

**01/25/13**  
**BUDGET**  
**OVERVIEW**  
**FY 14:**  
**DEPARTMENT**  
**OF COMMERCE,**  
**COMMUNITY,**  
**AND ECONOMIC**  
**DEVELOPMENT**

<TARGET><BILL></BILL><SUBJECT>01-25-13 BUDGET OVERVIEW  
FY 14 DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC  
DEVELOPMENT</SUBJECT><COMM>HFIN28</COMM></TARGET>



THE STATE  
of **ALASKA**  
GOVERNOR SEAN PARNELL

**Department of Environmental  
Conservation**

DIVISION OF ADMINISTRATIVE SERVICES

410 Willoughby Ste 303  
Juneau, Alaska 99801  
Main: 907-465-5010  
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January 29<sup>th</sup>, 2013

The Honorable Alan Austerman  
Co-Chair, House Finance Committee  
State Capitol Room 505  
Juneau AK, 99801

The Honorable Bill Stoltze  
Co-Chair, House Finance Committee  
State Capitol Room 515  
Juneau AK, 99801

Dear Representatives Austerman and Stoltze:

Thank you for the opportunity to provide the House Finance Committee with a brief overview of the Department of Environmental Conservation's FY2014 budget request on January 25<sup>th</sup>. During that meeting, Representative Neuman asked if the biennial report on the Oil and Hazardous Substance Release Prevention and Response Fund had been delivered to the Legislature. It was delivered on January 22<sup>nd</sup>, and I have enclosed a PDF copy for your reference.

Representative Neuman also enquired about the statutory authority for spending from the Prevention Account. Figure 1 on page 3 of the attached report details each of the statutes that govern expenditures from and revenues to each of the component accounts of the fund.

If you would like any additional information, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Cherian", written over a horizontal line.

Tom Cherian  
Director, Division of Administrative Services

Enclosure: Oil & Hazardous Substance Release Prevention & Response Fund Fiscal Years 2011 --  
2012 Biennial Report.

Cc: David Teal & Danith Watts, Legislative Finance Division  
Pete Ecklund & Joan Brown, Staff to Representative Austerman  
Joe Michel, Staff to Representative Stoltze

**OIL & HAZARDOUS SUBSTANCE RELEASE  
PREVENTION & RESPONSE FUND**

**Fiscal Years 2011 - 2012**

**BIENNIAL REPORT**

**July 1, 2010 through June 30, 2012**



**Alaska Department of Environmental Conservation  
Division of Spill Prevention and Response**

**Presented to the First Session of the 28th Alaska Legislature  
January 15, 2013**

**Sean Parnell, Governor**



**Larry Hartig, Commissioner**

This Biennial Report is available at this link: <http://dec.alaska.gov/spar/rfa/docs/budget/biennial/OHSRPRF%202011-2012%20Report%20.pdf>

It is over 200 pages long.



