

S C R

53

SENATE COMMITTEE REPORT
FIRST COMMITTEE OF REFERRAL

DATE: 2/12/90

FURTHER:

Date of 5-Day Notice: 2/15/90
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 2/26/90

L & C Committee considered SCR 53

Relating to small businesses in the state.

and recommended:

- replace with _____ CS _____ same title
- attached amendment(s) new title
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to Finance Committee

ATTACHES NEW FISCAL NOTE(S):

Department(s)/Date:

Department(s)/Date:

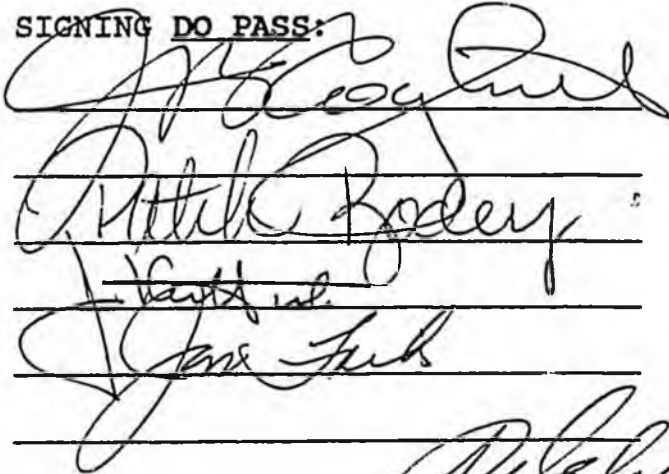
fiscal note(s) Dept of Commerce, 2/16/90

zero fiscal note(s) _____

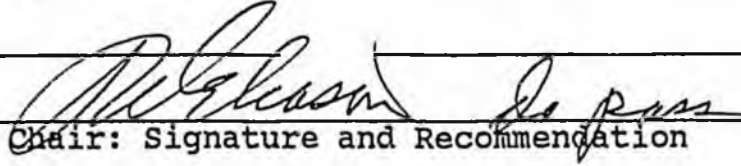
appropriation-no fiscal note

Governor's bill w/fiscal note

SIGNING DO PASS:



OTHER RECOMMENDATIONS:


Chair: Signature and Recommendation

Alaska State Legislature

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Anchorage, Alaska 99503
(907) 561-2038

During Session:
P.O. Box V
Juneau, Alaska 99811
(907) 465-4993

Senator Drue Pearce
District G

MEMORANDUM

TO: Senator Dick Eliason, Chairman
Senate Labor and ~~Commerce~~ Committee

FROM: Senator Drue Pearce *Drue Pearce*

DATE: February 22, 1990

RE: SCR 53 Relating to small businesses in the state

After reading the November 1989 Governor's Conference on Small Business Final Report to Governor Cowper, I felt it was important for the legislature to recognize the group's efforts and to encourage the governor to implement their final recommendations.

Senate Concurrent Resolution requests the governor to hold a small business conference every other year; to appoint a small business person to state boards and commissions that are pertinent to small business issues; to designate the Division of Business Development as the coordinating agency with other state agencies for small business issues; and to the extent possible to implement the group's recommendations.

DP:jf

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Small businesses in the state

Agency Affected: Commerce & Economic Dev.
BRU: Business Development

Sponsor: Pearce et al.
Requestor: Senate Labor & Commerce

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS		100		105		110
MISCELLANEOUS						
TOTAL OPERATING						

CAPITAL		0		0		0
---------	--	---	--	---	--	---

REVENUE		0		0		0
---------	--	---	--	---	--	---

FUNDING: (Thousands of Dollars)

GENERAL FUND		100		105		110
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME		0		0		0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Grant would be awarded on the basis of a 50-50 match with funds from private industry.

Prepared by: Jamie Parsons, Director
Division: Business Development

Phone: 465-2017
Date: 2/16/90

Approved by Commissioner: Larry Merrill
Agency: Department of Commerce & Economic Development

Date: 2/22/90

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

STATE OF ALASKA

TO BE AT

February 26, 1990

Mr. Jack Jessee
Chairman
Steering Committee
Governor's Conference on
Small Business
P.O. Box 240288
Anchorage, AK 99524-0288

Dear Jack,

Here are my thoughts on the recommendations and resolutions of the Governor's Conference on Small Business. I've outlined my positions on the enclosed Executive Summary and followed that with more detailed comments.

Let me thank you again for your time and energy in identifying problems and proposing solutions to those problems. I hope your interest will persist as we enter the second phase of this process--working together to improve the Alaskan business climate now and for the future. Jamie Parsons will be my point man for this work. I hope you'll share your ideas with him.

Sincerely,

SJS Steve Cowper
Steve Cowper
Governor

Enclosure

cc: Steering Committee
Governor's Conference on
Small Business

Virginia A. Samson
Executive Director
Governor's Conference on
Small Business

Jamie Parsons, Director
Division of Business Development
Department of Commerce and
Economic Development

EXECUTIVE SUMMARY

Governor Steve Cowper's Comments on Governor's Conference on Small Business

Recommendations:

- 1A. My administration indeed has a long-term economic development strategy, developed not by a formal commission but by common sense. To put it colloquially, "We've beaten the bushes and chased every economic development rabbit that's jumped up." I think we've been very successful.
- 1B. Proper handling of waste is a continuing priority of my administration. We've expanded many programs and are working to reach small businesses with pertinent information.
- 1C. Legislation I signed into law two years ago is working; workers' compensation rates are coming down.
- 4A. I'm working legislatively to improve the Loan Guaranty Program; we've initiated the Business Development Information Network to complement other information networks.
- 4B. I support neither SJR 3 nor the concept of automatic periodic sunset of regulations, but we are working on specific ways to simplify regulatory and licensing processes.
- 4C. We're improving access to equity capital through Permanent Fund programs, the Alaska Science and Technology Foundation, the Uniform Limited Offering Registration program and creation of a \$30 million venture capital fund.
7. Many employee benefits are mandated by law or required subjects of collective bargaining; progress is slow, but we're seeing some success in containing costs.
8. We will not form the recommended 12-member commission, but will work on specific problems of government competition brought to our attention.
9. Job Training Partnership Act training programs are available, but funding is limited; the State Board of

Education and the State Vocational Education Board will remain united.

