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419

STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

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POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

House C+RA 2-16-88 3:00p.m.

D 2/2 R (P) P. W. attached

BILL PREPARATION/ACTION*

Bill # HB 419

Date Referred: 2/1/88

Out: 1/1

Title: Community Economic Disaster Loan Fund

H Rules

Referrals: CRA FIN

CONTACTS:*****

Name	Organization Address	Phone	Date Contacted	Attend/Remarks
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DCRA	Plasman	^{in com} 111 FIN 213-213		do schedule
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Gov. H Rules		<input checked="" type="checkbox"/> Trans <input checked="" type="checkbox"/> FN		attached
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Gov DCEP		DCH req info on possible disaster fund for commercial loans Kelly, Harty: 2/1		
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DCRA - Admin	Don Carol Carroll	DCH		ushed about disaster in off Gov 2/1.
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Richard Oney - Mayer	^{city} Pilot Station	Box 5040, Pilot Station 99650	544-3211	
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Molly				

REMARKS:

ANALYSIS: _____ Completed: _____

MEETINGS:*****

Date	Action
<u>2/15/88</u>	<u>1st pub. Hrg. - hold</u>

*See other side for additional information.

CONTAC.TXT



Alaska State Legislature

House of Representatives

Committee on Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-4833

March 4, 1988

The Honorable Richard Oney
Mayor of the City of Pilot Station
P.O. Box 5040
Pilot Station, Alaska 99650

Re: HB 419-Community Economic Disaster Loan Fund

Dear Mayor Oney:

Your message of concerns on the above legislation was received today. I was unable to reach you by phone so I have enclosed a copy of the minutes from the first (and only) public hearing on HB 419. Testimony on that bill can be found on pages 9 through 14 of the attached February 15, 1988 Committee minutes.

As you will note from the minutes, the Committee had numerous concerns about the bill and decided to hold it in Committee. It has not been rescheduled for another hearing at this time.

I will put your name on the list of people to be contacted for hearings on HB 419, and will let you know as soon as it is scheduled for hearing again. If you have further questions after reading the minutes, please do not hesitate to contact me at 465-4833. Thank you for your interest.

Sincerely,

A handwritten signature in cursive script that reads "Martha Fischbach".

Martha Fischbach
Committee Secretary

Enclosure

Dave/Mantha
549-3211

3/4/88
11:30 A.M.

Richard Oney, Mayor
City of Pilot Station
P.O. Box 5040
Pilot Station, AN 99650

RE: HB 419 - Creating Economic
Disaster Revolving Loan Fund

Wants to be kept up to date
on bill. Has bill been heard.
What would bill do for his
Community. What constitutes as
a economic disaster. Would
community fishermen who had
bad season be considered, Unemploy-
ment, etc. Wants More Information
on HB 419

2-9-88

MARTHA - Let the
record show on
HB 419 I called

Commerce Dept - request
info on possible disaster
fund for commercial
loans. Kelly Hegarty

Dept ~~Adm~~ CRR Adm Section
& Support Carol Canoll
Asked about Disaster in the
office of the Gov.

DCJ



Official Business

COMMITTEE:

HOUSE COMMUNITY & REGIONAL AFFAIRS

DATE: Tuesday, Feb. 16, 1988

SIGN-IN

Subject of meeting:

~~HB 357 Grants for Local Service Roads & Trails~~

~~*HB 439 Increase Munic. & Community Entitlements~~

*HB 419 Community Economic Disaster Loan Fund

NAME (PLS PRINT)	YOUR TITLE & ADDRESS	PHONE	REPRESENTING	DO YOU WANT TO TESTIFY?
JIM PHASMAN	POB BH JUNEAU	4750	DCRA	Y 25
Carol Carroll			DCRA	

File Contents

HB 419 - Community Economic Disaster Loan Fund

<u>No.</u>	<u>Description</u>
1.	Bill - HB 419
2.	Governor's Transmittal Letter
3.	Fiscal Note -DCRA (Admin/Support) - Fiscal Impact
4.	Memo to Cowper from Cabinet Subcommittee on Economic Dislocation - Committee Recommendation, 10/15/87
5.	Memo to McAlpine from Com. Hoffman, Econ. Disloc. Survey - Preliminary Report, 11/24/87
	Packet - FOSTER Program (DCRA)
7.	Memo/packet to Cowper from Miller/Worl, DECISION MEMORANDUM, Economic Dislocation
8.	Bill Review - HCRA, David Harrison
9.	Memo from Legal Svcs to Springer, 2/14/88
10.	Ltr to Gov. Cowper from SW AK Municipal Conference 12/30/87

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 1, 1988

② HB 419

CL
JHB 419

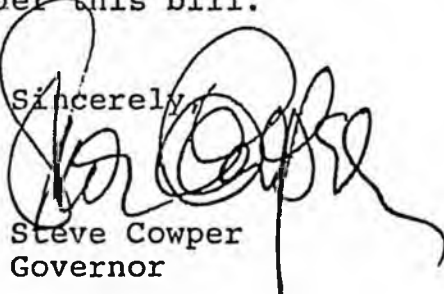
The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that establishes the community economic disaster revolving loan fund in the Department of Community and Regional Affairs. The creation of this fund forms the centerpiece of a new program of financial and technical assistance to communities across the state that are teetering on the edge of declaring bankruptcy. My intention is to offer assistance to these communities in a way that helps them recover their fiscal strength and provides a sound foundation for future operations.

Each community eligible for this assistance might suffer from conditions that are unique to a particular region or locality of the state. For that reason, the bill allows the department wide latitude to provide the specifics for the loan program through the adoption of administrative regulations. Loans from the fund, together with expert guidance from the department, will provide the elements of a successful recovery. Of course, this effort will not provide easy solutions for the affected communities. The communities will need to work closely in partnership with technical advisers and make hard choices concerning their methods of operation.

I urge you to favorably consider this bill.

Sincerely,

Steve Cowper
Governor

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Community and Regional Affairs
 Title: "An Act establishing the community economic disaster revolving loan fund." BRU: Administration and Support
 Sponsor: Rules Committee Components: Community Economic Disaster
 Requestor: Governor Loan Fund, Administrative Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES		\$34.1	\$35.1	\$36.1	\$37.1	\$38.3
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		\$34.1	\$35.1	\$36.1	\$37.1	\$38.3
CAPITAL						
REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND		\$34.1	\$35.1	\$36.1	\$37.1	\$38.3
FEDERAL FUNDS						
OTHER						
TOTAL		\$34.1	\$35.1	\$36.1	\$37.1	\$38.3

POSITIONS:

FULL-TIME		1.0	1.0	1.0	1.0	1.0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Prepared by: Carol Carroll, Deputy Director Phone: 465-4709
 Division: Administrative Services Date: January 15, 1988
 Approved by Commissioner: David G. Hoffman Date: January 15, 1988
 Agency: Community and Regional Affairs

Distribution (by preparer):
 Legislative Finance
 Legislative Sponsor
 Requestor
 Office of Management and Budget
 Impacted Agency(ies)

FISCAL NOTE ANALYSIS

A. Assumptions

Enactment of this legislation will require the Department of Community and Regional Affairs to oversee the issuance and tracking of an estimated 20 to 40 loans per year. In addition, we will be required to assure that all payments are made in accordance with a properly executed spending plan developed by the community and professional staff in the regional offices. When payback of loans begins in one to two years, it will be this department's responsibility to account for the receipt of those funds and to assure that payback proceeds in accordance with the contract.

B. Staff Requirements

In order to respond to the responsibilities enumerated above it will be necessary to establish a new Accounting Technician I position in the Administrative Services Division to review contracts, process payment and receive and record payments at the appropriate time.

Computation of Salary Costs

1. Accounting Technician I, Range 12-A		
	Salary	\$24.9
	Benefits	9.3
	Total	<u>\$34.1</u>

No other position costs will be necessary.

Position Title Accounting Technician I			No. of Positions 1	Range/Step 12A	Barg. Unit GGU	
Time Status Full-time	Staff Months 12		Location Juneau		Election District 4	
Type of Expenditure			Justification			
		Amount	<p>This position will be the accounting contact for the Loan Fund. The position will oversee payment and tracking of loans to communities; assure that all payments are made in accordance with a properly executed spending plan developed by the community and professional staff in the regional offices. When payback of the loans begins in one to two years, this position will be responsible for controlling receipts and to assure that all loans in repayment proceed as agreed. This position will record loans on the state accounting system and be responsible for year-end reconciliation of the account</p>			
1	2	3				
Salary	\$24.9					
Benefits	9.3					
Premium Pay						
Other						
Total Personal Services		\$34.1				\$34.1
Travel						
Contractual						
Commodities						
Equipment						
Other						
Total Cost			\$34.1			
Funding Source for Total Cost						
Federal Receipts	1002					
G. F. Match	1003					
General Fund	1004		\$34.1			
GF Program Receipts	1005					
Other						

**Request For
New Position**

Agency Community and Regional Affairs
 BRU Administration and Support
 Component Administrative Services

Page 3 of 3
 Revised Date

FY 89

No. 1
 HB 419
 HOUSE 2/1/88

(4) HB 419

STEPHEN McALPINE
LIEUTENANT GOVERNOR



STATE OF ALASKA

P. O. BOX AA
JUNEAU 99811
(907) 485-3520

TO: The Honorable Steve Cowper
Governor of Alaska

FROM: Cabinet Subcommittee on
Economic Dislocation

DATE: October 15, 1987

SUBJECT: Committee Recommendation

OVERVIEW

Over the past six weeks, the Cabinet Subcommittee on Economic Dislocation has met on several occasions to address the economic distress occurring in many Alaskan communities. There is an emergent economic crisis in rural Alaska; it is one of the most significant issues facing the State. There are two immediate manifestations of the crisis:

1. POTENTIAL DEFAULT OF LOCAL GOVERNMENTS. Approximately 40 small local governments are in danger of default. This danger is manifested by unpaid Internal Revenue Service withholdings (some on the order of \$100,000), unpaid FICA withholdings, past due bills to creditors, unpaid salaries to employees, discontinued insurance premiums, no funding to address audit exceptions, and perhaps most importantly, an inability to maintain and operate their newly constructed capital projects (water & sewer facilities, schools, health clinics, electrical utilities, etc).
2. INCREASING INDIVIDUAL POVERTY. Many of the communities throughout the State which have sent petitions to the Governor's office asking that they be declared economic disaster areas, indicate that residents of these communities face serious personal deprivation as winter approaches. They attribute this to a loss of personal income and reductions in public sector programs.

There were three categories of disasters discussed: natural, individual and community economic dislocation. The State has existing programs in place that assist those facing natural and individual disasters. The Department of Military & Veterans Affairs (DMVA) has the capability to respond to natural disasters, (i.e., floods, earthquakes, fires). The Department of Health and Social Services (DHSS) and/or the Department of Labor (DOL) respond to individual economic distress through such institutional programs as Aid to Family with Dependent Children, Food

Stamps, Unemployment Benefits, etc. No current program exists that addresses the needs of communities suffering a wide scale economic dislocation, therefore, this committee focused on the broader question of economic dislocation of communities.

It is important to note that many inquiries were received from individuals and business enterprises who have also suffered economic distress. It was generally agreed that it is not the function of this Committee to mitigate the economic situation of private businesses. It is, however, necessary that a department or committee, with the appropriate technical knowledge, address this issue in the near future.

A wide range of discussion was held by the Committee with respect to defining economic dislocation, as well as the extent of the State's response to an economically dislocated community. While the Committee will not, in this overview, recap all of those discussions, suffice it to say that the Committee agreed that it would be unwise to create a new pool of money available for economic relief to communities upon application. The fear was that every community in Alaska would declare themselves an economic disaster and apply for payment.

RECOMMENDATIONS

In addressing how the State should assist a community suffering from economic dislocation, it was noted that strict definitional criteria could exclude communities that were in an obvious state of economic distress because they would not fit within the parameters of a specific definition. Therefore, it is the belief of the Committee that certain minimal standards should be established which would permit a greater degree of objectivity in declaring a community an economic disaster, but at the same time, would not restrict the State's response efforts.

