

ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS
STANDING COMMITTEE
February 25, 2003
8:05 a.m.

MEMBERS PRESENT

Representative Carl Morgan, Chair
Representative Kelly Wolf, Vice Chair
Representative Tom Anderson
Representative Sharon Cissna
Representative Albert Kookesh

MEMBERS ABSENT

Representative Mike Chenault
Representative Ralph Samuels

COMMITTEE CALENDAR

OVERVIEW: DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT

TAPES

03-4, SIDE(S) A & B

CHAIR CARL MORGAN convened the meeting of the House Community and Regional Affairs Standing Committee at 8:05 a.m. Representatives Morgan, Wolf, and Cissna were present at the call to order. Representatives Anderson and Kookesh arrived as the meeting was in progress.

SUMMARY OF INFORMATION

EDGAR BLATCHFORD, Commissioner, Department of Community & Economic Development (DCED), began the departmental overview by reviewing the department's mission: "Promoting strong communities and a healthy economy." He informed the committee that DCED consists of seven divisions and houses six independent agencies. Commissioner Blatchford reviewed the department's budget sources. All of this information and a one-page review of each division can be found in the document entitled, "Alaska Department of Community and Economic Development Overview" that is included in the committee packet. Commissioner Blatchford then had division directors come forward and provide a brief overview of their division.

GENE KANE, Acting Director, Division of Community and Business Development, Department of Community & Economic Development, informed the committee that the mission of the Division of Community and Business Development is to promote independent local governments and job growth. He noted that the committee packet should include the division's annual report. He then reviewed the four services provided by the division, which are business development, community development, funding resources, and information resources. He pointed out that on page 28 of the division's annual report there is a list of recent division publications. Mr. Kane said, "Collectively, the programs carried out by [the Division] of Community and Business Development reflect a mandate of Article X, Section 14 of Alaska's constitution for a state agency to collect and publish local government information and to advise and assist local governments." He concluded his presentation by reviewing the goals and strategies of the division.

MARGY JOHNSON, Director, Division of International Trade and Market Development, Department of Community & Economic Development, specified that the Division of International Trade and Market Development includes the promotion of tourism and Alaska seafood, which she said were her two passions. Ms. Johnson informed the committee that under the Murkowski Administration there should be a lot of cooperative marketing between the Alaska Travel Industry Association (ATIA) and the Alaska Seafood Marketing Institute (ASMI). She emphasized that any trade mission to any country should promote all of Alaska's resources. She also informed the committee that Alaska Airlines and ASMI are going to meet in order to encourage Alaska Airlines to serve more Alaskan products on the aircraft. In response to questions, Ms. Johnson reviewed the history of the change from the three separate funding entities of the Alaska Tourism Marketing Council, the Division of Tourism, and the Alaska Visitor's Association to the current organization of ATIA. Ms. Johnson noted that the visitor count to Alaska is down. Information from an unidentified speaker was provided as to the number of board members on ASMI and the break down of ASMI's budget. In response to concerns with the direction of ASMI, Ms. Johnson related her belief that there will be an increased emphasis on salmon [marketing].

GREG WINEGAR, Director, Division of Investments, Department of Community & Economic Development, began by pointing out that the committee packet should include an overview booklet for the division. The division's primary responsibility is to handle 15

different loan programs, which are primarily designed to promote economic development in the state. He explained that the programs can be broken into three broad categories: active programs, inactive programs, and other agency loans. He related some general statistics that are included in the division's overview booklet. He reviewed the largest program the division administers, the Commercial Fishing Revolving Loan Fund. He also reviewed the Fisheries Enhancement Revolving Loan Fund, the Rural Development Initiative Fund, and the Small Business Economic Development Revolving Loan Fund. Mr. Winegar directed attention to page 8 of the division's overview booklet, which discusses some of the significant issues for fiscal year 2004, including the salmon industry and replacement of the division's loan servicing software. The booklet also includes a list of some of the division's accomplishments on page 9, such as the refinancing of Commercial Fishing Revolving Loans and Fisheries Enhancement Loans and telephone payments. He concluded by pointing out that page 10 of the division's booklet is a list of contact information.

MARK DAVIS, Director, Division of Banking, Securities, and Corporations, Department of Community & Economic Development, related that the division has four functions. The first function is to charter, regulate, and exam state banks and trust companies. The second function is to regulate the Alaska Securities Act of 1999. The third function is to provide a legal structure for business, which is essentially a filing process. The fourth function is to provide an overview of proxy statements for Native corporations that have more than 500 shareholders and more than \$2 million in assets. Mr. Davis pointed out that the division takes in more revenue than it costs to operate the division, and therefore any extra funds are placed in the general fund. He related that last year the division's budget was \$2.4 million while approximately \$8.1 million was collected.

