

Alaska House of Representatives

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House Finance Subcommittee Department of Commerce, Community & Economic Development

FY 2013 HOUSE FINANCE BUDGET SUBCOMMITTEE NARRATIVE REPORT

SUBCOMMITTEE MEMBERS:

Rep. Mia Costello, Chair
Rep. Miller
Rep. Tuck

Rep. Austerman
Rep. Muñoz

Rep. Herron
Rep. Saddler

RECOMMENDATIONS:

The House Finance Budget Subcommittee for the Department of Commerce, Community and Economic Development submits a recommended operating budget for FY2013 to the House Finance Committee as follows:

Unrestricted General Funds (UGF)	\$	56,371.7	(dollars in thousands)
Designated General Funds (DGF)		72,880.7	
Other Funds		34,417.7	
Federal Funds		21,917.8	
Total	\$	188,287.9	

BUDGET ACTION:

The House Finance Budget Subcommittee for the Department of Commerce, Community and Economic Development held six meetings with the Department and analyzed all of the Governor's budget transactions. The following are budget action highlights:

- The Subcommittee recommends authorizing \$4,796.3 more in general funds, \$2,587.4 more in other funds, \$14,595.9 less in federal funds, and the same number of full-

time positions as the Governor's Amended FY2013 request. The Subcommittee recommends authorizing a total of \$7,212.2 less than the Governor's Amended FY2013 request.

- The Subcommittee recommends a total increase from the FY2013 Adjusted Base of \$20,852.2 UGF and a total increase from the FY2013 Adjusted Base of \$5,479.5 DGF for a total General Fund change of \$26,331.7. The change from Adjusted Base in Other Funds is \$5,745.4 and from Federal Funds is (\$15,020.9). The total change from Adjusted Base is \$17,056.2, 10 full-time positions and one temporary position.

Accepted

1. Regulatory Commission of Alaska (RCA) – Address Utility and Pipeline Emerging Issues; \$256.1 RCA Receipts (DGF).

This increment provides funding for two new positions within the RCA to allow the RCA to be better able to carry out engineering and market analysis. This will improve the RCA's ability to make sound financial decisions and evaluate utility and pipeline filing.

2. Corporations, Business and Professional Licensing (CBPL) – Business Licensing and Corporations Indirect Costs; \$250.0 GF/Prgm (DGF).

This increment provides the Division of Corporations, Business and Professional Licensing with additional authorization to appropriately fund indirect costs associated with Business Licensing and Corporations programs. This funding is part of an effort to correct historical accounting and billing inaccuracies on the part of CBPL between Business Licensing and Corporations programs and Professional Licensing programs.

3. Alaska Energy Authority Power Cost Equalization (PCE); \$3.85 million [\$4,484.8 UGF/ (\$634.8) Power Cost Equalization Endowment (DGF)].

This increment is a projection of costs for the PCE program in FY13. The projection reflects an expected increase in fuel costs and a reduction in the program's base rate. Language in the operating budget bill provides the actual funding of the program under the statutory formula.

4. Alaska Seafood Marketing Institute (ASMI) Fund Source Change; \$500.0 GF/Prgm (DGF)/ (\$500.0) Federal Receipts.

The FY13 request follows the methodology implemented in FY12 (Sec 13(e), Ch 3, FSSLA 2011 (HB 108)). ASMI's request includes replacing \$500.0 unrealizable Federal Receipts

with General Fund Program Receipts. The marketing of Alaska seafood supports a premium price for Alaska seafood products on the global markets, and strengthens the Alaska Seafood brand internationally. All funding for ASMI in the operating budget has been moved from the Numbers section into the Language section, see Other Subcommittee Actions below.

5. Strengthened Economic Development and Timber Efforts; \$275.0 UGF.

This increment provides the Division of Economic Development (DED) with funding to support a Business Development Specialist position, and partially fund a Development Manager and a Timber/Forest products position. Funding these existing positions will allow the DED to: maintain realignment of division staff according to the economic development functions of Marketing, Finance, Research, Business Technical Assistance, and Outreach & Coordination; continue engagement with the business community and other economic development entities; and reestablish timber and forest products statutory functions.

6. Corporations, Business and Professional Licensing – Investigator position for Big Game Commercial Services Board; \$65.0 Receipt Supported Services (DGF).

This one-time increment continues the appropriation and the temporary position for the same purpose in FY12. Due to increasing user conflict in game units over the last several years, the Big Game Commercial Services Board has needed an additional part-time investigator to provide necessary investigative services.

7. Commissioner's Office & Administrative Services – Increase Authorization to Accurately Reflect the Department's Cost Allocation Plan; \$583.7 Inter-agency (I/A) Receipts & \$87.4 CIP Receipts (Other).