1. It is the consensus of the Committee that there should be a lead agency, and that the Department of Community and Regional Affairs (C&RA) is best suited for this task.
2. The process would begin with a community submitting an application in the form of a resolution. The resolution would be submitted to C&RA and would request the Governor to declare the community an economic disaster. Applications would only be accepted from a community's governing body (i.e., city council, borough assembly, IRA council or traditional council). The resolution must state a willingness to submit to a full financial review, and abide by the recommendations made by C&RA to mitigate the disaster even when this includes layoff of employees and the shut-down of facilities. In conjunction with the resolution, the community should submit a complete statement of why, in their opinion, they are experiencing an economic disaster and a proposed mitigation plan identifying the community's efforts to resolve the situation.
3. C&RA would upon receipt of the resolution, community statement and mitigation plan, conduct a thorough analysis of the situation, and determine whether the community has the resources to overcome the problem locally, or whether State involvement is necessary. In that process, C&RA would be

*litigation liability
State's liability
Tried 10/21*

budget for help

Undermine Game Board

given authority to request technical assistance from other departments. For example, the Department of Environmental Conservation (DEC) may be asked to analyze water and sewer facilities to determine whether portions of those facilities could be safely shut down or integrated into a smaller system. DOL may be asked to provide statistical analysis which would be useful to C&RA concerning unemployment or other demographic information. The Department of Fish & Game (ADF&G) may be asked to determine wildlife and fisheries resources available for a possible special subsistence harvest, if appropriate. DHSS may be asked to provide technical assistance in expediting individual programs, such as food stamp distribution. DMVA would be called upon in the event that life, health or public safety of a community is threatened.

in concert w/ advisory - turn head off me

4. Upon completion of C&RA's analysis, they would provide the Governor with information that would include a description of the problem, a recommended course of action, possible solutions to prevent recurrence and a recommendation as to whether a declaration of economic disaster ought to be made.

5. When C&RA determines it applicable, the Department has the discretion to provide, or make arrangements, for management training for municipal officials.

Provision

6. The Committee understands that in many instances only the availability of additional funding will overcome the current crisis situation. Therefore, it is our recommendation that communities that qualify for economic disaster status may be permitted to borrow an amount equal to 50% of the community's FY87 municipal assistance and revenue sharing, with repayment being amortized over a five-year period. It is important to note here that it is implicit in the Committee's recommendation that revenue sharing and municipal assistance not be significantly reduced. (See Attachment 1 for documentation of impact of reduction in municipal assistance and revenue sharing on rural communities.) The source of this forward funding could be the newly created reserve account, a general fund appropriation, or other funding source. The loan fund allocated to C&RA would then be awarded by the Commissioner pursuant to a detailed spending plan by the community in conjunction with C&RA staff and only those expenditures which had the prior approval of the Department would be paid. Tracking, monitoring and auditing would conform to a similar process in place within DMVA for dealing with natural disasters.

7. When a community applies for economic disaster status, the Department of Commerce and Economic Development (DCED), in conjunction with DOL, should also review the application to determine whether a proclamation should be issued pursuant to AS 44.33.285 et seq.

10/20/80

8.

In the course of the review of applications for rural development block grants that additional points be allowed to those communities who have been declared an economic disaster.

Likas

9. The administration continue to support passage of SB263 which would provide an opportunity for granting agencies to relieve some communities' financial difficulties. (See Attachment 2)

complicated
RFW

10. DCED and ADF&G review the present situation of the fishing industry in southeast and western Alaska to determine the appropriateness of loan payment deferrals and recommendations for reallocation of stocks both by gear and species.

iii

11. In the event of widespread individual hardship, a contact should be established in your office to alert the proper agency's designees to work in conjunction with voluntary organizations who are active in disasters.

12. The administration should promote a ~~jobs bill that would~~ emphasize necessary capital projects normally completed by Alaska residents with additional consideration given to projects in communities declared economic disasters. This proposal should focus on small to medium sized projects that are going to be required in any event, and are merely accelerated by this process.

DEPARTMENT FISCAL NOTES

The attached fiscal note document the funding needs to effectuate this proposal. (See Attachment 3). It is estimated that the loan funds required would amount to million dollars. Technical assistance and administrative funds are estimated at one million two hundred and seventy three thousand. These funds would cover both FY88 and FY89.

CONCLUSION

The timing on this matter is critical. It is apparent that many communities (all of which are western villages), are on the brink of bankruptcy. Therefore, it is imperative that a decision regarding whether to proceed with this concept be implemented in an expeditious fashion. It is our hope that the timing of our recommendations are such as to provide you with adequate time to prepare your policy for dealing with economically distressed communities by November 11th, the date of the Alaska Municipal League conference.

"early legis. enactment of"

also "reduce ...
at ... no ..."

Fiscal Note

Local Government Assistance

Department of Community and Regional Affairs
Municipal and Regional Assistance Division

for
Economic Dislocation Committee
October 13, 1987

FY/88 SUPPLEMENTAL

Assuming beginning activities on February 1, 1988, the following reflects five months of new positions and the associated support funds:

<u>Objective</u>	<u>Funding</u>
Personal Services	\$147.0
Travel	66.0
Contractual Services	45.0
Supplies	-0-
Equipment	-0-
TOTAL	<u>\$258.0</u>

Note: This fiscal note reflects Local Government Specialists placed in five regional offices (Nome, Bethel, Dillingham, Fairbanks and Anchorage) that will provide direct assistance to the communities as well as one accountant which will provide very technical support to the on-site technicians. Additionally, the provision of effective direct technical assistance in rural Alaska requires extensive travel. This fiscal note allows for adequate travel to support staff while working in the affected communities. Finally, the development and distribution of technical assistance materials in support of the financial and accounting assistance is an integral part of the financial assistance and, therefore, is included in this request. The publications will be resource documents which remain with the communities; addressing such issues as estimating O&M costs for capital facilities, developing revenue options and projections, and establishing cash controls and accountability techniques.

FY/89 PROPOSED BUDGET

Personal Services	\$352.9	
Travel	158.0	
Contractual Services	149.0	
Supplies	2.0	
Equipment	139.0	(Data Processing)
Grants/Contracts	120.0	(Community Profiles
TOTAL	<u>\$920.9</u>	Computer Program)

NOTE: This portion of the fiscal note fully funds (for a 12 month period): six positions noted above in the FY 88 Supplemental, fully funds the increased travel associated with assisting communities with their financial problems, and provides funding for the contractual services associated with developing a full spectrum of financial publications necessary to provide communities with resource materials.

Additionally, the proposed FY 89 budget includes a Community Profiles Computer Program. In recent years, a major source of cash in rural Alaska was capital projects which created numerous short term construction jobs and a few longer term service positions. However, it is now clear that the sudden influx of capital projects created a fiscal time bomb in many rural communities and the communities are now about to feel its impact. With tighter constraints on funding and more stringent oversight, the magnitude of the problems resulting from a general lack of management and financial record keeping skills is coming to light. This situation has been exacerbated by the additional financial pressure placed on communities by the maintenance and operating costs of these same capital projects. Furthermore, if local governments lose the capacity to adequately maintain their recent installed infrastructure, these capital projects will fall quickly into disrepair and ruin, representing a loss to the State of well over 800 million dollars.

To establish a more precise base for future evaluation of community assistance needs and program responses, the Department proposes to establish and maintain a community profile database containing current information on the maintenance and operation characteristics, including costs, of all public facilities in each community. The condition of the extensive infrastructure erected in rural Alaska in recent years, and the impact on communities of maintaining and operating that infrastructure, are largely unknown factors. This database would also track information on the number of facilities which are inadequately maintained or are abandoned as a result of declining oil revenues.

With this information, and other local government and land-use information that would be included, the Department would be able to target its outreach assistance and training program to address the most serious problems such as how to maintain basic health and safety services and facilities. This database would also provide a basis for criteria for funding future capital projects or for appropriating funds to assure that at least the existing capital investments related to health and public safety are operated and maintained. This effort could be contracted out at an estimated cost of \$2,000 per community. If unincorporated communities are included, the number is around 250; however, the Department's short range strategy is address the most hard hit communities first. This year's funding request would provide funding for 60 communities with a focus on Interior regions. Once installed, the update and maintenance of this database could be covered by existing staff at no additional ongoing costs. (BRU: Local Government Assistance, 120.0)

Finally, the Department proposes to increase the capabilities of its regional office structure to respond effectively to the rural crisis. The strategy to achieve this is to improve the electronic communications and data processing capabilities of the Department's regional offices.

The strategy includes development of a centralized grants/contracts data base and information system. This provides funding for the purchase of new data processing equipment; upgrades in existing hardware and software; and maintenance of purchased equipment. (BRU: Administration and Support, 139.0)

MEMORANDUM

HB 419
State of Alaska

Community and Regional Affairs

TO: The Honorable Stephen McAlpine
Lieutenant Governor
Chairman, Economic Dislocation
Committee

DATE: November 24, 1987

FILE NO: 0010A/DGH/TKP/pp

STATE OF ALASKA

TELEPHONE NO: 465-4700

FROM: David G. Hoffman
Commissioner

SUBJECT: Economic Dislocation
Survey - Preliminary
Report

NOV 24 '87

LIEUTENANT GOVERNOR

Attached is a copy of the Preliminary Report on the Economic Dislocation Survey. This report provides a general picture of the struggle communities are facing as they continue their efforts to maintain public facilities and provide public services during these days of declining revenues.

As you are aware, Department staff are in the process of conducting a more extensive analysis of all available data (including information obtained from the Department's of Administration, Environmental Conservation, Revenue and Labor). The results of that analysis, together with specific recommendations for minimizing the problems communities are facing, will be presented in a final report in late December.

Since you received a copy of the report during the Alaska Municipal League Convention, the main purpose of this memorandum is to invite specific recommendations regarding what issues should be addressed in the final report.

In addition to the report, I have attached a copy of the survey questionnaire. Please feel free to identify any specific questions or combination of questions on which you would like us to report.