10. We indeed have a transportation plan and are working on several fronts to refine and improve it; I've introduced legislation to allow the Alaska Marine Highway System to keep the money it generates--that should improve efficiency and service. We welcome community and private sector participation in infrastructure development.
11. State permitting processes are largely timely and effective, but I'd like businesses with specific problems to inform me of them.
12. Separation of powers and different agency missions mean the State will likely never have totally uniform bidding and contracting procedures. We always recruit in Alaska before resorting to outside sources; State law also requires agencies to buy products F.O.B. final destination.
13. Risk pooling is already allowed; new legislation may help further. Bonding on small projects is not required.
14. We've significantly expanded our efforts to disseminate information to small businesses.
15. My administration continues to coordinate efforts among agencies to maintain or expand business education; funding is limited.
16. We're already marketing Alaska on a number of fronts, despite tight budgets.
17. My administration's performance in international trade is top-notch and still improving; we'll continue to work with Alaska businesses to open overseas markets.
18. Tourism infrastructure development is a serious concern being addressed by the interagency Tourism Coordinating Committee; again, funding is a problem.
19. I've held the line throughout my term on public employee wages--no easy task.
20. The Little Davis-Bacon Act is applied uniformly in all regions of the state.

Resolutions:

We've appointed a small businessman as Director of the Division of Business Development and will work to identify small business candidates for board and commission vacancies.

GOVERNOR'S CONFERENCE ON SMALL BUSINESS
Comments by Governor Steve Cowper

RECOMMENDATIONS

1A. Long-Term Economic Development Policy

My administration's policy has been clear since I took office. Simply put, I've directed my agencies to "beat the bushes and chase every economic development rabbit that jumps up." Our record shows the success of this approach: tremendously expanded trade with Pacific Rim nations, significant new potential markets opened with the Soviet Union, a large new Federal Express presence in Alaska, several new Foreign Trade Zones, active involvement with both the Organization of Petroleum Exporting Countries (OPEC) and the Independent Petroleum Exporting Countries, promotion of resource extraction and sale (e.g., Wishbone Hill), and formation and endowment of the Alaska Center for International Business and the Alaska Science and Technology Foundation, to mention a few. All these success stories have important long-range implications for Alaska, and we'll continue our efforts toward long-term stabilization of our economy.

Still, other states have documented substantial benefits from formal policy development exercises. Realistically, I hesitate to develop such a policy shortly before a new administration takes office. A policy would stand a better chance of enthusiastic implementation if it were developed and implemented by a new Governor at the beginning of the term. I will recommend this activity in my transition documents.

In the meantime, we'll work to strengthen planning efforts with an eye toward the long term. The Department of Commerce and Economic Development's (DCED's) Alaska Regional Development Organizations (ARDOR) program is alive and well and actively engages in economic stabilization and development at the regional level. The Division of Tourism is completing a five-year strategy that includes both tourism marketing and attraction development elements. These efforts are typical of how Cowper administration agencies commonly engage in strategic planning.

The Alaska Constitution states, "It is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest." This is a

clear statement of the economic development policy for State-owned land and resources.

To be useful, economic plans for State-owned resources should be built upon the State's regional and area plans and coordinated with the development plans of federal agencies, Native corporations and other private landowners. Where State area plans delineate resource development as an appropriate land use, economic development implementation plans could be produced. State agencies, including the Department of Natural Resources (DNR) and DCED, would be involved because Alaska Statutes require specific procedures for the conservation, use and development of State-owned resources.

The State has numerous policies and procedures in place to protect fisheries, as well as wildlife, from the impacts of oil and gas and mineral development. Economic development policies should concentrate on the multiple use of resources and the coordinated coexistence of all resource users.

A fisheries policy supporting management of the fisheries resource for the Alaskan people is strongly implied in the Alaska Constitution. I've directed the Fisheries Cabinet to develop a narrowly-focused set of specific actions the State should pursue in the next three to five years. That plan will be an important feature of my transition briefings to the next Governor. In 1988, we filled the position of Director of External and International Fisheries Affairs and created a special section within the Commissioner's Office of the Department of Fish and Game (DFG).

At present, Alaska's fisheries resources generate more than \$2.5 billion a year and provide an estimated 70,000 seasonal jobs. More than 400,000 sport fishing licenses are sold annually. Unlike petroleum, our fishery resource is renewable and, with a sincere financial commitment on the part of the people of the state, can in future years support a large portion of the state's economy. At present, however, DFG receives slightly less than two percent of the State's General Fund budget. For FY 90, DFG received \$43.7 million in General Fund dollars. That's less than we distribute each year as longevity bonus payments. In the prior fiscal year, the raw fish tax alone returned almost that much (\$41.3 million) to the General Fund. You might point that out to your legislators.

I agree that the "policy should look at fishing areas as permanent industrial bases that can be developed and

managed" and that it should "emphasize the needs of coastal communities for capital to build infrastructure so products can be processed on shore." This commitment must only be made when there is clear and convincing evidence that an infusion of capital is supported by realistic economic studies undertaken by both State and local governments and industry. Government cannot "create" a fishery economy without private industry support and cooperation.

Recent budget cuts mean the DFG's ability to manage fisheries is decreasing, not increasing. Lack of precise, timely information demands that DFG manage conservatively. That means harvests are restricted or eliminated, sometimes resulting in unharvested resources and unrealized income for the state's commercial fleets. Again, you should share that information with your legislators.

The State's fisheries enhancement program has had tremendous impact on Alaska's economy. Studies suggest that the programs of the Fisheries Rehabilitation, Enhancement and Development (FRED) Division benefit not only the salmon industry itself, but also the regional economies of the state. In addition to the direct impact on the industry and the commercial harvest, State and private enhancement efforts produce large numbers of fish for the recreational fishery, thus generating additional dollars in local economies.

According to Institute of Social and Economic Research (University of Alaska) studies, the state could expect, because of FRED programs, substantial gains in personal income and employment levels of Alaskans in many parts of the state. A recent simulation of the impacts of proposed FRED budgets for FY 89 suggests the total projected personal income and employment impacts of the statewide program would be \$80 million in resident wages and approximately 2,300 resident jobs. Again, your legislators need to know that.

