

02/05/16

BUDGET OVERVIEW

FY 17:

DEPARTMENT OF

COMMERCE,

COMMUNITY, &

ECONOMIC

DEVELOPMENT

<TARGET><BILL></BILL><SUBJECT>02-05-16 BUDGET OVERVIEW
FY 17 DEPARTMENT OF COMMERCE, COMMUNITY, and ECONOMIC
DEVELOPMENT</SUBJECT><COMM>HFIN29</COMM></TARGET>



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

Department Overview
presented to
House Finance Committee

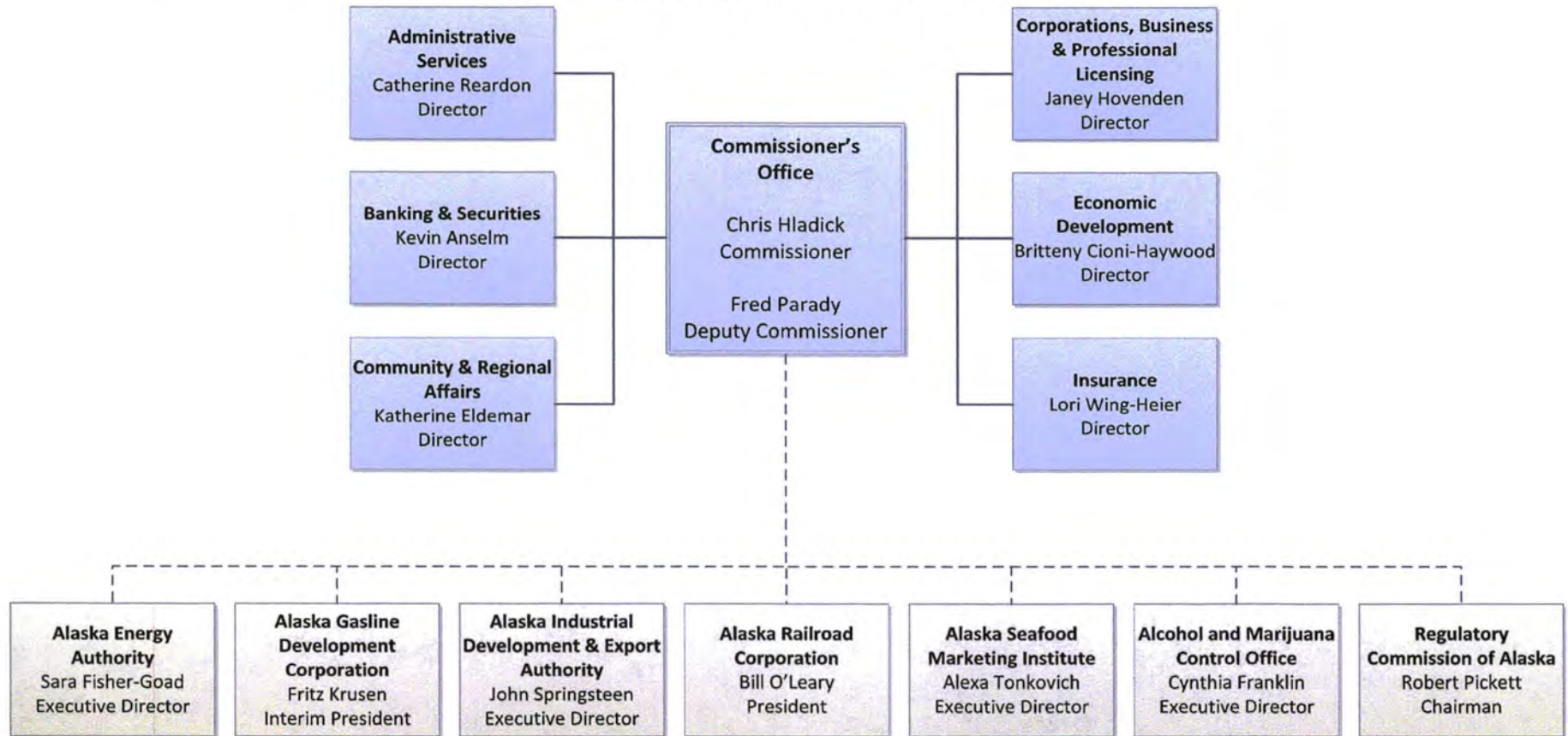
Commissioner Chris Hladick

February 5, 2016



Department Organization

DCCED's mission is to promote a healthy economy, strong communities, and protect consumers in Alaska.

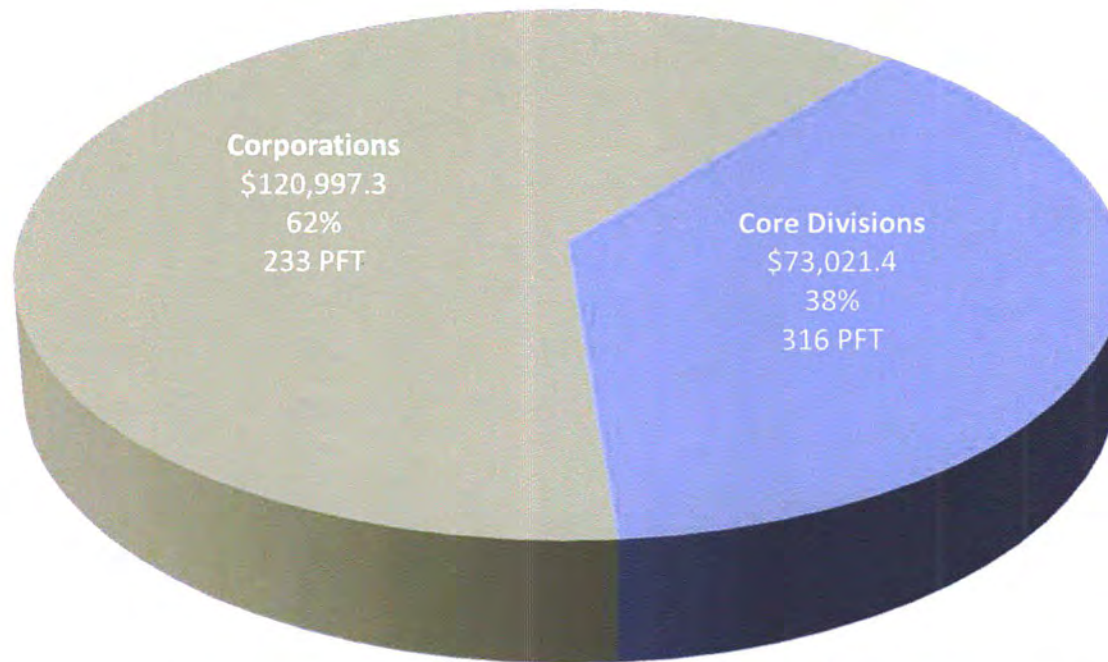


The department is comprised of 549 permanent full-time and 5 non-permanent budgeted staff in 3 core and 6 remote locations (PCN counts exclude the Alaska Railroad Corporation).