*Economic  
Growth*



*Sustainable  
Energy*



*Consumer  
Protection*



*Strong  
Communities*

# House Finance Committee

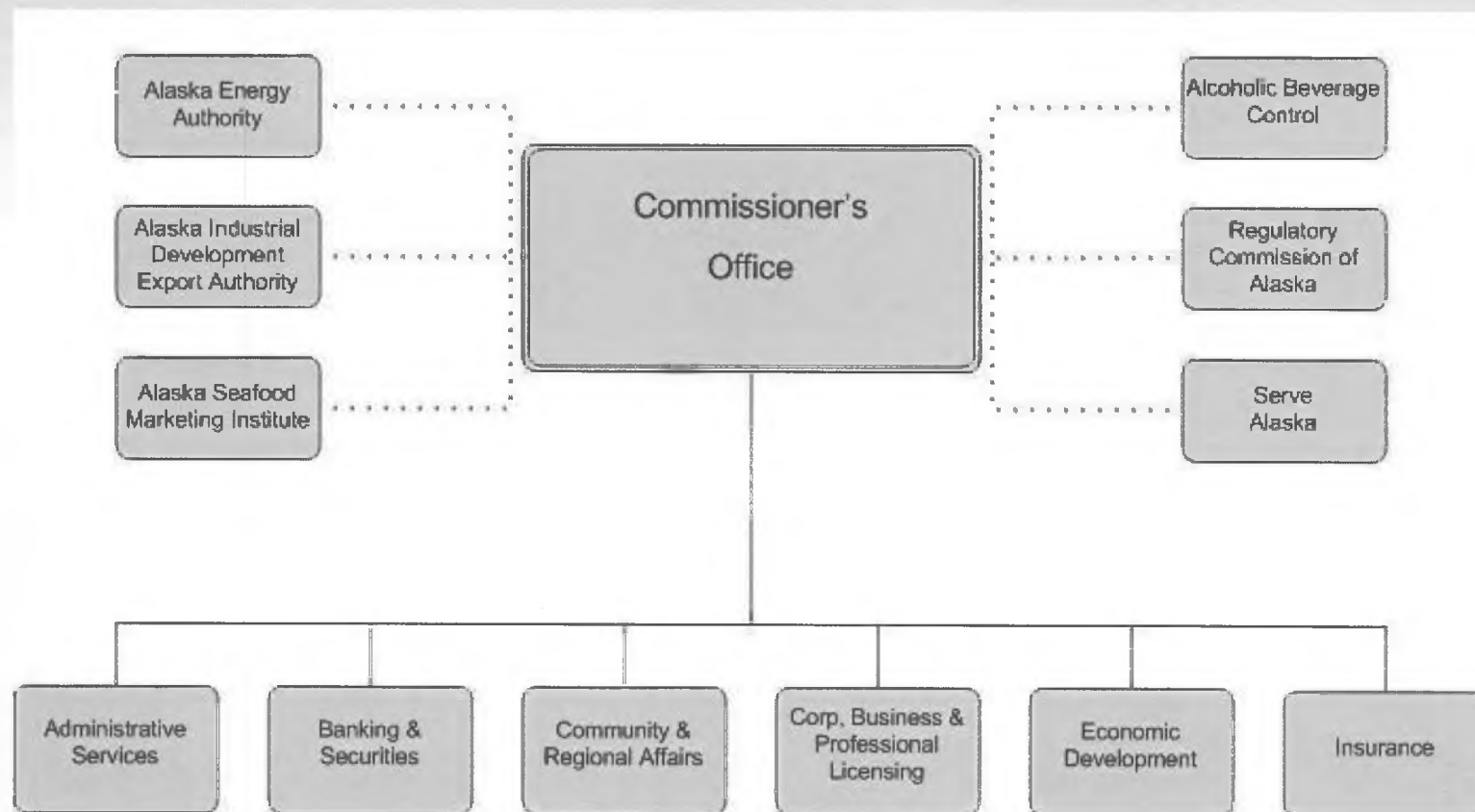
## Alaska State Legislature

January 25, 2013

**ALASKA**  
DEPARTMENT OF  
COMMERCE,  
COMMUNITY,  
AND ECONOMIC  
DEVELOPMENT

# Budget Overview FY2014

Mission: Promote a healthy economy, strong communities, and protect consumers in Alaska



# Budget Overview FY2014

## Core Services

- **Marketing** Alaskan products and services in key sectors including: seafood, tourism, minerals, forest products, film, and transportation.
- Providing **access to capital** for business development.
- **Reducing the cost of energy** through development of renewable resources, financing for energy generation and transmission, implementation of energy efficiency programs, grants, and technical assistance.
- **Assisting local governments** and unincorporated communities through grants, technical assistance, financial and utility management, and planning.
- **Regulating** commercial activities in banking, securities, corporations, professional licensing, alcoholic beverage industry, and public utilities.

# Budget Overview FY2014

## Challenges

- High cost of energy impacts communities and businesses.
- Gaps in critical infrastructure such as roads, ports, communications, and processing facilities.
- Higher cost of goods and services in rural areas.
- Federal regulatory permitting delays and denials.
- Ongoing need to educate markets about Alaska products and services.
- Uncertainty hampering private investment.
- Declining federal funding for rural programs.
- Growth of new financial programs that increase fraud and misinformation for consumers.

# Budget Overview FY2014

## Priority Programs

### ▪ **Economic Growth**

- Division of Economic Development, AIDEA, ASMI.
- \$66.4 million - 33 percent of budget.
- Net \$4.4 million increase.
  - ASMI.

### ▪ **Sustainable Energy**

- Alaska Energy Authority.
- \$67 million - 33 percent of budget.
- Net \$3.4 million increase.
  - PCE and Susitna-Watana Hydro.

# Budget Overview FY2014

- **Strong Communities**

- Community and Regional Affairs, Serve Alaska.
- \$32.4 million - 16% of budget.
- Net \$28 thousand decrease.
  - Declining federal RUBA funding.

