24 without an infusion of capital. Instead the Governor chose to fund operations with a UGF base budget adjustment - deleting use of the AK-LNG Fund and substituting it with UGF. This would have effectively created an ongoing operating funding amount for AGDC. Later in session, the Governor requested an amendment to include $4 million of federal receipts with $2.5 million UGF state match to capitalize the AK-LNG Fund. As a result of the fund capitalization amendment, the legislature created a One-Time Increment of $3.1 million UGF while maintaining the $3.1 million expenditure authority from the AK-LNG Fund. In the FY25 proposal, the $3.1 million UGF OTI is removed in the Adjusted Base and is being replaced with a fund capitalization of the same amount in the language section (section 31(u)) to the AK-LNG fund. This action coupled with the base budget expenditure authority from the AK-LNG Fund (Fund Code 1235) would give AGDC a flat operating budget of $3.1 million for FY25.
7	Alaska Energy Authority / Alaska Energy Authority Rural Energy Assistance	Infrastructure Investment and Jobs Act (IIJA) Staff Support (FY25-FY29)	$1,249.5 CIP Rcpts (Other) **IncT**	This temporary increment adds seven positions and associated expenditure authority to the operating budget funded by federal IIJA receipts received in the FY24 capital budget. A corresponding transaction is included in the Alaska Industrial Development and Export Authority (AIDEA) to reflect the personal services costs as all AEA employees are housed within AIDEA. AEA reimburses AIDEA for payroll costs through inter-agency receipts. The following positions are added: -Two Full-time Project Managers, located in Anchorage -Senior Contracting Officer, located in Anchorage

Department of Commerce, Community and Economic Development

FY2025 - Summary of Significant Budget Issues
($ thousands)

Narrative report for significant items in the Governor's FY25 operating budget.

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
7	Alaska Energy Authority / Alaska Energy Authority Rural Energy Assistance	Infrastructure Investment and Jobs Act (IIJA) Staff Support (FY25-FY29)	$1,249.5 CIP Rcpts (Other) **IncT**	(continued) -Grant Accountant, located in Anchorage -Accounting Technician, located in Anchorage -Engagement and Communications Specialist, located in Anchorage -Administrative Assistant, located in Anchorage The positions will provide support to the below FY24 capital projects: -Statewide Grid Resilience and Reliability -Electric Vehicle Charging Equipment -New Energy Auditor Training -State Energy Program
8	Alaska Seafood Marketing Institute / Alaska Seafood Marketing Institute	Reverse One-Time Increment of General Fund Participation in Seafood Marketing	($5,000.0) Gen Fund (UGF)	Last session, the Governor put forth a one-time FY24 Increment of $5 million UGF for the Alaska Seafood Marketing Institute (ASMI), which was approved by the legislature. ASMI had not received UGF since FY18 and had primarily relied on the Alaska Seafood Marketing Assessment (AS 16.51.120) and competitive federal grant funding. For FY25, this one-time funding is removed and no amount of additional state funding is included. With the ASMI budget, however, is recurring language that allows for seafood assessment revenue carry-forward. The revenue carry-forward for FY24 is $15.8 million with projections of approximately $16.2 million into FY25. This would be more than sufficient funding for ASMI to have a flat FY25 budget without further state funding assistance.

Agency: Department of Commerce, Community and Economic Development

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Executive Administration													
Administrative Services													
Add Accountant 4 (08-#131) for Project Accounting and Additional Capacity	Gov	Inc	160.0	125.0	0.0	25.0	10.0	0.0	0.0	0.0	1	0	0

The Division of Administrative Services provides centralized administrative support and guidance for the Department of Commerce, Community, and Economic Development's (DCCED) core and corporate agencies. The DCCED has the highest number of appropriated funding sources of any individual department, as well as the highest number of independent operating agencies (components) of any department. This significant financial complexity, coupled with the addition of multiple new programs in recent years, has stretched the division's accounting team beyond its current capacity.

This Accountant 4 will serve as a project accountant in support of recent initiatives for the department and provide ongoing baseline support for all divisions. In the last five years the department was responsible for not only significant funding for COVID-19 grants, but also for multiple federal disaster relief grants, the Alaska Oil and Gas Conservation Commission, and the Alaska Broadband Office. The addition of significant federal broadband funding has come with new federal reporting requirements and notably increased financial and reporting complexity. Adding this Accountant 4 will ensure that these ongoing efforts and future new initiatives are appropriately resourced to ensure successful financial operations and avoid audit findings.

This position will be created in FY2024 using existing funding for part of the year. Additional authority is needed in FY2025. The division is fully funded by receipts collected from divisions throughout the department according to a cost allocation plan.

Full-time Accountant 4, 08-#131, range 20, located in Juneau

1007 I/A Rcpts (Other) 160.0

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
*** Allocation Difference ***			160.0	125.0	0.0	25.0	10.0	0.0	0.0	0.0	1	0	0
Alaska Broadband Office													
Restore FN Reduction: Office, Grants, Parity Ch52 SLA2022 (HB363)(Sec2 Ch11 SLA2022 P48 L15 (HB281)) (FY24-25)	Gov	IncT	152.0	0.0	0.0	152.0	0.0	0.0	0.0	0.0	0	0	0

Restore funding for the Alaska Broadband Office. The Alaska Legislature converted this request to a temporary increment through fiscal year 2025. This funding supports grant administration, legal services, and contractual support costs for the office.

1061 CIP Rcpts (Other) 152.0

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Add Project Coordinator and Targeted Contractual Support for Ongoing Project Management	Gov	Inc	300.0	150.0	0.0	150.0	0.0	0.0	0.0	0.0	1	0	0

Funding for ongoing project management support for the Alaska Broadband Office. This work was initiated in FY2024 using unbudgeted reimbursable services agreements (RSA) from existing capital funding. Project management support includes targeted contractual support and the addition of one position to coordinate project activities and track and maintain project milestones.