In 1988, departments with roles in the seafood industry developed a draft fisheries strategy under the auspices of the Fisheries Cabinet. This document is a compendium of the agencies' existing programs and ideas for additional work. Most of the specific programs raised by the Conference were included in that strategy document. Increments required to address the Conference's concerns have been generally included by the various departments in their budget requests. Last year's budgets included increments for management and enforcement, and the State continues to fund an observer program.

Rapid turnaround of fisheries business tax revenues to communities should be implemented. DCED and the Department of Revenue are working together to improve delivery of these important revenues.

Over the years, there have been many proposals for a cabinet-level fisheries position. Neither of the past two administrations created such a position, partly because it would become a lightning rod for a myriad of problems that are often allocative in nature. The Board of Fish already addresses such issues. On the national and international scene, there are other bodies whose Alaskan members are nominated or appointed by the Governor. Generally, these bodies are left to deal with the issues without an overtly direct role being played by the Governor's Office.

Given that the responsibilities for dealing with the seafood industry are spread over many departments, it makes sense that Governor's Office involvement is necessary and desirable to bring issues to resolution. Short of a new cabinet position, having a Governor's Office representative chair the Fisheries Cabinet meetings is one way to keep the main focus on the departments and to reach resolution on budgets and issues involving several agencies. I plan to follow that suggestion for the Fisheries Cabinet's upcoming strategy development exercise.

I agree that transportation policy should facilitate economic development. This is one of seven long-term goals of the Department and Transportation and Public Facilities (DOT&PF) Management Plan. The DCED has a small capital project underway now to identify projects with enough private sector backing to fund or partially underpin infrastructure development. A plan for harbors and docks is reportedly under development by Ports Alaska.

Both DCED and DOT&PF have proposed some type of endowment or continuing appropriation to permit planning and to provide matching funds for federal port and harbor monies. Several proposals suggest the formation of an ongoing source of funds for economic development-related infrastructure. Recommendations include bond sales, endowing a fund and further capitalizing and modifying the Municipal Bond Bank. Since major policy issues are involved in determining the best mechanism, Office of Management and Budget analysis and cabinet-level discussions are necessary. I'll pursue that analysis and discussion.

The Alaska Marine Highway System (AMHS) earns about \$35 million of its \$65 million operating costs. No specific route earns a profit. Revenues from summer tourist traffic on the southeast mainline system partially defray expenses incurred in operating feeder vessels and providing winter service. Should summer mainline routes be abandoned in favor of private enterprise, the overall operating costs of the System would be reduced. Revenues would decline significantly. The State "subsidy" level, as a percentage of operating costs, would increase. Service levels to communities would, in all likelihood, be drastically reduced, due to commensurate fleet reductions. This also presumes the willingness of the private sector to meet this need, which is speculative at best. See my additional comments on the AMHS in Section 10.

Before the sale, lease or other disposal of State land or resources, the DNR is required by law to determine in writing that the sale, lease or disposal is in the best interest of the people of the state. Development of resources can provide benefits beyond direct revenues, including infrastructure development and increased employment opportunities. However, neither the Constitution nor the statutes provide for an emphasis on renewable resource development.

State resources are not being given away without compensation, as the problem statement suggests. Analysis of opportunities and liabilities associated with increases in the "economic rents" charged for use or extraction of the State's resources is ongoing. It isn't likely that new policies regarding the revenue opportunities available from a revised resource strategy will be formulated prior to a new administration.

CSSB 181 and CSHB 159, introduced during the 1989 session, would provide the minerals industry with a two-year delay in local taxation of underground reserves. The oil and gas industry is currently exempt from this tax. The minerals industry is seeking the same exemption. The named bills provide an opportunity to review the issue.

My Administrative Order No. 113, signed June 12, 1989, establishes several findings that pertain to the issue of a human resources policy and, in particular, Alaska hire. It directs State agencies to 1) mutually implement Alaska's Employment and Training Policy, 2) work in concert with the private sector, 3) assist Alaskans seeking full employment opportunities within the Alaska job market, and 4) provide

viable opportunities to ensure that Alaskans become qualified and are able to successfully compete for employment opportunities.

Administrative Order No. 113 further sets forth the idea that the Employment and Training Mini-Cabinet will be formally organized as the administrative policy board for human resource development. The Alaska State Job Training Coordinating Council (SJTCC) is slated to play a major role in reviewing and recommending policy in the human resources development arena. The SJTCC is composed of one-third private sector representatives. My administration has provided the tools necessary to develop a comprehensive human resources development plan under the auspices of the Governor's Coordination and Special Services Plan required by the Job Training Partnership Act. The Alaska SJTCC and the Employment and Training Mini-Cabinet will work on this plan for implementation July 1, 1990. For more information, contact Bill Mailer in the Department of Community and Regional Affairs' Anchorage Office at 273-9433.

1B. Disposal of Wastes

I'm pleased that the small business community shares my concern for proper handling of solid, hazardous, toxic and other wastes. I've nearly tripled the Department of Environmental Conservation's (DEC's) budget during my term to better address this important issue.

Alaska doesn't produce sufficient quantities of hazardous waste to support even a small commercial treatment or disposal facility. However, we are investigating the feasibility of establishing hazardous waste collection and transfer facilities. DEC has proposed a capital improvement project in FY 91 to work on pilot facilities for regional management of hazardous wastes; local governments are normally responsible for waste disposal.

DEC does pursue enforcement actions when warranted, but emphasizes technical assistance to help local and regional entities improve solid waste disposal systems on their own. Small businesses that generate hazardous wastes are not required to carry liability insurance; only hazardous waste treatment, storage or disposal facilities are required to do so.

The State conducts annual hazardous waste collection projects and maintains ongoing efforts to educate communities, regulated businesses and the public on proper

management, disposal and reduction of waste. At my direction, DEC has expanded these efforts and will continue to do so. The same is true of underground storage tank problems, recycling policy and waste reduction programs. As economics for recycling improve, we'll surely see greater success on this front.

DEC has authority to respond to spills of hazardous substances. Spills which threaten drinking water sources are the highest priority for response among the 3,000 spill reports received by DEC each year.