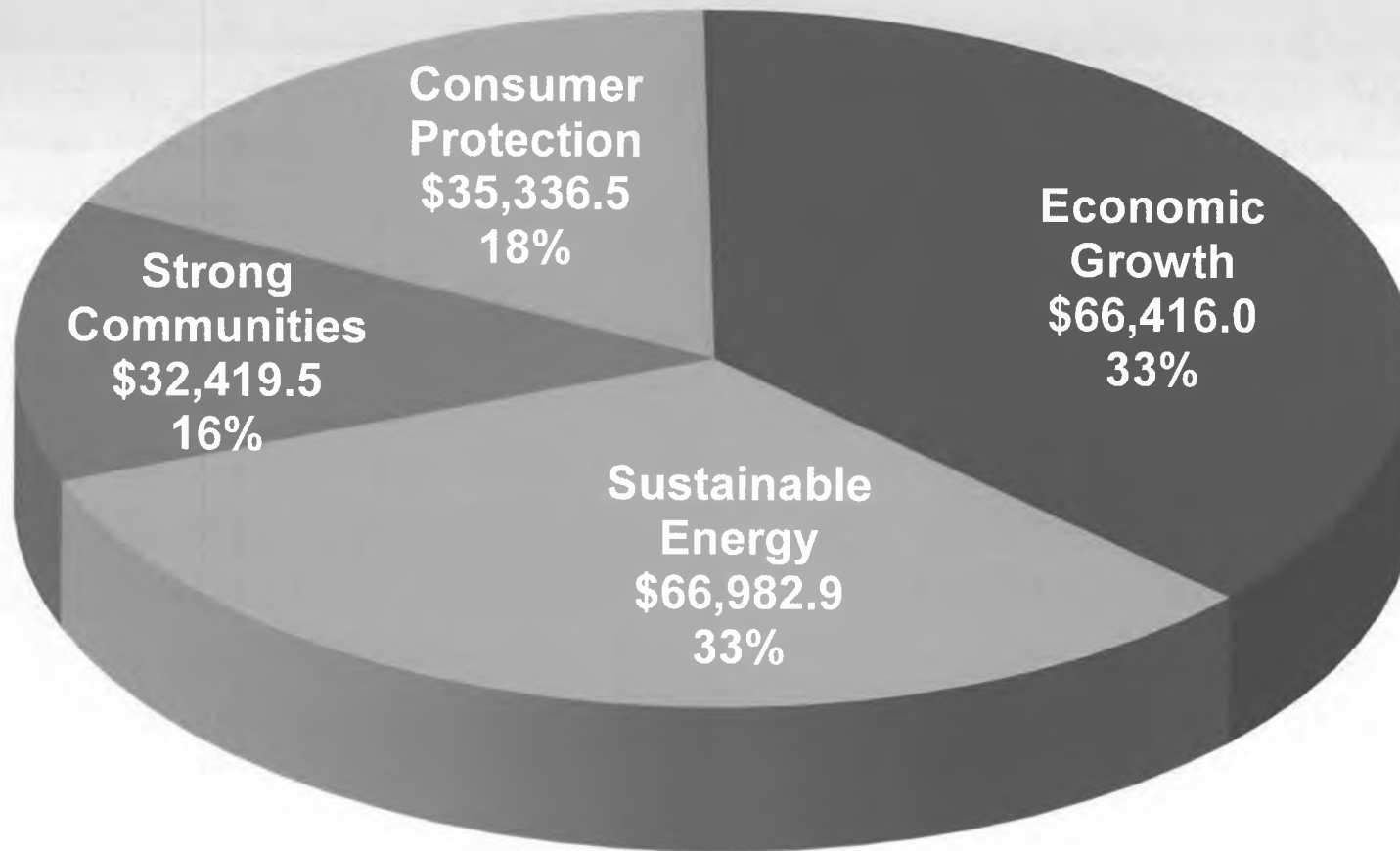
- **Consumer Protection**

- Banking and Securities; Insurance; CBPL; Regulatory Commission of Alaska, Alcoholic Beverage Control Board.
- \$35.3 million - 18% of budget.
- Net \$576.8 thousand decrease.
  - Prescription Drug Monitoring grant and OTIs.

# Budget Overview FY2014

## Budget by Priority Program

**\$201,154.9**



# Budget Overview FY2014

## Economic Growth

### ▪ Division of Economic Development

#### ▪ Marketing:

- Tourism recovery (1.8 million visitors) and Icelandair to begin service in May 2013.
- 25 film productions approved for tax credit.
- Promoted minerals, forest products, Made in Alaska, Alaska product preference.
- Partner with private sector and state agencies.

#### ▪ Business Development:

- Provided 400 small Alaska business with technical assistance.
- Regional economic planning with ARDORs.

#### ▪ Financing: Commerical fishing and small business development.

- 267 loans, \$31.1 million and \$4.8 million Salmon Enhancement Tax distribution to aquaculture (6 qualified associations).
- New revolving loan funds for mariculture, commercial halibut charter operators, CQE entities, alternative energy.

# Budget Overview FY2014

## Economic Growth (cont)

### ▪ **Alaska Industrial Development and Export Authority**

- Increased net asset value to over \$1.26 billion, providing a \$20.7 million dividend to the State for FY2014.
- S&P Upgraded AIDEA's credit rating from AA- to AA+.
- SETS (AK Sustainable Energy Transmission & Supply) creates new energy infrastructure.
- Completed 17 loan participations totalling \$34.9 million.
- Issued conduit revenue bond for Providence Hospital Complex.
- Ketchikan shipyard and Skagway ore terminal expansions, Cook Inlet jack-up rig and JBER projects.
- 5,500 permanent jobs and 34,200 construction jobs in the last decade

## Economic Growth (cont)

### ▪ **Alaska Seafood Marketing Institute**

- Volume of Alaska Seafood exports to ASMI program countries increased by 24 percent in 2011; value increased by 28 percent.
- Ex-vessel salmon value up 29 percent, from \$1.7 to \$2.2 billion.
- Increased value of fresh, frozen, and shelf-stable (canned and pouched) Alaska seafood in U.S. and international markets.
- Continued international focus on sustainable fisheries.
- Expanded collaboration with tourism marketing programs, Alaska Grown, and Nutritious Foods in Schools grants.
- Opened new office in Brazil to serve the emerging market.

# Budget Overview FY2014

## Sustainable Energy

### ▪ **Alaska Energy Authority**

- Filed FY13-14 Study Plan with FERC for Susitna-Watana Hydro.
- Renewable Energy Fund approved \$202.5 million in 227 projects to date.
- Disbursed \$39.2 million in PCE grant payments.
- Trained 22 bulk fuel and 32 power plant operators; assistance to 47 communities, and emergency response to 10 communities.
- 44 Bulk Fuel Loan commitments of \$12.7 million.
- 60 energy audits on commercial buildings, potential \$1.1 million annual savings.
- Emerging Energy Technology Fund Program received 70 proposals – 16 selected for funding in 2012.

# Budget Overview FY2014

## Strong Communities

### ▪ **Community and Regional Affairs**

- Bulk Fuel Bridge Loans (7% increase) to 16 communities.
- Fuel Watch Initiative – 850 calls to 341 communities to verify adequate financial resources for fuel supplies.
- RUBA assisted 208 communities, 72 communities met sustainability indicators; trained 161 utility managers.
- \$1.4 billion distributed through 1,900 state and federal grants – including Nutritious Foods in Schools Program.
- Almost \$29 million distributed for: PILT, NFR, fisheries business tax, fisheries landing tax.
- \$80 million Community Revenue Sharing.
- Local Boundary Commission completed transactions in 9 communities.

## Strong Communities (cont)

- **Community and Regional Affairs (cont)**

- Finalized digital orthophoto maps in 14 communities.
- Emergency response, National Flood Insurance Program support.

- **Serve Alaska**

- 285,000 hours of volunteer service, over \$6 million value.

- **Alcohol Beverage Control Board**

- Licensees achieved 87 percent compliance with laws, continuing a steady increase for the third year.
- In a recent study, Alaska was shown to have the lowest percentage of sales by retailers to underage persons.

# Budget Overview FY2014

## Consumer Protection

### ▪ **Banking and Securities**

- 52 institutions examined; all profitable and well capitalized.
- Issued new licenses to 5 premium finance companies, 3 payday lenders, 203 mortgage broker/lenders, 56 money services; issued 6 parity orders to state chartered depository institutions.
- Issued license renewals to 12 payday lenders, 25 premium finance companies, 1 loan company, 1 business industrial development corporation (BIDCO).
- 5,949 mutual fund and investment trust filings, 411 security filings/notice filings.
- 1,243 broker-dealers registered or renewed.
- Collected over \$13 million in fees.