Full-time exempt Project Coordinator, 08-#134, range 22, located in Anchorage

1061 CIP Rcpts (Other) 300.0

Numbers and Language Differences
Agencies: DCCED

Agency: Department of Commerce, Community and Economic Development

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Executive Administration (continued)													
Alaska Broadband Office (continued)													
Support from the Division of Community and Regional Affairs for Broadband Mapping and Program Support	Gov	Inc	120.0	0.0	0.0	120.0	0.0	0.0	0.0	0.0	0	0	0
The Alaska Broadband Office (ABO) will enter into a reimbursable services agreement with the Division of Community and Regional Affairs for Research Analyst support for the Broadband, Equity, Access and Deployment (BEAD) program. Support will include geographic information system (GIS) mapping, research, and program analysis and support.													
1061 CIP Rcpts (Other) 120.0													
Fund Positions in Other Agencies to Facilitate Permit Coordination and Streamlined Broadband Permitting	Gov	Inc	740.0	0.0	0.0	740.0	0.0	0.0	0.0	0.0	0	0	0
One of the requirements of the Broadband, Equity, Access and Deployment (BEAD) program is a streamlined permitting process for broadband projects. The Alaska Broadband Office (ABO) has allocated funding from the BEAD grant to fund Broadband Permit Coordinator positions, as well as other positions necessary within permitting agencies in Alaska. The ABO will enter into a reimbursable services agreement (RSA) with the Office of Project Management and Permitting (OPMP) within the Department of Natural Resources to provide up to three positions to manage these permit coordination efforts. These positions will help coordinate permitting for BEAD projects, but also all other broadband deployment projects funded under other programs (e.g., U.S. Department of Agriculture ReConnect and Tribal Broadband Connectivity Program). The positions are estimated at range 18 with a total annual position cost of $122.8 each. In a further effort to streamline the permitting process, the ABO is proposing to provide funding to other divisions, funding up to three other positions within the Department of Natural Resources, Department of Fish and Game, or the Department of Environmental Conservation to manage permitting and land management activities related to broadband projects. This will enable dedicated staff time for review and approval of any necessary right-of-way permits, land leases, mapping, etc. for broadband deployment projects. These positions would be funded through RSAs from ABO to the appropriate entity. These positions are estimated at range 18 with a total annual cost of $122.8 each.													
1061 CIP Rcpts (Other) 740.0													
Fund Right-of-Way Permit Coordinators in Transportation and Public Facilities for Streamlined Broadband Permitting	Gov	Inc	246.0	0.0	0.0	246.0	0.0	0.0	0.0	0.0	0	0	0
In a further effort to streamline the permitting process, the Alaska Broadband Office (ABO) is proposing to provide funding to the Department of Transportation and Public Facilities (DOTPF) to enable dedicated staff time for review and approval of any necessary right-of-way permits for broadband deployment projects. Through a reimbursable services agreement (RSA), the ABO would provide funding for two positions in DOTPF. These positions are estimated at range 18 with a total annual cost of $122.8 each.													
1061 CIP Rcpts (Other) 246.0													
*** Allocation Difference ***			1,558.0	150.0	0.0	1,408.0	0.0	0.0	0.0	0.0	1	0	0
*** * Appropriation Difference * ***			1,718.0	275.0	0.0	1,433.0	10.0	0.0	0.0	0.0	2	0	0

Agency: Department of Commerce, Community and Economic Development

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Community and Regional Affairs													
Community and Regional Affairs													
Remove Boating Receipts from Base Budget Given Revenue Volatility and Use Language Section Appropriation	Gov	Dec	-197.0	0.0	0.0	0.0	0.0	0.0	-197.0	0.0	0	0	0

The Division of Motor Vehicles within the Department of Administration collects boating receipt revenues. They then transfer these revenues to the Department of Commerce, Community, and Economic Development (DCCED) and the Department of Natural Resources (DNR) proportionally distributed based on how much was appropriated to each agency. For FY2023, DNR was appropriated $300.0 and DCCED was appropriated $197.0. Revenues are transferred to the department's monthly, but transfers lag two months after revenues are collected. This delay in revenue transfer causes uncertainty in revenue recognition at the end of the fiscal year, which limits opportunities for the departments to plan for annual expenditures. In FY2023, revenue for this grantee was undercollected.

1216 Boat Rcpts (DGF) -197.0

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
L Grant to the Alaska Marine Safety Education Association Using UGF that Represents Prior Year Boat Receipts Collections	Gov	Inc	184.5	0.0	0.0	0.0	0.0	0.0	184.5	0.0	0	0	0

This appropriation is based on the prior closed fiscal year's actual collections. DCCED passes boat receipts through to a grant recipient, and that revenue instability results in limited ability for the grantee to maximize their grant funding.

This language willbe updated annually based on the actual revenue collected in the most recently ended fiscal year, not to exceed $500,000.

The sum of $184,519 is appropriated from the general fund to the Department of Commerce, Community, and Economic Development (DCCED) to provide funding for a grant to the Alaska Marine Safety Education Association for the fiscal year ending June 30, 2025.

1004 Gen Fund (UGF) 184.5

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Add Two Full-time Program Coordinators for Federal Disaster Recovery Grants	Gov	Inc	380.0	300.0	20.0	60.0	0.0	0.0	0.0	0.0	2	0	0

Administration of the Community Development Block Grant - Disaster Recovery (CDBG-DR) funds is housed in the Division of Community and Regional Affairs (DCRA). The Department of Housing and Urban Development (HUD) recently allocated the State of Alaska $38.4 million in disaster recovery funds to address unmet needs, long term recovery, and mitigation activities following Typhoon Merbok in 2022, which impacted 55 communities in Western Alaska. This is an addition to the existing $35.9 million in Disaster Recovery funding related to the 2018 earthquake.

The DCRA does not have a dedicated position to manage this new program or the existing disaster recovery funding. While maintaining compliance with complex federal requirements, these positions will manage program development and oversee implementation of projects in a significant number of rural Alaskan communities.

The cost of these positions will be paid from administrative allocations in the federal funding in the capital appropriation.

Full-time Program Coordinator 1, 08-#128, range 18, located in Anchorage
Full-time Program Coordinator 1, 08-#129, range 18, located in Anchorage