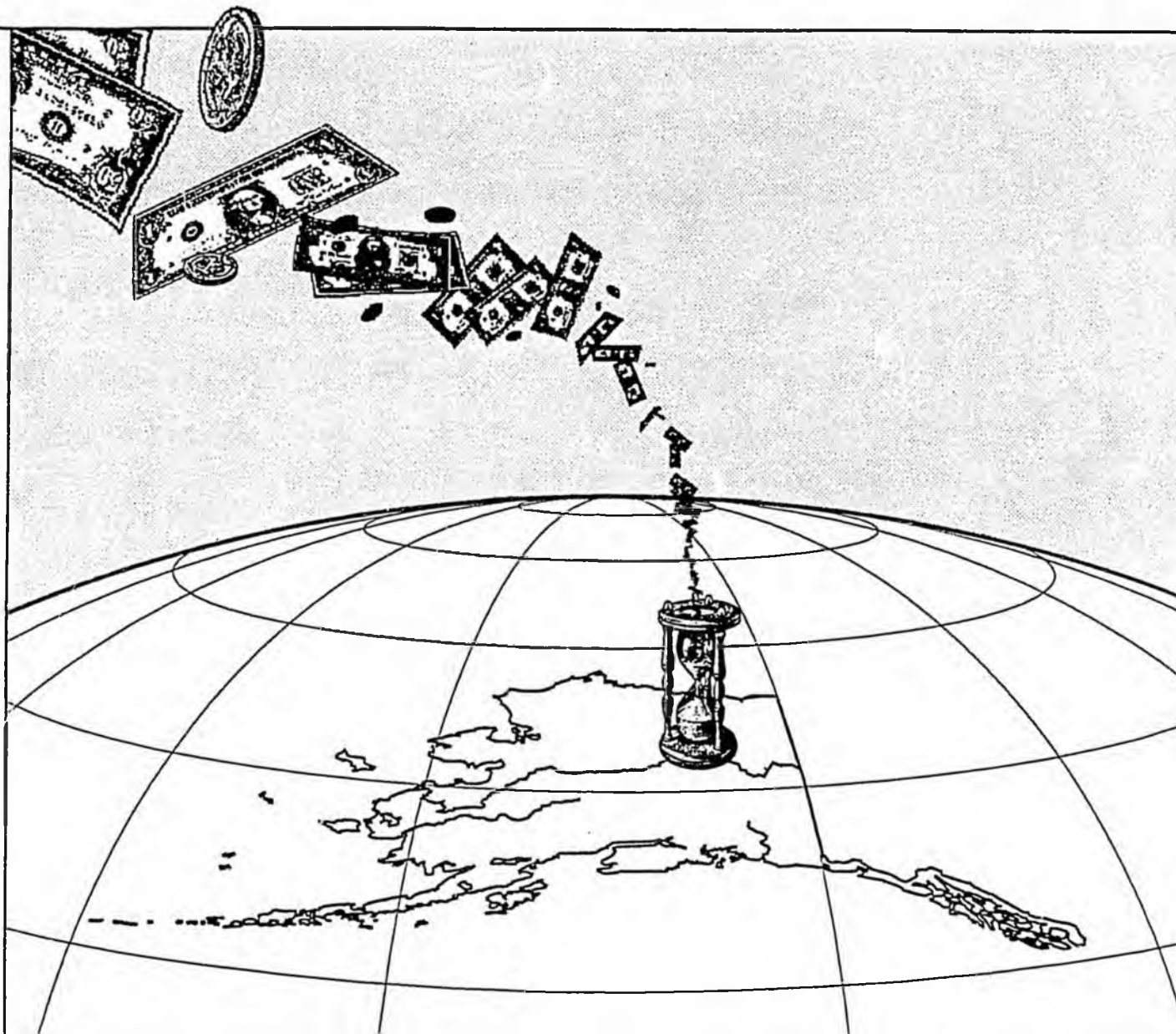
Attachments: as stated

cc: Marty Rutherford, Director
Municipal and Regional
Assistance Division

Mike Harper, Director
Rural Development Division

Remond Henderson, Director
Administrative Services

Preliminary Report On The Economic Dislocation Survey



State of Alaska
Steve Cowper, Governor

Department of Community and Regional Affairs
David G. Hoffman, Commissioner

November 1987



Preliminary Report On The Economic Dislocation Survey

Summary

The Department of Community and Regional Affairs surveyed 128 cities across the state for the Economic Dislocation Survey. The results of this survey indicate the downturn in the state's economy have resulted in significant effects to Alaska's small cities. As the full impacts of the State's economy filter out to small cities there could be even more significant results.

Basic public health and safety services such as fire, police, health, water and sanitation have been reduced across the State in an effort to accommodate declining revenues. Cities in the Yukon-Kuskokwim Delta, Bering Straits region, Northwest Arctic Borough, and the Doyon region appear to be the most negatively impacted. However, every region of the State reports an increase in the number of cities with residents who are having difficulty paying for municipal services.

The smaller second class cities are more dependent upon State Revenue Sharing than the large municipalities. If further reductions occur in this program it could result in even greater cuts to basic municipal services. Because of local economic conditions it is unlikely that most cities will be able to increase taxes or service charges to fund public health and safety services.

Finally, the survey indicates that a significant number of cities are reporting population movements into or out of communities in search of work. It appears that the largest share of migrating families from small cities are moving to Alaska's urban centers.

Introduction

During October, 1987, the Department of Community and Regional Affairs, Division of Municipal and Regional Assistance, conducted a telephone survey of top city officials of Alaskan municipalities. The survey was designed to gather information on the economic impacts currently experienced by those municipalities outside of the major metropolitan areas.

This preliminary survey data has been presented on a statewide basis, by regions of the state, and by community size. The intent of the survey is to focus upon the more profound and widespread economic issues confronting Alaskan communities. The Department plans to release a more complete report and analysis of the survey data in December.



Municipal FY 88 Budget Reductions

With the recent downturn in the state's economy there has been a reciprocal reduction in municipal revenues and expenditures. For the cities in the survey sample, it appears that an overwhelming majority have reduced budgets this fiscal year. The Department will be incorporating additional data once the analysis of this year's Revenue Sharing and Municipal Assistance applications is complete. The following three charts present municipal budget reductions statewide, by region, and by city size:

Chart 1. Percentage of Surveyed Municipalities with Budgets Reduced From Previous Year

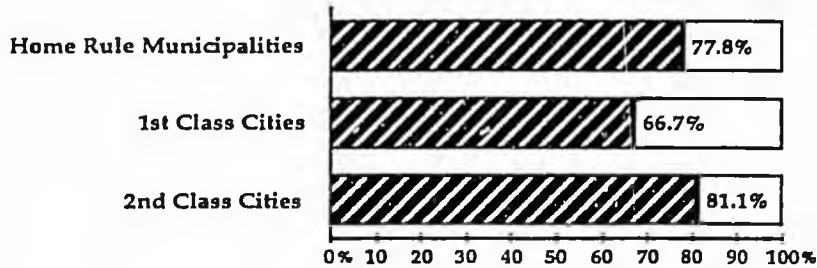


Chart 2. Percentage of Surveyed Municipalities (By Region) With Budgets Reduced From Previous Year

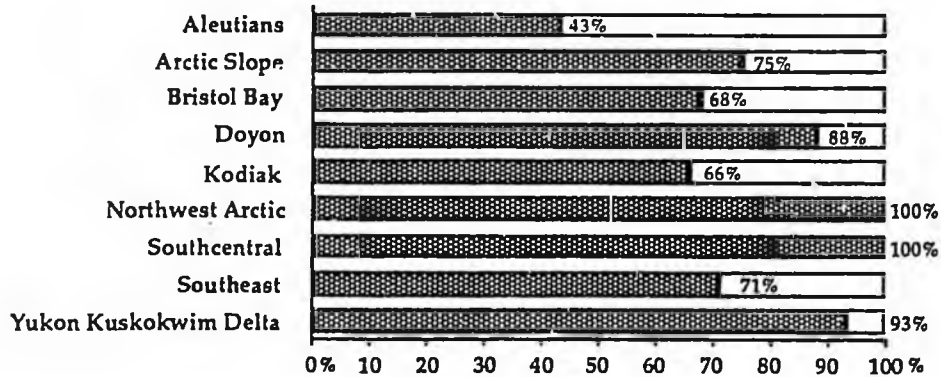
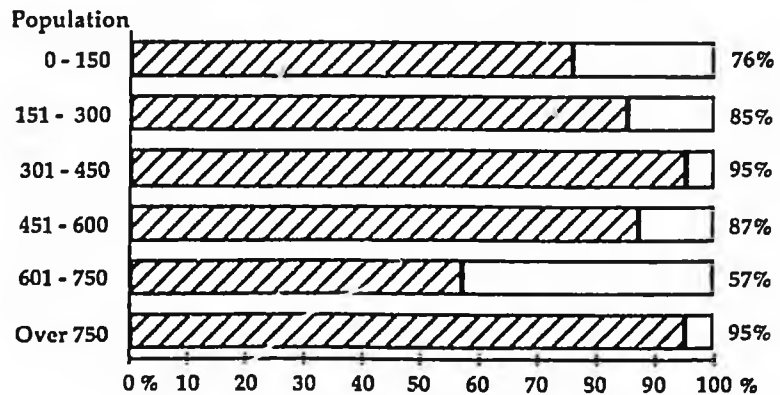


Chart 3. Percentage of Surveyed Municipalities (By Community Size) with Budgets Reduced From Previous Year



Municipal Services Reductions

The reductions in State Revenue Sharing (SRS) and Municipal Assistance (MA) combined with the downturn in locally generated municipal revenues have resulted in a reduction in the services provided by cities. Of the cities surveyed, 95% have had to reduce at least one service. The charts below indicate which services have been reduced this year; statewide, and by region:

Chart 4. Percentage of Surveyed Municipalities Statewide which Have Reduced Services This Year

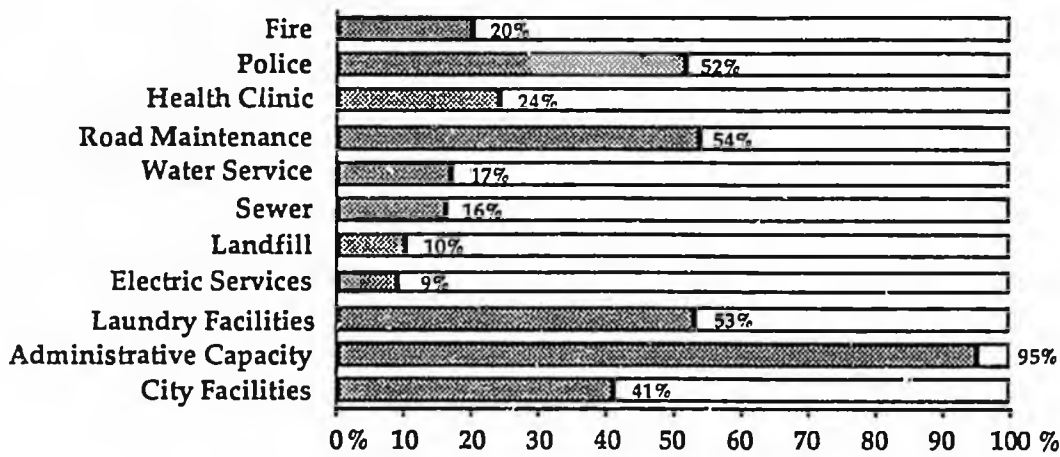


Chart 5. Percentage* of Surveyed Municipalities (By Region) Which Have Reduced Essential Services

For each service, the three regions with the greatest percentages of reductions are highlighted

	Fire	Police	Health	Maintain Roads	Water	Sewer
Aleutians	- 0 -	40	17	40	17	- 0 -
Bering Straits	27	90	67	67	13	- 0 -
Bristol Bay	26	33	12	32	7	- 0 -
Doyon	21	20	23	37	24	11
Kodiak	33	- 0 -	25	67	17	20
Northwest Arctic	- 0 -	100	44	44	33	50
Southcentral	7	22	38	36	8	9
Southeast	16	58	28	47	17	29
Yukon Kuskokwim Delta	42	56	35	52	22	9

Note: The above percentages are based upon those cities providing services. Services for the Arctic Slope region are provided by the North Slope Borough.

The reduced ability of families to pay municipal service charges compounds the problem of reduced city revenues. The following charts identify where the impacts of reduced ability to pay for municipal services are being experienced:

Chart 6. Percentage of Surveyed Municipalities (By Region) Reporting An Increased Number Of Families Experiencing Difficulty In Paying For Services