Department Makeup

Corporate Agencies and Core Divisions



- Alaska Energy Authority
- Alaska Gasline Development Corporation
- Alaska Industrial Development and Export Authority
- Alaska Seafood Marketing Institute
- Alcohol & Marijuana Control Office
- Regulatory Commission of Alaska

- Administrative Services
- Banking and Securities
- Community and Regional Affairs
- Corporations, Business and Professional Licensing
- Economic Development
- Insurance



Mission and Core Services

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

Consumer Protection

- Banking and Securities
- Corporations, Business, and Professional Licensing
- Insurance
- Alcohol & Marijuana Control Office
- Regulatory Commission of Alaska

Economic Growth

- Economic Development
- Alaska Industrial Development and Export Authority
- Alaska Seafood Marketing Institute
- Tourism Marketing

Strong Communities

- Community and Regional Affairs
- Revenue Sharing

Affordable Energy

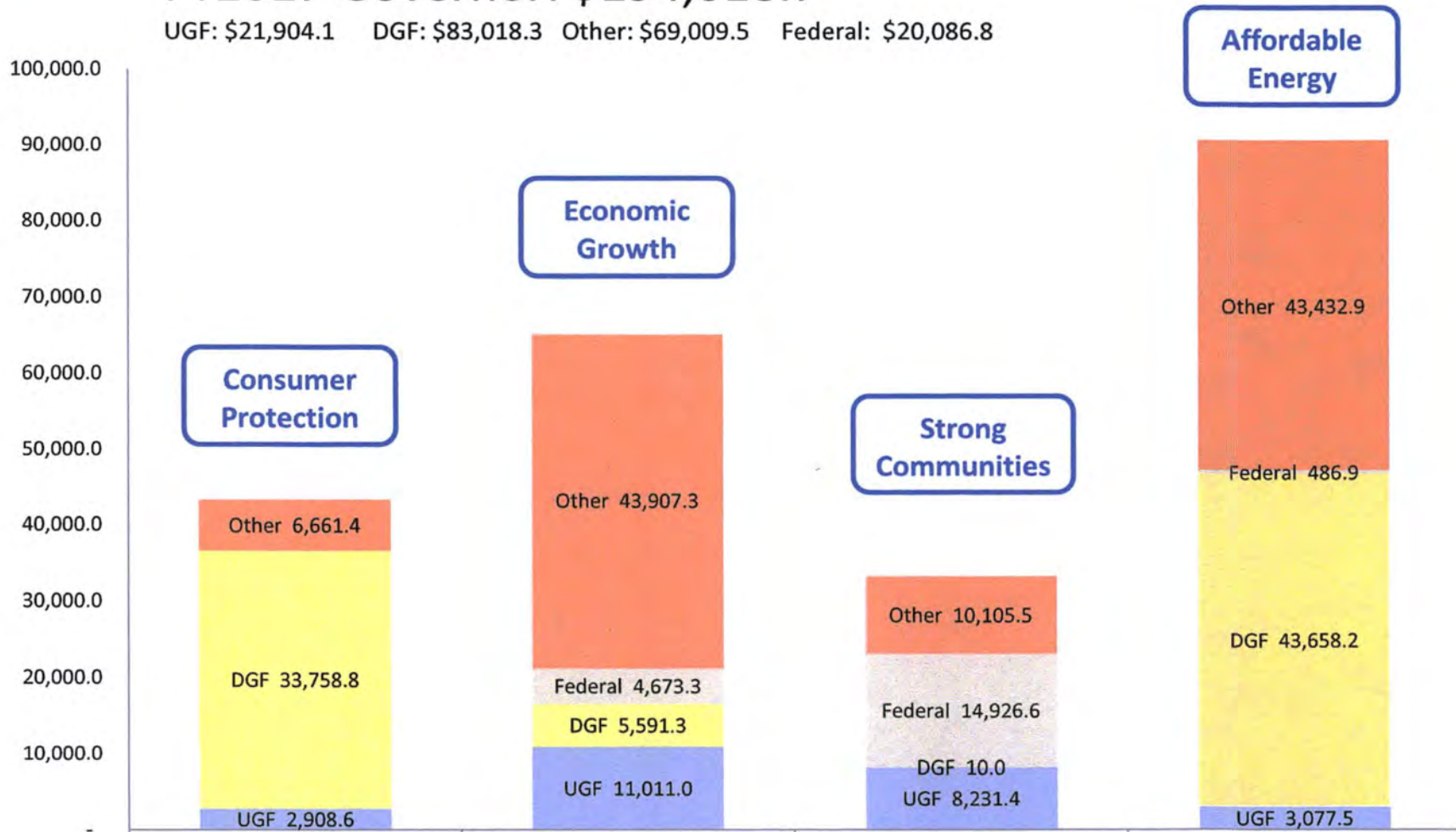
- Alaska Energy Authority
- Alaska Gasline Development Corporation



Budget by Core Services

FY2017 Governor: \$194,018.7

UGF: \$21,904.1 DGF: \$83,018.3 Other: \$69,009.5 Federal: \$20,086.8

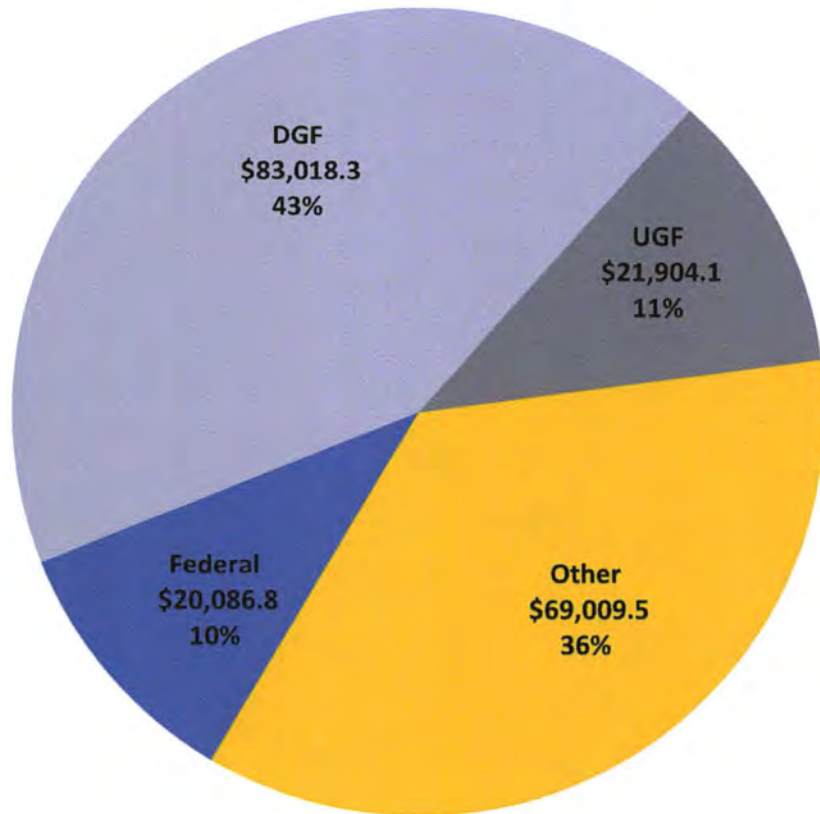


*Activities related to the Administrative Services Division and the Commissioner's Office are allocated across all core services.
Alaska Railroad Corporation is not included because it receives no operating funds from the state.*