Agency: Department of Commerce, Community and Economic Development

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Community and Regional Affairs (continued)													
Community and Regional Affairs (continued)													
Add Two Full-time Program Coordinators for Federal Disaster Recovery Grants (continued)													
1061 CIP Rcpts (Other) 380.0													
Add Full-time Research Analyst 2 (08-#127) to Support Broadband Expansion	Gov	Inc	120.0	95.0	0.0	25.0	0.0	0.0	0.0	0.0	1	0	0
The Alaska Broadband Office (ABO) requires additional support from the Division of Community and Regional Affairs (DCRA) research team. This Research Analyst 2 position will be fully funded from federal broadband funds in the capital budget, which are passed through the ABO component and to DCRA as interagency receipts. Full-time Research Analyst 1, 08-#127, range 16, located in Anchorage													
1007 I/A Rcpts (Other) 120.0													
Replace Civil Legal Services Fund With General Fund/Program Receipts	Gov	FndChg	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
Replace Civil Legal Services Fund With General Fund/Program Receipts.													
1005 GF/Prgm (DGF) 0.3													
1221 Legal Serv (DGF) -0.3													
*** Allocation Difference ***			487.5	395.0	20.0	85.0	0.0	0.0	-12.5	0.0	3	0	0
Serve Alaska													
Federal Receipt Authority for Extended Federal Grants	Gov	Inc	4,000.0	200.0	0.0	3,300.0	500.0	0.0	0.0	0.0	0	0	0
The Serve Alaska component is primarily funded by federal receipts from the Corporation for National and Community Service (CNCS). Most grants are awarded for two to four years. All exiting grants for Serve Alaska's operations have been extended through FY2025, and additional federal receipt authority is needed to access the funds. There is an average of 23 percent match across the CNCS federal awards. Serve Alaska has existing general fund match authority that can be used to leverage the federal funds, and match is not expected to be needed at this time. The Community Investment Fund program has also been extended and is included in this transaction. This award totals $322.0, and match is not required.													
1002 Fed Rcpts (Fed) 4,000.0													
*** Allocation Difference ***			4,000.0	200.0	0.0	3,300.0	500.0	0.0	0.0	0.0	0	0	0
*** * Appropriation Difference * ***			4,487.5	595.0	20.0	3,385.0	500.0	0.0	-12.5	0.0	3	0	0
Corporations, Business and Professional Licensing													
Corporations, Business and Professional Licensing													
Restore Big Game Commercial Services Board Executive Administrator	Gov	Inc	160.0	160.0	0.0	0.0	0.0	0.0	0.0	0.0	1	0	0
Funding for the executive support for the Big Game Commercial Services Board was included in the FY2024 budget as a temporary item. The position has been established and continuing support is needed. The original addition of funding was 1005 general fund program receipts, which are generated from business licensing and corporations filing receipts. This restoration changes the funding to 1156 receipt supported services													

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Corporations, Business and Professional Licensing (continued)													
Corporations, Business and Professional Licensing (continued)													
Restore Big Game Commercial Services Board Executive Administrator (continued)													
so that the position is funded from professional licensing receipts from the program it supports. Full-time Exempt Big Game Board Executive Administrator, 08-?094, range 23, located in Juneau													
1156 Rcpt Svcs (DGF) 160.0													
Replace Aging Fold and Stuff Machine to Improve Efficiencies	Gov	IncOTI	20.0	0.0	0.0	0.0	20.0	0.0	0.0	0.0	0	0	0
The Division of Corporations, Business, and Professional Licenses is responsible for managing 45 regulatory professional licensing programs, as well as business and corporation filings. The division has taken steps to reduce the amount of paper and mail processed and has made large reductions in the number of mailouts each year. Since FY2018, mailed volumes have dropped notably, and postage costs have decreased nearly 40 percent even as postage prices have risen. However, the division continues to process legally required mailouts for some renewals and regulations, which required over $60.0 in postage costs in FY2023. The division does not count individual documents processed but has reported that nearly 85 percent of licensees have opted into electronic communications. Each mailout project involves thousands of documents, which must be assembled and mailed. The division's existing machine has aged and now has diminished function. Replacing the machine with a modern version will improve the efficiency of mailouts and reduce staff time and effort to process these required mailouts.													
1005 GF/Prgm (DGF) 10.0													
1156 Rcpt Svcs (DGF) 10.0													
*** Allocation Difference ***			180.0	160.0	0.0	0.0	20.0	0.0	0.0	0.0	1	0	0
*** * Appropriation Difference * ***			180.0	160.0	0.0	0.0	20.0	0.0	0.0	0.0	1	0	0
Insurance Operations													
Insurance Operations													
L Division of Insurance for Actuarial Support (FY2025-FY2026)	Gov	MultiYr	1,000.0	0.0	0.0	1,000.0	0.0	0.0	0.0	0.0	0	0	0
The sum of $1,000,000 is appropriated from program receipts collected under AS 21 by the Department of Commerce, Community, and Economic Development, to the Division of Insurance for actuarial support for fiscal years ending June 30, 2025 and June 30, 2026.													
1156 Rcpt Svcs (DGF) 1,000.0													
Protect Alaskan Businesses from Loss of Insurance Coverage	Gov	IncOTI	100.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0	0	0
The growing Environmental, Social, and Corporate Governance (ESG) movement has created new risks for businesses in Alaska, especially those involved in resource development. External pressures to leverage service offerings to force ESG-related changes are growing, which poses direct threats to insurance coverage for businesses that are invested in or directly involved in fossil fuels. Insurance is a fundamental requirement to conduct business in the state, the international movement to stop issuing insurance policies to businesses involved in resource development could leave many Alaskan businesses and employees without coverage. It is vital that the State does everything in its power to defend and support Alaskan businesses and protect their access to insurance products.													

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Insurance Operations (continued)													
Insurance Operations (continued)													
Protect Alaskan Businesses from Loss of Insurance Coverage (continued)													
This funding will be used in support of an information campaign to participate in conversations surrounding ESG and communicate Alaska's strong environmental protections and firm regulatory environment. Staff in the division will participate in panels and present at conferences to ensure that ESG pressures do not impact Alaskan businesses' access to insurance.													
1156 Rcpt Svcs (DGF) 100.0													
*** Allocation Difference ***			**1,100.0**	0.0	100.0	1,000.0	0.0	0.0	0.0	0.0	0	0	0
*** * Appropriation Difference * ***			**1,100.0**	0.0	100.0	1,000.0	0.0	0.0	0.0	0.0	0	0	0
Alaska Oil and Gas Conservation Commission													
Alaska Oil and Gas Conservation Commission													
Personal Services Support for Capital Projects	Gov	Inc	**25.0**	25.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
The Alaska Oil and Gas Conservation Commission (AOGCC) is charged with managing a large federal award through the Infrastructure Investments and Jobs Act for orphaned well site plugging. Most of the work on this project will be managed through contractual agreements, but some staff time is needed in support of this project. Adding Capital Improvement Project receipt authority will allow AOGCC to appropriately record personal services charged to capital projects.													
1061 CIP Rcpts (Other) 25.0													
Replace North Slope Vehicles	Gov	IncOTI	**95.0**	0.0	0.0	0.0	0.0	95.0	0.0	0.0	0	0	0
The Alaska Oil and Gas Conservation Commission (AOGCC) requires vehicles on the North Slope to transport Inspectors to the various test and inspection locations, which is required to meet statutory and regulatory requirements. In any given week there can be four inspectors on site who travel to different locations. AOGCC inspections are required for continued production activity. If inspections are delayed, economic activity and productivity on the North Slope are greatly impacted. AOGCC currently has four vehicles on the North Slope for inspector use. Due to the harsh weather conditions on the North Slope these vehicles experience maintenance issues more frequently and require more frequent replacement. Vehicles on the North Slope are often idling for extended periods of time, and extreme weather causes a reduced lifespan. The vehicles also need to be outfitted with specialty items to respond to the cold, including external fuel tanks, extreme-cold weather tires, oil and transmission heating pads, high-intensity lights, hour gauges, and rock/brush guards. This funding will be used to replace a 2014 truck that does not have accrued replacement credits through the Department of Transportation and Public Facilities (DOTPF) Statewide Equipment Fleet program and must be directly replaced. Additionally, AOGCC will replace a truck that has had frequent maintenance and reliability challenges to ensure working vehicles are available for inspections. In future years AOGCC will rotate vehicles through the leasing program at DOTPF.													
1162 AOGCC Rct (DGF) 95.0													
Replace Public Hearing Room Information Technology to Meet Communication Needs of Commission	Gov	IncOTI	**30.0**	0.0	0.0	0.0	30.0	0.0	0.0	0.0	0	0	0