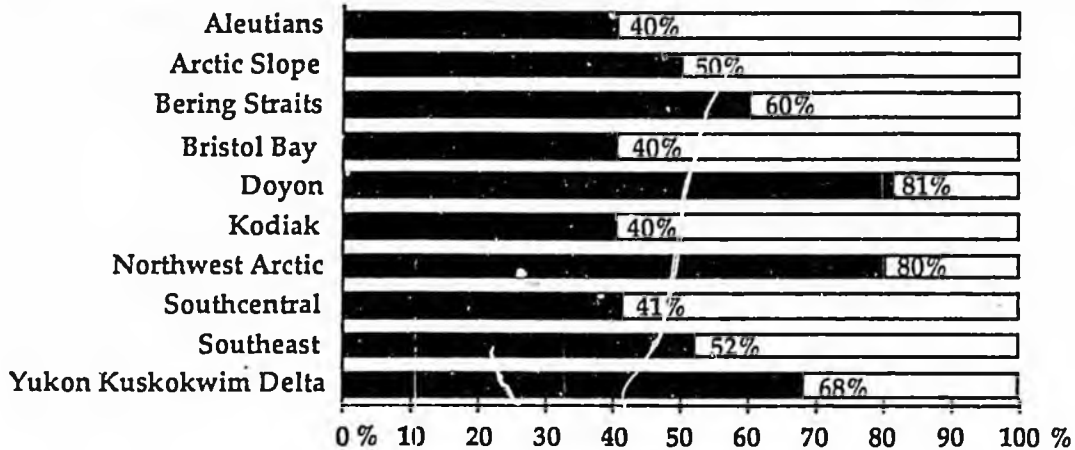
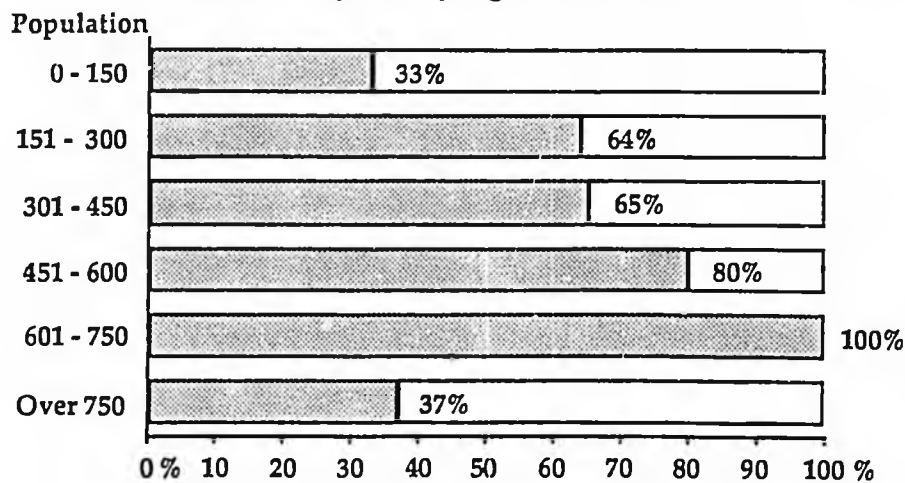


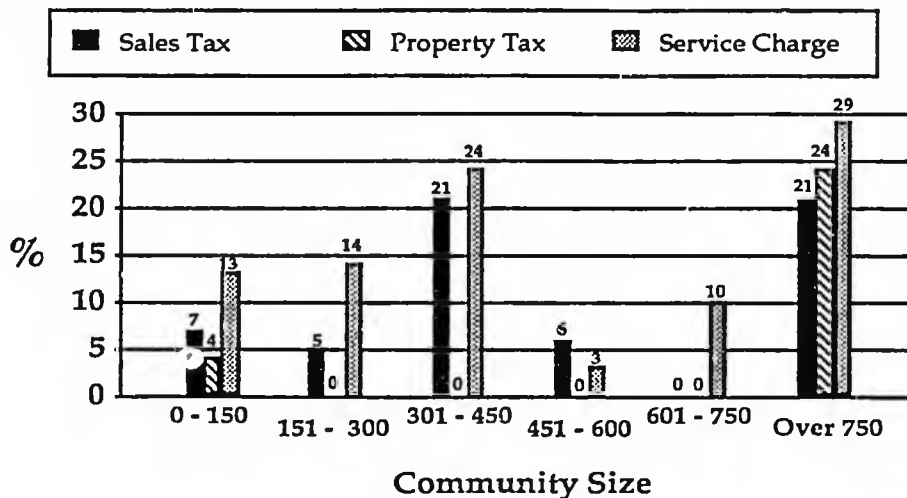
Chart 7. Percentage of Surveyed Municipalities (By Community Size) Reporting An Increased Number Of Families Experiencing Difficulty In Paying For Services



Municipal Efforts And Ability to Increase Revenues

Even though 43% of the cities surveyed report that their citizens are not as well off this year as last year, the survey shows that a significant number of municipalities have increased local revenues. Traditionally, cities raise needed revenues by introducing or increasing sales taxes, property taxes and service charges. The lack of a strong local economic base and little taxable property make it difficult for small rural cities to increase revenues through these traditional means. To institute new or higher taxes could further stress a fragile economic structure. The chart below identifies how many of the cities surveyed have been able to increase locally generated revenues.

Chart 8. Percentage of Surveyed Municipalities (By Community Size) Which Have Raised Taxes And Service Charges



SRS/MA Impact on Municipal Budgets

Each year the State Revenue Sharing (SRS) and Municipal Assistance (MA) programs provide municipalities with essential operating revenues. The reduction in funding for each of these two programs from FY '86 to FY '88 amount to a little less than 32%. These reductions have an especially large impact on the second class cities as a significant portion of their budgets come from these program sources.

Migration of Residents From Rural Small Cities

The recent migration of urban residents from the state's major cities to points outside of Alaska is directly related to the downturn in the state economy. Residents of Alaska's smaller cities are also migrating out of state, or into the larger Alaskan cities. Forty two percent of the cities surveyed reported that local residents were economically worse off this year than they were in the previous year. The following charts indicate the pattern of migration occurring in rural small cities as reported by the municipalities surveyed:

Chart 10. Percentage of Surveyed Municipalities (By Region) Reporting Population Migration

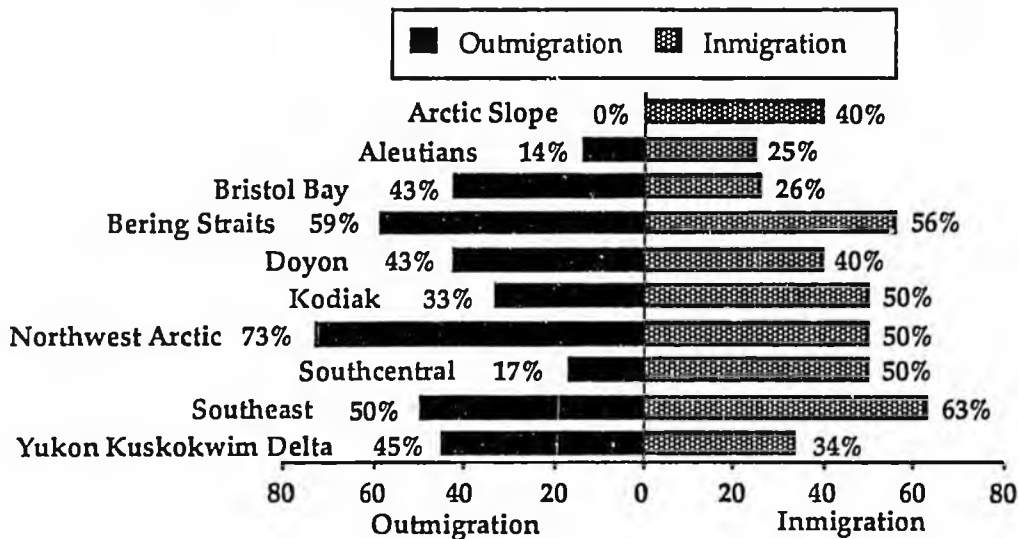
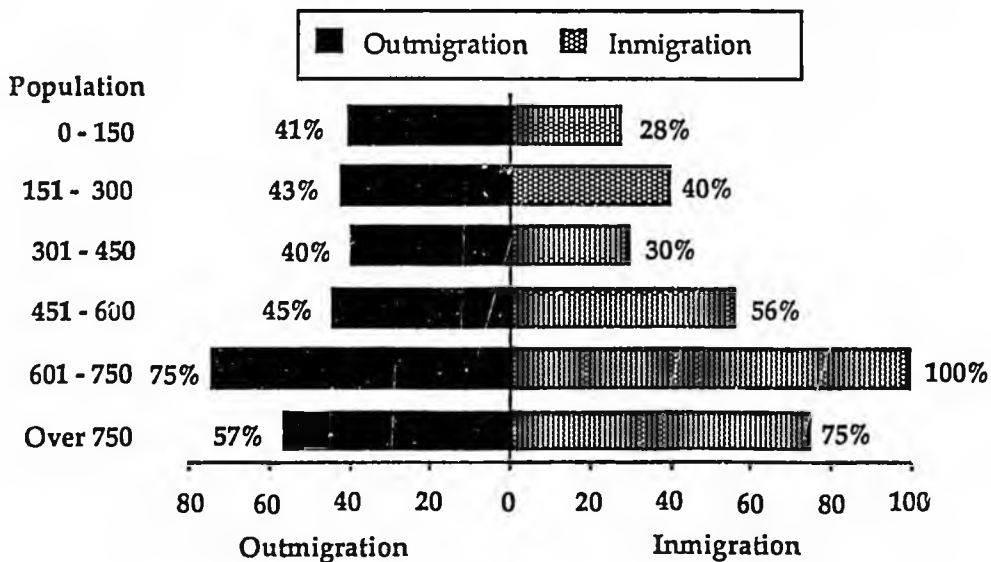
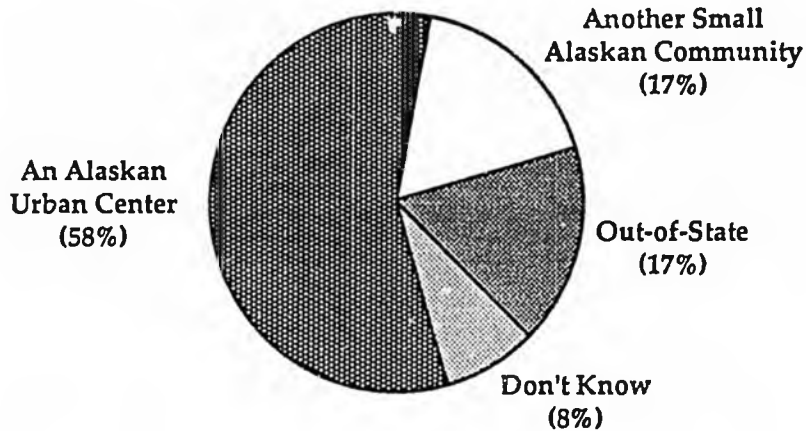


Chart 11. Percentage of Surveyed Municipalities (By Community Size) Reporting Population Migration



The municipal officials surveyed reported that a only a small percentage of migrating residents were remaining in rural Alaska. The greatest number of people were moving into urban regional centers and the state's larger cities. The chart below indicates where people were reported primarily to be moving.

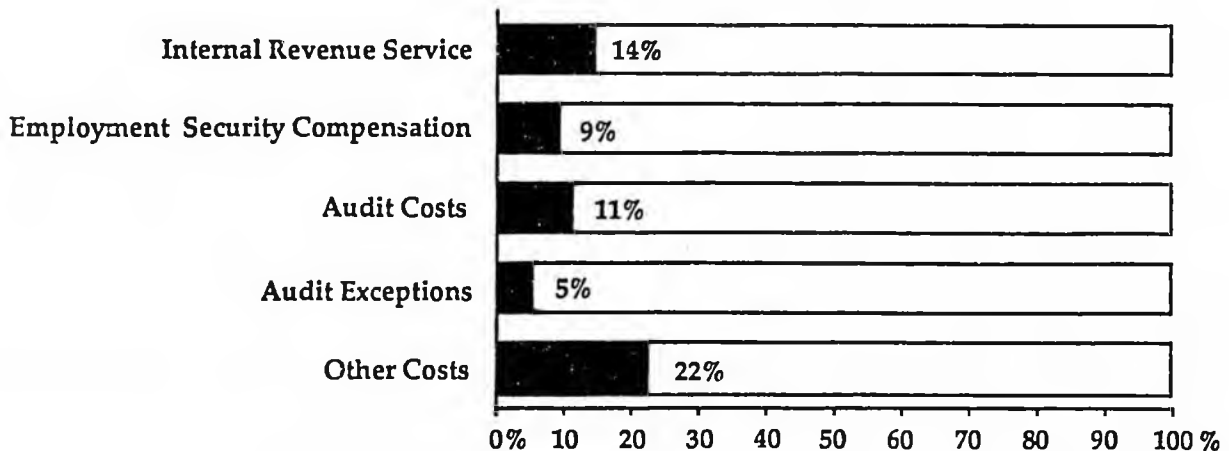
**Chart 12. Destination Of Outmigrants
As Reported By Surveyed Municipalities**



Additional Municipal Debts

A significant number of small rural cities have incurred additional debts this year, placing increased pressure on limited budgets. The following chart identifies what percentage of the cities surveyed have encumbered what kinds of increased debt:

**Chart 13. Percentage of Surveyed Municipalities Statewide
Reporting Difficulty In Paying Debts**



Municipal Recommendations

Each city surveyed was asked how the local economic situation could be improved. As expected there was a wide range of responses. However, there were several important areas of concurrence:

- The State needs to help cities develop facilities which enhance the utilization of local natural resources and provide a sound economic base. For instance, a dock in Akutan or a tourism project in Emmonak.
- Increase the amount of State Revenue Sharing and Municipal Assistance funding or, at a minimum, not reduce those funding sources. Many cities also expressed a desire to have SRS funding for roads brought back to full funding.
- Provide financial management technical assistance to the smaller cities.
- Help cities reduce the cost of insurance rates.
- Fund capital construction programs which will provide jobs to local residents.