The Department is requesting additional authorization within the Commissioner's Office (\$135.0 I/A Receipts) and Administrative Services (\$448.7 I/A Receipts & \$87.4 CIP Receipts) allocations to align the budget with the Department's cost allocation plan. Acceptance of this increment provides for additional transparency in budgeting and spending.

8. Community and Regional Affairs – Maintain Position to Provide Communities with Assistance on Land Management; 1 PFT.

This position adjustment adds an existing position to the Community and Regional Affairs base budget without additional funding. In FY11 and FY12, this position and the requisite funding were approved on a one-time basis. The Department feels that this position is necessary to provide communities with land management, site control

verification, planning assistance services and management of Alaska Native Claims Settlement Act (ANCSA) 14(c) actions. However, the Department believes that the cost of the position can be absorbed by the Department.

Modified

1. Economic Development – Tourism Marketing Contracts; \$16 million UGF (one-time increment)

This increment will provide operating funds in the Division of Economic Development's base budget for an on-going Tourism Marketing Campaign. Because Alaska competes globally for a share of the visitor market, the tourism industry is strengthened by investment in marketing the state as a visitor destination. This increment has been approved as a one-time item in order to necessitate review in the next fiscal year.

2. Corporations, Business and Professional Licensing – Travel for Board and Commission Members; \$94.6 Receipt Supported Services (DGF).

The requested increment would have doubled the budgeted funding authorization for Professional Boards and Commissions members to travel to national associations and conferences. Costs incurred by the Boards and Commissions are statutorily required to be funded through license fees paid by the Boards and Commissions' respective licensees. Recent CBPL cost increases have led to increased fees to a number of Boards and Commissions, as well as increased license fee volatility. The intent of the Subcommittee is to restrain additional discretionary spending on the part of the Boards and Commissions in order to minimize the financial impact on licensees.

AMENDMENT ACTION:

The House Finance Budget Subcommittee for the Department of Commerce, Community and Economic Development also analyzed the Governor's budget amendments submitted by February 15, 2012, and took the following action:

Accepted

1. Economic Development – Addition of Lower Yukon Alaska Regional Development Organization (ARDOR); 62.2 GF

This request was accepted in order to prevent the inclusion of the Lower Yukon ARDOR in the program from negatively impacting other ARDORs already included.

OTHER SUBCOMMITTEE ACTIONS:

1. The Subcommittee has approved a technical name change of the DCED State Facilities Rent appropriation and allocation to “DCCED State Facilities Rent.”
2. All funding for the Alaska Seafood Marketing Institute is now being done according to the methodology laid out in FY12 (Sec 13(e), Ch 3, FSSLA 2011 (HB 108)). This necessitates that the ASMI funding transactions be moved from their original placement in the Numbers section of the operating budget into the Language section. The funding that was requested in the Numbers section has been approved by the Subcommittee, as described above; following the approval of the funding, the transactions were moved into the Language section.
3. The Subcommittee has reduced Federal Receipt authority to National Forest Receipts to reflect the scheduled sunset of the program’s extension under the Economic Rescue Package (H.R. 1424 – signed into law on October 3, 2008). If the federal program sunsets as scheduled at the end of FY2012, the state’s estimated Federal Receipts will fall to \$600.0. This is accordingly the amount of Federal Receipt authority authorized by the Subcommittee. Language in Section 12(b) in the Governor’s request grants the program authority to receive and expend any additional federal funds made available to the Department for this purpose.
4. The Subcommittee has authorized the Division of Economic Development to collect and expend tourism marketing related third party receipts of up to \$2.7 million in Statutory Designated Program Receipts (SDPR) as a one-time item, and has approved carry-forward language to allow the collection and expending of any unexpended and unobligated SDPR remaining from FY12.

NOTES:

1. In order for ASMI to carry forward all receipts collected in FY12, the language section of the operating budget appropriates the total available carry-forward. In addition, 20 percent of the receipts collected in the current year are also appropriated. Intent language is included to limit the expenditure of receipts to \$7,554.0.

ATTACHED REPORTS:

The House Finance Budget Subcommittee for the Department of Commerce, Community and Economic Development adopts the attached reports:

Subcommittee generated reports

Budget Action Worksheet

Legislative Finance Division Reports – House Structure

1. Agency Totals - FY2013 Operating Budget
2. Appropriation/ Allocation Summary (All Funds)
3. Appropriation/ Allocation Summary (GF)
4. Transaction Comparison between ADJ Base and H Subcomm
5. Transaction Comparison between Gov Amd and H Subcomm
6. Wordage Report - FY2013 Operating Budget



Representative Mia Costello, Chair

House Finance Budget Subcommittee for the
Department of Commerce, Community and Economic Development

March 1, 2012