1C. Workers' Compensation Insurance

Legislation I signed into law two years ago is beginning to pay dividends; rates are coming down. I resisted pressure to change it because I knew it would work, and now it's clear that rates are declining--in some cases, dramatically so. State-run workers' compensation insurance pools are experiencing considerable financial difficulty in other states. Rates are too subject to political manipulation--I don't recommend such a pool for Alaska.

Many of the concerns expressed apparently stem from an inadequate understanding of existing workers' compensation law. The Department of Labor's Division of Workers' Compensation publishes a booklet called "Guide to Workers' Compensation" and provides speakers for employer seminars and meetings. For more information, contact Workers' Compensation Division Director Jacquelyn McClintock at 465-2790.

4A. Access to Loans

The Loan Guaranty Program should attract more participation with these changes:

- a) require Alaska Industrial Development and Export Authority (AIDEA) participation in collection and foreclosure costs of bad loans;
- b) raise guaranty percentage from 70 to 80 percent;
- c) set maximum guaranty at \$1 million, not 70 percent of \$1 million, or \$700,000; and
- d) alter 2 percent delinquency rule.

House Bill 123, which I introduced, would make these changes. Remember that the guaranty program is still a secondary program requiring bank origination.

At my direction, dissemination of information to businesses has become a high priority of DCED's Division of Business Development (DBD). Loan and general small business assistance information is available from DBD through the computerized business information network (AKBizNet) Small Business Development Center workshops, monthly newsletters, informational brochures distributed to schools and libraries, public service announcements and in cooperation with the Division of Occupational Licensing via business licensing mailouts.

Worth special notice is the Business Development Information Network (BDIN), newly established by my Administrative Order No. 117. The BDIN will provide "one-stop shopping" for people seeking information about doing business in Alaska. For more information, call DBD Director Jamie Parsons at 465-2017.

The Michigan Strategic Fund's Capital Access program is eminently adoptable to meet Alaska's capital needs. Such a program would require legislation and a minimum of \$2 million. We are evaluating the possibility of introducing such a measure; realistically, my inclination is to save it for the next administration.

The recently-passed Thrift Bailout Bill amended the Community Reinvestment Act so that each bank's community reinvestment record must be made public; that may loosen purse strings. Additionally, we are examining reactivation of the Tourism Revolving Loan Fund to stimulate small business development in tourism.

4B. Cumbersome and Allegedly Misdirected Regulations

Senate Joint Resolution 3, proposing a constitutional amendment authorizing legislative repeal of administrative regulations, would present to voters essentially the same question they've already rejected three times in ten years. Besides, the Legislature already has the authority to nullify regulations. I do not support SJR 3.

Nor can I support automatic periodic sunset of all regulations. They receive regular scrutiny now; formal review and/or revision would be prohibitively expensive. A regulatory review commission could reasonably be established

by private business, not the State, and could provide testimony during public hearings or comment periods on proposed regulatory changes. Small business might even consider hiring a lobbyist to present views in a coordinated and consistent fashion.

In isolated cases, 90-day review and issuing of regulations following passage of new laws is appropriate. Most frequently, this is an unrealistic period to draft regulations, clear them with the Department of Law, issue public notice and compile public comments. Additionally, many regulations must be adopted by boards that meet only twice a year. As an alternative, State agencies could notify business representatives and inform them of specific effects of proposed regulations prior to public hearings. I would welcome establishment of focal points within the small business community to help disseminate such information.

Simplification of forms is worth pursuing. We may be able to create a joint data base for all licensing. Applicants could fill out basic information once and then select needed items from a menu of licenses, permits and services. This selection could trigger requests for additional information specific to the items needed. Research, coordination, planning and funding are necessary for this effort to succeed, but I feel the end result would be worth the investment. We'll pursue it further.

Likewise, application of common sense and use of understandable language in regulations has always been a goal of Cowper administration agencies. I welcome the assistance of the business community in identifying problems. The Division of Insurance, recognizing that the subject matter of their regulations can be confusing, requires a section-by-section analysis of all proposed regulations, specifically identifying the purpose, statutory authority, intent and expected impact. This analysis is available to the public concurrent with the public review process.

The Ombudsman's Office, an arm of the Legislature, suggests that one additional assistant ombudsman in Anchorage could provide needed services to small business. The budget increment required would need legislative approval. If such an item reached me for action, I'd give it serious consideration.

4C. Equity Capital Availability

The Alaska Permanent Fund's expansion into international investing will broaden the State's contacts with foreign corporations and financiers. This will lead to opportunities to learn about, visit and invest in Alaska.

The DCED Venture Capital program, when operational, will bring money presently invested outside back to Alaska, where it will be invested in Alaskan and Alaskan-related businesses. This program has the potential to become a \$30 million-plus investment fund.

I will continue strong support of my Alaska Science and Technology Foundation (ASTF). ASTF staff are working to identify businesses interested in presenting funding proposals and have begun a series of forums to help potential proposers understand how to apply and, ultimately, commercialize successful projects. For more information, call John Sibert at 272-4333.

The Division of Banking, Securities and Corporations is in the process of adopting regulations which would implement a Uniform Limited Offering Registration (ULOR) similar to Washington State's program. The ULOR will allow greater access to equity capital through additional opportunities to offer stock to investors.

Initiating a system similar to the Washington State Investment Network is possible, but may not be feasible. Such a system would proceed in conjunction with ongoing venture capital activities. We'll keep it in mind as we work on venture capital projects. If it makes sense, we'll consider installing it.

7. Employee Benefits

Debate over the virtues and costs of mandated benefits will no doubt continue--it's a tough issue. We must ensure worker protection without unduly burdening business people and/or compounding the uncompensated care problem. This issue deserves rigorous examination through the legislative process.

State employee insurance benefits are a mandatory subject of collective bargaining. We have aggressively negotiated for health insurance changes with modest success, but have been unsuccessful in either increasing deductibles or requiring employees to pay for any portion of dependent coverages. We

can't do either ourselves, unless the Legislature directs otherwise. The Legislature's Health Care Cost Containment Task Force is examining pooling, but only among public employers statewide. Legislation (SB 254) has been introduced to require public employer pooling.