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Alaska Oil and Gas Conservation Commission (continued)													
Alaska Oil and Gas Conservation Commission (continued)													
Replace Public Hearing Room Information Technology to Meet Communication Needs of Commission (continued)													
The Alaska Oil and Gas Conservation Commission's (AOGCC) public hearing room has aged audio and video equipment that is past its usable life and does not meet the current communication needs of the Commission. The COVID-19 pandemic changed how Alaskans communicate with State agencies and how they participate in public hearings. In-person attendance at AOGCC's public meetings has declined, but online attendance continues to grow. However, AOGCC's current systems do not work well with modern communications tools like Teams and require modernization. With the current technology available and the continued movement towards remote communication, the AOGCC plans to update the audio video equipment in the public hearing room. AOGCC will replace the projector system with monitors and install web cameras. Network switches and cabling will be replaced to accommodate the new equipment. The existing speakers are anticipated to be reused in the new system.													
1162 AOGCC Rct (DGF) 30.0													
*** Allocation Difference ***			**150.0**	25.0	0.0	0.0	30.0	95.0	0.0	0.0	0	0	0
*** * Appropriation Difference * ***			**150.0**	25.0	0.0	0.0	30.0	95.0	0.0	0.0	0	0	0
Alaska Energy Authority													
Alaska Energy Authority Owned Facilities													
Align Owned Facilities Management and Support with Anticipated Receipts	Gov	Inc	**250.0**	0.0	0.0	250.0	0.0	0.0	0.0	0.0	0	0	0
The Alaska Energy Authority (AEA) owns multiple facilities in Alaska: the Bradley Lake Hydroelectric Project, the Alaska Intertie, and the Railbelt Transmission Line and Battery Energy Storage Systems. Operation and maintenance for these assets is funded by reimbursement from Railbelt utilities and received as AEA Corporate Receipts. Additional authority in contractual services is needed to cover the increased costs and resources to support the owned assets and complete required project work. This authority will support payroll costs for staff specifically working towards optimizing the energy resource potential at Bradley Lake and adding a new Railbelt hydroelectric project that will contribute significant amounts of reliable, low-cost renewable energy into the Railbelt system.													
1107 AEA Rcpts (Other) 250.0													
Add Authority for Senior Staff Accountant (08-#146) to Support Operation and Maintenance of Owned Facilities (FY25-FY27)	Gov	IncT	**167.7**	0.0	0.0	157.7	10.0	0.0	0.0	0.0	0	0	0
The Alaska Energy Authority (AEA) owns multiple facilities in Alaska: the Bradley Lake Hydroelectric Project, the Alaska Intertie, and the Railbelt Transmission Line and Battery Energy Storage Systems. Operation and maintenance for these assets is funded by reimbursement from Railbelt utilities and received as AEA Corporate Receipts. Managing the financial operations of the assets and the associated revenue recovery from the utilities is complex and requires additional staff support. Positions in support of the AEA are budgeted in the Alaska Industrial													

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Alaska Energy Authority (continued)													
Alaska Energy Authority Owned Facilities (continued)													
Add Authority for Senior Staff Accountant (08-#146) to Support Operation and Maintenance of Owned Facilities (FY25-FY27) (continued)													
Development and Export Authority (AIDEA) and funded through an annual reimbursable services agreement. Authority for the position is added in the AEA and the position is added in AIDEA. This request includes $25.0 for annual statewide core services costs for the position and $10.0 for one-time startup commodity costs for the position. The following position is added: Full-time Senior Accountant, 08-#146, range 18/20, located in Anchorage													
1107 AEA Rcpts (Other) 167.7													
*** Allocation Difference ***			**417.7**	0.0	0.0	407.7	10.0	0.0	0.0	0.0	0	0	0
Alaska Energy Authority Rural Energy Assistance													
Restore Funding for Infrastructure Investment and Jobs Act (IIJA) Staff Support (FY2024-FY2027)	Gov	IncT	**958.0**	0.0	0.0	908.0	50.0	0.0	0.0	0.0	0	0	0
The Alaska Energy Authority (AEA) received multiple capital appropriations in the FY2023 budget related to the Infrastructure Investment and Jobs Act (IIJA) bill. This change restores funding for five positions and associated costs to support IIJA programs. Positions are funded from capital improvement project receipts received in AEA and passed through to the Alaska Industrial Development and Export Authority (AIDEA) as inter-agency receipts to fund positions.													
1061 CIP Rcpts (Other) 958.0													
Infrastructure Investment and Jobs Act (IIJA) Staff Support (FY25-FY29)	Gov	IncT	**1,249.5**	0.0	0.0	1,179.5	70.0	0.0	0.0	0.0	0	0	0
The Alaska Energy Authority (AEA) received multiple capital appropriations in the FY2024 budget related to the Infrastructure Investment and Jobs Act (IIJA) bill. This change adds seven positions and associated costs to support IIJA programs. Positions will be funded from capital improvement project receipts received in AEA. A corresponding change record is included in the Alaska Industrial Development and Export Authority (AIDEA) operating component to reflect the personal services cost because all employees are AIDEA's. AEA reimburses AIDEA for payroll costs through inter-agency receipts. The following positions are added: Full-time Project Manager, 08-#138, range 23,24,25 located in Anchorage Full-time Project Manager, 08-#139, range 23,24,25 located in Anchorage Full-time Sr. Contracting Officer, 08-#140, range 20/22, located in Anchorage Full-time Grant Accountant, 08-#141, range 20/22, located in Anchorage Full-time Accounting Technician, 08-#142, range 14/16, located in Anchorage Full-time Engagement and Communications Specialist, 08-#143, range 18/20, located in Anchorage Full-time Administrative Assistant, 08-#144, range 14/16, located in Anchorage Personal services in the services line: $1,074.5 (personal services costs reflected in AIDEA)													