Future DCRA Reports and Response to Survey

DCRA will do a thorough analysis of the community survey data prior to the Legislative session. Survey data will be combined with Revenue Sharing program data to identify trends and prepare a report with sufficient detail to support deliberations by the Governor and Legislature. The future report will address the amount of funds which are needed to preserve the capital investment which the State has made in community facilities. An assessment of the ability of local governments to raise the funds to maintain these facilities will also be included in the final report.

Many of the recommendations made by the surveyed communities are currently being addressed by DCRA. The Department's new Rural Economic Development Initiative (REDI) program is designed to address the need for funds to support local economic development. Municipal and Regional Assistance Division staff are developing training materials and will be providing financial management assistance to many of the communities surveyed.

In addition, the Department will be coordinating with the Department of Environmental Conservation and Public Health Service to identify communities who may be shutting down water, sewer or washeteria services in order to provide them emergency assistance. Coordination with other agencies will be initiated as the nature of local problems is more thoroughly assessed during the next two months.



ECONOMIC DISLOCATION SURVEY

INTERVIEWER: _____

COMMUNITY: _____

REGION: ___ Arctic Slope Region ___ Doyon
 ___ Northwest Arctic ___ Bering Straits
 ___ Y-K Delta ___ Bristol Bay
 ___ Aleutians ___ Kodiak
 ___ Southcentral ___ Prince William Sound
 ___ AHTNA ___ Southeast

POPULATION: _____ CLASS: ___ First Class City
(Round to nearest 50) ___ Second Class City
 ___ Community Association
 ___ Traditional/IRA Council

PERSON INTERVIEWED
IS THE: ___ Mayor (or chief elected official)
 ___ City Manager (or organization official)
 ___ City Clerk ___ City Administrator
 ___ Councilmember ___ Vice Mayor

LENGTH OF TIME IN POSITION:
 ___ Less than 1 yr. ___ 1 to 3 yrs.
 ___ 3 to 5 yrs. ___ More than 5 yrs.

The purpose of this survey is to determine what affect the slow down in the Alaskan economy is having in rural communities.

There are several parts to the survey, all of which attempt to get a more accurate picture of the financial health of rural communities. Information collected from the survey will be compiled to give regional profiles. Information on individual communities will not be a part of the report.

To help determine what the economic situation in your region of the State, please answer the following questions.

I. MUNICIPAL INCOME

1. Is your operating budget less this fiscal year than last years' budget? ___ Yes ___ No ___ Don't Know

If your budget is less, which of the following best describes the budget amount?

___ 50% or less than last years budget
___ 50% to 75% of last years budget
___ Between 75% and 100% of last years budget
___ Don't Know

2. Has your city increased, or is your city going to increase its tax rate for this fiscal year?

Sales Tax Yes ___ No ___ Amount of Increase _____

Property Tax Yes ___ No ___ Amount of Increase _____

3. Thinking about the future of your community over the next couple of years, how would you describe its financial situation?

___ Critical ___ Serious ___ Concerned ___ Acceptable ___ No Problem

II. MUNICIPAL/COMMUNITY SERVICES

1. Does your community provide fire protection? Yes ___ No ___

If yes, has your community had to reduce the level of this service in any way? Yes ___ No ___

Have energy costs been a factor in the reduction of this service? ___ Yes ___ No ___ Don't Know

How has the community reduced the level of this service?

- | | |
|-----------------------|---|
| ___ Reduced Positions | ___ Reduced Salaries |
| ___ Reduced Training | ___ Equipment not Replaced |
| ___ Reduced Insurance | ___ Materials not Replaced |
| ___ Reduced Hours | ___ Reduced Operational and Maintenance Dollars |

If the current financial situation continues will you be able to continue this service? ___ Yes ___ No ___ Don't Know

2. Does your community provide police protection beyond having a VPSO position?

___ Yes ___ No ___ Don't Know

If yes, has your community had to reduce the level of this service in any way? ___ Yes ___ No ___ Don't Know

If yes, how has the community reduced the cost of providing this service?

- | | |
|-----------------------|---|
| ___ Reduced Positions | ___ Reduced Salaries |
| ___ Reduced Training | ___ Equipment not Replaced |
| ___ Reduced Insurance | ___ Materials not Replaced |
| ___ Reduced Hours | ___ Reduced Operational and Maintenance Dollars |

If the current financial situation continues will you be able to continue this service? ___ Yes ___ No ___ Don't Know

3. Does your community provide funding for the provision of a community health clinic?

Yes No Don't Know

If yes, has your community had to reduce the level of this service in any way? Yes No Don't Know

Have energy costs been a factor in the reduction of this service? Yes No Don't Know

How has the community reduced the level of this service?

<input type="checkbox"/> Reduced Positions	<input type="checkbox"/> Reduced Salaries
<input type="checkbox"/> Reduced Training	<input type="checkbox"/> Equipment not Replaced
<input type="checkbox"/> Reduced Insurance	<input type="checkbox"/> Materials not Replaced
<input type="checkbox"/> Reduced Hours	<input type="checkbox"/> Reduced Operational and Maintenance Dollars

If the current financial situation continues will you be able to continue this service? Yes No Don't Know

4. Does your community provide road maintenance?

Yes No Don't Know

If yes, has your community had to reduce the level of this service in any way? Yes No Don't Know

Have energy costs been a factor in the reduction of this service? Yes No Don't Know

How has the community reduced the level of this service?

<input type="checkbox"/> Reduced Positions	<input type="checkbox"/> Reduced Salaries
<input type="checkbox"/> Reduced Training	<input type="checkbox"/> Equipment not Replaced
<input type="checkbox"/> Reduced Insurance	<input type="checkbox"/> Materials not Replaced
<input type="checkbox"/> Reduced Hours	<input type="checkbox"/> Reduced Operational and Maintenance Dollars
<input type="checkbox"/> Reduced Testing	

If the current financial situation continues will you be able to continue this service? Yes No Don't Know

5. Does your community provide water service?

Yes No Don't Know

If yes, has your community had to reduce the level of this service in any way? Yes No Don't Know

Have energy costs been a factor in the reduction of this service? Yes No Don't Know

How has the community reduced the level of this service?

- | | |
|--|--|
| <input type="checkbox"/> Reduced Positions | <input type="checkbox"/> Reduced Salaries |
| <input type="checkbox"/> Reduced Training | <input type="checkbox"/> Equipment not Replaced |
| <input type="checkbox"/> Reduced Insurance | <input type="checkbox"/> Materials not Replaced |
| <input type="checkbox"/> Reduced Hours | <input type="checkbox"/> Reduced Operational and |
| <input type="checkbox"/> Reduced Testing | <input type="checkbox"/> Maintenance Dollars |
-

If the current financial situation continues will you be able to continue this service? Yes No Don't Know

Has the community raised rates for this service in the last year? Yes No Don't Know

How does your city bill for this service?
 Flat Rate Metered Charge No Billing Don't Know

Does your city have a special billing rate for institutional users (schools) and commercial users (canneries)?
 Yes No Don't Know

[What are the rates for the following users:
 Residential Institutional Commercial]

6. Does your community provide sewer service?
 Yes No Don't Know

If yes, has your community had to reduce the level of this service in any way? Yes No Don't Know

Have energy costs been a factor in the reduction of this service? Yes No Don't Know

How has the community reduced the level of this service?

- | | |
|--|--|
| <input type="checkbox"/> Reduced Positions | <input type="checkbox"/> Reduced Salaries |
| <input type="checkbox"/> Reduced Training | <input type="checkbox"/> Equipment not Replaced |
| <input type="checkbox"/> Reduced Insurance | <input type="checkbox"/> Materials not Replaced |
| <input type="checkbox"/> Reduced Hours | <input type="checkbox"/> Reduced Operational and |
| | <input type="checkbox"/> Maintenance Dollars |
-

If the current financial situation continues will you be able to continue this service? Yes No Don't Know

Has the community raised rates for this service in the last year? Yes No Don't Know

How does your city bill for this service?
 Flat Rate Metered Charge No Billing Don't Know

Does your city have a special billing rate for institutional users (schools) and commercial users (canneries)?
 Yes No Don't Know

[What are the rates for the following users:
 Residential Institutional Commercial]

7. Does your community provide landfill services?
 Yes No Don't Know

If yes, has your community had to reduce the level of this service in any way? Yes No Don't Know

If yes, how has the community reduced the level of this service?

- | | |
|--|--|
| <input type="checkbox"/> Reduced Positions | <input type="checkbox"/> Reduced Salaries |
| <input type="checkbox"/> Reduced Training | <input type="checkbox"/> Equipment not Replaced |
| <input type="checkbox"/> Reduced Insurance | <input type="checkbox"/> Materials not Replaced |
| <input type="checkbox"/> Reduced Hours | <input type="checkbox"/> Reduced Operational and |
| <input type="checkbox"/> Reduced Pick up | <input type="checkbox"/> Maintenance Dollars |
-

If the current financial situation continues will you be able to continue this service? Yes No Don't Know

Has the community raised rates for this service in the last year? Yes No Don't Know

How does your city bill for this service?
 Flat Rate Metered Charge No Billing Don't Know

Does your city have a special billing rate for institutional users (schools) and commercial users (canneries)?
 Yes No Don't Know

[What are the rates for the following users:
 Residential Institutional Commercial]

8. Does your community own the electrical utility service?
 Yes No Don't Know

If yes, has your community had to reduce the level of this service in any way? Yes No Don't Know

Have energy costs been a factor in the reduction of this service? Yes No Don't Know

How has the community reduced the level of this service?

- | | |
|--|--|
| <input type="checkbox"/> Reduced Positions | <input type="checkbox"/> Reduced Salaries |
| <input type="checkbox"/> Reduced Training | <input type="checkbox"/> Equipment not Replaced |
| <input type="checkbox"/> Reduced Insurance | <input type="checkbox"/> Materials not Replaced |
| <input type="checkbox"/> Reduced Hours | <input type="checkbox"/> Reduced Operational and |
| | <input type="checkbox"/> Maintenance Dollars |
-

If the current financial situation continues will you be able to continue this service? Yes No Don't Know

Has the community raised rates for this service in the last year? Yes No Don't Know

How does your city bill for this service?

Flat Rate Metered Charge No Billing Don't Know

Does your city have a special billing rate for institutional users (schools) and commercial users (canneries)?

Yes No Don't Know

What would happen to this service if power cost equalization funds were reduced?

Severe reduction Moderate reduction
 No reduction Don't Know

9. Does your community own and operate a laundry facility?

Yes No Don't Know

If yes, has your community had to reduce the level of this service in any way? Yes No Don't Know

Have energy costs been a factor in the reduction of this service? Yes No Don't Know

How has the community reduced the level of this service?

<input type="checkbox"/> Reduced Positions	<input type="checkbox"/> Reduced Salaries
<input type="checkbox"/> Reduced Training	<input type="checkbox"/> Equipment not Replaced
<input type="checkbox"/> Reduced Insurance	<input type="checkbox"/> Materials not Replaced
<input type="checkbox"/> Reduced Hours	<input type="checkbox"/> Reduced Operational and
<input type="checkbox"/> Reduced Pick up	<input type="checkbox"/> Maintenance Dollars

If the current financial situation continues will you be able to continue this service? Yes No Don't Know

Has the community raised rates for this service in the last year? Yes No Don't Know

[What are the rates for the following:

Washers Dryers]

10. Does your city or community organization employ administrative personnel?

Yes No Don't Know

If yes, has your community had to reduce this expense?