## Consumer Protection (cont)

### ▪ **Corporations, Business and Professional Licensing**

- Licensees increased nine percent for a total of 63,197 professional licenses and 66,731 business licenses.
- 39 professional licensing programs received revenue and expense reports reconciled to ten year's of state's accounting system data.
  - Quarterly financial reports are now provided to all programs, and corrective actions are ongoing to improve historical practices.
- Streamlined corporate filings.
- Investigations received 1,394 intakes/complaints; opened 463 new cases; took 308 licensing actions; and closed 446 cases.

# Budget Overview FY2014

## Consumer Protection (cont)

### ▪ Insurance

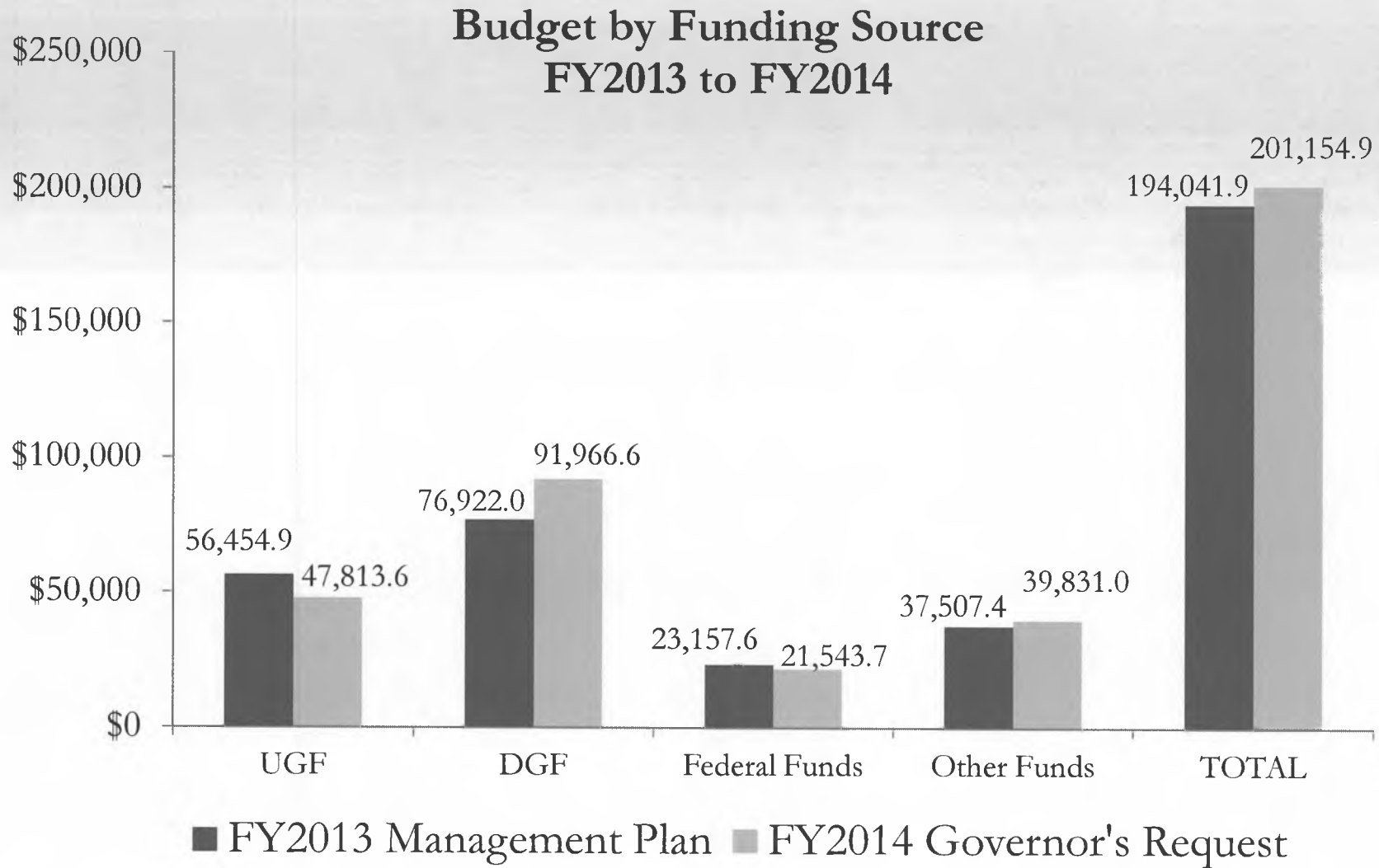
- Issued 41,735 licenses; registered 27 purchasing groups; admitted 19 new insurance companies, 1 surplus line insurer and 2 risk retention groups.
- Collected \$65,734,955 in premium taxes, penalties and fees in FY2012.
- Opened 57 and closed 35 criminal investigations.
- Investigated 290 consumer complaints, closed 286 complaints, and took action resulting in additional payments of \$145,888 to consumers in FY2012.