One potential improvement is to negotiate a defined contribution instead of a defined benefit plan. The negotiated defined contribution could then be used as pre-tax dollars for each employee to select from a "menu" of insurance options. To date, labor unions have strongly opposed any move toward a defined contribution.

One way to provide alternatives to current insurers is to pass a bill to create health maintenance organizations (HMOs). Staff medical care providers and emphasis of problem prevention are two main features that would allow HMOs to be cost efficient. Senate Bill 335 addresses HMOs and is currently pending before the Legislature.

8. Government Competition With the Private Sector

My administration has made a concerted effort to contract with private entities whenever feasible. I hesitate to go to the trouble and expense of creating a 12-member commission to review and evaluate commercial enterprises operated and services provided by the State. Realistically, assuming clear sailing through the appropriation process, such a commission would be functioning about the time the new administration moved in. I prefer to direct my administration's energies more informally to problems as they come to our attention. I will renew my charge to cabinet members to minimize competition with private enterprise, and I call upon small business to bring specific problems to our attention.

Privatization of income-producing government enterprises is certainly worth considering. Ideally, health care would be completely privatized, but escalating costs have forced government involvement; this trend is likely to continue. Entities such as the Alaska Railroad and the Alaska International Airport System are important economic development tools; maintaining public ownership is probably in the best interests of Alaskans. We are actively working with the Legislature to restructure the Alaska Housing Finance Corporation to facilitate privatization.

Excessive and unnecessary government competition with private enterprise should be eliminated. However, we should

review competition between public and private functions before considering any statutory changes. If business would like to provide specific information on instances of what they consider unfair or unnecessary competition, they should contact the appropriate Commissioner with a copy to me. We'll review those cases and then determine our course of action. The same holds for grants and contracts to nonprofit organizations.

If private sector Alaska laboratories will provide descriptions of their facilities to the Division of General Services and Supply (DGSS), Department of Administration, we'll circulate that information to all agencies needing laboratory services. For more information, call DGSS Director Bob Link at 465-2250.

Business people concerned with competition should remember that the Office of Management and Budget continues to review all budget requests for more personnel to determine if contracting out would be more appropriate than creating new State positions.

9. Education and Small Business

Under the Job Training Partnership Act (JTPA), training programs could be operated by the private sector and/or labor organizations to train workers in occupations for which demand exceeds supply. JTPA also offers pre-apprenticeship programs. The recently-enacted State Employment and Training Program (SETP) provides apprenticeship programs with either organized labor or the U.S. Department of Labor's Bureau of Apprenticeship and Training. For more information, contact JTPA Program Manager Mark Mickelson, Department of Community and Regional Affairs, at 465-4890.

The SETP requires that "employment assistance and training entities" will receive funds to carry out the legislation's intent. Regulations being promulgated now will define those "entities." The intent of the program is to increase numbers of jobs in the state, which necessitates private sector involvement in designing and participating in local-level training. Private, for-profit training agencies may be involved in the delivery of training services.

Separating the State Board of Education and the State Vocational Education Board would not be appropriate. Integration of basic education and vocational education is necessary to prepare a workforce with strong academic skills

along with occupational skills. Splitting it between two governing bodies would make that task even more difficult. Since the program is not yet fully operational, I do not recommend altering it at this time.

10. Transportation Policy

The State has a transportation policy plan that was adopted in 1982. It needs updating, but covers all modes of transportation. The DOT&PF is currently refining their statewide transportation planning process. A major goal of that work is to provide a systematic means for the public to comment on planning and policy processes. Another goal is to develop a process through which a new multimodal transportation plan will be prepared and updated on an ongoing basis. A specific goal of the new plan is to provide policy guidelines to all interested parties on the role of transportation in economic development. A draft of the plan should be available by December 1990.

Separate commissions for specific functions of DOT&PF would represent a significant change--one that deserves more debate, especially on the ways in which commissions would be structured and empowered. Separate commissions for the various modes of transportation would make comprehensive intermodal connections more difficult. Allowing income from transportation users to remain within the agency requires a constitutional dedication of those fees. I've introduced a bill (HB 439) to allow the Alaska Marine Highway System (AMHS) to receive and expend the money it generates; this would provide system managers incentive to improve efficiency and increase revenues.

The AMHS presently provides year-round service to Kodiak, Seldovia, Cordova, Valdez, Seward and the southeast panhandle. Monthly service from May to October is extended to Dutch Harbor and other communities west of Kodiak. Traffic beyond Kodiak is inadequate to justify the cost of winter service. Even if it did, weather conditions would severely limit the schedule and time necessary to sail to and beyond Dutch Harbor. That schedule would, of course, reduce service to Kodiak and other southwest coast communities. Expansion could also entail considerable capital expense for dock facilities and upgrade of harbors.

Refurbishment of AMHS vessels causes temporary reduction, but not cessation, of service to given communities. However, the M/V TUSTUMENA is the only certified oceangoing vessel in the fleet. When it is out of service, some

communities are lost to the System. We are exploring affordable alternatives to offset the loss in service due to scheduled maintenance of the M/V TUSTUMENA.

The AMHS contracts with some communities for ticketing and terminal services. It is not clear that we could reduce our costs by transferring terminal operation leases and port powers to local governments in other locations.

The repeal of the Jones Act (limiting the use of foreign-built vessels to transport cargo and passengers between American ports) would lead to direct competition with the AMHS for its most profitable routes, resulting in either an increase in State general fund contributions to fleet operations or a reduction in service. If the law were amended to allow the AMHS to operate foreign-built vessels, we might replace some vessels with more modern ships at a lesser cost than constructing similar vessels in American shipyards. I join the DOT&PF in supporting repeal of the Jones Act as it relates to general marine commerce for Alaska.

A surface transportation link between Nome and Fairbanks would provide access to potentially marketable natural resources as well as for tourists. Despite obvious benefits, there is little support for completion of this link. Realistically, it does not warrant extensive effort at this time.

The "Alaska International Airport System (AIAS) Air Service Analysis/Route Planning Project" seeks to analyze international air service to Alaska, identify new routes that may be economically feasible for an airline to operate, and determine which airlines should be contacted about establishing new services. The contractor will prepare marketing proposals and define required changes to international aviation bilateral agreements. Clearly, the inability to easily cross the long Alaska-Canada border inhibits commerce not only with Canada, but also Asia and Europe. Tour operators in Europe and Japan would likely package tours to Alaska in combination with western Canada if timely, dependable air transportation were available.