Yes No Don't Know

If yes, how has the community reduced the cost of providing this service?

<input type="checkbox"/> Reduced Positions	<input type="checkbox"/> Reduced Salaries
<input type="checkbox"/> Reduced Training	<input type="checkbox"/> Equipment not Replaced
<input type="checkbox"/> Reduced Insurance	<input type="checkbox"/> Materials not Replaced
<input type="checkbox"/> Reduced Hours	<input type="checkbox"/> Reduced Operational and
	<input type="checkbox"/> Maintenance Dollars

If your community has had to reduce positions, how many have been cut back this year? _____

11. Does your city/community own and operate facilities, such as a community hall? ___ Yes ___ No ___ Don't Know

If yes, has your community had to reduce the expense of providing this service in any way?
___ Yes ___ No ___ Don't Know

Have energy costs been a factor in the reduction of this service? ___ Yes ___ No ___ Don't Know

How has the community reduced the level of this service?

- | | |
|-----------------------|---|
| ___ Reduced Positions | ___ Reduced Salaries |
| ___ Reduced Training | ___ Equipment not Replaced |
| ___ Reduced Insurance | ___ Materials not Replaced |
| ___ Reduced Hours | ___ Reduced Operational and Maintenance Dollars |

If the current financial situation continues will you be able to continue to maintain these facilities?
___ Yes ___ No ___ Don't Know

III. COMMUNITY FINANCIAL HEALTH

1. Are your community's residents as well off this year as last year?

___ Better ___ About the Same ___ Worse

If worse, why do you feel this situation has occurred?

- | | |
|------------------------|-----------------------|
| ___ Bad Fishing Season | ___ No fires to fight |
| ___ No local Projects | ___ Fewer School Jobs |
| ___ _____ | ___ _____ |
| ___ _____ | ___ _____ |

2. Has your city/community been asked by other agencies or non-profits to help fund additional services this year?
___ Yes ___ No ___ Don't Know

If yes, what services have you been asked to add?

3. This year, have you noticed an increase in the number of families that are having difficulty paying service charges on time? ___ Yes ___ No ___ Don't Know

4. Does the city cut off services to residents who can not pay for services? Yes No Don't Know
5. Have there been families moving out of the community this year to look for work?
 Yes No Don't Know

If yes, have most moved to one of the following:

Urban center Another Village Out of State Don't Know

6. Have families moved into your community looking for employment this year?
 Yes No Don't Know
7. Does your city/community need additional technical assistance to deal with present and future economic problems?
 Yes No Don't Know
8. Has your community ordered sufficient fuel for this winter?
 Yes No Don't Know
9. Is your community having trouble with debts associated with the following: (check if problem exists)
- | | |
|--|---|
| <input type="checkbox"/> IRS Debt | <input type="checkbox"/> ESC Debt |
| <input type="checkbox"/> Large Audit Costs | <input type="checkbox"/> Cost of Audit Exceptions |
| <input type="checkbox"/> Other _____ | |

10. What could be done to help the economic situation in your community?

11. Does your city/community carry any liability insurance?
 Yes No Don't Know
12. Does your city/community carry any property loss insurance?
 Yes No Don't Know

FOSTER Program: Questions and Answers

QUESTION: WHAT DOES "FOSTER" STAND FOR?

ANSWER: "Financial Outreach Services To Enhance Recovery"

QUESTION: WHAT IS "FOSTER"?

ANSWER: FOSTER is a program to help communities that have immediate and critical financial problems. It is a two part package for financially distressed communities: 1. A loan fund for those communities facing economic disaster; 2. Financial management assistance for those communities that need that help.

Loans from the loan fund will be used to pay one-time, short term city debts. Repayment will begin after two years, with a payback period of five to ten years.

Financial management training and specialized technical assistance will be provided to help communities deal with severe money problems. This training and assistance will be provided by five financial specialists ("Municipal Finance Analysts") located in regional offices of the Department of Community and Regional Affairs. These specialists will operate as part of a team with other Department staff to provide a complete range of services including city management, financial management, bookkeeping, and planning.

QUESTION: WHAT HAPPENS IF COMMUNITIES DON'T PAY THE LOAN BACK?

ANSWER: No payment is due for two years. After two years, the community has the option of setting up a repayment schedule, or paying off the loan in a lump sum, or the State may withhold a small percentage of that community's revenue sharing each year until the loan is repaid.



QUESTION: WHY IS THE PROGRAM NEEDED?

ANSWER: FOSTER is an attempt to meet the need for immediate financial help to numerous cities that have severe problems caused by the recent economic downturn. A cabinet subcommittee, chaired by Lt. Gov. Stephen McAlpine and involving several state departments and staff from the Governor's Office, held meetings around Alaska to gather information on the state of economically distressed communities. The subcommittee found that many communities are nearing financial collapse.

A survey of communities conducted by the Department of Community and Regional Affairs shows the extent of the problem in more detail. Results of that survey are expected to be released in a few weeks.

QUESTION: WHY A LOAN PROGRAM; WHY NOT GRANTS?

ANSWER: Many of the problems facing communities today result, at least in part, from thinking that State money would always be available. Grants could serve to reinforce those beliefs, which would only put off the day that the problem must be faced and solved. Loans will provide "breathing space" to local governments, giving them time to get administrative systems in order and develop an approach to meet needs and obligations. The technical assistance program will contribute to the process by providing training and specialized knowledge. While grants tend to create dependency, loans can promote self-reliance and self-esteem, giving communities the sense that they can solve their own problems.

QUESTION: HOW CAN COMMUNITIES WITH SEVERE FINANCIAL PROBLEMS PAY BACK LOANS?

ANSWER: Loans would be limited to half of the amount received by the city the previous year from the state's municipal assistance and revenue sharing program, and would have a grace period of two years before repayment begins. The average loan amount is expected to range from a low of \$15,000 to a high of \$40,000. Since payments would be spread out over a period of five to ten years, the burden of repayment is not expected to be overwhelming for communities once their financial systems are in order.

QUESTION: WHY SHOULD THE STATE BAIL OUT COMMUNITIES?

ANSWER: This is not a "bail out" program. It provides time for communities to get the training and the help to put their own affairs in order. In most cases, the problems are a result of the lack of trained personnel in the community with the necessary technical skills to manage a community's finances. A secondary cause may be the recent availability of large grants leading to the unprecedented growth of facilities which must now be maintained.

QUESTION: WHAT COMMUNITIES WILL BE ELIGIBLE AND HOW DO THEY APPLY?

ANSWER: Exact eligibility requirements have not yet been established by the Department. Assistance will be directed towards those communities which have been identified as financially distressed. Application will be made by the local governing body which must agree to a financial review by the Department. In severe cases, the community may have to agree to financial oversight by the Department.

QUESTION: DOES DCRA WANT TO TAKE OVER COMMUNITIES?

ANSWER: " No. The Department firmly believes that the operation of local governments is a responsibility of the mayor and council. There is no intention to impose conditions on communities without the approval of the governing body.

QUESTION: HOW WILL THE ASSISTANCE BE MADE AVAILABLE?

ANSWER: Two categories of assistance are being considered for the program. The less structured category will require a commitment by the council and mayor to work with the department to resolve the financial problems. This is similar to existing agreements for the Department's Circuit Rider Training Program.

The more structured will involve helping the council and mayor develop a financial management plan and assist them to qualify for a loan from the community economic disaster loan fund. This may help to "take the heat off" of communities, assuring creditors, such as the IRS, that problems will be resolved and debts will be paid.

Key to the program, however, will be the involvement of the council, mayor and staff of the community. Past experience has shown that unless local residents are involved in the problem solving process, no lasting resolution will result.

QUESTION: WILL A COMMUNITY'S FINANCIAL SITUATION BE MADE PUBLIC?

ANSWER: As public bodies, the State and cities have to conduct operations in the light of day. Financial transactions are public information and a community's financial situation is a matter of public record. However, the Department will not publicize the plight of any particular community. The intent is not to embarrass any community but to help the community solve its problems.

QUESTION: WHY CAN'T DCRA PROVIDE ASSISTANCE WITHOUT ADDITIONAL FUNDING?

ANSWER: In order to address the problem of municipalities facing financial disaster, a significant commitment of resources will be necessary. To avoid severe cuts in other services, the Department needs additional staff and additional expertise and also needs the funds for the loan program. The staff and loan funds will complement each other to provide the complete assistance package necessary.

QUESTION: HOW MUCH FUNDS ARE BEING REQUESTED?

ANSWER: For Fiscal Year 1989, the Governor has requested \$1,251,000. \$600,000 for the community disaster loan fund, and \$651,000 for the technical assistance program.

QUESTION: WHEN WILL THE PROGRAM START AND WHEN CAN COMMUNITIES APPLY FOR ASSISTANCE?

ANSWER: The Department is already providing limited assistance to some communities. The FOSTER program will be implemented as soon as the Legislature approves the program and the appropriate bill is signed into law by the Governor. Because of the urgent need, the Department is establishing loan eligibility criteria and will be ready to hire staff as soon as funds are received. The Department will make every effort to ensure that communities needing assistance are fully involved in the program well before December 1988.

QUESTION: WHAT INTEREST RATE WILL BE CHARGED FOR THE LOAN PROGRAM?

ANSWER: While the exact interest rate for loans has not been determined, the Department expects that low or no interest will be charged.

QUESTION: WHAT WILL THE "FOSTER" STAFF ACTUALLY DO?

ANSWER: FOSTER staff will be based in regional offices to deliver services directly to financially ailing communities. Examples of the services these people will provide include:

- detailed analysis of existing financial condition of cities;
- recommendations to local governments resulting from the analysis, regarding such areas as financial management systems, sources of revenue, and financing local utilities and services;
- assistance to cities in implementing recommendations and local financial plans;
- training staff and elected officials in municipal finance management.

QUESTION: WHY NOT GIVE THE "FOSTER" STAFF MONEY DIRECTLY TO COMMUNITIES?

ANSWER: Given the extent of the problem, the amount of money requested is extremely limited. On a per community basis, it will not amount to very much at all. The most efficient use of these funds is to support a team of financial management experts who will provide a high level of specialized assistance and training to many communities.

QUESTION: WHY NOT CONTRACT OUT INSTEAD OF HIRING NEW STAFF?

ANSWER: There are many situations in which contracting services is better than hiring staff. This is not one of those situations. The FOSTER program will be better served through a staff of financial specialists assigned to regional offices. The Department's cost analysis indicates that more communities could be served by staff than through contracted services. Accessibility of the services in rural regions will also be assured, which is not always easy to do on a contractual basis.

The financial specialists will be integrated into the Department's organization, becoming part of the assistance team. This will allow for efficient transfer of information between existing staff and the new specialists. For the continuous long-term approach needed to resolve community financial problems, regionally based permanent Department employees are more appropriate than contractors.

MEMORANDUM

State of Alaska

TO: The Honorable Steve Cowper
Governor

DATE: December 22, 1987

FILE NO.: 0241J/DGH/gmw

7 HB 419

THRU: Garrey Peska
Chief of Staff

TELEPHONE NO.: 465-4700

SUBJECT: DECISION MEMORANDUM:
Economic Dislocation

FROM: Rebecha Miller, Associate Director *By lw*
Rosita Worl, Special Assistant *lw*

RECEIVED
1-4-88ck
LT. GOV'S OFFICE

A. SUMMARY OF ISSUE

The Cabinet Committee on Economic Dislocation submitted its final recommendations to you on October 15. We have reviewed those recommendations and are proposing several revisions. The primary revisions are as follows:

- Reduce the number of elements in the economic dislocation package from twelve to six by combining several elements and dropping two relatively insignificant elements.
- Deal with complex fisheries allocation problems in another forum.
- Provide funding for the package by reallocating money in the proposed FY89 Department of Community and Regional Affairs (C&RA) budget

We request that you approve and sign the rural recovery package outlined in the attached draft of a memo from you to the Cabinet Committee on Economic Dislocation. Also attached is financial information relevant to the package.

