

Alaska House of Representatives

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House Finance Subcommittee Department of Commerce, Community & Economic Development

FY 2014 HOUSE FINANCE BUDGET SUBCOMMITTEE NARRATIVE REPORT

SUBCOMMITTEE MEMBERS:

Rep. Mia Costello, Chair	Rep. Drummond	Rep. LeDoux
Rep. Josephson	Rep. Millett	Rep. Saddler
Rep. Wilson	Rep. Austerman, House Finance Committee Co-Chair	Rep. Stoltze, House Finance Committee Co-Chair

RECOMMENDATIONS:

The House Finance Budget Subcommittee for the Department of Commerce, Community and Economic Development submits a recommended operating budget for FY2014 to the House Finance Committee as follows:

Unrestricted General Funds (UGF)	\$	31,161.4	(dollars in thousands)
Designated General Funds (DGF)		41,513.0	
Other Funds		39,831.0	
Federal Funds		17,043.7	
Total	\$	129,549.1	

BUDGET ACTION:

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

The subcommittee recommends authorizing \$1,275.0 less in unrestricted general funds, \$100.0 less in designated general funds, the same amount of federal funds and other funds, and the

same number of full-time positions as the Governor's Amended FY2014 request. The subcommittee recommends authorizing a total of \$1,375.0 less than the Governor's Amended FY2014 request.

The subcommittee recommends a total increase from the FY2014 Adjusted Base of \$14,902.0 UGF and a total increase from the FY2014 Adjusted Base of \$515.2 DGF for a total General Fund change of \$15,417.2. The change from Adjusted Base in Other Funds is \$4,953.8 and from Federal Funds is (\$469.6). The total change from Adjusted Base is \$19,901.4 and one permanent full-time position.

Accepted

1. Economic Development – Restore Tourism Marketing Related Third Party Receipts Funding to the FY13 Level; \$2,700.0 (Stat Desig).

This increment provides the tourism marketing program with the statutory designated program receipts from the production of the state vacation planner publication.

2. Alcoholic Beverage Control Board - Increase General Fund Program Receipt Authority to Meet Allocated Administrative Support Costs; \$127.0 (GF/Prgm).
3. Alcoholic Beverage Control Board - Increase General Fund Program Receipt Authority to Maintain Department of Law Legal Assistance; \$62.5 (GF/Prgm).

These two increments provide the Alcoholic Beverage Control Board with additional program receipt funding from the general fund to meet administrative and legal support costs.

Legislation enacted by the 27th Legislature relocated the Alcoholic Beverage Control Board from the Department of Public Safety to the Department of Commerce, Community & Economic Development, along with associated funding. It is the finding of the subcommittee that as the services of the board were effectively provided at the current funding level under the Department of Public Safety, additional funding is unnecessary to maintain services. The subcommittee concludes that the resolution of service provision challenges is a matter that calls for an internal management solution.

However, under the current funding structure for the board, denial of these requested increments would restrict the ability of the board to achieve the desired goals; these increments are accordingly granted. As the Division of Administrative Services has the ability to spread costs throughout the department, the subcommittee's desired effect can

be achieved by decrementing from the Administrative Services allocation a corresponding amount of general funds (see Adjustments to Base Funding below).

4. Alaska Industrial Development and Export Authority (AIDEA) - Sustainable Energy Transmission & Supply Development (SETS); \$200.0 (AIDEA Rcpts).

A recent legal interpretation by the Department of Law concluded that Sustainable Energy Transmission and Supply Development funds cannot be used by AIDEA for costs associated with energy project cost underwriting. This increment request is approved in order to provide the needed authorization for AIDEA to support the delivery needs of the SETS program.

5. Alaska Industrial Development and Export Authority (AIDEA) - Funding for Consultants and Legal Counsel to Plan and Develop Infrastructure Projects; \$500.0 (AIDEA Rcpts).

This increment request provides capital improvement project funding authorization to allow AIDEA to retain expert consultants and legal counsel for large infrastructure projects such as the Road to the Ambler Mining District. These projects being of great significance to Alaska's economic development, the subcommittee has seen fit to approve this increment.

Modified

1. Economic Development – Restore Tourism Marketing Funding to the FY13 Level; \$15,000.0 (UGF).

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 \$1,000.0 UGF.

2. Alcoholic Beverage Control Board – Replace Interagency Receipts with General Fund Program Receipts to Maintain Underage Drinking Enforcement Program; \$100.0 (GF/Prgm)/ (\$100.0) (I/A Rcpts).

This increment would replace unavailable federal funds (remitted to the Alcoholic Beverage Control Board via inter-agency receipts from the Department of Health &

Social Services) with general fund program receipts for the purpose of supporting an underage drinking compliance check program.

In recognition that federal funds are increasingly unavailable, the subcommittee finds that requests to replace unavailable federal funds call for an enhanced level of scrutiny of the details of the respective programs, in order to determine whether the state's interests in the continuation of these programs are sufficiently compelling to justify increased levels of state support.

The subcommittee finds that the consumption of alcoholic beverages by minors is a serious problem and warrants special attention by the legislature. Comprehensive solutions to this problem will only arise out of careful consideration involving input from a diverse set of stakeholders. The subcommittee therefore concludes that this particular increment merits consideration in a venue better suited to provide the desired level of stakeholder involvement. As acceptance of the fund change transaction would preclude opportunities for increased review, the general funds increment is accordingly decremented and recommended for consideration in the full Finance Committee.

Adjustments to Base Funding

1. Economic Development – 10% Reduction of Alaska Regional Development Organizations (ARDORs); (\$85.5) (UGF).

The subcommittee has identified economic development as a significant priority for the state; however, growing uncertainty surrounding the state's future fiscal standing necessitates the general fund spending be reduced by ten percent.

2. Administrative Services – Reduction to offset increments to Alcoholic Beverage Control Board; (\$189.5) (UGF).

As previously discussed, the intent of the subcommittee is that the Alcoholic Beverage Control Board seek internal management solutions necessary to provide services at the funding level equal to that which they received while located under the Department of Public Safety. As denial of the general fund program receipt increments would unduly constrain the board in resolving these matters, the subcommittee opted to keep funding levels static while maximizing flexibility by granting the increment requests (see Accepted above) and applying a corresponding decrement to the general funds appropriated to the Administrative Services allocation.

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, 2013, and took the following action:

Accepted

1. Statewide Project Development, Alternative Energy and Efficiency – Technical Correction - RenewEnergy Fund/Task Force/ Assistance Sec2 Ch27, SLA2008 P47 L7 (HB152) - Year 6; \$155.0 (UGF).

This requested increment corrects a transaction incorrectly characterized as a fund change transaction from general funds to Renewable Energy Funds. As the program was already funded from the Renewable Energy Fund, the general funds decrement was inappropriate. The subcommittee approved this increment to restore the decremented funds.

OTHER SUBCOMMITTEE ACTIONS:

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 \$1,000.0 UGF by replacing lines 14 - 16, page 49 of House Bill 65 (28-GH1799\A) with the following language:

“ (3) the sum of \$6,772,200 from the general fund, for the purpose of matching industry contributions collected by the Alaska Seafood Marketing Institute for the fiscal year ending June 30, 2012;”

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 October 1, 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.

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 - FY2014 Operating Budget
2. Allocation Summary (All Funds)
3. Allocation Summary (GF)
4. Transaction Comparison between ADJ Base and H Subcomm
5. Transaction Comparison between Gov Amd and H Subcomm
6. Wordage Report - FY2014 Operating Budget



Representative Mia Costello, Chair

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

March 1, 2013