### ▪ Regulatory Commission of Alaska

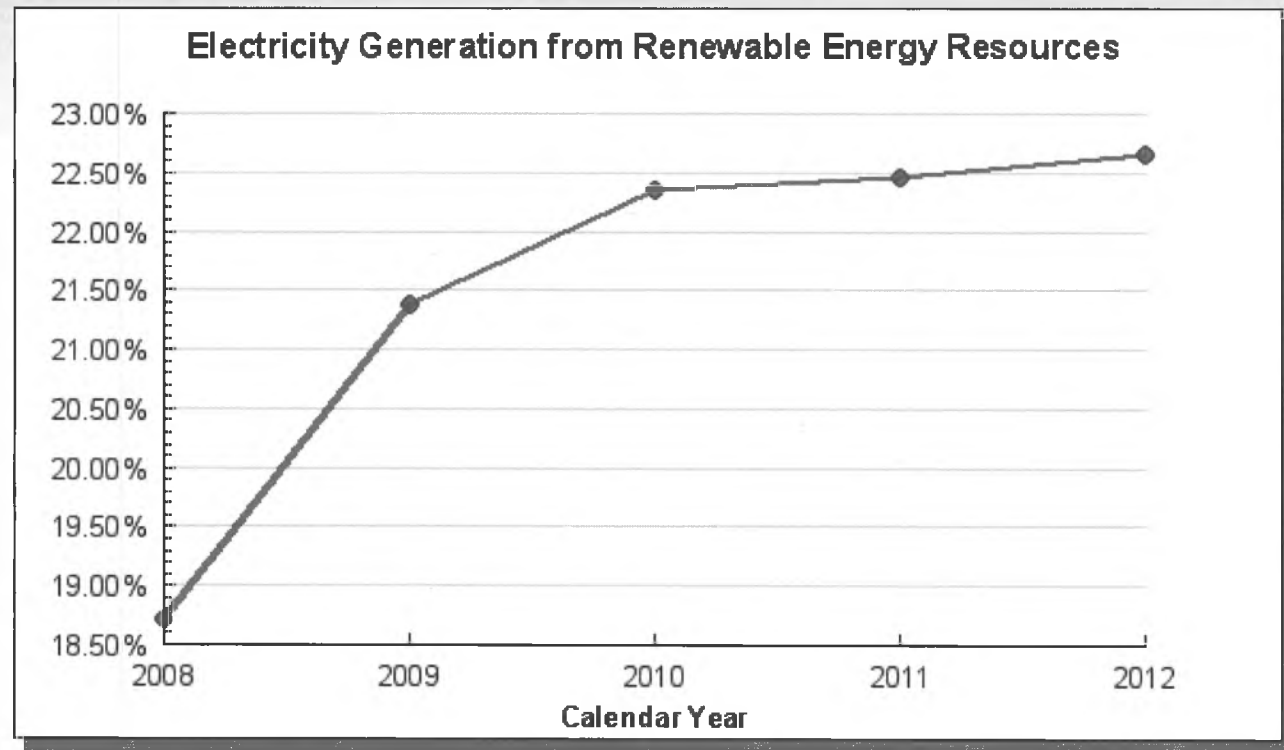
- Implemented electronic filing to reduce filing costs, increase efficiency and facilitate communication for general public, public utilities, and pipeline carriers.
- Approved railbelt electric utility agreement to purchase wind energy over 25-year term (payments for power from the wind farm could be recovered in utility rates).
- Resolved consumer complaints resulting in credits to customers in multiple instances.

