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# House of Representatives

While in Session:

Alaska House of Representatives  
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Juneau, AK 99801-1182  
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Member  
Finance Committee

Finance  
Subcommittee Chair:  
Courts  
Department of Public Safety

Finance  
Subcommittee Member:  
Department of Fish and Game

Rep. George Jacko, Jr.

## MEMORANDUM

TO: Representative Jerry Mackie, Chairman  
House Community and Regional Affairs Committee

FROM: Representative George Jacko, Jr.

DATE: February 11, 1992

SUBJECT: Request for Scheduling of HB 452

I respectfully request your consideration in scheduling House Bill 452, "An Act to extend the Alaska Regional Economic Assistance Program," in your Community and Regional Affairs Committee. This bill would push back the sunset date for the Alaska Regional Economic Assistance Program. It is currently scheduled to sunset on July 1, 1993. The program has allowed 13 regional development organizations (ARDOR's) to be established. Each of these organizations encourages and supports local responsibility for economic development planning and self-sufficiency with the support of new businesses, creation of new jobs, support of business education, and linkage or access with local and state governments. As the State of Alaska suffers decreasing revenues and is forced to cut back funding for programs affecting the municipalities, this type of program has the ability to provide the assistance needed to allow communities to take over some of their new responsibilities.

The original intent of the 1993 sunset date was to allow this program the time to set up 15 ARDOR's and provide them the technical support needed to get up and running. This bill maintains the intent by pushing back the sunset date to July 1, 1997. Currently only thirteen of the fifteen ARDOR's have been established. The Matsu Region and the Tanana Chief's Region outside of the Fairbanks Borough are the last two remaining regions which need to be established. Further, eight of the thirteen ARDOR's have only been formed within the last two years, allowing them very little time to take advantage of the technical support and get their program up and running.

Thank you for your consideration of this request. Enclosed, with the copy of HB 452, you will also find additional material describing the Alaska Regional Economic Assistance Program. If you have any questions regarding this legislation, please contact myself or Ingrid Jacobsen, of my staff at 465-4942.

## ALASKA REGIONAL DEVELOPMENT ORGANIZATIONS PROGRAM

The Alaska Regional Development Organizations (ARDOR) Program was established in statute in June 1988. Designed to facilitate economic development at the regional and local levels through a network of designated public/private economic development organizations, the program's underlying goal is the creation of private sector employment through local economic diversification and capacity building. The program reflects the "bottom up" approach to economic development which holds that sound economic development policy arises from local determination of economic development needs and priorities. **The statute allows up to 15 ARDORs statewide and only one organization may be designated within a region.** ARDORs must demonstrate their broad-based public and private sector support and they must prepare a detailed program of work to address regional economic development issues. **Matching grants of up to \$50,000 per year are available to designated ARDORs.** Technical and professional support services are provided to ARDORs by staff of the Division of Economic Development.

### **ARDOR FACTS**

- o 13 ARDORs designated since 1989
- o 93% of Alaska's population is represented by ARDORs
- o 67% of Alaska's land area is included in ARDORs
- o More than 200 community leaders serve on ARDOR boards of directors
- o ARDOR program costs the state less than \$1.00 per capita
- o ARDORs encourage and support local responsibility for economic development planning and economic self-sufficiency
- o ARDORs are creating new jobs in every region
- o ARDORs are supporting new businesses in every region
- o ARDORs are supporting business education in Alaska's school systems
- o ARDORs are a critical linkage between local communities and state government for the examination and determination of economic development policy

### **DESIGNATED ARDORs**

- o Kenai Peninsula Borough Economic Development District
- o Southwest Alaska Municipal Conference
- o Anchorage Economic Development Corporation
- o Southeast Conference
- o Northwest Arctic Borough Economic Development Commission
- o Bering Straits Economic Council
- o Interior Alaska Economic Development Council
- o Copper Valley Economic Development Council
- o Kuskokwim Economic Development Council
- o Arctic Development Council
- o Lower Kuskokwim Economic Development Council
- o Prince William Sound Economic Development Council
- o Lower Yukon Economic Development Council

**DESIGNATED ARDORS  
POPULATION AND LAND AREA**

<u>Designated ARDOR</u>	<u>Population (est.)</u>	<u>Area (sq. mi.)</u>
Anchorage EDC	237,900	2,000
Arctic Slope DC	8,300	95,000
Bering Strait EC	10,000	26,000
Copper Valley EDC	2,500	17,000
Interior Alaska EDC	75,000	13,100
Kenai Borough EDD	40,800	25,600
Kuskokwim EDC	2,000	16,000
Lower Kuskokwim EDC	12,100	24,000
Lower Yukon EDC	5,500	23,000
NW Arctic Borough EDC	6,100	39,000
Pr. William Sound EDC	7,400	12,750
Southeast Conference	70,000	35,500
SW Alaska Munic. Conference	33,500	62,500
Totals:	511,100	391,450
Base:	550,000	586,000
Total as Percent of Base:	93%	67%

**Alaska Regional Development Organizations  
Representative  
Economic Development/Capital Projects  
January 1992**

**Anchorage Economic Development Corporation**

Designated: April 11, 1989

- \* Ship Creek Basin Redevelopment Project
- \* Petroleum Visitors Center
- \* Girdwood Water System Expansion/Alyeska Prince Hotel
- \* Semiconductor Manufacture/Software Development Industry Promotion
- \* Development of Anchorage as a Fish Processing, Transport and Industry Service Center