Fund Groups & Self-Supported Agencies

FY2017 Budget: \$194,018.7

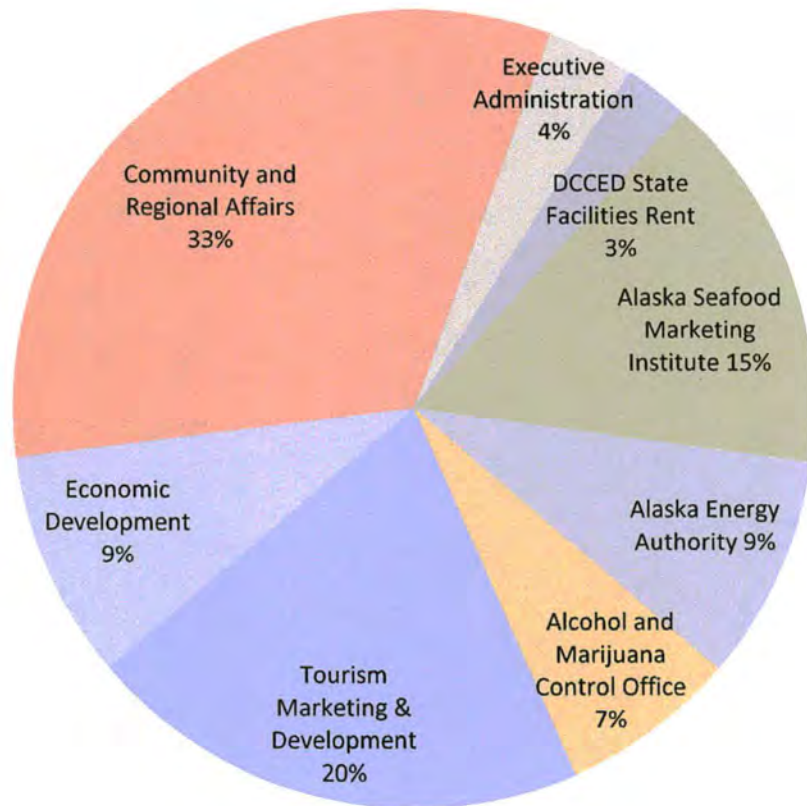


Self-Supported	Self-Supported Program	Net Tax / Collection Contributed to the General Fund in FY2015
✓	Banking and Securities	\$12,080.2
✓	Corporations, Business and Professional Licensing	\$7,212.7
✓	Insurance	\$62,656.4
✓	Alcoholic Beverage Control Board	\$353.7
✓	Investments	Revolving Loan Funds
✓	Regulatory Commission of Alaska	Reg. Cost Charge
✓	Alaska Industrial Development & Export Authority	AIDEA Receipts
Total Contribution to the General Fund		\$82,303.0



Unrestricted General Funds

Unrestricted General Funds: \$21,904.1



DCCED's UGF has reduced by 45.9% since FY2015, from \$40.5 million to \$21.9 million.

- \$7.2m local government assistance
- \$4.5m funds tourism marketing activities
- \$3.4m matches federal awards in for seafood marketing
- \$1.57m support for marijuana regulation
- \$2.0m rural energy programs
- \$2.0m business assistance and development through the Division of Economic Development
- \$1.4m financial; information technology; rent; centralized services; Commissioner's Office



Consumer Protection

Division of Banking and Securities

- Protect consumers of financial services and promote safe and sound financial systems.
- Kevin Anselm, Director
- 23 positions
- 2% of DCCED's FY2017 operating budget request
- \$3,586.0 total budget request (\$0 UGF. Fully self-supported by examination and licensing fees.)

Division of Corporations, Business and Professional Licensing

- Ensure that competent, professional, and regulated commercial services are available to Alaska consumers.
- Janey Hovenden, Director
- 89 positions
- 6% of DCCED's FY2017 operating budget request
- \$12,484.2 total budget request (\$0 UGF. Fully self-supported by licensing fees.)

Division of Insurance

- Regulate the insurance industry to protect Alaska consumers.
- Lori Wing-Heier, Director
- 47 FT / 1 NP positions
- 4% of DCCED's FY2017 operating budget request
- \$7,361.3 total budget request (\$0 UGF. Fully self-supported by licensing fees.)



Consumer Protection

Alcohol and Marijuana Control Office

- Enforce alcohol and marijuana commerce laws and provide clear, consistent standards for licensure to protect the public from harm.
- Cynthia Franklin, Executive Director
- 18 positions
- 2% of DCCED's FY2017 operating budget request
- \$3,518.5 total budget request (\$1,574.4 UGF for marijuana regulation)

Regulatory Commission of Alaska

- Viable utility and pipeline service is provided with just and reasonable rates to Alaska consumers.
- T.W. Patch, Chairman
- 54 FT / 3 NP positions
- 5% of DCCED's FY2017 operating budget request
- \$9,075.9 total budget request (\$0 UGF. Self-supported by Regulatory Cost Charge.)