RICK URION, Director, Division of Occupational Licensing, Department of Community & Economic Development, stated that the division's mission is to ensure that competent professional and commercial services are available to Alaska consumers. During his review of the services the division provides, Mr. Urion related that the division administers 37 occupational licensing programs for over 130 occupations. He said that the goal of the division is to make applying for and receiving either a professional or business license as easy and convenient as possible. He informed the committee that the division receives many complaints about businesses in Alaska and those lead to

investigations. This is an area in which the division is overloaded and thus there is the need for more staff. Mr. Urion pointed out that the division is self-sufficient and doesn't require any general funds. In response to questions, Mr. Urion specified that the license fee, by law, is determined by the cost to the division to manage the occupation divided by the number of people in the occupation. In response to further questions, Mr. Urion related his belief that in general it's best not to merge [boards of] various fields because of the diversity of each. During discussion of the fact that the division generates revenue, Mr. Urion pointed out that the revenue generated is used to regulate the businesses. With regard to the cost of license fees, Mr. Urion explained that the license fee is dependent upon the costs [of regulating the business]. One of the factors determining the cost is whether there have been disciplinary actions and legal fees, which could result in an increase in the license fee. These are biennial licenses and thus every two years fees are reviewed.

STAN RIDGEWAY, Acting Director, Division of Insurance, Department of Community & Economic Development, began by relating that the division's mission is to "enforce the insurance statutes and regulations and to protect and educate the consumer, and enhance the insurance market in the state of Alaska." He pointed out that the division is the primary regulator for insurance because the federal government leaves that task to the states. The seven sections of the division join together to regulate the insurance industry in Alaska. He discussed the seven sections of the division: consumer services, licensing, investigative, market examination, financial examination, filings review, and actuarial analysis. He informed the committee that the division operates primarily from licensing fees. Mr. Ridgeway presented the following four major issues the division faces. First, the division is reviewing the Premera Blue Cross application to convert from a nonprofit to a for profit status. Second, the division has just completed an examination of the use of credit scoring to rate insurance policies for underwriting and the rating of personal automobile and homeowner's insurance. Third, the division has completed draft regulations on privacy. Fourth, the division is monitoring rate increases and the reduced availability of health and property casualty insurance in the state, particularly for the aviation industry and assisted living homes. Mr. Ridgeway said that the rate increases are due, in part, to a hardening insurance market, terrorism and catastrophic losses, and lower investment incomes for insurance companies. In response to questions, Mr. Ridgeway related that Alaska has experienced a

relatively good insurance market in the last 6-10 years [and now the state is facing a hardening of the insurance market]. He noted that the division's annual report specifies all the claims filed and the insurers leaving the state. He highlighted that some insurers are not renewing policies, which is a trend nationwide.

MR. RIDGEWAY, in response to questions regarding the issue of credit scoring, deferred to the new director for the division's position on this matter. He then explained the market conduct study on credit scoring. He confirmed that the surveys and general information gathered during the study produced findings that the elderly may be impacted by credit scoring. There are also findings that those living in certain zip codes, areas with higher income levels, are more favorably rated. Mr. Ridgeway related his belief that whether or not to regulate credit scoring is a policy call. With regard to questions about the rate increases schools and school districts have faced, Mr. Ridgeway announced that the division has monitored this situation. He related his understanding that the rates will drop a bit for municipalities and school districts this year.

COMMISSIONER BLATCHFORD, in response to questions, confirmed that there has been a suggestion to change the name of DCED to the Department of Commerce & Economic Development. Although there may be a name change, the department would strengthen its commitment to the unorganized boroughs and municipalities, he said. In response to a question regarding the lack of a rural administrative office, Commissioner Blatchford stated that he is very committed to rural Alaska and the department is going through a reorganization process and is reviewing ways in which to strengthen the department's commitment.

ANNOUNCEMENTS

There were no announcements.

COMMITTEE ACTION

The committee took no action.

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 9:09 a.m.

NOTE: The meeting was recorded and handwritten log notes were taken. A copy of the tape(s) and log notes may be obtained by contacting the House Records Office at State Capitol, Room 3, Juneau, Alaska 99801 (mailing address), (907) 465-2214, and after adjournment of the second session of the Twenty-Third Alaska State Legislature this information may be obtained by contacting the Legislative Reference Library at (907) 465-3808.