**Arctic Development Council**

Designated: March 1, 1991

- \* Anaktuvuk Pass Lodge and Visitor Center
- \* Business Development Technical Assistance Resulting in the Expansion or Startup of Local Transportation, Retail Grocery, Bed & Breakfast, and Marine Salvage Businesses in Barrow and Pt. Hope

**Bering Straits Economic Council**

Designated: January 11, 1990

- \* Shishmaref Tannery Development & Marketing
- \* Geophysical/Geological Mapping of Seward Peninsula
- \* Port of Nome Development
- \* Norton Sound Aquaculture Association
- \* Elim Fish Hatchery
- \* Regional Capital Projects Inventory
- \* DOD Hazardous Materials Removal Project/Workforce Certification

**Copper Valley Economic Development Council**

Designated: November 1, 1990

- \* Glennallen/Delta Electric Power Transmission Line
- \* Copper Valley Summer Theater/Young Entrepreneur Program

**Interior Alaska Economic Development Council**

Designated: January 31, 1990

- \* Alaska Railroad Spur and Loading Dock, Fairbanks
- \* Ester Historical Restoration Project

- \* Native Heritage Park and Tourism Facility, Nenana
- \* Fairbanks Hospital Expansion Project
- \* Technical Assistance to Over 472 Businesses and Non-Establishing or Expanding Businesses in Alaska

**Kenai Peninsula Borough Economic Development District**  
Designated: February 22, 1989

- \* Development of Kachemak Bay Shellfish Industry
- \* Beluga Coal Fields Development
- \* Harvest and Marketing of Beetle Killed Timber
- \* Paint River Fish Ladder Development Project
- \* Kenai Bicentennial Visitor and Cultural Center Development
- \* Homer and Seward Port Development Projects

**Kuskokwim Economic Development Council**  
Designated: February 15, 1991

- \* Kalskags Gravel Quarry Development and Work Force Training Project
- \* Russian Mission Truck Farm Development and Produce Marketing Project
- \* Sleetmute Restaurant and Lodging Facility Development

**Lower Kuskokwim Economic Development Council**  
Designated: September 17, 1991

This new ARDOR held its first board of directors meeting in December, 1991. In addition to producing community economic profiles and a regional economic development strategy the ARDOR is presently involved in the following regional development activities.

- \* Kuskokwim Fisheries Market Development
- \* False Pass Fishery Intercept Issue

**Lower Yukon Economic Development Council**  
Designated: November 1, 1991

This new ARDOR will hold its first board of directors meeting and select an executive director in early February, 1992. The board will chart the course of work for the LYEDC for the following year, including the production of community economic profiles and a regional economic development strategy.

**Northwest Arctic Borough Economic Development Commission**  
Designated: June 28, 1989

- \* Upper Kobuk Birch Bark Basket & Dog Sled Cooperative

- \* Northwest Arctic Borough Aquaculture Association
- \* Expansion of Sikisulaq Springs Hatchery
- \* Regional Ecotourism Development Plan (NPS)

**Prince William Sound Economic Development Council**

Designated: November 1, 1991

This new ARDOR held its first organizational meeting in November, 1991, at which a board of directors was elected and an executive director hired. In addition to commencing work on community economic profiles and production of a regional development strategy, the PWSEDC is involved in the following activities.

- \* Valdez Fisheries Association, Value Added Processing Project
- \* Technical Assistance to Individual Businesses Throughout Region

**Southeast Conference**

Designated: April 14, 1989

- \* AMHS 20 Year System Plan, Full Funding and Implementation
- \* Value Added Salmon Processing Utilizing New Microwavable Can Technology
- \* Tongass Land Management Plan, Evaluation, Alternatives, Lobbying
- \* Alaska/Canada Access Projects, Taku River and Bradfield Canal

**Southwest Alaska Municipal Conference**

Designated: April 6, 1989

- \* Establishment of Southwest Alaska Tourism Council to Implement Regional Tourism Marketing Program
- \* Recycling/Waste Management Studies to Identify Associated Business Opportunities and Implement Reduction Recommendations
- \* Research, Education and Lobbying Activities to Insure Shoreside Allocation of Regional Fish Resources

# **ALASKA**

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## **DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT**

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### **DIVISION OF BUSINESS DEVELOPMENT**

## **ALASKA REGIONAL ECONOMIC ASSISTANCE PROGRAM GUIDELINES**

The purpose of the Alaska Economic Assistance Program is to encourage the formation of Alaska Regional Development Organizations (ARDORs) that address the economic problems of specific regions of the state; coordinate private and public resources to support economic development on a regional basis; provide the state with information on regional economic issues and opportunities; and provide assistance to local economic diversification and development efforts to encourage economic self sufficiency among regions of the state.

Matching grants of up to \$50,000 per year for financial and technical assistance will be provided to each regional organization that qualifies.