The current U.S.-Canada bilateral is very restrictive; it is unlikely that it will be substantially liberalized soon. We are, however, actively pursuing special provisions for open skies between Canada and Alaska by garnering support for this action from carriers on both sides of the border. Success at the carrier level will take us to Washington,

D.C., and Ottawa to secure an open skies arrangement until we can negotiate a liberal bilateral.

Increased competition and service to rural Alaska poses difficult economic feasibility questions. The present deregulated environment simply does not favor multiple operators in already thin markets. Without a federal subsidy program, the ability to foster greater competition in rural Alaska will remain limited.

DOT&PF welcomes community and private sector participation in helping develop infrastructure that would support airport activity. A good example of State involvement in the development of such infrastructure is the agreement reached between Federal Express and the Anchorage International Airport. Expansion of the ground transportation system and deep-water ports are presently addressed on a case-by-case basis (e.g., Wishbone Hill, Klondike Highway, Red Dog Mine, St. Paul port, St. George port), or through the six-year capital budget development process. Of course, the State can only promote projects that make economic sense. The DOT&PF has worked with communities on port development projects in the Pribilof Islands; similar arrangements could be made with any coastal community with a feasible proposal. I encourage local representatives to come forward with such proposals.

11. Regulations

The State has made a substantial commitment to ensure that the State's responsibilities in the project permit review process are fulfilled quickly and completely. Alaska's project review process was automated six years ago; improvements in timeliness and overall effectiveness are clearly evident.

The State's permitting processes have definite, fairly short review timeframes. Agencies are largely successful at processing requests within the required time limits. Reduced staffing levels because of program budget cuts have caused backlogs in the past, but permits and licenses have not and should not be granted simply because a deadline has passed. The public's best interest is served by following the full review process.

Regulations are not promulgated in a vacuum. Public review helps ensure that rules are reasonable and appropriate. If agency officials attempt to enforce conditions not pertinent to permit or license stipulations, aggrieved business people

should appeal to the Commissioner of the appropriate department. Agencies have clearly defined appeals processes in place for most regulatory decisions. Establishing additional appeal bodies in agencies, including "non-regulators," would require significant additional funding. I'd prefer to work within the present system and hope business people will let me know of specific instances if it isn't working. My staff can evaluate complaints on a case-by-case basis and keep me apprised of the scope of any problem.

12. Procurement

As attractive as it may sound, the State will probably never adopt completely consistent bidding/contracting procedures for all agencies. Constitutional separation of powers divides authority for executive, judicial and legislative branches of government; school districts are independent of the State; the railroad is an independent corporation. Even if the procurement code applied exactly the same to all State-funded agencies, they would operate differently simply because they have different missions. All private sector businesses must meet statutory requirements, but do not operate exactly the same; the State is no different.

Treating vendors differently simply because they are located in other states is blatantly unconstitutional. An extra handling fee charged to out-of-state bidders would be inappropriate. It costs the same to send a bid package to Seattle as it does across town in Anchorage.

The State is careful to recruit within Alaska before going out of state. Sometimes we have little choice but to go outside to secure services needed by the public. I strongly support hiring Alaskans and working with Alaskan contractors, but it's inappropriate to ban outside advertising outright.

State law (AS 36.30.090) requires agencies to buy products F.O.B. final destination--unless an agency can demonstrate that some other F.O.B. point is in the State's best interest.

13. Insurance and Bonding

As discussed earlier, the level of health care coverage for State employees is set in collective bargaining. My administration has taken an aggressive approach to

containing costs in all bargaining sessions, with some success.

Risk pooling is already allowed under the Federal Risk Retention Act, whereby small businesses can form risk purchasing or risk retention groups for most types of liability insurance. Senator Jim Duncan has a health risk pool bill (SB 254) in the works which may also help address this problem. Uncompensated care and mandated benefits were discussed earlier.

Tort reform is a complex subject, to say the least. Any legislation will be hard-fought. My administration, primarily through the DCED, Division of Insurance, is assisting the Liability Insurance and Tort Reform Task Force in identifying appropriate measures to ease the crisis. I look forward to the task force's report.

Increasing bond requirements for a general contractor's license would make life more difficult for small contractors, unless the increase were adopted hand-in-hand with the suggested written competency test. With no basic competency exams, surety insurers require high collateralization of all types of contractors' bonds. Exams would help reduce required collateral and assist small contractors in securing bonding. Construction trades have traditionally opposed such exams. They've been concerned with the ability of examiners to produce a fair, valid test. The DCED's Division of Occupational Licensing would be the entity to develop competency requirements; I encourage interested parties to share their views. Contact Director Randall Burns, Division of Occupational Licensing, at 465-2534.

Licensure should be a matter of technical competence, not whether a person is able to secure a bond. I support the concept of eliminating unnecessary bonding requirements. The business/contractor community should help the State identify appropriate situations for such action.

Because of changes I initiated several years ago, State statutes and regulations do not require bonds for projects of \$100,000 or less, except as provided in the procurement code. Contract alterations that boost costs past the \$100,000 limit are problems; sometimes agencies may require bonds on projects starting below \$100,000 that are likely to exceed that limit later.

Streamlining processes and dividing up large projects to benefit smaller contractors are worthy goals. I've asked DOT&PF, the Alaska Industrial Development and Export Authority (AIDEA), the Alaska Energy Authority (AEA) and others to present specific ideas on how we might pursue this.

14. Business Information Dissemination

As discussed earlier, the DCED/DBD Business Development Information Network (BDIN) should help greatly in spreading accurate information on Alaska business. Establishing a small business-oriented data base is feasible. The DBD has an extensive data base on file, but it is inadequate for small businesses at this time because 1) it is organized at the state, not local or regional, level and 2) it does not include several items directly relevant to small business. The Division's regional economist plans to identify and collect the relevant data and then compile those data into a consistent form. This will take about six months. For more information, contact Jamie Parsons at 465-2017.