# Budget Overview FY2014

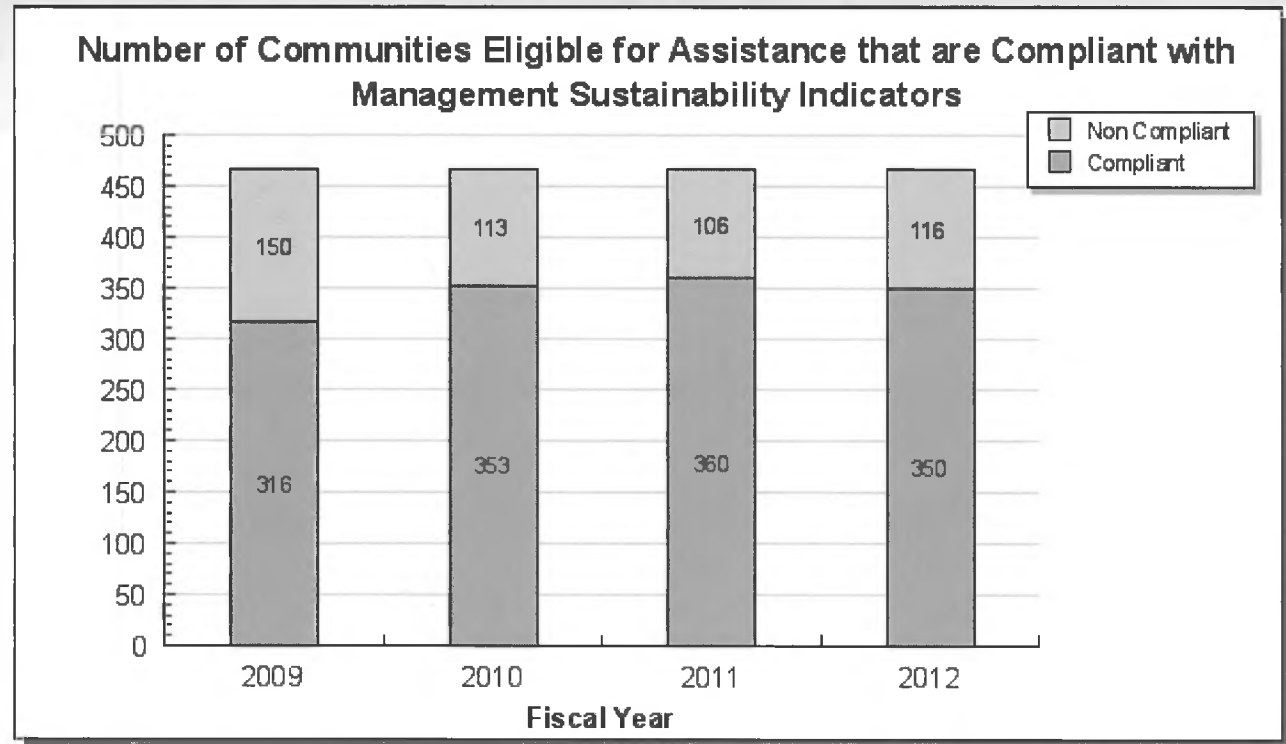
## Budget by Fund Source



**Target #1:** By 2025, 50 percent of electricity generation is from renewable sources.



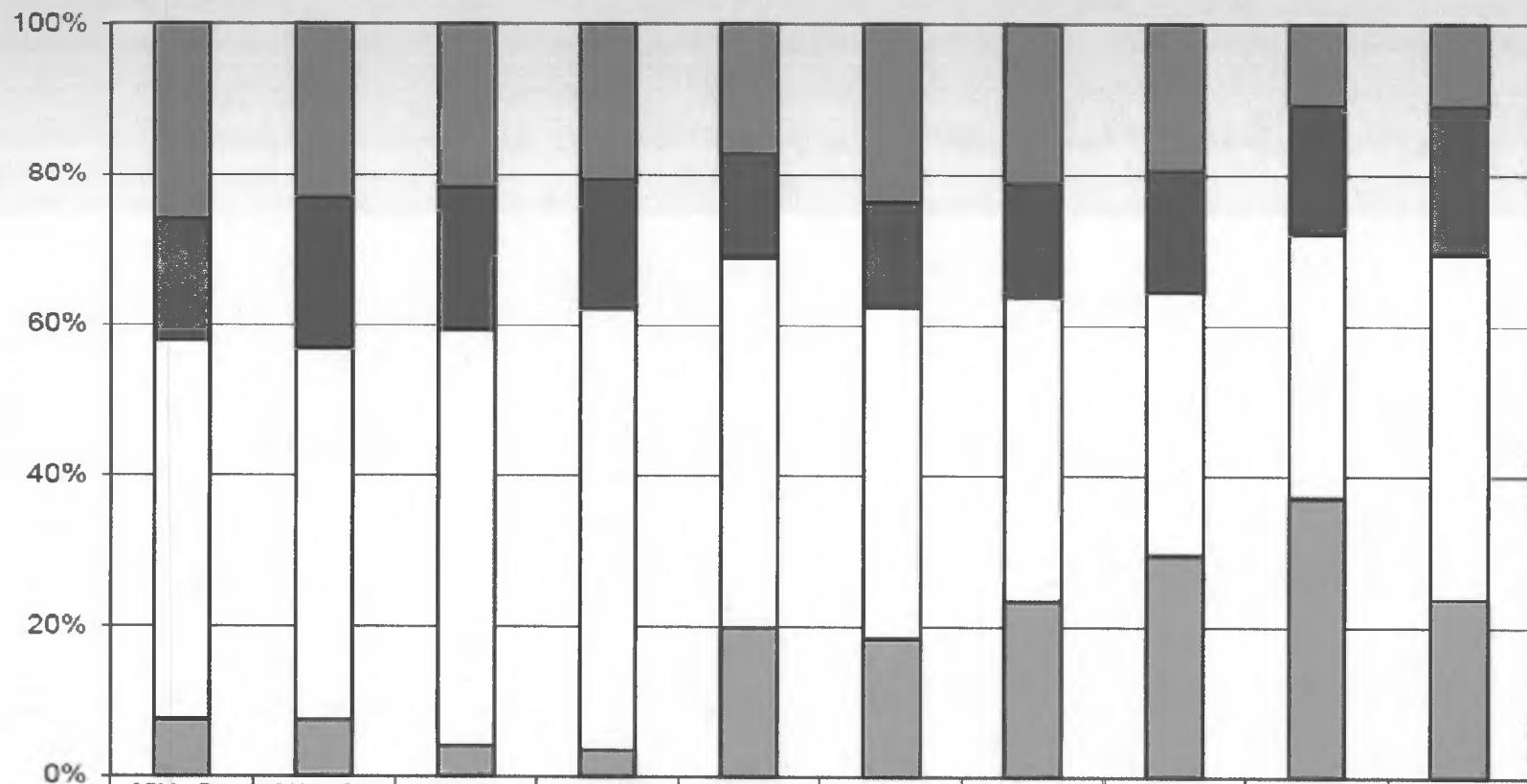
**Target #4:** Reduce the number of communities that are noncompliant with management sustainability indicators by five percent each year.



**Department of Commerce, Community & Economic Development  
 Percent of the Total Department's Budget by Fund Group**

(All Funds)  
 (\$ Thousands)

The percentage of general funds (UGF & DGF) in the Department's budget was 58% in FY05 and is 59% in the FY14 Governor's Request.



	05MgtPln	06MgtPln	07MgtPln	08MgtPln	09MgtPln	10MgtPln	11MgtPln	12MgtPln	13MgtPln	FY14 Gov
Federal Receipts (Fed)	26,972.0	26,969.1	28,236.6	27,687.5	28,655.3	39,641.1	39,371.9	37,739.7	23,157.6	21,543.7
Other State Funds (Other)	17,014.2	23,262.7	24,507.4	23,009.8	23,717.1	23,465.6	27,948.4	31,427.4	37,507.4	39,831.0
Designated General (DGF)	52,519.0	57,449.2	71,683.2	78,293.9	82,580.6	73,734.6	74,841.3	67,993.5	76,922.0	91,966.6
Unrestricted General (UGF)	7,849.2	8,738.6	5,376.3	4,737.9	33,614.8	30,781.0	43,592.3	57,469.8	81,417.8	47,813.6