The program is administered by the Department of Commerce and Economic Development, Division of Business Development. The Department stands ready to assist the Regional Organization in both the organization and operation of the ARDOR by providing information, data and technical assistance. This includes but is not limited to:

1. information, procedures, forms and other materials as required, on how to apply and qualify for Alaska regional development;
2. counseling and technical assistance to the regional economic organization in establishing and operating an Alaska regional development organization program; and
3. available data and information on the region's economy in support of the regional organizational efforts.

### **APPLICATION PROCEDURES**

Applications for ARDOR designation and funding must be submitted on forms provided by the Department of Commerce and Economic Development.

#### **Who May Apply:**

The Department will accept applications from any organizations wishing to be designated as an ARDOR for a specific region and receive funding, as long as the applicant meets one of the following criteria:

1. A nonprofit corporation, including a regional Native non-profit corporation;
2. An association which can be composed of municipal governments, chambers of commerce, and/or local or regional development councils; or
3. A body formed by an organized municipality.

An Economic Development District formally recognized by the Economic Development Administration is automatically designated the ARDOR for the region it serves, but the district must still file an application for such designation.

(Revised 3/13/89)

The potentially thorny issues of delineating regions and recommending representative organizations is NOT the role of the state or the department. It makes much more sense that the establishment of regional boundaries and the development of ARDORS occur through local initiative. Each region should consist of communities with similar or related economic problems and opportunities and with the ability to work together to achieve common goals.

**Where to Apply:**

Division of Business Development  
Department of Commerce and  
Economic Development  
P.O. Box D  
Juneau, Alaska 99811  
Phone: (907) 465-2017

Division of Business Development  
Department of Commerce and  
Economic Development  
3601 C Street, Suite 722  
Anchorage, Alaska 99503  
Phone: (907) 563-2165

**What to Submit:**

Applications for designation as an ARDOR or for funding must be on forms provided by the Department of Commerce and Economic Development, Division of Business Development (see attached).

**Application for ARDOR Designation.** This application is used by applicants for the designation of an applicant as an ARDOR. In addition to the application form itself, the applicant will be required to submit the following:

1. A map delineating regional boundaries;
2. Regional population information;
3. A list of the membership of the Board of Directors for the ARDOR;
4. Bylaws of the regional organization;
5. Formal resolutions supporting the application;
6. A detailed project proposal and work program; and
7. Copy of the nonprofit incorporation papers.

**Application for ARDOR Funding.** This application will be used by applicants for funding the ARDOR program. A detailed budget for 12-month project period including identification of the source(s) of non-state matching funds must be included. For first year funding, a funding application should be submitted with the application for ARDOR designation.

**When to Apply:**

Applications for ARDOR designation and funding will be accepted by the department on a year-round basis. Funding applications will be processed on a "first come, first served" basis, until the appropriated funds are depleted.

**Review Criteria:**

**Application for ARDOR Designation.** When an APPLICATION FOR ARDOR DESIGNATION is received by the department, it will be evaluated to see if it complies with the program statutes and regulations, summarized below.

1. **Regional Size**—3 AAC 57.040 and AS 44.33.026(a)(2). The regional map and population information submitted must address the following information.

In general the region must form an economically viable unit with shared interests, resources, traditions, and goals. The region must contain the entire area of each municipality within the region and include at least one community with a population of 2,500 or more which serves as a regional supply, transportation, and financial hub. The region must be at least 12,000 square miles in area or have a total area population of 80,000 or more.

If the regional economic center does not include a population of at least 2,500 people, then supplementary information must be provided to justify that there is sufficient population and resources within the region to fulfill the intent of the program.

2. **Board Representation**—3 AAC 57.050 and AS 44.33.026(e). The board membership description should provide evidence that the region's economic, political and social interests are represented. The proposed board of directors should have both public and private sector representation on the board, including elected officials, business, service industries, transportation, labor, professions and educational institutions.
3. **Bylaws and Non-Profit Incorporation Papers**—3 AAC 57.060(a). The bylaws of the organization must be submitted and at a minimum, should describe: purpose of organization, board of directors, election of officers, duties of officers, meetings, and adoption and amendment of bylaws. If the organization has incorporated under the laws of the State of Alaska, a copy of the articles of incorporation should be provided. (Incorporation is not necessary.)
4. **Formal Resolutions supporting the Application**—3 AAC 57.060(a). Copies must be provided of formal resolutions supporting the applicant organization from three-fourths of the municipalities and villages and economic development organizations (such as chambers of commerce, OEDP committees, etc.) within the region. (Only those organizations which can be identified as being directly involved in business development or regional and/or community economic development activities need to pass resolutions.)
5. **Proposed ARDOR First Year Work Program and Budget**—3 AAC 57.090. The department anticipates that there will be more than one approach taken in the accomplishment of the various ARDOR programs. At a minimum the following must be included in the work program and budget: 1) the development of a Regional Development Strategy; 2) the completion of a set of economic profiles for every organized municipality in the region; 3) a detailed description of the work to be accomplished in the first year; 4) identification of the source of the required local match for receipt of the local share; and 5) a line item budget detailing expenditures for the total project.