Economic Growth

Division of Economic Development (DED)

- Support the growth and diversification of Alaska's economy through business assistance, financing, and promotion.
- Britteny Cioni-Haywood, Director
- Comprised of three budgetary units:
 - Economic Development
 - Promote economic development opportunities.
 - 11 positions
 - 1% of DCCED's FY2017 operating budget request
 - \$2,878.3 total budget request (\$2,058.6 UGF)
 - Tourism Marketing
 - Promote economic development opportunities through the expansion of Alaska's visitor industry.
 - 2 positions
 - 4% of DCCED's FY2017 operating budget request
 - \$8,103.9 total budget request (\$4,528.9 UGF)
 - Investments
 - Grow Alaska's economy by promoting and administering direct loan programs to Alaskans ineligible for traditional financing opportunities.
 - 37 positions
 - 3% of DCCED's FY2017 operating budget request
 - \$5,284.2 total budget request (\$0 UGF; fully self-supported by revolving loan funds)



Economic Growth

Alaska Seafood Marketing Institute (ASMI)

- Increase the economic value of Alaska's seafood resource through awareness, marketing, planning, industry analysis, advocacy, and research.
- Alexa Tonkovich, Executive Director
- 20 positions
- 13% of DCCED's FY2017 operating budget request
- \$24,424.2 total budget request (\$3,428.4 UGF)

Alaska Industrial Development and Export Authority (AIDEA)

- Provide various means of financing to promote economic growth and diversity.
- John Springsteen, Executive Director
- 103 budgeted positions (includes Alaska Energy Authority positions)
- 9% of DCCED's FY2017 operating budget request
- \$17,528.5 total budget request (\$0 UGF, primarily self-supported by AIDEA receipts)



Affordable Energy

Alaska Energy Authority

- Reduce the cost of energy in Alaska.
- Sara Fisher-Goad, Executive Director
- Positions are housed in AIDEA
- AEA agency operations
 - 7% of DCCED's FY2017 operating budget request
 - \$13,145.4 total budget request (\$2,032.4 UGF)
- AEA Power Cost Equalization
 - 21% of DCCED's FY2017 operating budget request
 - \$40,355.0 total budget request (formula, DGF)

Alaska Gasline Development Corporation

- Ensure that Alaska's vast North Slope natural gas resources are available for the maximum benefit and use of Alaskans. Responsible for advancing two alternatives – the Alaska Stand Alone Pipeline (ASAP) and the Alaska LNG project.
- Fritz Krusen, Acting President
- 38 positions
- 7% of DCCED's FY2017 operating budget request
- \$12,949.8 total budget request (\$0 UGF)



Strong Communities

Division of Community and Regional Affairs

- Katherine Eldemar, Director
- Promote strong communities and healthy economies.
 - 59 positions
 - 6% of DCCED's FY2017 operating budget request
 - \$12,181.5 total budget request (\$7,236.3 UGF)
 - Alaska Constitution Title X
- Facilitate state and federal revenue sharing with Alaska communities.
 - 7% of DCCED's FY2017 operating budget request
 - \$14,128.2 total budget request (\$0 UGF)
 - Fisheries Taxes
 - National Forest Receipts
 - Payment in Lieu of Taxes
 - Community Revenue Sharing
 - Proposed \$50 million distribution to communities on July 1, 2016



Department-Wide Services

Division of Administrative Services

- Catherine Reardon, Director
- 43 FT / 1 NP positions
- 2% of DCCED's FY2017 operating budget request
- \$4,962.0 total budget request (\$711.2 UGF)

Commissioner's Office

- Chris Hladick, Commissioner
- 5 positions
- 1% of DCCED's FY2017 operating budget request
- \$1,031.5 total budget request (\$73.8 UGF)



FY2015-FY2017 Priorities

Maintain services to communities

- Preserve operations of Division of Community and Regional Affairs and Alaska Energy Authority rural activities to continue support to Alaska communities

Maintain revenue-generating and self-funded programs at current levels of service

- Maintain services for users who pay for them
- Ensure consistent, safe regulation of Alaska's industries.
- DCCED contributed over \$75 million to the general fund in FY2014, over \$82 million in FY2015.

Continue effectively marketing Alaska's industries with reduced state support

- Tourism Marketing – Visitor Industry
- Alaska Seafood Marketing Institute – Seafood Industry
- Economic Development - Everything else (minerals, timber, manufacturing, etc.)

Ensure marijuana is safely and effectively regulated in Alaska

- Revenue is anticipated to be generated from licensing fees in FY2016
- Revenue collected from licensing activities will lapse to the General Fund
- General funds within the Alcoholic Beverage Control Board are anticipated to be replaced by licensing receipts over three years FY2018 to FY2020



Status of FY2016 Reductions

- **(\$9,976.0)** UGF Reduction in FY2016 -24.7%
 - \$13,041.2 total reduction -6.1%
 - Eliminated 27 positions totaling \$2.0 million; \$528.4 UGF.
 - Communications Coordinator, Grants Administrator, support for Alaska Native Language Preservation Council, 4 Analyst/Programmers, Business Registration Examiner, 2 Development Specialists (film & general), Planner, loan issuance and support positions, utility analysts
- Removed multiple named recipient grants
 - **(\$300.0)** Alaska Native Arts Marketing (UGF)
 - **(\$300.0)** Ilisagvik College (UGF)
 - **(\$600.0)** Marine Exchange of Alaska (CPV Tax)
- Contracts and marketing efforts reduced
 - **(\$6,810.6)** Tourism Marketing
 - **(\$1,863.9)** Alaska Seafood Marketing Institute
 - Marketing activities occur in advance of Alaska visitation and seafood sales; the full effect of these reductions is not yet known
 - Continued UGF reductions in FY2017



Status of FY2016 Reductions & Additions

- Unallocated Reductions
 - **(\$161.5)** UGF/DGF Unallocated travel reduction was reallocated to divisions based on average travel costs over three years (same methodology as LFD).
 - **(\$1,100.0)** UGF Executive Branch-wide unallocated reduction was allocated to multiple divisions
 - (\$600.0 Tourism marketing, \$400.0 seafood marketing, \$50.0 Alaska Energy Authority, \$38.9 Commissioner's Office, \$11.1 FY2016 COLA over-appropriation)
- Regulation of marijuana is on-going
 - FY2015: \$785.7
 - FY2016: \$1,574.4
 - FY2017 request: \$1,574.4
 - General funds will be incrementally replaced with program receipts as they are reliably collected
 - Anticipated to be fully funded by license receipts by FY2020



FY2017 Budget Highlights

- Reduced Commissioner's Office staff from 7 to 5 in FY2017, and reduced UGF support in Executive Administration by 49.6% from FY2015
- Reduce UGF support for large marketing contracts
 - Shift from state-managed to industry-managed Tourism Marketing
 - Shift from state UGF support to industry support for seafood marketing
- Coordinate with DMV to preserve reduced level of visitor center assistance in Tok
- Reorganize Community and Regional Affairs to improve operations and community support
- On track to ensure marijuana is regulated and licensed