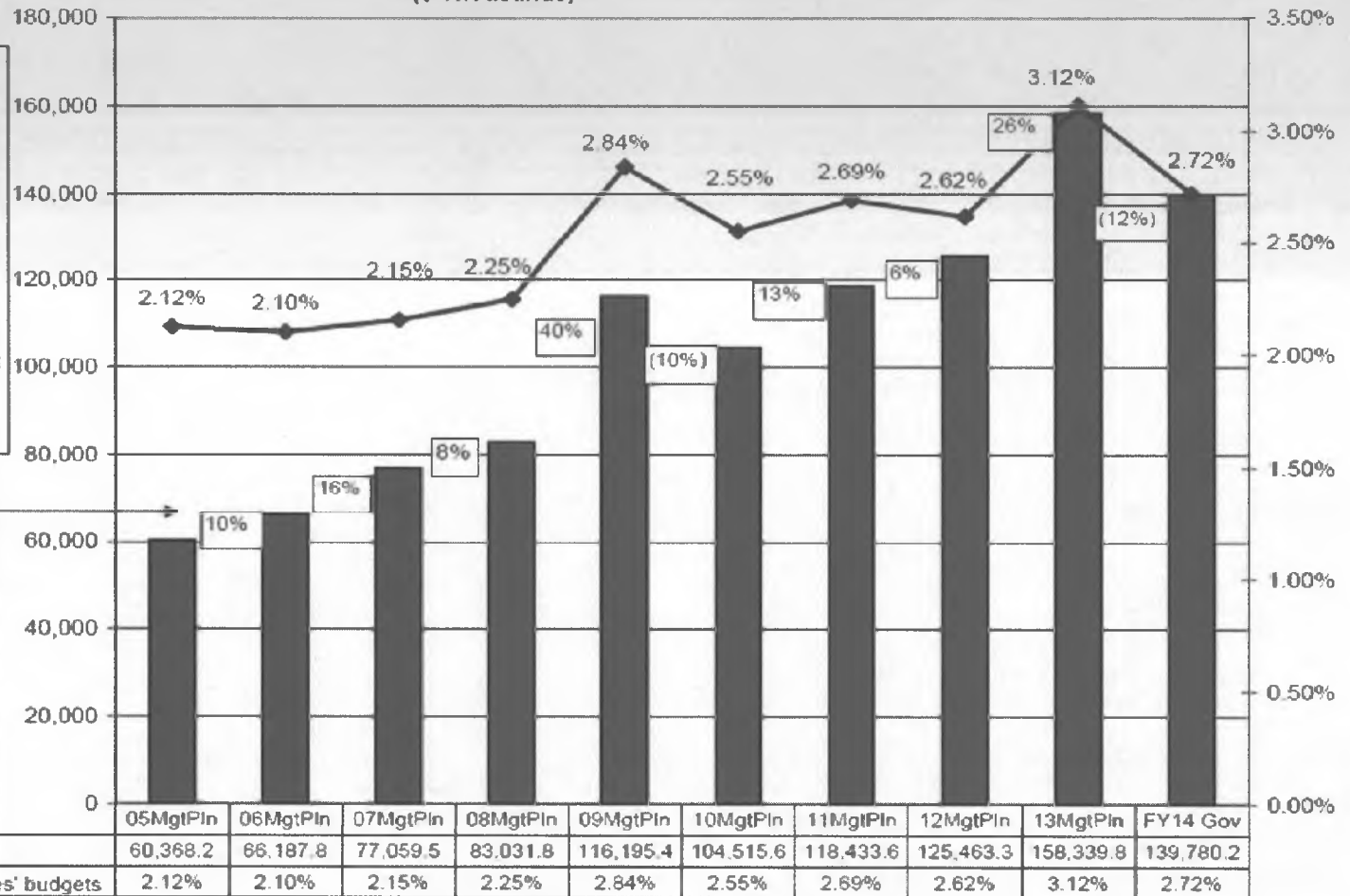
**Department of Commerce, Community & Economic Development  
 Share of Total Agency Operations  
 (GF Only)  
 (\$ Thousands)**

The Department's GF budget grew by \$79.1 million between FY05 and FY14 Governor's Request -- an average annual growth rate of 9.8%.

The total percentage GF growth from FY05 to FY14 is 132%.

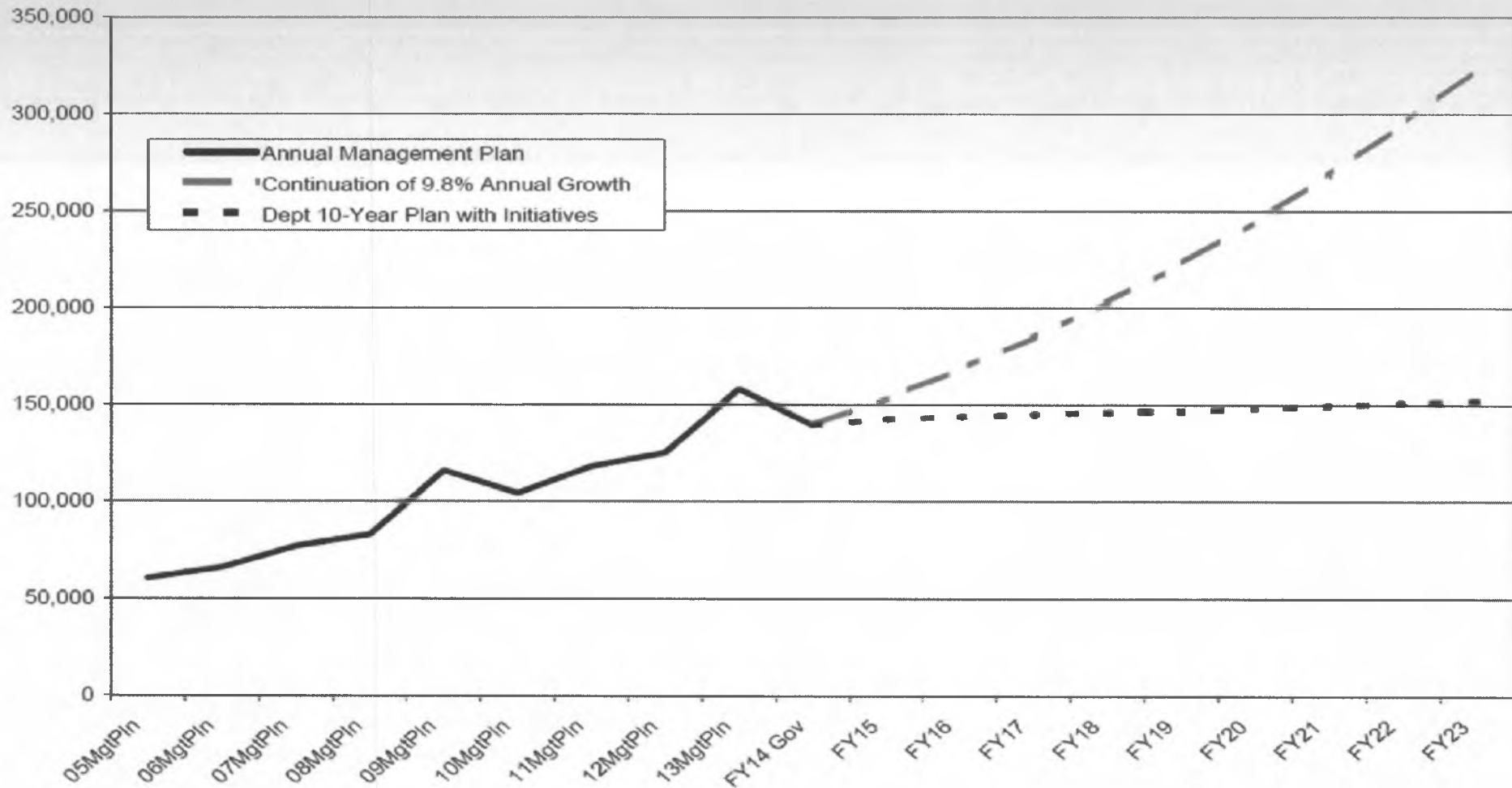
The Department's total FY14 Governor's Requested GF budget equals \$425 per resident worker.\*