**NOTE:** An APPLICATION FOR ARDOR FUNDING should accompany the APPLICATION FOR ARDOR DESIGNATION.

**Application for ARDOR Funding.** Once an ARDOR has been designated and funded, in subsequent years the ARDOR must annually file an APPLICATION FOR ARDOR FUNDING for continuation of funding. The Department will review the application to determine how well the ARDOR performed in the previous year's work program and will be looking at the details of the proposed work program for the new year. This will include the review of: 1) the proposed work program for compliance with 3 AAC 57.090 (Functions and Responsibilities) and the ARDOR's Regional Development Strategy; 2) the proposed budget for the next year's program; and 3) identification of the source of the local matching share.

If an ARDOR submits an APPLICATION FOR ARDOR FUNDING for second year funding, the department will be especially interested in the progress being made on the Regional Development Strategy.

## ARDOR DESIGNATION DECISION PROCESS

In order to process ARDOR designation applications in as orderly and efficient a manner as possible, the department has established the process described below. It is anticipated that if an APPLICATION FOR ARDOR DESIGNATION is filed with all the necessary information, exhibits and attachments; the application can be approved in approximately 45 days.

1. Application is received by the department.

—Day One—

2. Application is reviewed to see if the information required by regulation has been submitted (see Review Criteria above).

—Department has 10 days to review application—

3. If the department determines the application meets all requirements, Public Notice of Intent to designate an ARDOR is published.

—30 day public review and comment period—

4. If the department finds the application is deficient, competing applications are filed, or substantive objections are received during the public comment period, the application is returned to the applicant with an explanation as to what needs to be done to make the application satisfactory; but the process stops until the concerns are corrected.

Please Note: "It is not the responsibility of the department to mediate conflicts," 3 AAC.57.060(g). Any substantive objections or competing applications must be resolved by the applicant organization and a majority of the parties on record expressing the objections.

5. If there are no substantive objections or challenges registered during the 30 day public review period, the department will designate the applicant as an ALASKA REGIONAL DEVELOPMENT ORGANIZATION and execute a grant agreement.

—Department will sign the designation papers in 5 working days—

## ARDOR FUNDING PROCESS

After the ARDOR has received its designation and first year funding, the following procedure will be used for processing an APPLICATION FOR ARDOR FUNDING in subsequent years:

1. at least 60 days prior to the end of its project year, the ARDOR should file an APPLICATION FOR ARDOR FUNDING with the department;
2. the department will review the application to assure compliance with program regulations (see review criteria above); and
3. If the review reveals no areas of concern, a new grant agreement will be executed with the ARDOR prior to the end of the existing project year. This new grant will go into effect upon the termination of the old.

In order for an ARDOR to receive funding, a grant agreement must be signed and executed by the ARDOR and the department.

## ARDOR FUNDING POLICIES

Only one organization from a particular region can receive ARDOR grant funds. No more than 15 grants may be awarded by the department in a fiscal year. Grants of up to \$50,000 may be awarded to a designated ARDOR in a fiscal year. Applications for ARDOR funding are processed on a "first come, first served" basis. An organization that receives funding will have a first priority for funding in subsequent years. Nonfunded applications will have the next lower priority for funding in the next state fiscal year. The department, in its discretion, will adjust priorities and lower funding levels requested by previously funded ARDORs, to accommodate nonfunded applications. In FY 89, the department received \$300,000 to fund the program.

Grants are to be matched in cash, on a one-to-one basis with nonstate funds. Twenty percent of the match share, or \$10,000, whichever is less, must be from the municipalities and the private sector with the region. Under special circumstances, the department will review written requests from designated ARDORs to substitute up to twenty percent of the match requirement with in-kind services contributions for the first two years of funding. Such a request should be submitted with the APPLICATION FOR ARDOR FUNDING. The in-kind service contributions may not substitute for the municipalities/private sector contribution requirement listed above.

See 3 AAC 57.070 (Funding Procedures) for additional information.

## ARDOR OPERATIONS

ARDORs must maintain an office with regular office hours and retain the equivalent of one full-time professional staff. ARDOR offices are expected to have computers with communication capabilities to access computer bulletin board systems and data bases such as AKBizNET, the Alaska Small Business Development Center electronic bulletin board system.

FISCAL NOTE

STATE OF ALASKA  
1992 LEGISLATIVE SESSION

BILL NO. HB 452

Revision Date: \_\_\_\_\_

Department Affected: Commerce & Econ. Dev.

Title: An Act to extend the Alaska Regional  
Economic Assistance Program

BRU: Economic Development

Component: \_\_\_\_\_

Sponsor: Representative Jacko

Requestor: Representative Jacko

COMPONENT SERIAL NO. 

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EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	0	750.0	750.0	750.0	750.0	0
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0</b>	<b>750.0</b>	<b>750.0</b>	<b>750.0</b>	<b>750.0</b>	<b>0</b>

CAPITAL						
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REVENUE FUND RESOURCE:						
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	750.0	750.0	750.0	750.0	0
FEDERAL FUNDS						
OTHER FUND SOURCE:						
<b>TOTAL</b>	<b>0</b>	<b>750.0</b>	<b>750.0</b>	<b>750.0</b>	<b>750.0</b>	<b>0</b>

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

**ANALYSIS** (Attach a separate page if necessary.)

This program is fully funded in the Governor's FY 93 Budget Request. The fiscal impact of this bill does not arise until FY 94 and ends with FY 97.