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Alaska Energy Authority (continued)													
Alaska Energy Authority Rural Energy Assistance (continued)													
Infrastructure Investment and Jobs Act (IIJA) Staff Support (FY25-FY29) (continued)													
Statewide Core Services, $25.0 per position per year: $105.0 Commodities costs, $10.0 per position, one-time: $70.0 1061 CIP Rcpts (Other) 1,249.5													
*** Allocation Difference ***			2,207.5	0.0	0.0	2,087.5	120.0	0.0	0.0	0.0	0	0	0
Statewide Project Development, Alternative Energy and Efficiency													
Anticipated Alternative Energy and Energy Efficiency Capital Project Support from IIJA	Gov	Inc	350.0	0.0	50.0	300.0	0.0	0.0	0.0	0.0	0	0	0
Increased authorization anticipated related to the increase in capital project expenditures for the Infrastructure Investments and Jobs Act (IIJA). Personal services for the Alaska Energy Authority are provided by the Alaska Industrial Development and Export Authority through a reimbursable services agreement. 1061 CIP Rcpts (Other) 350.0													
Anticipated Increased Travel Relating to Infrastructure Investment and Jobs Act (IIJA) Projects	Gov	Inc	50.0	0.0	50.0	0.0	0.0	0.0	0.0	0.0	0	0	0
Align authority with increased anticipated expenditures in travel line due to new Infrastructure Investment and Jobs Act (IIJA) program travel. The remaining authority is sufficient to cover anticipated expenditures. 1061 CIP Rcpts (Other) 50.0													
Data Library Continued Development and Expansion	Gov	IncOTI	200.0	0.0	0.0	200.0	0.0	0.0	0.0	0.0	0	0	0
The Alaska Energy Authority (AEA) is in the process of updating and revising the online document library. This library includes information AEA itself, as well as project and program fact sheets. The library will eventually contain research and documentation on projects funded AEA. This will allow the research, data, and information on these projects to be available to the public. The increase in availability and transparency of projects -- both successful and unsuccessful - will help support and advance other affordable or renewable energy projects in the state. Prior work on the project was funded by federal funds. This funding will support continued digitization of AEA records to be added to the online repository through direct personal services and contractual support, as well as hosting and administration costs. 1107 AEA Rcpts (Other) 200.0													
*** Allocation Difference ***			600.0	0.0	100.0	500.0	0.0	0.0	0.0	0.0	0	0	0
*** * Appropriation Difference * ***			3,225.2	0.0	100.0	2,995.2	130.0	0.0	0.0	0.0	0	0	0
Alaska Industrial Development and Export Authority													
Alaska Industrial Development and Export Authority													
Add Senior Staff Accountant (08-#146) for Alaska Energy Authority Owned Facilities Staff Support (FY25-FY27)	Gov	IncT	142.7	142.7	0.0	0.0	0.0	0.0	0.0	0.0	1	0	0
The Alaska Energy Authority (AEA) is adding one full-time Senior Staff Accountant (08-#146), range 18/20,													

	Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	TMP
Alaska Industrial Development and Export Authority (continued)													
Alaska Industrial Development and Export Authority (continued)													
Add Senior Staff Accountant (08-#146) for Alaska Energy Authority Owned Facilities Staff Support (FY25-FY27) (continued)													
located in Anchorage to support the Owned Assets and funded by Railbelt utilities. This position will be funded via a reimbursable services agreement from AEA. Full-time Senior Accountant, 08-#146, range 18/20, Anchorage 1007 I/A Rcpts (Other) 142.7													
Alaska Energy Authority Infrastructure Investments and Jobs Act Staff Support (FY25-FY29)	Gov	IncT	1,074.5	1,074.5	0.0	0.0	0.0	0.0	0.0	0.0	0	0	7
The Alaska Energy Authority (AEA) received multiple capital appropriations in the FY2024 budget related to the Infrastructure Investment and Jobs Act (IIJA) bill. This change adds seven positions and associated costs to support IIJA programs, including a one-time set-up cost of $25.0 core services and $10.0 commodities per position. Positions will be funded from capital improvement project receipts received in AEA and passed through to the Alaska Industrial Development and Export Authority (AIDEA) as inter-agency receipts to fund positions. The following positions are added: Full-time Project Manager, 08-#138, range 23/24/25 located in Anchorage Full-time Project Manager, 08-#139, range 23/24/25 located in Anchorage Full-time Sr. Contracting Officer, 08-#140, range 20/22, located in Anchorage Full-time Grant Accountant, 08-#141, range 20/22, located in Anchorage Full-time Accounting Technician, 08-#142, range 14/16, located in Anchorage Full-time Engagement and Communications Specialist, 08-#143, range 18/20, located in Anchorage Full-time Administrative Assistant, 08-#144, range 14/16, located in Anchorage This transaction is needed to increase personal services in inter-agency receipts in the AIDEA operating component. 1007 I/A Rcpts (Other) 1,074.5													
*** Allocation Difference ***			1,217.2	1,217.2	0.0	0.0	0.0	0.0	0.0	0.0	1	0	7
*** * Appropriation Difference * ***			1,217.2	1,217.2	0.0	0.0	0.0	0.0	0.0	0.0	1	0	7
*** * * Agency Difference * * ***			12,077.9	2,272.2	220.0	8,813.2	690.0	95.0	-12.5	0.0	7	0	7
*** * * * All Agencies Difference * * * ***			12,077.9	2,272.2	220.0	8,813.2	690.0	95.0	-12.5	0.0	7	0	7

Column Definitions

AdjBase (FY25 Adjusted Base) - FY24 Management Plan less One-Time Items (OTIs), plus FY25 Position Adjustments (PosAdjs), Transfers In/Out of allocations (TrIns and TrOuts), Line Item Transfers (LITs), Temporary Increments (IncTs) initiated in prior years, adjustments to formula programs in language, and additions for statewide items such as Salary Adjustments (SalAdjs). The Adjusted Base is the base to which the Governor's and the legislature's Increments (Incs), Decrements (Decs), and Fund Changes (FndChg) are added.