B. SUMMARY OF PROPOSED PACKAGE

The six point package we are proposing consists of the following elements:

1. Establish a new process for declaring community economic disasters.
2. Reallocate \$1,251,000 from designated grants to fund a \$600,000 economic disaster loan fund and \$651,000 to fund Financial Outreach Services to Enhance Recovery (FOSTER).
3. Reallocate \$224,500 in job training funds in the FY 89 C&RA budget to provide supplemental funding for the Rural Economic Development Initiative (REDI) program.
4. Authorize a FY 88 supplemental appropriation of \$258,000 to immediately implement FOSTER.

Rural Community Recovery Act

5. Commit to a major effort to pass Administration bill SB 263 which increases oversight on municipal grants and provides agencies with more flexibility in dealing with audit exceptions.
6. Promote the inclusion in the supplemental capital budget of projects which reduce the operation and maintenance costs of existing publicly-owned facilities and projects in economically distressed communities.

C. TIMING OF DECISION

We request a decision on this package during a meeting scheduled for 11:00 a.m. on Wednesday, December 23, 1987. A decision within this time frame would allow for the following:

- Incorporation of a Christmas theme into the announcement of the recovery program.
- A more comprehensive response to rural fuel problems.
- A formal rural policy firmly in place prior to the Anchorage Daily News series on rural problems which is scheduled to begin running in January.

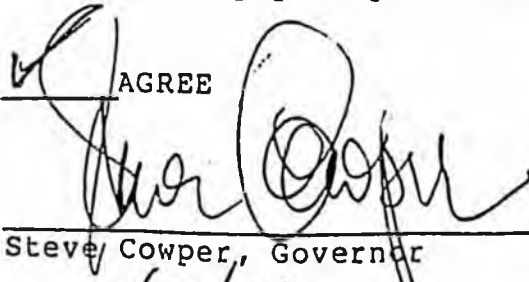
In recent weeks the economic situation in rural Alaska has deteriorated seriously. We are dealing daily with communities that are on the verge of some sort of disaster. Dozens of communities face financial collapse, and at least sixteen communities will run out of heating oil this winter. We also expect many communities to default on state bulk fuel loans.

The Department of Community and Regional Affairs has just completed a comprehensive four-month study on hardships currently facing municipal governments. This study is based on a telephone survey of 138 communities. Findings from this study include the following:

- 95 percent of the municipalities have reduced one or more essential services. Staffs have been reduced to bare minimums and routine facility maintenance is often neglected.
- 25 percent of the communities expect to totally eliminate police, fire protection, or health clinic services in the future.
- 40 percent of the communities reported substantially increased difficulties in collecting fees for essential community services.
- 20 percent of communities report overdue debts that they cannot pay -- primarily to the IRS.

AGREE

DISAGREE



 Steve Cowper, Governor

Date 12/23/87

MEMORANDUM

State of Alaska

TO: Members of the
Cabinet Committee on
Economic Dislocation

DATE: December 23, 1987

FILE NO.: 0240J/PKP/CC/gmw

THRU:

TELEPHONE NO.: 465-4700

SUBJECT: SIX POINT RURAL
RECOVERY PACKAGE

FROM: The Honorable Steve Cowper,
Governor

I would like to thank all of you for the many hours you spent in preparation of the thoughtful and useful recommendations you submitted to me. Your recommendations provide the basis for this Rural Recovery Package. I have decided to focus this package on issues relating to local governments and, as such, I am considering the important fisheries issues raised in your recommendations elsewhere.

I have delayed making a final decision on your recommendations so that I could consider the issues you raised in the context of the overall budget process. I have also waited to see the results of the final report by the Department of Community and Regional Affairs on economic dislocation.

My Rural Recovery Package consists of the following actions.

1. ESTABLISH A PROCESS TO DECLARE COMMUNITY ECONOMIC DISASTERS

The Department of Community and Regional Affairs (C&RA) will be the lead agency in the process of determining whether a community economic disaster exists. The process will begin with the receipt by C&RA of a resolution requesting the Governor to declare a community economic disaster. Applications will only be accepted from a community's governing body.

The resolution would include a statement of the community's agreement to undergo a full financial review, and to implement the recommendations made by C&RA to mitigate the economic disaster. This could include layoff of employees and the shut-down of facilities. C&RA will be sensitive to the potential for legal liabilities which might arise from such state actions and will take appropriate steps to mitigate any such liability. The resolution will also include a clear statement by the community of the reasons for the economic disaster.

C&RA will conduct a thorough analysis of the situation to determine whether the community itself has the resources to overcome the problem, or whether State involvement is necessary. C&RA will be given authority to request technical assistance from all state agencies. Assistance from other agencies could range from technical

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assistance in managing particular services (e.g., sewer and water facilities), to assistance in expediting individual programs (e.g., food stamp distribution). C&RA will also consult appropriate federal agencies. The department will then provide my office with information that includes a description of the problem, a recommended course of action, possible solutions to prevent recurrence, and a recommendation as to whether a declaration of community economic disaster should be made.

2. REALLOCATE \$1,251,000 TO CAPITALIZE AN ECONOMIC DISASTER LOAN FUND AND INCREASE FINANCIAL TECHNICAL ASSISTANCE

In many instances, only the availability of additional funding will avert financial default. Therefore, a community economic disaster loan fund of \$600,000 will be established within C&RA. Once a declaration of community economic disaster has been made, a community may be permitted to borrow an amount equal to 50 percent of its prior year's municipal assistance and revenue sharing, with repayment amortized over a five to ten-year period. No repayment will be required for one to two years after the loan is made. Disbursements will be made from this fund for short-term, one-time expenditures. Loans will be awarded by the Commissioner of C&RA pursuant to a detailed spending plan prepared by the community in conjunction with C&RA staff. A formal promissory note must be signed by each community receiving a loan. Detailed regulations governing the administration of this loan fund will be promulgated by C&RA.

The Financial Outreach Services to Enhance Recovery (FOSTER) program will operate in conjunction with the loan fund. This program will provide detailed financial management training and oversight to distressed communities. Six new financial management and training positions will be created within C&RA under this program at an annual cost of \$651,000. These personnel will administer the economic disaster assessment process, provide training, oversee the use of economic disaster loan funds and, where necessary, will serve in a capacity similar to that of bankruptcy trustees.

Funding for the Community Economic Disaster Loan Fund (\$600,000) and for the FOSTER program (\$651,000) will be obtained in the FY 89 budget through the reallocation of \$1,251,000 in the designated grants line item in the C&RA budget. (Financial back up is attached.)

3. REALLOCATE \$224,500 TO ENHANCE THE REDI PROGRAM IN C&RA

The primary goal of this recovery package is to assure the survival of local governments. However, in many areas, the survival of local governments is tied directly to the health of the local economy. The financial existence of many communities is threatened by the increasing inability of residents to pay user fees for local government services.

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To promote the development of rural economies, \$224,500 will be transferred from job training programs in C&RA to the REDI program. This will allow C&RA to focus its efforts on the poorer communities of the state where successful economic development requires a great deal of technical assistance. If adequate technical assistance is available, it will then be possible to award extra points in the REDI competitive grants process to those communities that have been declared community economic disaster areas. If adequate technical assistance is not available, preferential treatment of these communities would almost certainly result in throwing good money after bad. (Financial back up is attached.)

4. AUTHORIZE A FY 88 SUPPLEMENTAL APPROPRIATION OF \$258,000 TO ALLOW THE EXPEDITED START - UP OF THE FOSTER PROGRAM

The current condition of many local governments is so critical that state assistance is needed immediately. With the timely passage of a supplemental appropriation, it will be possible to have the FOSTER program operational by March. (Financial backup is attached.)

5. PROVIDE STRONG SUPPORT FOR SB 263 WHICH INCREASES STATE OVERSIGHT OF MUNICIPAL GRANTS.

I am firmly committed to work for the passage of Administration bill SB 263 which increases state oversight of municipal grants and could provide an opportunity for granting agencies to relieve financial difficulties for some communities.

6. FUND CAPITAL PROJECTS WHICH REDUCE THE OPERATING AND MAINTENANCE EXPENSES OF LOCAL GOVERNMENT AND PROJECTS WHICH ARE LOCATED IN ECONOMICALLY DISLOCATED COMMUNITIES.

The Administration will promote legislative enactment of funding for necessary capital projects which are normally completed by Alaska residents. Additional consideration should be given to projects in economically dislocated communities and to projects which would result in significantly reduced operating and maintenance costs for local governments. The focus should be on small to medium sized projects that are going to be required in any event, and are merely accelerated by this process.

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FY 1989 REALLOCATION OF DESIGNATED
GRANTS COMPONENT
(BACK-UP TO RECOMMENDATION # 2)

FOSTER Personal Services	\$352.9
Travel	158.0
Contractual Services	49.0
Supplies	2.0
Grants/Contracts	89.1
Total FOSTER	651.0
Community Economic Disaster Loan Fund	600.0
Total Recommendation # 2	\$1251.0

Reallocate \$1,251.0 of the amount in the Designated Grants component to fund FOSTER, \$651.0 and the Community Economic Disaster Loan Fund, \$600.0. The amount remaining in the Designated Grants component would fund Alaska Legal Services, \$475.0, Special Olympics, \$72.0, and the Rural Airport Assistance Program, \$38.2.

The following describes in more detail the positions, associated costs and database information that would be provided through adoption of this recommendation:

1. Five Local Government Specialists and one Accountant. These positions would be placed in various field offices to assist communities with severe management problems. Support costs would provide necessary travel, and development or purchase of financial training materials which would focus on budgeting, revenue sources, cost controls, and accountability. (These same positions are requested in the FY 88 Supplemental request, Recommendation #4) This recommendation would fund them for the following 12 months in FY 89.
2. Community Profile database. This would allow information gathered on communities to be in a readily accessible form. This information would include the following types: existing capital projects and their condition; maintenance and operation costs; land ownership and use; and abandoned facilities. The cost per community is estimated at \$2.0. The Department could include 45 communities in the database, concentrating on interior regions, with the \$89.1 requested in the Grants/Contracts line.
3. The Community Economic Disaster Loan Fund would provide a small amount to make loans to communities that qualify as economic disaster areas. Limits would be placed on the amount of loan available. Pay back would begin within 1 to 2 years.

FY 1989 REALIGNMENT OF \$224,500 IN
THE JOB TRAINING PARTNERSHIP COMPONENT
(BACK-UP TO RECOMMENDATION # 3)

REDI Personal Services	134.7
Travel	36.0
Contractual Services	50.8
Supplies	3.0
Total REDI	\$224.5

The total amount of the above request could be found within the Department's FY 89 budget if the following budget component amounts were realigned. On that basis, the following is proposed:

Realign the Job Training Partnership Act, Dislocated Worker Component, General Fund increment of \$300.0 by transferring from the grant line item, \$134.7 to personal services, \$36.0 to travel, \$50.8 to contractual and \$3.0 to supplies. This realignment would leave \$75.5 in the grant line item and allow the Department to retain the economic program initiated during FY 88.

The funds requested for the REDI program would fund two economic development specialists located in Fairbanks (this position was included in the FY 88 budget) and Bethel (this is a new position request) to spearhead the effort of this department to increase business and employment opportunities; promote self-sufficiency and diversification in local economies; and to expand the capacity of local communities to plan and support economic development. Also included in the personal services category is funding for one clerk typist for support of the professional positions. Necessary travel, contractual and supply costs are included.

PROPOSED SUPPLEMENTAL FOR FY 1988
(BACKUP FOR RECOMMENDATION # 4)

Assuming activities beginning on February 1, 1988, the following reflects five months of six new positions and the associated support funds:

Personal Services	\$147.0
Travel	66.0
Contractual Services	<u>45.0</u>
Total	\$258.0

This supplemental request reflects Local Government Specialists placed in five regional offices (Nome, Bethel, Dillingham, Fairbanks and Anchorage) that will provide direct assistance to the communities, as well as one accountant in Juneau which will provide assistance on complex accounting issues to the on-site technicians. The remaining support costs will allow adequate travel for personnel and enough funds to develop and distribute financial and accounting material directed toward rural Alaska. These materials will address estimating O&M costs, revenue options and projections and establishing accountability techniques.