15. Business Education

Employer/employee/entrepreneurial training was the subject of a special effort of my administration, a conference called "Alaska Youth: Ready for Work." Schools, private industry councils, the Alaska State Job Training Coordinating Council and others, under the direction of the Institute for Social and Economic Research at the University of Alaska Anchorage, focused attention on the issues you've identified. An additional conference is desirable, but may be difficult to fund in Alaska's current austere climate. I see tremendous value in such gatherings, however, and will be alert for opportunities to promote this idea.

In the meantime, the State will continue its work via Small Business Development Centers and the State plan for vocational education. The FY 91-93 plan is now in draft form; the State Board of Education will review and approve the final plan by May. The plan provides for continued support of teacher inservice and additional model programs in school-based enterprises. A videotape to promote economic development through school-based enterprises and entrepreneurship education should be complete in March.

Federal funds have been the prime source of funding for training school district personnel in entrepreneurship education, school-based enterprises and public information.

The State provides additional money as part of foundation formula funding for vocational education. We expect the State will take responsibility for more and more such programs as federal funding dwindles. Stable State funding for education is essential to Alaska's future social and economic health. My Education Fund amendment will provide that stability. I encourage you to contact your State Senator and urge him or her to support my proposal. Their approval would put the idea on a statewide ballot, and Alaskans could then decide the issue. It's an important concept; I hope you'll support it.

16. Marketing Alaska

The ongoing success of the Alaska Grown and Buy Alaska/Alaska Product Preference programs and the Alaska Seafood Marketing Institute demonstrates my commitment to marketing Alaska's resources and products. Budget constraints have prevented us from doing all we wanted in the past as far as promoting Alaska, but we've accomplished a lot with available resources. The DNR, charged with management and disposition of Alaska's State-owned natural resources, works regularly with the DCED in planning resource marketing to ensure that 1) prospective purchasers are fully informed about sale procedures and requirements and 2) the State receives the greatest possible return.

Favorable southbound freight rates would probably help sales of Alaskan goods, but there's not much the State is able to do to affect them. If you have specific suggestions, please share them.

The legislative prohibition of finfish mariculture persists, but invertebrate and sea vegetable farming is expanding in Alaska. Mariculture holds great economic potential for the State, and I look forward to acting on the reports of the finfish farming task force and the mariculture interagency working group. I support the economically and ecologically sound application of mariculture techniques. State-owned tidelands in southeast Alaska were recently opened to shellfish mariculture; DNR is now reviewing applications for other sites.

Despite the wreck of the EXXON VALDEZ, Alaska's tourism industry experienced its biggest year ever. Research conducted as a part of the emergency tourism marketing campaign in response to the oil spill has revealed two important facts: 1) Potential visitors changed their plans to visit Alaska in 1989 and 2) concern of potential visitors

was affected positively by the campaign. In other words, we brought some of them back. We'll be ready as the first anniversary of the spill approaches. The DCED's Division of Tourism and the Alaska Tourism Marketing Council (ATMC) will help the various media spread accurate information about Alaska as a tourist destination.

It's important to remember that Alaska's capacity to house and feed visitors is barely adequate during the peak summer season. To me, that means we should devote our efforts to developing a year-round tourist industry, starting with promotion of the so-called "shoulder seasons." Since our capacity to provide tourists with a high-quality experience is limited by available facilities, any expansion of infrastructure should follow in a coordinated manner with increased promotion. Promotion without infrastructure expansion may well be counter-productive.

The Buy Alaska and Alaska Grown campaigns are successful because they were developed with the help of knowledgeable people, often at a local or regional level. The DCED/DBD is continuing this successful pattern with the establishment of the Alaska Regional Development Organizations (ARDOR) program. Through ARDOR, the State assists regional entities in developing their respective areas. The resultant expanding network of State, municipal and private entities strengthens and diversifies the economy.

Expanded State contact with tour, charter and transport operators will encourage both tourism businesses to serve Alaskan food and beverage products and visitors to buy Alaskan products. The Division of Tourism will also pursue a campaign to acquaint visitors with available Alaskan gifts and art by regions of the State. Gift shops aboard the vessels of the Alaska Marine Highway System are vendor-operated. We'll encourage those vendors once again to expand their inventories of Alaskan products.

Availability of sorted address labels is a complex issue. The Department of Law recently ruled that the labels, as public information, are available to anyone who asks for them. The ATMC, Alaska Visitors Association (AVA) and DCED, Division of Tourism, have reviewed the present partnership framework that governs distribution of labels. Legislation addressing this matter was recently introduced (HB 442); I encourage you to share your views with your legislators.

The Anchorage Convention and Visitors Bureau (ACVB) operates brochure racks at both Anchorage terminals under an

agreement with the Alaska International Airport System (AIAS). The ACVE absorbs virtually all costs in maintaining its visitor centers and requires membership in its bureau to place brochures in those centers. Opening the racks to all businesses would require a change in the current agreement or perhaps assumption of center operation by the State--at a considerable cost.

Alaska's resource development project review system, in place for six years now, has a successful, documented record. Brochures describing the system are available to any interested party; pre-application conferences with permitting agencies are arranged on request. Depending on the complexity of the application, reviews take either 30 or 50 days. The program has an excellent on-time record. Conference concerns may well indicate that a new round of education of the small business sector is in order. Division of Governmental Coordination (DGC) and DBD officials will work together to arrange orientation sessions; DGC brochures on the permit review process will be distributed through DBD's small business advisory network.

State dollars are indeed spent to attract film companies that use non-Alaskans. In fact, a small expenditure outside has again resulted in a big boost to local and regional economies--as a major film project proceeds in Haines this winter. Some expertise and capacity simply doesn't exist within the Alaska business community. We are occasionally faced with little choice but to contract outside.

17. International Trade

I'm particularly proud of my administration's promotion of international trade. From \$987 million in 1980, Alaska exports have grown to about \$2.5 billion in 1989. On a per capita basis, Alaska's export record leads the nation. Obviously, we're doing something right, but that doesn't mean we can't do even better.

My Office of International Trade (OIT) publishes an extensive newsletter containing trade lead bulletins that goes to over 3,500 business people, as well as a weekly fisheries report that reaches nearly 100 contacts across the State. Also, upon learning of or receiving notice of trade leads, OIT contacts Alaskan businesses potentially able to provide goods or services. OIT makes use of an extensive network of foreign contacts; they also coordinate with the Alaska Center for International Business and the Alaska World Trade Center, making use of their international trade

data bases. Business people wishing placement on OIT's mailing list should call Bob Poe at 561-5585.

