

Alaska House of Representatives

Rep. Mia Costello, Chair
Alaska State Capitol, Room 501
Juneau, AK 99801

Phone: (907) 465-4968
Fax: (907) 465-2040



Members:
Rep. Gabrielle LeDoux
Rep. Charisse Millett
Rep. Dan Saddler
Rep. Peggy Wilson
Rep. Harriet Drummond
Rep. Andrew Josephson

House Finance Subcommittee Department of Commerce, Community & Economic Development

FY 2015

HOUSE FINANCE BUDGET SUBCOMMITTEE NARRATIVE REPORT

RECOMMENDATIONS:

The House Finance Budget Subcommittee for the Department of Commerce, Community and Economic Development submits a recommended operating budget for FY2015 to the House Finance Committee as follows:

Unrestricted General Funds (UGF)	\$	30,135.1	(dollars in thousands)
Designated General Funds (DGF)		42,261.5	
Other Funds		46,259.5	
Federal Funds		16,872.6	
Total	\$	135,528.7	

Positions:

PFT	545
PPT	1
Temp	9
Total	555

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 Subcommittee also reviewed the current programs,

missions, and results-based measures relating to the Department's operating base budget. The following are budget action highlights:

Increments Accepted

1. Alcoholic Beverage Control Board - Funding to Continue the Underage Drinking Enforcement Program; \$100.0 General Fund Program Receipts (GF/PR)

This program was previously funded by a reimbursable services agreement (RSA) with the Department of Health and Social Services, Division of Juvenile Justice; however the federal funding for this program ended on December 31, 2012.

The Underage Drinking Enforcement program has been in place for over ten years, checks approximately 800 alcoholic beverage retailers and has an 87 percent rate of compliance.

The subcommittee recommends accepting this request to continue funding the program.

Modified

1. Economic Development -Tourism Program; \$14,400.0 (UGF) \$2,700.0 Statutory Designated Program Receipts (SDPR)

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. Due to the pressing need to restrain general fund budget growth, however, the requested amount has been decreased by \$1,600.0 (UGF).

2. Community & Regional Affairs - Grants to Named Recipients; Reduce funding by 25 percent

The subcommittee believes that although the work of these named recipients is important to the state and that their continued success is an important part of our communities, as "grants to named recipients" they are more appropriate for the Capital budget rather than the Operating budget.

In order for these organizations to plan for a transition to the Capital budget, the subcommittee recommends a reduction in funding of 25 percent this year with equitable funding reductions in FY2016-FY18.

Bering Sea Fishermen's Association	\$187.5 (GF) OTI
Iisagvik College	\$300.0 (GF) OTI
Kawerak Inc.	\$150.0 (GF) OTI
Alaska Marine Safety Education Association (AMSEA)	\$147.7 (Other) OTI
Alaska Native Arts Marketing Grant	\$300.0 (GF) OTI
Southeast Sustainable Arts Program	\$112.5 (GF) OTI

Funding Reductions Accepted

1. Corporations, Business & Professional Licensing – Big Game Commercial Services Board Reductions; \$50.0 Receipt Supported Services (DGF) & 1 Temporary Position

The Big Game Commercial Services Board has received approximately \$65.0 and one temporary investigator position since FY10 to provide additional compliance with licensing requirements. The subcommittee supports this request recognizing that the department will continue to perform these functions with existing staff and a \$15.0 travel and supply increment for field inspections during the hunting season.

Denied

1. Alaska Gasline Development Corporation (AGDC) – Merit Increases; \$627.0 In-State Natural Gas Pipeline Fund (Other)

Although the committee finds that AGDC fulfils an important function in the development of an in-state gas line and that the valuable staff is an integral part of this process, it is not a reasonable expectation to fund merit increase for an organization that isn't currently fully staffed and has been only recently created.

All other items proposed in the FY2015 Governor's Budget are accepted.

OTHER SUBCOMMITTEE RECOMMENDATIONS

1. In accordance with the subcommittee's efforts to reduce general fund spending within the department, the subcommittee recommends the general funds increment request

in the language section for the Alaska Seafood Marketing Institute be reduced by 10 percent and added to the base.

2. The subcommittee recommends inclusion of the following intent language with respect to the ongoing subcommittee oversight of the department's response to recent accounting system issues within the Division of Corporations, Business & Professional Licensing:

It is the intent of the legislature that the Department of Commerce, Community and Economic Development set license fees approximately equal to the cost of regulation per AS 08.01.065(c). Further, it is the intent of the legislature that the Department of Commerce, Community and Economic Development annually submit, by November 1st, a six year report to the legislature in a template developed by Legislative Finance Division. The report is to include at least the following information for each licensing board: revenues from license fees; revenues from other sources; expenditures by line item, including separate reporting for investigative costs, administrative costs, departmental and other cost allocation plans; number of licensees; carryforward balance; and potential license fee changes based on statistical analysis.

3. The subcommittee recommends clarifying what actions a qualified regional seafood development association (RSDA) can take with respect to funds collected under AS 43.76.350 - 43.76.399. Specifically, that the organizations receiving these funds can only use the funds for activities that the RSDAs are statutorily created for. The suggested language is:

(e) An amount equal to the seafood development tax collected under AS 43.76.350 -43.76.399 in calendar year 2013, estimated to be \$1,900,000, and deposited in the general fund under AS 43.76.380(d) is appropriated from the general fund to the Department of Commerce, Community, and Economic Development for payment in the fiscal year ending June 30, 2015, to qualified regional seafood development associations for the following purposes:

(A) promotion of seafood and seafood by-products that are harvested in the region and processed for sale;

(B) promotion of improvements to the commercial fishing industry and infrastructure in the seafood development region;

(C) establishment of education, research, advertising, or sales promotion programs for seafood products harvested in the region;

(D) preparation of market research and product development plans for the promotion of seafood and their by-products that are harvested in the region and processed for sale;

(E) cooperation with the Alaska Seafood Marketing Institute and other public or

private boards, organizations, or agencies engaged in work or activities similar to the work of the organization, including entering into contracts for joint programs of consumer education, sales promotion, quality control, advertising, and research in the production, processing, or distribution of seafood harvested in the region;

(F) cooperation with commercial fishermen, fishermen's organizations, seafood processors, the Alaska Fisheries Development Foundation, the Fisheries Industrial Technology Center, state and federal agencies, and other relevant persons and entities to investigate market reception to new seafood product forms and to develop commodity standards and future markets for seafood products.

ATTACHED REPORTS:

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

2014 Legislature - Operating Budget - House Structure

1. Agency Totals
2. Allocation Summary (All Funds)
3. Allocation Summary (GF)
4. Transaction Compare between Adjusted Base (15Adj Base) and House Subcommittee (H Sub)
5. Transaction Compare between Governor Amended (Gov Amd) and House Subcommittee (H Sub)
6. Wordage Report - FY2015 Operating Budget

The Budget Action Worksheet is attached for informational purposes.



Representative Mia Costello, Chair

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

February 27, 2015