STATE OF ALASKA

OFFICE OF THE GOVERNOR
JUNEAU

STEVE COWPER
GOVERNOR

NEWS RELEASE



FOR INFORMATION CONTACT
David Ramseur
Press Secretary

Laury Roberts Scandling
Deputy Press Secretary

Office of the Governor
Box A, Juneau, AK 99811

Bus. Phone (907) 465-3500

FOR IMMEDIATE RELEASE
Dec. 28, 1987
No. 87-132

COWPER PROPOSES RURAL RECOVERY PROGRAM TO ASSIST VILLAGES

JUNEAU--Gov. Steve Cowper today unveiled a Rural Community Recovery Package designed to assist rural communities facing immediate financial troubles and to promote long-range administrative stability in Alaska's villages.

The proposal includes shifting state funds to address immediate financial problems in rural communities, creation of a new program to provide financial management training to distressed communities, improved oversight of community finances and a new approach to addressing rural economic disasters.

"Many communities in Alaska are facing economic hardships, but the rural areas have been hit especially hard by cuts in state programs forced by falling oil prices. The problems of the villages have been complicated by their lack of a stable tax base and poor fishing seasons in some areas," Cowper said.

-MORE-

"Rural communities that take advantage of this program will have to agree to adopt sound fiscal practices. This isn't a bail-out. It's a way to make the villages more self-sufficient," the Governor said.

Here's what the proposal includes:

* Reallocation of \$1.25 million in designated grants to create an economic disaster loan fund and provide technical financial assistance to rural communities.

The \$600,000 fund, administered by the Department of Community and Regional Affairs, could loan communities an amount up to half their prior year's municipal assistance and revenue sharing entitlement. Loans would be for one-time, short-term expenditures and after a grace period of up to two years, would be repaid over five to 10 years.

The other \$651,000 would fund a Financial Outreach Services to Enhance Recovery (FOSTER) program to provide financial management training and oversight to affected communities.

Shifting of the funds would occur in the fiscal 1989 budget. In the meantime, the Governor will ask the Legislature for a supplemental appropriation of \$258,000 to expedite creation of the technical assistance program.

-MORE-

* Reallocation of \$224,500 from job training programs to the Rural Economic Development Initiative, a newly formed program within C&RA designed to stimulate economic development. Shifting of the funds will permit the state to focus on financially distressed communities that require considerable technical assistance.

* Establish a new process for quickly addressing community economic disasters. C&RA will oversee requests for economic disaster assistance in order to speed up possible state assistance.

Applications for disaster relief must be made by a community's governing body and the department will undertake a thorough review of any such request with the assistance of other state agencies.

* Continued push for passage of Senate Bill 263, sponsored by the Cowper administration, that increases state oversight of municipal grants and gives granting agencies flexibility to relieve some financial difficulties for communities.

The Rural Community Recovery Program is the product of a cabinet subcommittee chaired by Lt. Gov. Stephen McAlpine which Cowper appointed last summer. The group, composed of representatives of several state departments and Governor's Office staff, held a number meetings around Alaska to gather information on the plight of Alaska's rural communities.

The group found that dozens of communities are nearing financial collapse, that at least 16 may run out of heating oil this winter and that many others could default on state bulk fuel loans.

A four-month study based on a telephone survey of 172 communities by C&RA found that 95 percent of the municipalities have reduced one or more essential services, eliminated staff and often neglect routine maintenance.

A quarter of the surveyed communities expect to eliminate police, fire or health clinic services in the future, 40 percent reported difficulties in collecting fees for essential services and 20 percent report overdue debts they cannot pay, primarily to the IRS.

"The solution to these problems is not throwing more money at them, for two reasons: we don't have the money and it won't work," Cowper said. "We've got to help create a solid rural economy independent of state dollars and this proposal is a step in that direction."

To qualify for the programs, communities must undergo a complete financial review by C&RA. Assistance may involve financial oversight of a community by that department.



Alaska State Legislature

House of Representatives

Committee on Community & Regional Affairs

Pouch V
State Capitol
Juneau, Alaska 99811
(907) 465-4833

To: Representative Henry Springer, Chairman
HCRA

From: HCRA Staff - David Harrison

Date: February 15, 1988

Subject: BILL REVIEW
HB 419 - "An Act establishing the community economic disaster revolving loan fund; and providing for an effective date."
 [Rules by request of the Governor]

* Section 1. AS 44.47 relates to powers and duties of the Department of Community and Regional Affairs.

(Line 12) Sec. 44.47.060 amends the statute to provide and establish a Community Economic Disaster Revolving Loan Fund. The amending section provides for the Department of Community and Regional Affairs Department to administer the loans as well as to prescribe and adopt regulations of the Community Economic Disaster Revolving Loan Fund.

Comments: It is intended that the legislature will provide appropriations to fund this community economic disaster loan to originate funds for this purpose. Terms and regulations will be prescribed and adopted by the Commissioner of the DCRA.

(Line 22) Sec. 44.47.060(b) "... the total amount of all loans made from the fund to a municipality or unincorporated community in one state fiscal year may not exceed 50 percent of the aid provided to that municipality or community under AS 29.60.010 -- 29.60.375 for the state fiscal year ending June 30, 1987." (It seems here that the quoting of statutes covers existing conditions and requirements of all classes of municipalities.)

Accordingly, reference should be made concerning the State constitutional requirements of municipal and state debts. Alaska's Constitution, Article 9, section 8... "The state may as provided by law and without ratification, contract debt for the purpose of... meeting natural disasters." Nothing in the state constitution indicates that the state nor the municipality can contract or obligate themselves concerning economic disaster.

Article 9, section 9, "No debt shall be contracted by any

political subdivision of the state, unless authorized for capital improvement by its governing body and ratified by a vote of those qualified to vote and voting on the question."

If the bill becomes law the question would be asked, "Could the governing body cause the subdivisions and municipalities to become indebted without a vote of those being encumbered by the debt?"

Article 9, section 10. The State and its political subdivisions may borrow money to meet appropriations for any fiscal year in anticipation of the collection of the revenues for that year, but all debt so contracted shall be paid before the end of the next fiscal year.

Article 10, Section 2. All local government powers shall be vested in boroughs and cities. The State may delegate taxing powers to organized boroughs and cities only.

The question is: Can the State loan money to non-legal governmental entities for the purpose of delegating organized boroughs and cities responsibilities without a test of the democratic process and legal due process in local governmental responsibilities as delegated under the state constitution? It would seem that the constitutional and statutory safeguards regarding establishment of organized boroughs and legally established cities with duly elected officials sworn to uphold the federal and state constitutions and the respective laws could be tested because of the debt prohibitions and safeguards of voters in the political subdivisions of the state.

The question may also be considered whether it is sound democratic policy for the state to delegate even incidentally debt obligations responsibilities that are reserved for democratically elected officials to nonelected officials that work for private nonprofit entities. Non-elected private individuals are not required to be sworn to such public service. Due process of the law provides many safeguards within the public domain. The democratic process must not be subverted therefore the State constitutional mandate that organized boroughs and legally established cities are recognized as legal entities for local government. To continue to do otherwise would undermine the constitutional safeguard of local representative government.

(Line 27) Sec. 44.47.060(c) Sets limitation of \$50,000 loan to a municipality or unincorporated community that did not receive aid under AS 29.60.010 - - 29.60.375 for the state fiscal year ending June 30, 1987. No doubt some of the same constitutional questions as were raised in a previous section of this bill can be asked here also.

Comment: It is understood that the "economic disaster fund" is to be requested through an amendment in the Governor's budget bill. The amount requested in the amendment is \$600,000. If one large municipality were to request a community economic disaster loan fund, there would not be sufficient funds for rural cities and unincorporated communities for

which this bill was designed to provide for in terms of their economic community needs.

Comment: FY/88 Supplemental request funding is for \$258,000. Objectives are stated in a letter to the Governor from Cabinet Subcommittee on Economic Dislocation, Item #2, page 5. Additional funding proposed for FY/89 includes requests for additional personnel and related items for a total of \$920,900 as listed on page 6. Rationale for requests are given in the same letter to the Governor dated October 15, 1987. I have asked Legal Services of the Legislative Affairs Agency to provide HCRA Committee with a State Constitutional review of the debt issue discussed herein.

⑨ HB 419

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY

MEMORANDUM

February 14, 1988

SUBJECT: Community Economic Disaster Revolving Loan
Fund (HB 419)

TO: Representative Heinrich Springer

FROM: Tamara Brandt Cook ^{TBC}
Director
Division of Legal Services

HB 419 establishes an economic disaster revolving loan fund. The Commissioner of Community and Regional Affairs is authorized to make loans from the fund to municipalities or certain entities in unincorporated communities to be used in overcoming economic disasters.

The bill itself does not seem to present any constitutional problems. There is no question but that the state money appropriated to the fund satisfies the public purpose requirement. However, it should be noted that municipalities themselves are extremely limited in the extent that they may constitutionally assume debt and as to the uses that they may make of borrowed money. Article IX, Section 9 of the state constitution provides:

SECTION 9. LOCAL DEBTS. No debt shall be contracted by any political subdivision of the State, unless authorized for capital improvements by its governing body and ratified by a majority vote of those qualified to vote and voting on the question.

This provision may, as a practical matter, make it difficult for many municipalities to obtain money from the fund quickly enough to be useful in an economic disaster situation and, since this money may only be used for capital improvements, a loan from the fund might not be helpful in many situations. (See City of Juneau v. Hixson, 373 P.2d 743 (Alaska 1962)) I also wonder how a municipality or unincorporated community that is experiencing an economic disaster will be able to repay the loan.

TBC:lmb
L6/045



**SOUTHWEST ALASKA
MUNICIPAL CONFERENCE**

Box 89 • Unalaska • Alaska 99685

December 30, 1987

Governor Steve Cowper
State of Alaska
P.O. Box A
Juneau, Alaska 99811

10 HB 419
STATE OF ALASKA
RECEIVED
JAN 7 1988

LIEUTENANT GOVERNOR

Dear Governor Cowper:

I am writing to express my support for your proposed \$1.7 million request to provide loans and technical assistance to rural communities identified by Lt. Governor McAlpine's task force as needing assistance.

Having spent several years working in rural Alaska as a manager, I am aware of the problems facing these communities. Your proposed "IMF" approach is sound.

Let me offer a few suggestions that might strengthen the program.

1. The individuals selected to assist the various communities should be divided into teams. Each team should consist of the following types of skilled individuals:

- Accountant;
- Municipal Manager with rural experience; and
- Local Government Assistant (DCRA).

The advantage of this approach is that the community has several skills and perspectives to draw upon. Each team would spend three - four weeks in each community.

2. Enlist the assistance of the Alaska Municipal Managers Association. The State's managers have previously offered the assistance of "range-riders" to beleaguered communities.

3. Follow-up is critical. The team assigned to each community would be responsible for ensuring compliance with the teams' recommendations. Funding should be contingent upon implementation of recommended changes.

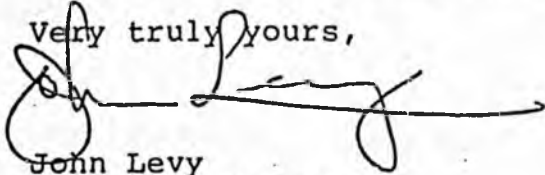
4. Instruction is important. As Senator Adams has pointed out, a large part of the problem is the turn-over of personnel which leaves a limited pool of qualified local applicants. This problem may, in many instances, be

Phone (907) 581-1251, 581-1357

unavoidable. However, I have found from my own experience that often new employees can be hired far enough in advance to provide a smooth transition in responsibilities.

Again, I compliment you and your staff for recommending this pragmatic response for assisting these troubled communities.

Very truly yours,

A handwritten signature in dark ink, appearing to read "John Levy", with a long horizontal flourish extending to the right.

John Levy
Executive Director
1007 W. 3rd., Suite 201
Anchorage, Alaska 99501
274-7555

cc: Lt. Governor Stephan McAlpine
Comm. David Hoffman, DCRA