FY2017 Budget by Core Service

	FY2016 Management Plan					FY2017 Adjusted Base					Change from FY2016 Management Plan
	UGF	DGF	Other	Federal	Total	UGF	DGF	Other	Federal	Total	
Consumer Protection	2,249.2	33,323.4	1,587.9	0.0	37,160.5	200.1	33,320.9	1,587.9	0.0	35,108.9	(2,051.6)
Economic Growth	15,389.6	5,591.4	27,683.9	4,673.3	53,338.2	14,301.0	5,591.4	27,648.9	4,673.3	52,214.6	(1,123.6)
Strong Communities	7,910.7	10.0	5,500.9	14,926.6	28,348.2	7,802.2	10.0	5,500.9	14,926.6	28,239.7	(108.5)
Affordable Energy	4,928.8	44,658.5	33,585.1	271.9	83,444.3	3,089.9	43,658.5	33,220.1	271.9	80,240.4	(3,203.9)
Total	30,478.3	83,583.3	68,357.8	19,871.8	202,291.2	25,393.2	82,580.8	67,957.8	19,871.8	195,803.6	(6,487.6)

	FY2017 Adjusted Base					FY2017 Governor					Change from FY2017 Adjusted Base
	UGF	DGF	Other	Federal	Total	UGF	DGF	Other	Federal	Total	
Consumer Protection	200.1	33,320.9	1,587.9	0.0	35,108.9	1,774.5	33,758.4	1,587.9	0.0	37,120.8	2,011.9
Economic Growth	14,301.0	5,591.4	27,648.9	4,673.3	52,214.6	10,295.9	5,591.4	28,972.5	4,673.3	49,533.1	(2,681.5)
Strong Communities	7,802.2	10.0	5,500.9	14,926.6	28,239.7	7,421.3	10.0	5,450.0	14,926.6	27,807.9	(431.8)
Affordable Energy	3,089.9	43,658.5	33,220.1	271.9	80,240.4	2,412.4	43,658.5	32,999.1	486.9	79,556.9	(683.5)
Total	25,393.2	82,580.8	67,957.8	19,871.8	195,803.6	21,904.1	83,018.3	69,009.5	20,086.8	194,018.7	(1,784.9)

Total Change FY2016 Management Plan to FY2017 Governor **(8,272.5)**

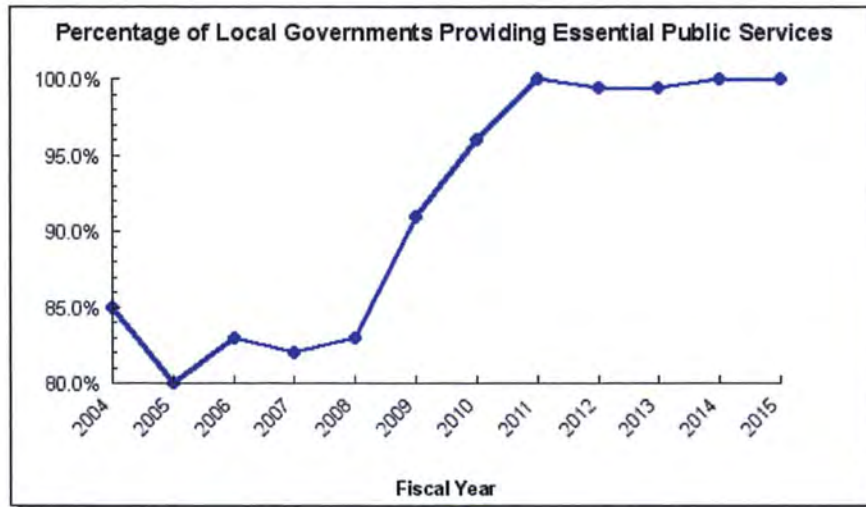


Summary of FY2017 Budget

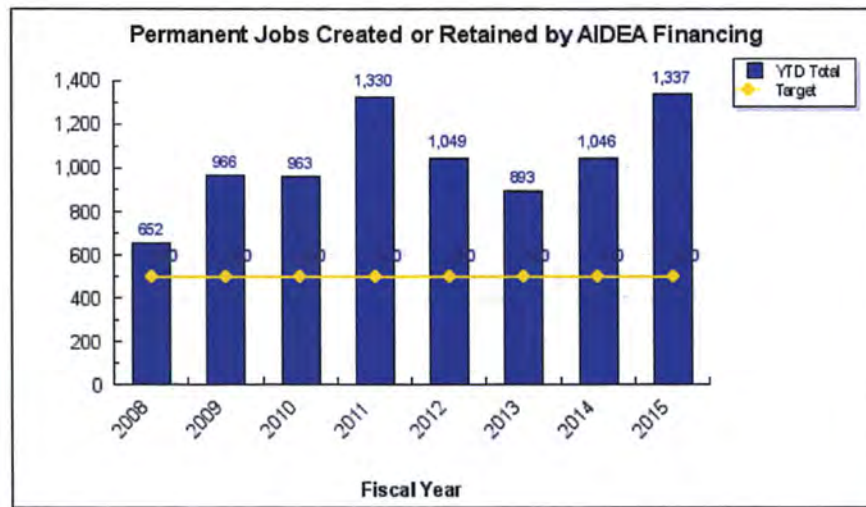
	Funding Sources				Total	Positions		
	UGF	DGF	Other	Fed		PFT	PPT	NP
<i>FY2016 Management Plan</i>	30,478.3	83,583.3	68,357.8	19,871.8	202,291.2	557	1	7
<i>FY2017 Adjusted Base (Legislative Finance) Actions</i>								
Reverse FY2016 One-Time UGF Salary Increments (multiple components)	(339.1)				(339.1)			
Reverse prior-year fiscal notes (CBPL, AGDC, AEA, AIDEA)	(1,821.9)	(2.5)	(400.0)		(2,224.4)			
Delete Deputy Commissioner & Executive Secretary (Commissioner's Office)					-	(2)		
Delete Administrative Assistant (Administrative Services)					-	(1)		
Delete long-term non-permanent Occupational Licensing Examiners (CBPL)					-	(2)		
Transfer Office Assistant to DMV in Tok (Economic Development)					-	(1)		
Reverse UGF to match SDPR for Tourism Marketing activities (L) (Tourism)	(875.0)				(875.0)			
Reverse multi-year appropriation for marijuana regulation (L) (Alcohol & Marijuana Control Office)	(2,049.1)				(2,049.1)			
Reduce Power Cost Equalization estimated program need for FY2017 (L) (Alaska Energy Authority)		(1,000.0)			(1,000.0)			
Total FY2017 Adjusted Base (Legislative Finance)	25,393.2	82,580.8	67,957.8	19,871.8	195,803.6	551	1	7
<i>FY2017 Governor Increments</i>								
Restore funding equal to the UGF portion of the FY16 Salary OTIs (multiple components)	339.1				339.1			
Occupational Licensing Examiners to maintain licensing volume (CBPL)		264.3			264.3	3		
FY2017 Marijuana Regulation Funding (OTI) (Alcohol & Marijuana Control Office)	1,574.4				1,574.4			
Local Option education and compliance outreach (Alcohol & Marijuana Control Office)		173.2			173.2	1		
Subtotal Increments	1,913.5	437.5	0.0	0.0	2,351.0	4	0	0
<i>FY2017 Governor Decrements</i>								
Reduce audit activities, grants management staff, and special project support (Comm & Regional Affairs)	(380.9)				(380.9)	(3)		
Sunset Coastal Impact Assessment Program and Associated Planner (Comm & Regional Affairs)			(50.9)		(50.9)	(1)		
Reduce visitor center assistance in Tok (Economic Development)	(139.2)		(58.0)		(197.2)	(1)		(1)
Reduce UGF for Tourism Marketing contracts and services (Tourism)	(2,365.3)				(2,365.3)			
Fund source change from UGF to Federal for community assistance efforts (Alaska Energy Authority)	(215.0)			215.0	-			
Reduce power plant and bulk fuel training programs (Alaska Energy Authority)	(36.0)				(36.0)			
Replace UGF with unbudgeted capital receipts (Alaska Energy Authority)	(71.5)				(71.5)			
Reduce shared financial and administrative support with AIDEA (Alaska Energy Authority)	(35.0)				(35.0)			
Delete technical support and community outreach staff (Alaska Energy Authority)	(200.0)				(200.0)			
Delete Energy Policy & Outreach Director (Alaska Energy Authority)	(120.0)				(120.0)			
Delete AEA Positions Counted in AIDEA (AIDEA)			(340.0)		(340.0)	(3)		
Fund source change to SDPR to Maintain Seafood Marketing with Industry Collections (ASMI)	(1,500.6)		1,500.6		-			
Reduction equal to the UGF portion of the FY16 Salary OTIs (Unallocated, multiple components)	(339.1)				(339.1)			
Subtotal Decrements	(5,402.6)	0.0	1,051.7	215.0	(4,135.9)	(8)	0	(1)
Total FY2017 Governor	21,904.1	83,018.3	69,009.5	20,086.8	194,018.7	547	1	6
<i>Comparisons</i>								
% Change FY2017 Adjusted Base to FY2017 Governor	-13.7%	0.5%	1.5%	1.1%	-0.9%	-0.7%	-	-14.3%
% Change FY2016 Management Plan to FY2017 Governor	-28.1%	-0.7%	1.0%	1.1%	-4.1%	-1.8%	-	-14.3%
% Change FY2015 Management Plan to FY2017 Governor	-45.9%	-1.4%	0.1%	-7.8%	-9.9%	-5.0%	-	-25.0%