Gov (Gov's FY25 Operating (12/15)) - Includes FY25 Adjusted Base plus the Governor's operating budget requests for Increments (Incs), Decrements (Decs), Fund Changes (FndChgs), and Language (Lang) transactions submitted on December 14, 2023.

2024 Legislature - Operating Budget
Wordage Report - FY25 Governor Structure
B=Both Bills, O=Operating Only, M=Mental Health

Agency: Department of Commerce, Community and Economic Development

	Gov
Ap: Corporations, Business and Professional Licensing	
Conditional Language	
The amount appropriated by this appropriation includes the unexpended and unobligated balance on June 30, 2024, of receipts collected under AS 08.01.065(a), (c) and (f)-(i).	B
Ap: Insurance Operations	
Conditional Language	
The amount appropriated by this appropriation includes up to $1,000,000 of the unexpended and unobligated balance on June 30, 2024, of the Department of Commerce, Community, and Economic Development, Division of Insurance, program receipts from license fees and service fees.	B
Ap: Alaska Oil and Gas Conservation Commission	
Al: Alaska Oil and Gas Conservation Commission	
Conditional Language	
The amount appropriated by this appropriation includes the unexpended and unobligated balance on June 30, 2024, of the Alaska Oil and Gas Conservation Commission receipts account for regulatory cost charges collected under AS 31.05.093.	B
Ap: Alcohol and Marijuana Control Office	
Conditional Language	
The amount appropriated by this appropriation includes the unexpended and unobligated balance on June 30, 2024, not to exceed the amount appropriated for the fiscal year ending on June 30, 2025, of the Department of Commerce, Community and Economic Development, Alcohol and Marijuana Control Office, program receipts from the licensing and application fees related to the regulation of alcohol and marijuana.	B
Ap: Alaska Seafood Marketing Institute	
Conditional Language	
The amount appropriated by this appropriation includes the unexpended and unobligated balance on June 30, 2024 of the statutory designated program receipts from the seafood marketing assessment (AS 16.51.120) and other statutory designated program receipts of the Alaska Seafood Marketing Institute.	B
Ap: Regulatory Commission of Alaska	
Conditional Language	
The amount appropriated by this appropriation includes the unexpended and unobligated balance on June 30, 2024, of the Department of Commerce, Community, and Economic Development, Regulatory Commission of Alaska receipts account for regulatory cost charges under AS 42.05.254, AS 42.06.286, and AS 42.08.380.	B

7: Intent Responses

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE
Division of Legislative Finance
P.O. Box 113200
Juneau, AK 99811-3200
(907) 465-3795
FAX (907) 465-1327

MEMORANDUM

DATE: January 24, 2024

TO: Senator Lyman Hoffman, Senate Finance Co-Chair
Senator Donald Olson, Senate Finance Co-Chair
Senator Bert Stedman, Senate Finance Co-Chair
Representative Bryce Edgmon, House Finance Co-Chair
Representative Neal Foster, House Finance Co-Chair
Representative DeLena Johnson, House Finance Co-Chair
Representative Benjamin Carpenter, Legislative Budget & Audit Chair

FROM: Alexei Painter
Director of Legislative Finance Division

SUBJECT: Agency Responses to FY24 Legislative Intent Language

This memorandum restates FY24 legislative intent (*italics*) for each agency and provides agency responses to our request for status reports. Responses indicating non-compliance, partial compliance, and indeterminate compliance have been identified using bold font and yellow highlighting.

This memo also includes follow-up on legislative intent from the FY23 budget for which compliance could not yet be determined when we sent the FY23 memo. Next year's memo will follow up on pending FY24 items.

DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

4. Community and Regional Affairs / Community and Regional Affairs
Operating/Capital Budget (SCS CSHB 39(FIN) am S)

It is the intent of the legislature that the appropriation made to Community and Regional Affairs includes an amount to Palmer Emergency Food and Services Inc. (HD 25) as a grant under AS 37.05.316.

The Division of Community and Regional Affairs (DCRA) issued a grant to Palmer Emergency Food and Services, Inc. in the amount of $125,000.00. DCRA submitted the award letter on July 18, 2023, and executed their 24-DO-007 Grant Agreement on September 6, 2023.

8: Department Overview

State of Alaska
FY2025 Governor's Operating Budget

Department of Commerce, Community, and Economic Development

Department of Commerce, Community, and Economic Development

Mission

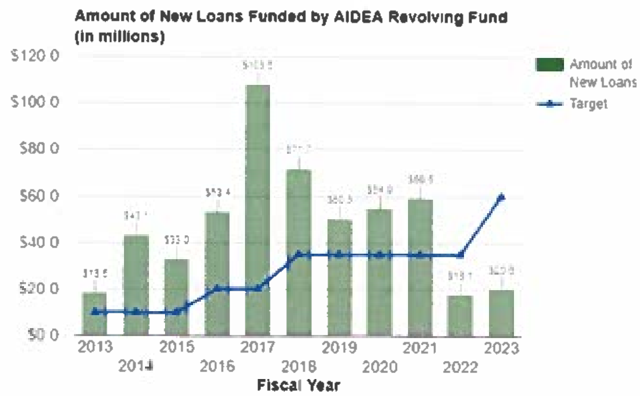
Promote a healthy economy, strong communities, and protect consumers in Alaska. Alaska Statute (AS) 44.33.020

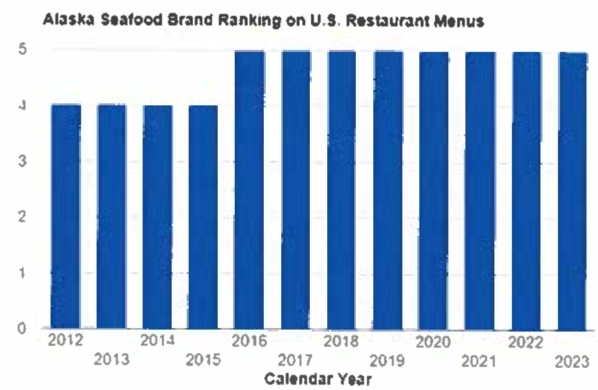
	Core Services (in priority order)	UGF	DGF	Other	Fed	Total	PFT	PPT	NP	% GF
1	Economic Growth	9,069.8	13,851.8	25,467.7	8,125.7	56,515.0	135.6	0.0	3.2	17.3%
2	Sustainable Energy	4,766.4	51,113.1	21,349.2	1,221.6	78,450.3	75.3	0.0	4.3	42.1%
3	Strong Communities	6,727.9	588.5	7,482.4	151,415.2	166,214.0	65.0	0.0	1.9	5.5%
4	Consumer Protection	596.1	45,995.8	2,557.6	286.7	49,436.2	281.1	0.0	4.6	35.1%
	FY2024 Management Plan	**21,160.2**	**111,549.2**	**56,856.9**	**161,049.2**	**350,615.5**	**557.0**	**0.0**	**14.0**	

