



29th Alaska State Legislature
House Finance Budget Subcommittee
Department of Commerce, Community and Economic
Development
FY 17 Operating Budget

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Capitol Room 421
465-3438

Members:

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Capitol Room 126
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Rep. Cathy Tilton
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Rep. Charisse Millett
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Capitol Room 422
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**DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT
FY17 HOUSE FINANCE BUDGET SUBCOMMITTEE**

NARRATIVE REPORT

FEBRUARY 24, 2016

SUBCOMMITTEE MEMBERS

Rep. Lance Pruitt, Chair

Rep. Benjamin Nageak
Rep. Cathy Tilton
Rep. Charisse Millett
Rep. David Talerico
Rep. Sam Kito, III
Rep. Jonathan Kreiss-Tomkins

RECOMMENDATIONS

The House Finance Budget Subcommittee for the Department of Commerce, Community and Economic Development submits a recommended operating budget for FY17 to the House Finance Committee as follows:

Fund Source: (dollars are in thousands)

| | |
|----------------------------------|--------------------|
| Unrestricted General Funds (UGF) | \$17,306.0 |
| Designated General Funds (DGF) | \$40,293.4 |
| Other Funds | \$60,168.2 |
| Federal Funds | \$20,044.9 |
| Total | \$137,812.5 |

The Unrestricted General Fund difference from the FY17 Adjusted Base to the House Subcommittee budget recommendation is a reduction of \$8,087.2, which is a decrease of 31.8 percent.

BUDGET ACTION

The House Finance Budget Subcommittee for the Department of Commerce, Community and Economic Development held six meetings with the Department. The Subcommittee reviewed the FY17 budget request and took the following actions:

ACTION TO GOVERNOR'S PROPOSAL

- **Corporations, Business and Professional Licensing – Occupational Licensing Examiners**
The Governor requested \$264.3 Receipt Supported Services for 3 PFT positions. The Subcommittee reduced it to \$175.3 Receipt Supported Services for 2 PFT positions and identified the funding is for a one-time increment.
- **Alcohol and Marijuana Control Office – Marijuana Regulation Funding & Local Option Education and Compliance Outreach**
The Governor requested \$1,574.4 UGF and the Subcommittee appropriated \$1,474.40 UGF as a one-time increment. In other subcommittee actions below, the Subcommittee also approved \$100.0 in program receipt authority. The Subcommittee denied the local option education and compliance outreach position and associated funding.
- **Alaska Seafood Marketing Institute – Seafood Marketing**
The subcommittee accepted the reduction of \$1,500.6 UGF; however, it did not accept the replacement of \$1,500.6 in Statutory Designated Program Receipts. ASMI funding was further reduced by 30 percent or \$1,028.5 UGF (see item 11 below).

ADDITIONAL SUBCOMMITTEE ACTION

1. **Community and Regional Affairs – Named Recipient Grant to Alaska Air Carriers Association Inc. – Medallion Foundation: (\$250.0) UGF**
The Subcommittee has determined that funding will not be available for this named recipient grant.
2. **Corporations, Business and Professional Licensing – Added Intent Language**
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. **Economic Development – Eliminated Grant Funding for ARDORS: (\$774.1)UGF**
AS 44.33.896 is repealed on July 1, 2016. The funding is eliminated for FY17.
4. **Economic Development – Deleted 4 Positions in Economic Development: (\$467.4)UGF**
Deleted four Economic Development Specialist II, Option A positions. The Department has identified the following impacts due to deleting these four positions:
 - Tourism Industry Development - Eliminated
 - Made in Alaska - Reduced Services
 - Alaska Preference Programs – Reduced Services

- Business Retention and Expansion – Reduced Services
- Seafood Industry Development – Eliminated
- Timber Industry Development - Reduced Services
- Unmanned Aircraft Systems Industry Development – Eliminated
- Maritime Industry Development - Eliminated
- Alaska Economic Performance Report – Eliminated
- Alaska Artist Directory – Eliminated
- Business Assistance – Eliminated
- Promotion and Support of Small Agricultural Businesses - Eliminated