*Text boxes reflect growth between fiscal years.*

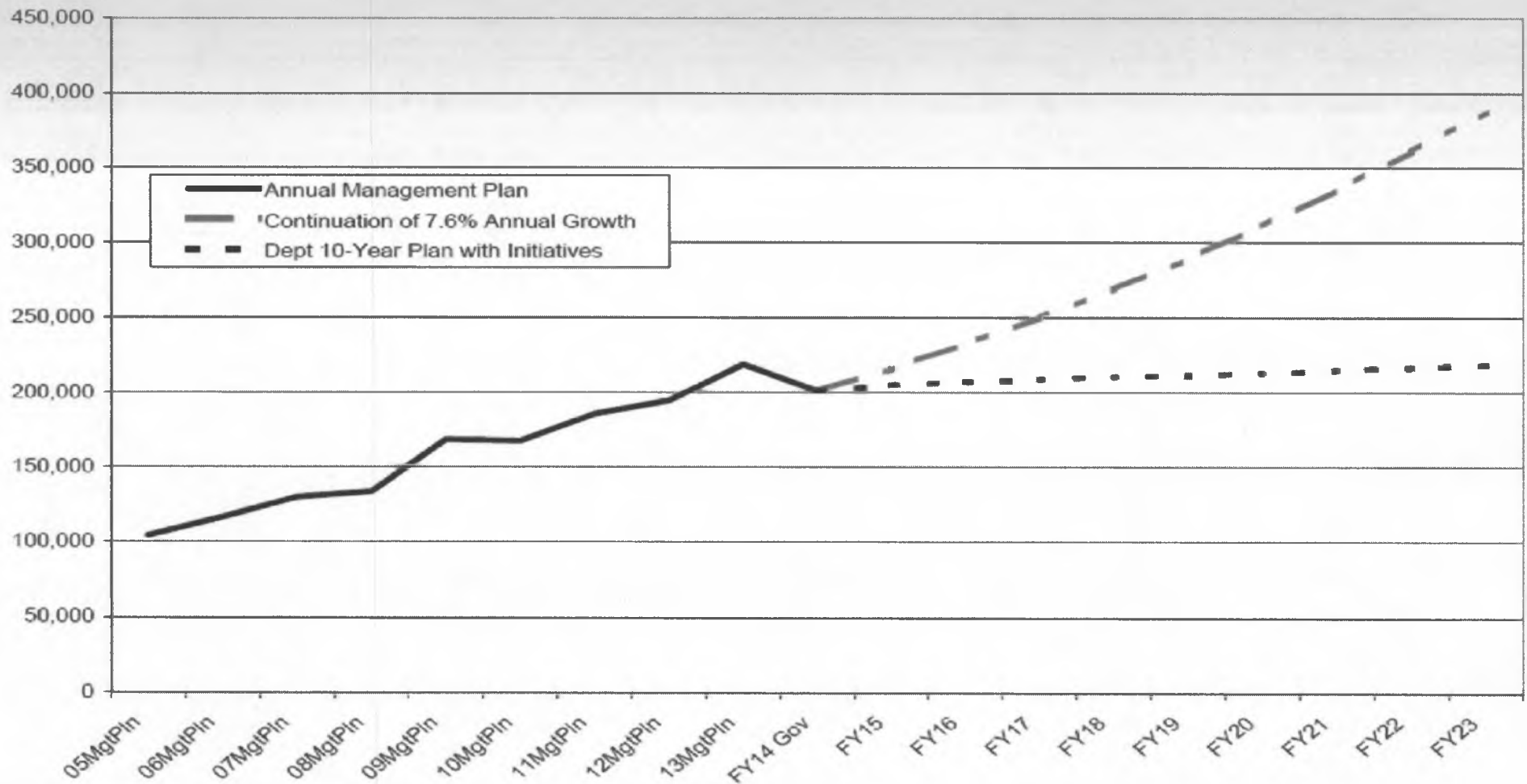


\* According to the Department of Labor, there were 328,611 resident workers in Alaska in 2010.

**Department of Commerce, Community & Economic Development  
 Continued Budget Growth Compared to 10-Year Plan  
 (GF Only)  
 (\$ Thousands)**



**Department of Commerce, Community & Economic Development  
 Continued Budget Growth Compared to 10-Year Plan  
 (All Funds)  
 (\$ Thousands)**





# **Comments and Questions**