Prepared By: Terry Miller, Development Specialist Phone: 465-2017  
 Division: Economic Development Date: 2/5/92  
 Approved by Commissioner: Glenn A. Olds *[Signature]* 2/5-92  
 Agency: Department of Commerce & Economic Development Date: \_\_\_\_\_


Distribution (by preparer): Leg. Fin., Legislative Sponsor, Requestor, OMB/DBR, Gov. Legis. Ofc., and Impacted Agency(ies).  
 Page 1 of 1

HB 452: "An Act to extend the Alaska Regional Economic Assistance Program."

The Alaska Regional Economic Assistance Program was created in statute in June 1988. The program was designed to facilitate economic development at the regional and local levels by establishing a network of designated public/private economic development organizations. These organizations, which came to be called Alaska Regional Development Organizations (ARDORs), are charged with developing and implementing strategies to encourage economic development within their regions. The program's underlying goal is the creation of private sector employment through local economic development and capacity building. The statute allows up to fifteen ARDORs to be designated statewide and provides matching grants of up to \$50.0 per year to each organization. Administrative support for the program, as well as professional and technical assistance to the ARDORs, are provided by staff of the Division of Economic Development. On the assumption that the ARDORs could become operationally and financially self-sufficient after five years of state support (FYs 89-93), the program was scheduled for repeal in July 1993.

Although some ARDORs have been operational since FY 89, many have come into existence within the last year and two significant regions of the state are still in the process of structuring appropriate organizations. ARDORs now encompass 67 percent of the state's land area and 93 percent of its population. Nearly 200 community and business leaders throughout the state serve on ARDOR boards of directors. While the goal of creating self-sufficient regional entities remains, it is the position of this department that it is in the best interest of the state to continue this modest level of support to a highly successful and popular program that is making a significant contribution to encouraging local responsibility for economic development planning and program implementation.

The department recommends extending the Alaska Regional Economic Assistance Program to July 1997.

  
\_\_\_\_\_  
Glenda A. Olds, Commissioner

Date: 2-18-92



217 Second Street, Suite 200 ■ Juneau, Alaska 99801 ■ Tel (907) 586-1325. Fax (907) 463-5480

February 18, 1992

## Position Paper

### HB 452 - Extend the Alaska Regional Assistance Program

The Alaska Municipal League supports HB 452, an Act to extend the Alaska Regional Economic Assistance Program until July 1, 1997. In addition, the Alaska Municipal League supports an amendment to the legislation to allow grants of up to 100,000 and requests \$1.4 million in funding for the Alaska Regional Development Organization or ARDOR program (see AML Resolution No. 92-11 attached).

The Alaska Regional Development Organization or ARDOR program under AS 44.33 has been successful in advancing local control of economic development efforts and in increasing the flow and retention of dollars in local economies. Although there are now 14 ARDOR's across the state, many are still in their formative stages. Two areas of the state do not have active ARDOR's but organizational efforts are underway. Additional time and money are needed to ensure the successful development and operation of ARDOR's across Alaska.

The current program will "sunset" July 1, 1993. Under AS 44.33, the Department of Commerce and Economic Development may provide up to \$50,000 in matching development grants to up to fifteen regional development organizations per year. In FY 92, there is \$617,000 authorized. There are 13 designated and operational ARDOR's receiving state matching funds. With the continuation of the program and continued and increased funding, the state can continue a real, successfully demonstrated, and critical role in the formulation of state economic development policy and in the delivery of economic and business development services within the state.

AML supports HB 452. The League also requests that the legislation be amended to provide for grants of up to \$100,000 under the Alaska Regional Economic Assistance Program and for the program be funded at \$1.4 million in FY 93.

Attachment

c:ardorhb.452

**Resolution of the Alaska Municipal League**

**Resolution No. 92-11**

**A RESOLUTION SUPPORTING ADEQUATE FUNDING  
FOR THE ALASKA REGIONAL  
DEVELOPMENT ORGANIZATION PROGRAM**

WHEREAS, the Alaska Municipal League endorses programs and policies that promote the creation and implementation of community based economic development programs, and

WHEREAS, in 1988 the Alaska Regional Development Organization (ARDOR) program was established within the Alaska Department of Commerce and Economic Development, and

WHEREAS, the purpose of the ARDOR program is to facilitate economic development at regional and local levels by establishing a network of regional development organizations designed to advance local control of economic development efforts and increase the flow and retention of dollars in local economies, and

WHEREAS, the ARDORs are designed to play a critical role in the formulation of state economic development policy and in the delivery of economic and business development services within the regions, and

WHEREAS, the ARDOR program currently provides matching grants of up to \$50,000 per year for financial assistance to each designated regional development organization, and

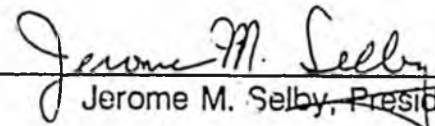
WHEREAS, the authorizing legislation allows for a maximum of fifteen regional development organizations to be funded in any year, and

WHEREAS, there are fourteen designated and funded regional development organizations now in operation throughout Alaska, and

WHEREAS, the Division of Economic Development within the Department of Commerce and Economic Development, which administers the ARDOR program, estimates that at least fourteen regional development organizations will be operational within the next year.