5. Tourism Marketing and Development – Reduced Tourism Marketing Funding: (\$1,358.0)UGF
 The Subcommittee accepted the Governor’s proposed reduction of \$2,365.3 UGF, the deletion of two positions, as well as, transferring the funding authorization for a named recipient grant to Alaska Travel Industry Association. In addition, the Subcommittee recommends a decrement equivalent to 30 percent of the UGF, bringing the total for Tourism Marketing to \$3,170.2.

6. Tourism Marketing and Development – Added Intent Language
 It is the intent of the legislature that the Tourism Marketing Board develops a plan moving Tourism Marketing towards a self-sustaining program and presents the plan to the legislature by January 1, 2017.

7. Tourism Marketing and Development – Removed Carryforward Language
 Carryforward language is no longer necessary; the Alaska Travel Industry Association will collect receipts directly.

The amount appropriated by this appropriation includes the unexpended and unobligated balance on June 30, 2016, of the Department of Commerce, Community and Economic Development, Tourism Marketing & Development, statutory designated program receipts from the sale of advertisements, exhibit space and all other receipts collected on behalf of the State of Alaska for tourism marketing activities.

8. Alcohol and Marijuana Control Office – Authority to Expend Program Receipts: \$100.0 GF/PR
 The Subcommittee approved the authorization for the Alcohol and Marijuana Control Office to utilize program receipts collected from marijuana application and license fees.

9. Alcohol and Marijuana Control Office – Added Carryforward Language
 Carryforward language allows receipts collected in FY16 to be expended in FY17.

The amount appropriated by this appropriation includes the unexpended and unobligated balance on June 30, 2016, 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 marijuana.

10. Alcohol and Marijuana Control Office – Added Intent Language
 It is the intent of the legislature that the Department of Commerce, Community and Economic Development, Alcohol and Marijuana Control Office, set marijuana application and licensing fees to cover the cost of regulation and recover unrestricted general fund appropriations made in prior fiscal years while the program was being established.

11. Alaska Seafood Marketing Institute - Reduced Seafood Marketing Funding: (\$1,028.5)UGF

The Subcommittee recommends a decrement in funding in Alaska Seafood Marketing Institute activities, equivalent to 30 percent of the UGF, bringing the total for Seafood Marketing to \$2,399.9.

12. Alaska Seafood Marketing Institute – Added Intent Language

It is the intent of the legislature that the Alaska Seafood Marketing Institute develops a plan to phase out reliance on unrestricted general funds for seafood marketing by fiscal year 2019 and continue marketing on industry contributions. Further it is the intent of the legislature the plan includes consideration of increasing revenue from industry contributions to maximum allowed by law and deliver a report to the legislature not later than January 1, 2017.

13. Alaska Energy Authority/AIDEA – Added Intent Language

It is the intent of the legislature that the Department of Commerce, Community and Economic Development, Alaska Energy Authority and Alaska Industrial Development Export Authority develops a plan to phase out unrestricted general funds for the Alaska Energy Authority by fiscal year 2019, explore further consolidation with the Alaska Industrial Development Export Authority, and deliver a report to the legislature not later than January 1, 2017.

14. Alaska Industrial Development and Export Authority – Eliminate 2 Positions: (\$266.2) I/A Rcpts

Remove one vacant Administrative Assistant position and one Lead Project Manager position.

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

2017 Legislative Finance Division Reports – House Structure

1. Agency Totals – FY2017 Operating Budget
2. Appropriation/Allocation Summary (All Funds)
3. Appropriation/Allocation Summary (GF)
4. Transaction Comparison between ADJ Base and H Subcom
5. Transaction Comparison between Gov Amd and H Subcom
6. Wordage Report – FY 2017 Operating Budget

THE BUDGET ACTION WORKSHEET IS ATTACHED FOR INFORMATIONAL PURPOSES.