OIT regularly sponsors seminars and public information events, providing how-to-do-business hints on protocol, import/export requirements, etc. These events are advertised in a number of ways and have been well-attended. OIT staff continue their strong efforts to cooperate and participate in a wide range of speaking engagements throughout the state to provide assistance to Alaskan businesses and organizations.

Clearly, the commitment of personnel and pursuit of the Conference's well-reasoned recommendations depend to a large extent upon the budget. With increased personnel, OIT could take a more active role in a larger variety of events and markets. This is certainly true of OIT's overseas offices, but it is important to remember to proceed not just with a bigger budget, but within a carefully-laid plan. Due to budget limitations, OIT has focused on the Pacific Rim, historically Alaska's largest trading partner. Europe is important and deserves increased attention.

We regularly promote export of natural resources and the use of Foreign Trade Zones (now in Anchorage, Valdez and St. Paul). Recent successes include working with Konkor to export round logs to Taiwan and bringing Federal Express to Anchorage to establish an international cargo hub. Our overseas offices are actively promoting Foreign Trade Zone use, ranging from manufacturing to "just-in-time" inventory systems.

We also regularly include the private sector in the international trade development process. An excellent example of this cooperation is the annual Korea-Alaska Trade Fair, involving the Alaska State Chamber of Commerce and the Alaska-Korea Business Council.

High seas fish interception and the 200-mile limit are largely federal issues, but we continue to convey our concerns to both U.S. and foreign governments.

18. Tourism Infrastructure and Marketing

The quality and carrying capacity of our tourism infrastructure are of continuing concern. As we succeed in attracting more visitors to Alaska, our parks, campgrounds, turnouts and stream banks become more congested. To maintain the quality of life of Alaskans and to avoid

degradation of visitors' experiences here, the Tourism Coordinating Committee has evaluated and is pursuing a list of interagency recommendations with appropriate State entities. The State, as a significant holder of lands with potential for development of accommodations, attractions and recreation, is in a good position to stimulate private investment in Alaska and promote growth in the visitor industry. Efforts to develop Hatcher Pass and South Denali projects exemplify my interest in improving Alaska's visitor industry.

Cooperative ventures are essential to the continued vitality of the tourism industry; the State will continue to look for every opportunity to encourage these relationships.

Marketing Alaska as a year-round destination must proceed with development of attractions and accommodations that will fulfill the wishes of "shoulder season" visitors. To broaden the mostly seasonal nature of Alaska tourism, the State will actively support sound infrastructure development while continuing to promote statewide events and marketing programs to stimulate visits by friends and relatives. The State will continue to support programs designed to dispel weather stereotypes and increase awareness of "off season" Alaska.

At present funding levels, Alaska is losing its share of voice in the marketplace due to increasing media costs and competitive clutter. If we are to sustain visitor numbers and seek growth, we'll need increased promotional funding. Of course, we'll continue to make every attempt to keep that marketing money in Alaskan hands.

19. Government Wages and Benefits

Public employees are important to the State, and they work hard. They are also well-compensated for their efforts. Recent studies indicate that Alaska's public employees are paid considerably better than their counterparts outside, even after removing geographic cost-of-living differentials. That's why I've resisted the political pressures to grant substantial raises in pay. Private sector businesses have only maintained or even reduced wages and benefits in the past few years. Reliable data on private sector employee turnover caused by public sector competition would be useful to the State's bargaining team. I encourage private business to work with the Department of Administration in accumulating that information.

Voter approval of wage and benefit increases is unrealistically cumbersome. Budgeting would be difficult, contracts would have to contain complex retroactive clauses and this idea would require a statutory change that has little support. State employee wage and benefit increases are already subject to legislative approval and appropriation.

Overtime compensation requirements are set in Alaska statute (AS 21; Alaska Wage and Hour Act) and federal law (Fair Labor Standards Act). Neither permits use of "compensatory time" for private sector employees. Support to modify either is not presently apparent.

An exemption from overtime exists, however; AS 23.10.055(i) exempts employers with fewer than three employees from overtime requirements. They must pay straight time for all hours worked.

State wages and benefits should reflect competitive variances by geographic area. Geographic differentials attempt this, but really are more reflective of cost-of-living variances. We're working on a salary survey to compare public and private sectors. No wage increase since 1985 has served to bring public and private rates closer. When funding permits, we ought to conduct more research.

Any modification of retirement systems requires statutory change. Proposed changes will no doubt meet strong resistance. I doubt that change is likely.

20. Davis-Bacon Wages

One specific goal of the Little Davis-Bacon Act is to protect construction workers from exploitation by requiring that prevailing wages be paid employees working on public construction projects. To deny these employees, who are especially susceptible to wage-cutting competition, the remedies available through the Little Davis-Bacon Act would undermine its very essence. The DOL requires uniform interpretation of the Little Davis-Bacon Act and associated rules and regulations in all regions of the state.

The Department of Labor (DOL) continuously updates its lists of job classifications and associated prevailing rates of minimum pay and presently lists 595 job classifications with a published prevailing minimum rate of pay. State law

contains a provision for obtaining special wage rates on public construction for job classifications not listed.

Resolutions

With regard to the Governor's Conference on Small Business Resolutions, let me state generally that I feel the exercise has been very valuable. I suggest the delegates form working groups to pursue the courses of action we've identified, with a follow-up statewide meeting perhaps one to two years into the next administration. I'll work with you to develop an appropriate Administrative Order to demonstrate Executive Branch support for this ongoing effort. Keep in mind that money for commissions and councils is increasingly tight. The future clearly belongs to those who don't wait around for funding but get right to work and make things happen through available means.

We have indeed already appointed a small business person as Director of the DCED, Division of Business Development. Jamie Parsons has been on the job since last year; I trust the Conference approves of this appointment.

The concept of including small business people in Alaska's boards and commissions is attractive. I call on the state's business community to help identify appropriate applicants for vacancies on these bodies. Contact Penny Forsmo in my Juneau office at 465-3500 for more information.