Summary of FY2017 Budget



Communities that provide essential public services (public meetings, financial disclosures, elections, etc.) benefit residents and the state.



Permanent jobs support Alaska's economy. Financing development and infrastructure projects ensures long-term economic health and growth.



Legislative Finance Look-Back Charts



Legislative Finance Look-Back Graphs

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

The Department's GF budget grew by \$27.6 million between FY07 and FY17 Governor's Request -- an average annual growth rate of 3%.

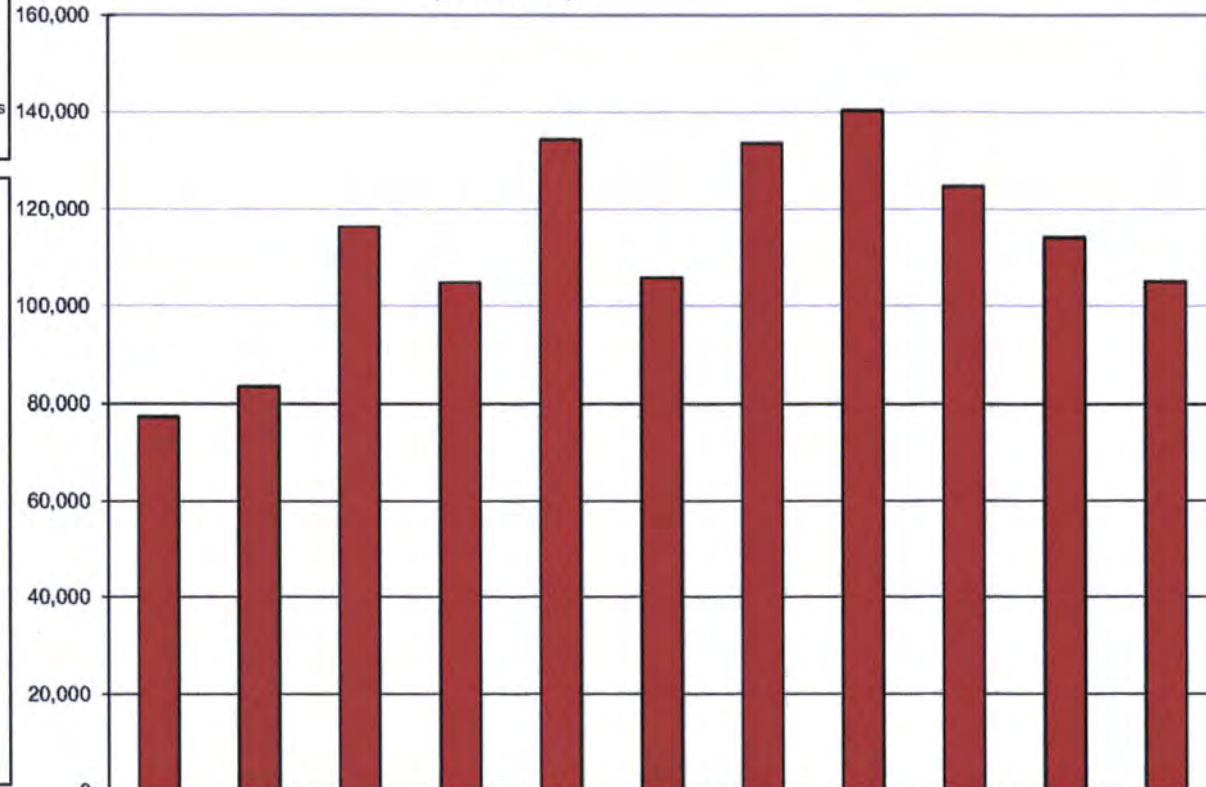
The total percentage GF growth from FY07 to FY17 Governor's Request is 36%.