RESPECTFULLY SUBMITTED,



Representative Lance Pruitt, Chair

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

February 24, 2016

**Department of Commerce and Community Development
FY2015 to FY2016 Comparison**

| <u>Fund Type</u> | <u>FY2015 Mgt Plan</u> | <u>FY2016 Enacted</u> | <u>Difference</u> | <u>Percent Difference</u> |
|---------------------------|----------------------------|---------------------------|-------------------|-------------------------------|
| Unrestricted General Fund | \$40,454.3 | \$26,607.3 | -\$13,847.0 | -34.2% |
| Designated General Fund | \$84,177.0 | \$83,583.3 | -\$593.7 | -0.7% |
| Other | \$68,918.7 | \$68,357.8 | -\$560.9 | -0.8% |
| Federal | <u>\$21,782.4</u> | <u>\$19,871.8</u> | <u>-\$1,910.6</u> | <u>-8.8%</u> |
| Total | \$215,332.4 | \$198,420.2 | -\$16,912.2 | -7.9% |

| <u>Budgeted Positions</u> | <u>FY2015 Mgt Plan</u> | <u>FY2016 Enacted</u> | <u>Difference</u> | <u>Percent Difference</u> |
|---------------------------|----------------------------|---------------------------|-------------------|-------------------------------|
| Permanent Full-Time | 576 | 553 | -23 | -4.0% |

| <u>Filled Positions</u> | <u>Dec 2014 Employees</u> | <u>July 2015 Employees</u> | <u>Difference</u> | <u>Percent Difference</u> |
|-------------------------|-------------------------------|--------------------------------|-------------------|-------------------------------|
| Permanent Full-Time | 480 | 454 | -26 | -5.4% |
| Permanent Part-Time | 0 | 0 | 0 | 0.0% |
| Non-Permanent | <u>18</u> | <u>17</u> | <u>-1</u> | <u>-5.6%</u> |
| Total | 498 | 471 | -27 | -5.4% |

Notable Changes

Executive Administration and Development

- One of the department's two deputy commissioners and the administrative specialist (titled Outreach Coordinator) are being held vacant in FY2016 to conserve funds. In addition, the minimally-funded Communications Coordinator position was deleted in the FY16 budget. Staff reduction may result in reduced ability to fully engage in the leadership of the fifteen boards on which the Commissioner serves. The ability to meet and interact with the numerous Alaska industries and organizations who wish to communicate with the Commissioner's Office may also be affected, along with the Commissioner's ability to personally represent Alaska interests outside the state.
- The Administrative Services component absorbed a \$734.0 UGF reduction and deleted six total full-time positions. Position and funding reductions may result in slower development of technology solutions to department business challenges, less fiscal support and oversight of divisions.

Banking and Securities

- Eliminated one position and transferred the workload to other staff.

Community and Regional Affairs

- Deleted a Grants Administrator and an Administrative Assistant. Reductions may result in longer turnaround time for response to grant recipients and information requests.
- Deleted and reduced grants to named recipients in the operating budget.
- Did not capitalize the Community Revenue Sharing fund. This will decrease future distributions to communities, unless additional appropriations are made.

Economic Development

- Deleted position that supported Alaska film industry activities, planner position and development specialist position.

Tourism Marketing

- Tourism Marketing reduced \$7,769.2 UGF. Of that funding, \$875.0 UGF is contingent upon SDPR collections above historic levels.
- Marketing reductions will decrease national television advertising, direct response advertising, efforts in key international markets, and our presence in travel trade shows.

Insurance

- Deleted four full time and two nonpermanent positions.

Alaska Energy Authority

- Reduced UGF support of conference and sponsorship costs.

Alaska Seafood Marketing Institute

- Reduced state funding of seafood marketing by 33% for FY2016, shifting a higher percentage of the cost to the fishing industry.