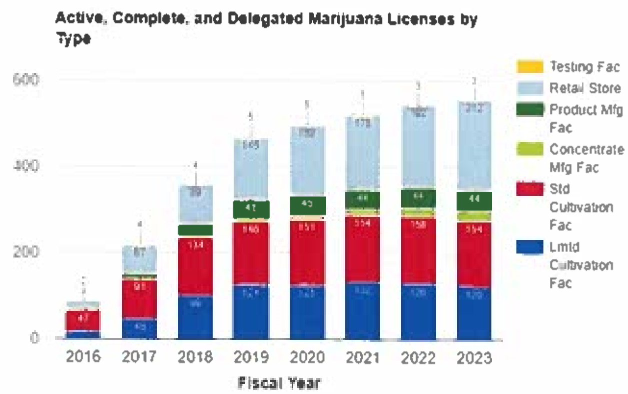
Measures by Core Service

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

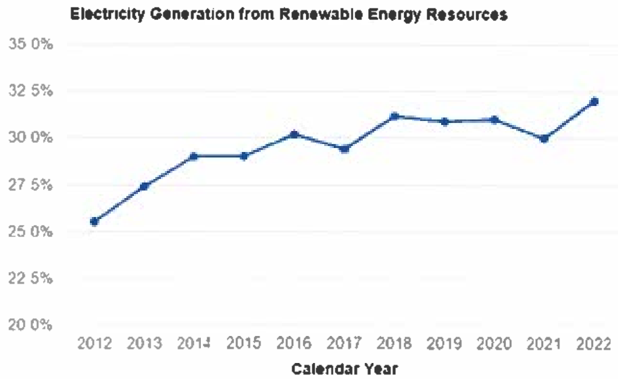
1. Economic Growth



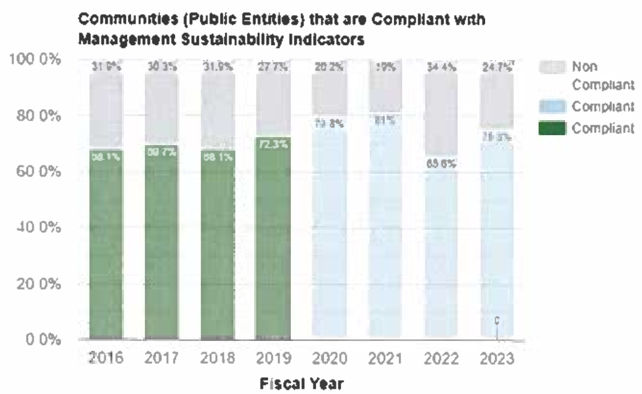


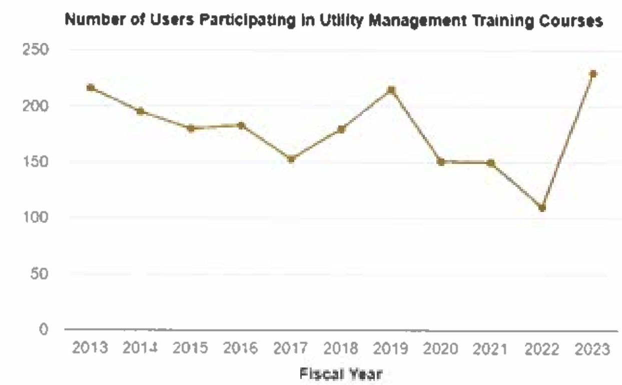


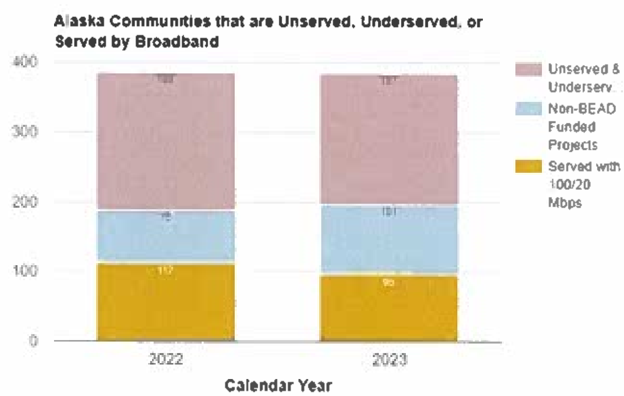
2. Sustainable Energy



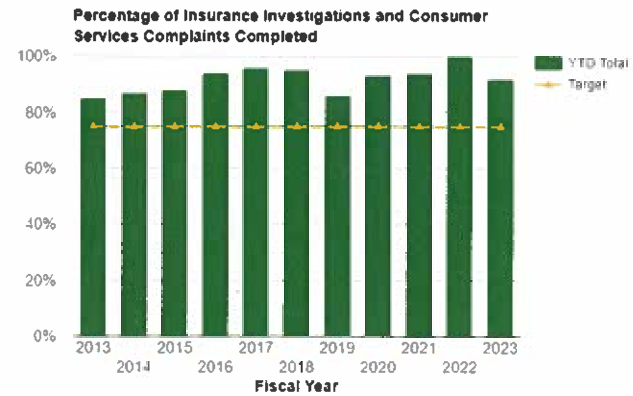
3. Strong Communities

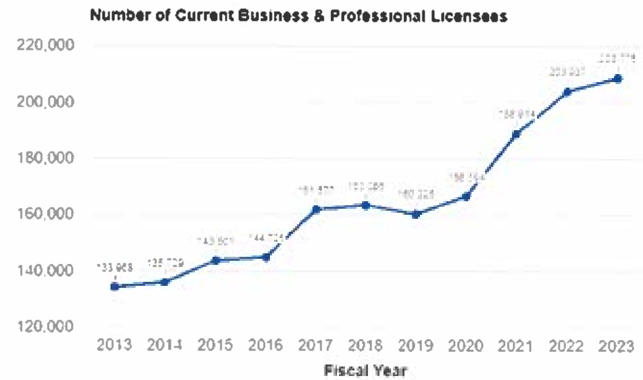


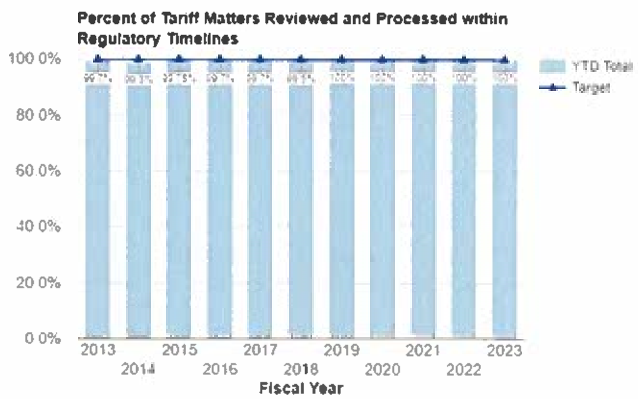




4. Consumer Protection







Major Department Accomplishments in 2023

- Alaska Broadband Office successfully submitted applications and was awarded planning funds under both the Digital Equity Planning and Broadband Equity, Access, and Development (BEAD) programs managed by the National Telecommunications and Information Administration (NTIA). Total planning funds awarded in FY2023 were $5,567,800. In FY2025, awarded funds exceed $1 billion.
- Alaska Seafood Marketing Institute (ASMI) executed custom promotions including social media, point of sale materials, product demonstrations, and merchandizing in over 36,000 U.S. retail stores and e-commerce platforms, in addition to partnering with over 18,000 foodservice establishments in FY2023 to include Alaska Seafood. ASMI expanded its ecommerce footprint to target top nationwide retailers like Kroger, Walmart and Whole Foods Markets with online banners, digital advertisements, imagery, influencer posts, blogs, and shoppable recipes.
- Alcohol and Marijuana Control Office (AMCO) met all objectives of the Title 4 Rewrite on the time schedule required by the legislation. The Alcoholic Beverage Control Board rewrote all regulations to accomplish this aim and remove administrative overreach. Effective September 18, 2023, AMCO launched its new online licensing system AK-ACCIS. It continues to prepare the industry for a new regulatory structure of endorsements applying to alcoholic beverage licensees.
- Alaska Oil and Gas Conservation Commission (AOGCC) continued to permit and regulate oil and gas drilling to prevent waste, protect correlative rights, improve ultimate recovery, and protect underground freshwater. Notably, the commission completed over a year-long investigation into ConocoPhillips Alaska Inc.'s gas release, experienced while drilling the WD-03 well on their CD1 pad. After holding a hearing on the findings, AOGCC issued an enforcement action with a corresponding fine.
- Corporations, Business and Professional Licensing continues to process an increased volume of licenses. The division continues to add online, self-serve options for applicants and licensees. All renewal applications are available online. The division is continually increasing the number of programs that have their initial applications online; nearly 70 of the division's more than 300 applications for licenses, certificates, and endorsements are online.

- Alaska Industrial Development and Export Authority (AIDEA) in FY2023, paid the State a dividend of $6.5 million and declared a $17.9 million dividend for FY2024. As one of the largest investors in the State of Alaska, AIDEA has generated positive statutory net income every year since AIDEA began paying a dividend with 1997's budget process. Inclusive of this dividend, since 1997, AIDEA has declared, in aggregate more than $464 million in dividends.
- Division of Community and Regional Affairs (DCRA) assisted 245 communities throughout Alaska. The DCRA provided urgent assistance 41 times to avoid disruption to essential public services. This resulted in 62 fuel loans to communities ineligible for bank loans and coordination of fuel deliveries to avoid critical shortages. Local Government Assistance staff provided support and assistance to rural Alaskan communities in many areas, including ensuring they submitted applications and paperwork to receive Community Assistance Program funds, Internal Revenue Services (IRS) delinquency issues, creating and tracking annual budgets, workers' compensation insurance issues. Additionally, they support disaster response and recovery following Typhoon Merbok and spring breakup flooding, training newly hired municipal and tribal staff, support running municipal and tribal elections, and much more.