The Department's total FY17 Governor's Request GF budget equals \$315 per resident worker.*

The Department's budget increased by:
 \$33.2 million from FY08 to FY09 -- an increase of 40%. Significant increases include:
 -- \$24.4 million for AEA Power Cost Equalization
 -- \$4 million for QTA Contract increase from \$5 million to \$9 million
 -- \$1.6 million for expansion of Domestic & Overseas Seafood Marketing

\$29.6 million from FY10 to FY11 -- an increase of 28%. Significant increases include:
 -- \$15.6 million for the establishment of the Alaska Gasline Development Corporation (one-time)
 -- \$5 million for Named Recipient Tourism Grant (one-time)
 -- \$2 million for Renewable Energy Grants Management (one-time)

\$27.9 million from FY12 to FY13 -- an increase of 28%. Significant increases include:
 -- \$16 million for Tourism Marketing
 -- \$5.5 million for Seafood Marketing
 -- \$3.9 million for AEA Power Cost Equalization



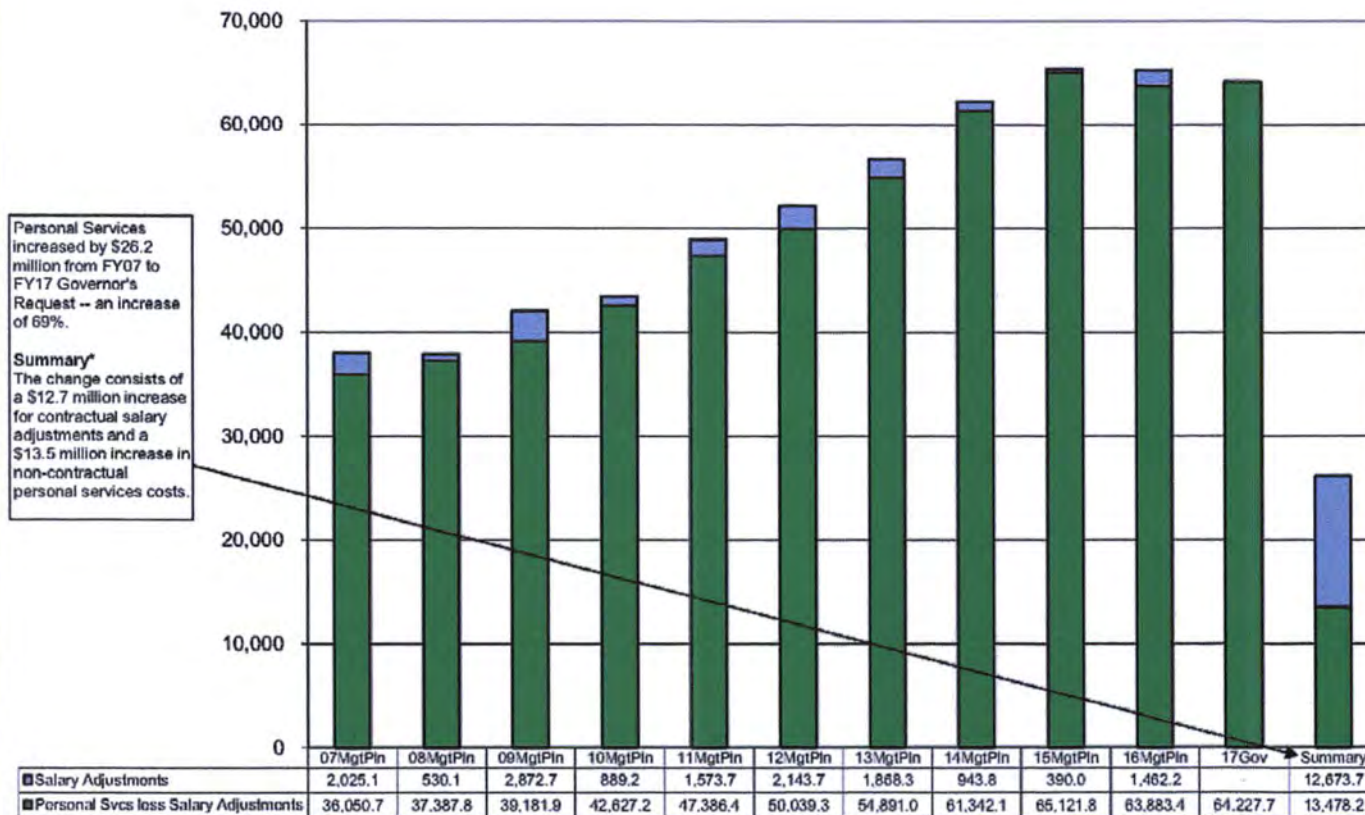
	07MgtPln	08MgtPln	09MgtPln	10MgtPln	11MgtPln	12MgtPln	13MgtPln	14MgtPln	15MgtPln	16MgtPln	17Gov
Total Agency Budget (GF Only)	77,330.8	83,303.2	116,473.5	104,795.6	134,358.1	105,751.2	133,627.8	140,379.5	124,631.3	114,061.6	104,922.4
% of Agency Budget to Total Agencies' budgets	2.16%	2.25%	2.85%	2.56%	3.06%	2.22%	2.64%	2.75%	2.37%	2.33%	2.17%

* According to the Department of Labor, there were 333,174, resident workers in Alaska in 2013.



Legislative Finance Look-Back Graphs (continued)

**Department of Commerce, Community & Economic Development
Salary Adjustment Increases and Personal Services Costs
(All Funds)
(\$ Thousands)**



Personal Services increased by \$26.2 million from FY07 to FY17 Governor's Request -- an increase of 69%.