NOW, THEREFORE, BE IT RESOLVED that the Alaska Municipal League urges the Governor and the Alaska State Legislature to appropriate \$1.4 million in Fiscal Year 1993 and to amend the ARDOR statutes to provide for matching grants of up to \$100,000 each to eligible regional development organizations to be administered through the ARDOR program.

Adopted this 15th day of November 1991 in Fairbanks, Alaska.

  
\_\_\_\_\_  
Jerome M. Selby, President

ATTEST:

  
\_\_\_\_\_  
Scott A. Burgess, Executive Director

Representative George Jacko, Jr. 2/16/92  
House Committee on Community and Regional Affairs Presentation

HOUSE BILL 452 "An Act to extend the Alaska Regional  
Economic Assistance Program."

PURPOSE: HB 452 pushes back the sunset date of this program from  
July 1, 1993 to July 1, 1997.

EFFECT: This will allow the last two unorganized ARDORS to be  
established. These are the Tanana Region outside of  
Fairbanks and the Matsu Region.

Also, eight of the thirteen existing ARDORS have just  
been established within the last 2 years, so this  
legislation would allow them a longer window of  
opportunity to get established and to take advantage  
of technical support.

COST: It will cost \$750,000 annually.

This amount allows each ARDOR to receive matching  
grants of up to \$50,000 per year.

(This is not an additional cost for Fiscal Year '93, as it is  
already figured into the operating budget. The existing  
sunset would have eliminated funding for this program  
beginning with FY 94.)

PROGRAM BACKGROUND:

- \* 13 Alaska Regional Development organizations  
(ARDORs) have been designated since 1989.
- \* 93% of AK's Population is represented by ARDOR's
- \* More than 200 community leaders serve on ARDOR  
board of directors.
- \* The ARDOR program cost the state less than \$1.00 per  
capita.

- \* The ARDORs purpose is to encourage & support local responsibility for economic development planning and economic self-sufficiency.
- \* ARDORs create jobs in every region.
- \* ARDORs are supporting new business in every region.
- \* ARDORs are supporting business education in Alaska's Schools Systems.
- \* ARDORs have formed a critical linkage between local communities and state government for the examination and determination of economic development policy.

**JUSTIFICATION:** As the State of Alaska suffers decreasing revenues and is forced to cut back funding for programs affecting the municipalities, the ARDOR program has the ability to provide the assistance needed to allow communities to take over some of their new responsibilities. I believe this is a necessary pursuit and that the state should support the establishment of these programs and making them economically sound.

Capital and Economic Development projects of the ARDOR programs include water system expansion, tourism development, marketing of several products, AK railroad spur and dock, electric power transmission line, waste management studies, and many more worthy pursuits.

Each of these programs receives matching funds from the communities they serve. In the example of the Southwest Alaska Municipal Conference, community members pay \$0.50 per resident to support SWAMC. Without the state ARDOR funding, this amount would need to be increased and would likely no longer be affordable to the small, isolated communities in our region who benefit most from a regional association.

Finally, the Alaska Regional Development Organizations Program promotes the development of business and industry throughout Alaska, which simple put means jobs!

**SUPPORT:** There are several support letters in your packet from

Department of Commerce and Economic Development  
Alaska Municipal League  
Kenai Peninsula Borough Economic Dev. District, Inc.  
Southwest Alaska Municipal Conference  
Aleutians East Borough  
Anchorage Economic Development Corporations  
Kuskokwim Economic Development Council  
Copper Valley Economic Development Council, Inc.  
Interior Alaska Economic Development Council

**OTHER WITNESSES:** Tom Lawson from the Department of  
Commerce and Economic Development is here  
to answer any specific program questions.

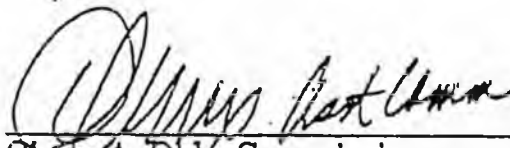
(ATTACHMENT #2)

HB 452: "An Act to extend the Alaska Regional Economic Assistance Program."

The Alaska Regional Economic Assistance Program was created in statute in June 1988. The program was designed to facilitate economic development at the regional and local levels by establishing a network of designated public/private economic development organizations. These organizations, which came to be called Alaska Regional Development Organizations (ARDORs), are charged with developing and implementing strategies to encourage economic development within their regions. The program's underlying goal is the creation of private sector employment through local economic development and capacity building. The statute allows up to fifteen ARDORs to be designated statewide and provides matching grants of up to \$50.0 per year to each organization. Administrative support for the program, as well as professional and technical assistance to the ARDORs, are provided by staff of the Division of Economic Development. On the assumption that the ARDORs could become operationally and financially self-sufficient after five years of state support (FYs 89-93), the program was scheduled for repeal in July 1993.

Although some ARDORs have been operational since FY 89, many have come into existence within the last year and two significant regions of the state are still in the process of structuring appropriate organizations. ARDORs now encompass 67 percent of the state's land area and 93 percent of its population. Nearly 200 community and business leaders throughout the state serve on ARDOR boards of directors. While the goal of creating self-sufficient regional entities remains, it is the position of this department that it is in the best interest of the state to continue this modest level of support to a highly successful and popular program that is making a significant contribution to encouraging local responsibility for economic development planning and program implementation.

The department recommends extending the Alaska Regional Economic Assistance Program to July 1997.