- The Division of Investments provided patient capital to stimulate business development, job creation, and resident ownership through direct state loan origination on 162 loans and pre-qualifications totaling $31.7 million across nine revolving loan funds.
- The Regulatory Commission of Alaska certified the first Electric reliability organization (ERO) application by the Railbelt Reliability Council (RRC) in Alaska's history by action of Order E-22-001(12) on September 23, 2022. This order capped an almost eight-year process that stands as an example of the exhaustive effort and cooperation between the commission and legislature to bolster future Alaska Railbelt Interconnected Electric Energy Transmission Network planning and reliability. Additionally, the Commission reviewed and returned the RRC's initial set of rules and began the process of reviewing the RRC's initial Tariff. The RRC is well on its way to full operations to support the Railbelt Grid.
- The Alaska Energy Authority and the Railbelt utilities have bonded $166 million for Bradley Lake Hydroelectric Project (Bradley Lake) Required Project Work. These enhancements will reduce line losses, increase capacity, and improve the delivery of power from Bradley Lake to railbelt consumers. These projects will be the initial phase of some of the most significant improvements to the Railbelt electrical grid in Alaska's history. Funding for the projects comes from payments by the five railbelt utilities above those required to retire the Bradley Lake project bonds. The total cost of upgrades are estimated in the hundreds of millions.
- Banking and Securities collected $22.43 million in assessments, fees, and penalties in FY2023; of which $18.6 million was contributed to the general fund.
- Insurance Operations applied $120 million in federal pass-through funds under the 1332 waiver to reinsure the individual insurance market. The program covers the cost of high-cost health conditions of Alaskans.
- Administrative Services identified office locations with sub-par bandwidth that limited staff productivity and public participation, and initiated physical and network upgrades to modernize internet access for impacted agencies.
- Alaska Gasline Development Corporation engaged Goldman Sachs to raise $151 million in private equity to advance the project through Front End Engineering (FEED) prior to making Final Investment Decision, and to fine-tune the Confidential Investment Memorandum to provide information on the Alaska Liquefied Natural Gas (LNG) Project and the commercial offer to potential investments.

Key Department Challenges

- Efficiently licensing and regulating the rapidly growing number of professionals and businesses operating in the state;
- Providing energy infrastructure and services at a reasonable cost to Alaska communities;
- Providing coordinated support to Alaska's communities to maximize federal funding to expand broadband access across Alaska.

Significant Changes in Results to be Delivered in FY2025

- Continuing establishment of the Alaska Broadband Office to increase broadband infrastructure throughout Alaska.
- Continuing evaluation of regulatory requirements for licensing programs across the Department of Commerce, Community, and Economic Development to reduce unnecessary regulations and bureaucracy, and to improve efficiency.

Contact Information

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