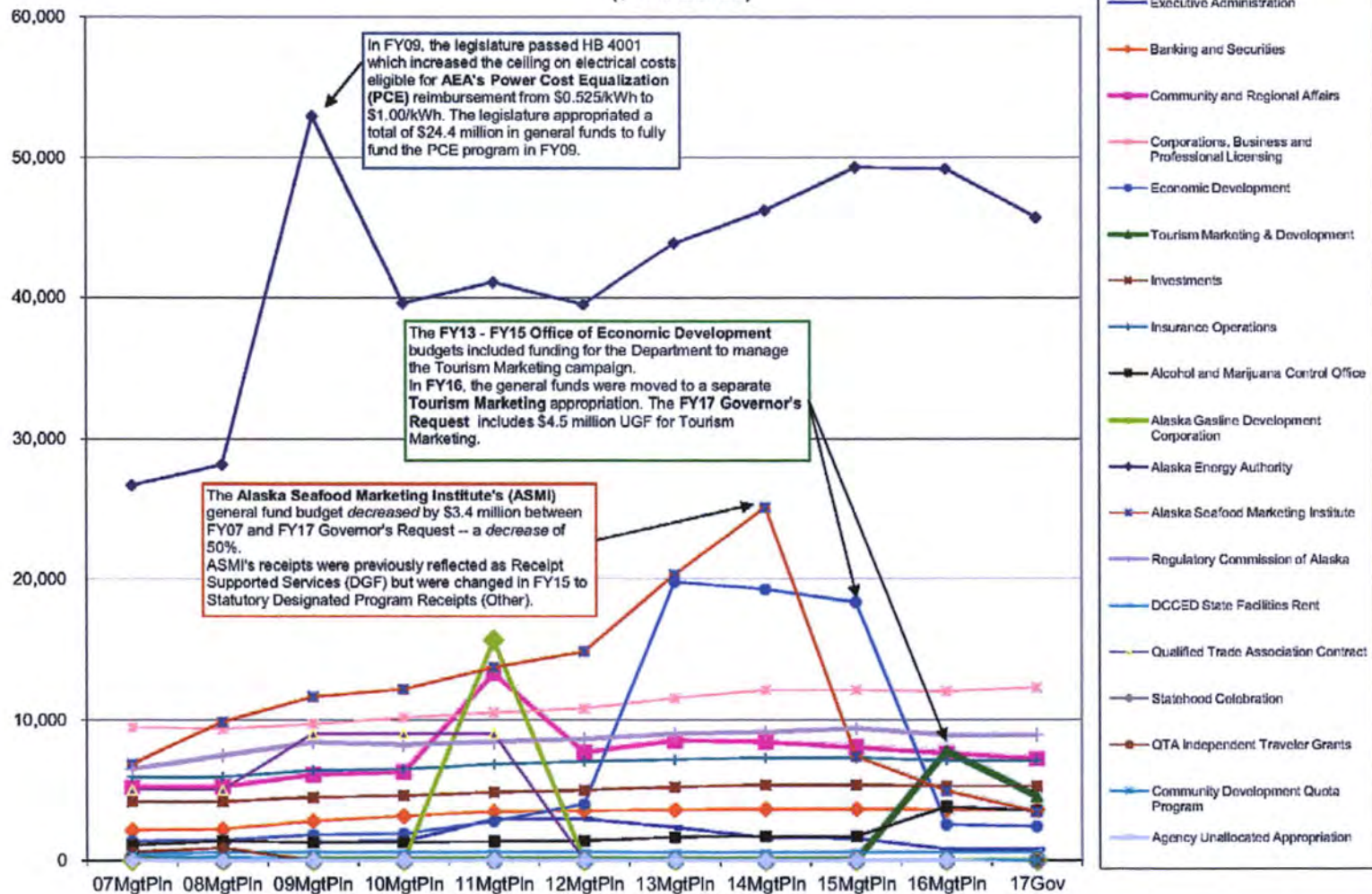
Summary*
The change consists of a \$12.7 million increase for contractual salary adjustments and a \$13.5 million increase in non-contractual personal services costs.

* Changes in the personal services line from FY07 to FY17 Governor's Request are segregated into two parts: (1) base increases (primarily due to contractual negotiations) and (2) other personal services increases such as transfers between line items or increases from new positions. The final column sums the two types of changes during the period.



Legislative Finance Look-Back Graphs (continued)

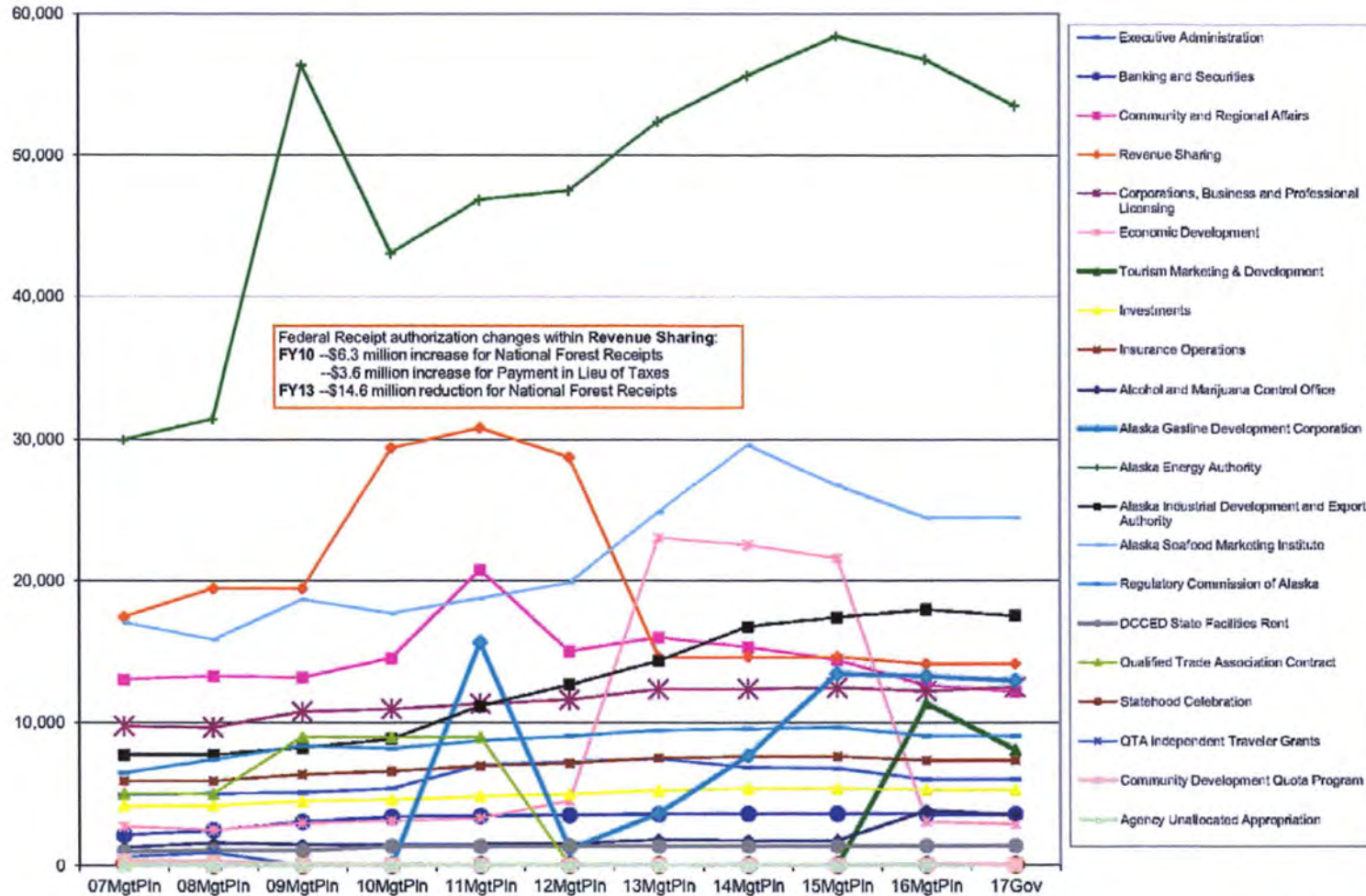
**Appropriations within the Department of Commerce, Community & Economic Development
(GF Only)
(\$ Thousands)**





Legislative Finance Look-Back Graphs (continued)

Appropriations within the Department of Commerce, Community & Economic Development
(All Funds)
(\$ Thousands)



1/28/2016

Legislative Finance Division

6 of 10



Thank you.

Questions?