Glenna A. Olds, Commissioner

Date: 2-18-92



February 18, 1992

## Position Paper

### HB 452 - Extend the Alaska Regional Assistance Program

The Alaska Municipal League supports HB 452, an Act to extend the Alaska Regional Economic Assistance Program until July 1, 1997. In addition, the Alaska Municipal League supports an amendment to the legislation to allow grants of up to 100,000 and requests \$1.4 million in funding for the Alaska Regional Development Organization or ARDOR program (see AML Resolution No. 92-11 attached).

The Alaska Regional Development Organization or ARDOR program under AS 44.33 has been successful in advancing local control of economic development efforts and in increasing the flow and retention of dollars in local economies. Although there are now 14 ARDOR's across the state, many are still in their formative stages. Two areas of the state do not have active ARDOR's but organizational efforts are underway. Additional time and money are needed to ensure the successful development and operation of ARDOR's across Alaska.

The current program will "sunset" July 1, 1993. Under AS 44.33, the Department of Commerce and Economic Development may provide up to \$50,000 in matching development grants to up to fifteen regional development organizations per year. In FY 92, there is \$617,000 authorized. There are 13 designated and operational ARDOR's receiving state matching funds. With the continuation of the program and continued and increased funding, the state can continue a real, successfully demonstrated, and critical role in the formulation of state economic development policy and in the delivery of economic and business development services within the state.

AML supports HB 452. The League also requests that the legislation be amended to provide for grants of up to \$100,000 under the Alaska Regional Economic Assistance Program and for the program be funded at \$1.4 million in FY 93.

Attachment

c:ardorhb.452

**Resolution of the Alaska Municipal League**

**Resolution No. 92-11**

**A RESOLUTION SUPPORTING ADEQUATE FUNDING  
FOR THE ALASKA REGIONAL  
DEVELOPMENT ORGANIZATION PROGRAM**

WHEREAS, the Alaska Municipal League endorses programs and policies that promote the creation and implementation of community based economic development programs, and

WHEREAS, in 1988 the Alaska Regional Development Organization (ARDOR) program was established within the Alaska Department of Commerce and Economic Development, and

WHEREAS, the purpose of the ARDOR program is to facilitate economic development at regional and local levels by establishing a network of regional development organizations designed to advance local control of economic development efforts and increase the flow and retention of dollars in local economies, and

WHEREAS, the ARDORs are designed to play a critical role in the formulation of state economic development policy and in the delivery of economic and business development services within the regions, and

WHEREAS, the ARDOR program currently provides matching grants of up to \$50,000 per year for financial assistance to each designated regional development organization, and

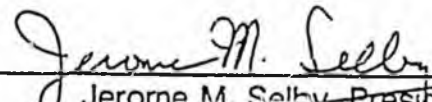
WHEREAS, the authorizing legislation allows for a maximum of fifteen regional development organizations to be funded in any year, and

WHEREAS, there are fourteen designated and funded regional development organizations now in operation throughout Alaska, and

WHEREAS, the Division of Economic Development within the Department of Commerce and Economic Development, which administers the ARDOR program, estimates that at least fourteen regional development organizations will be operational within the next year.

NOW, THEREFORE, BE IT RESOLVED that the Alaska Municipal League urges the Governor and the Alaska State Legislature to appropriate \$1.4 million in Fiscal Year 1993 and to amend the ARDOR statutes to provide for matching grants of up to \$100,000 each to eligible regional development organizations to be administered through the ARDOR program.

Adopted this 15th day of November 1991 in Fairbanks, Alaska.

  
\_\_\_\_\_  
Jerome M. Selby, President

ATTEST:

  
\_\_\_\_\_  
Scott A. Burgess, Executive Director

# Designated Alaska Regional Development Organizations

## Alaska Regional Development Organizations Program

Department of Commerce and Economic Development  
Division of Economic Development

### Kenai Peninsula Borough Economic Development District

Designation Date: February 22, 1989  
James Elson, Chairman  
Stan Seashman, Executive Director  
110 Willow Street, Suite 106  
Kenai, AK 99611  
Phone: 283-3335  
Fax: 283-3913

### Southwest Alaska Municipal Conference

Designation Date: April 6, 1989  
Rich Wilson, President  
Marideth Sandier, Executive Director  
3300 Arctic Boulevard, Suite 203  
Anchorage, AK 99503  
Phone: 562-7380  
Fax: 562-0436

### Anchorage Economic Development Corporation

Designation Date: April 11, 1989  
Ron Duncan, Chairman  
Scott Hawkins, President  
550 West 7th Avenue, Suite 1130  
Anchorage, AK 99501  
Phone: 258-3700  
Fax: 258-6646

### Southeast Conference

Designation Date: April 14, 1989  
Frank Wallace, President  
Jim Kohler, Executive Director  
124 West Fifth Street  
Juneau, AK 99801  
Phone: 463-3445  
Fax: 463-5670

### Northwest Arctic Borough Economic Development Commission

Designation Date: June 28, 1989  
Ross Schaeffer, Chairman  
William Spencer, Executive Director  
P.O. Box 1110  
Kotzebue, AK 99752  
Phone: 442-2500  
Fax: 442-2930

### Bering Straits Economic Council

Designation Date: January 11, 1990  
Lonnie O'Connor, President  
Yvonne Datzel, Executive Director  
P.O. Box 1849  
Nome, AK 99762  
Phone: 443-5394  
Fax: 443-2409

### Interior Alaska Economic Development Council

Designation Date: January 31, 1990  
Walter "Wally" Carlo, President  
Wendy Warnick, Executive Director  
520 Fifth Avenue, Suite 410  
Fairbanks, AK 99701  
Phone: 459-1310  
Fax: 456-1942

### Copper Valley Economic Development Council

Designation Date: November 1, 1990  
Robert Wilkinson, President  
Donna Tollman, Executive Director  
P.O. Box 9  
Glennallen, AK 99588  
Phone: 822-5001  
Fax: 822-5009

### Kuskokwim Economic Development Council

Designation Date: February 15, 1991  
Dennis Thomas, President  
Jeannie Wooderson, Executive Director  
P.O. Box 207  
Aniak, AK 99557  
Phone: 675-4418  
Fax: 675-4419

### Arctic Development Council

Designation Date: March 1, 1991  
Conrad Bagne, President  
Larry Meadows, Executive Director  
P.O. Box 1353  
Barrow, AK 99723  
Phone: 852-4146  
Fax: 852-4147

### Lower Kuskokwim Economic Development Council

Designation Date: September 17, 1991  
Ted Moses, Chairman  
Carl Berger, Executive Director  
P.O. Box 219  
Bethel, AK 99559  
Phone: 543-3521  
Fax: 543-3596

### Prince William Sound Economic Development Council

Designation Date: November 1, 1991  
James Winchester, President  
Jayne Sontag, Executive Director  
P.O. Box 2353  
Valdez, AK 99686  
Phone: 835-3775  
Fax: 835-2847

### Lower Yukon Economic Development Council

Designation Date: November 1, 1991  
E. J. Glatfely, Interim Board Member  
P.O. Box 9  
Emmonak, AK 99581  
Phone: 949-1249  
Fax: 949-1926

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To	Inariak	FROM	Tom Lawson
Co.	Rep JACKO	Co.	DED
Dept.		Phone #	
Fax #	456-2997	Fax #	586-8399

110 Willow St., Suite 106 • Kenai, Alaska 99511 • (907) 283-3335 FAX (907) 283-3913



KENAI PENINSULA BOROUGH

ECONOMIC  
DEVELOPMENT  
DISTRICT, INC.

February 19, 1992

Representative George G. Jacko, Jr.  
Alaska State Legislature  
P.O. Box V  
Juneau, Alaska 99811

RE: House Bill 452

Dear Representative Jacko:

Enclosed is a copy of Resolution 92-2 recently passed by our Board of Directors. As you may be aware, the Kenai Peninsula Borough Economic Development District, Inc. (EDD) was the first organization to be designated as an ARDOR. Since that time, we have aggressively pursued our mission of job creation and retention with a substantial amount of success.

Our level of success, however, could not have been possible without the financial contribution of ARDOR funds and technical assistance of the State ARDOR staff.

I appreciate your support in the authorship of this bill.

Please don't hesitate to contact me if I can be of further assistance.

Sincerely,

A handwritten signature in black ink, appearing to read 'Stanley R. Steadman', followed by a long horizontal line and a right-pointing arrow.

Stanley R. Steadman  
Executive Director

SRS/sb

enclosure

KENAI PENINSULA BOROUGH  
ECONOMIC DEVELOPMENT DISTRICT, INC.

RESOLUTION 92-2

REQUESTING LEGISLATIVE AUTHORIZATION TO CONTINUE THE ARDOR PROGRAM.

WHEREAS, the Kenai Peninsula Borough Economic Development District, Inc. (EDD) is the first organization to be designated an Alaska Regional Development Organization (ARDOR) and has received financial support to accomplish the shared economic development mission of the State and EDD; and

WHEREAS, this state/regional partnership has allowed state funds to be leveraged many times over to create jobs and employment within the Kenai Peninsula Borough and additional funding would expand this leveraging potential; and

WHEREAS, the network of regional organizations and coordination by the Department of Commerce and Economic Development has successfully enhanced the opportunities for individual ARDOR program development; and

WHEREAS, EDD has established a stable and effective organization that is in a position to provide ongoing regional economic development leadership; and

WHEREAS, EDD believes a reasonable portion be appropriated to each ARDOR and should require a local match; and

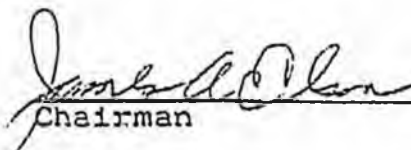
WHEREAS, the continued and expanded leveraging of local, federal, and other funding sources and the development and effectiveness of state and regional economic development programs is to a large measure dependent on continuation of the ARDOR program.

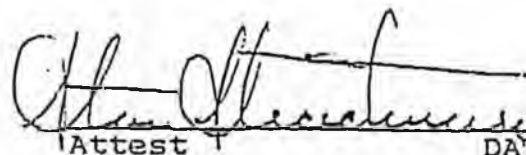
NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE KENAI PENINSULA BOROUGH ECONOMIC DEVELOPMENT DISTRICT, INC., THAT

Section 1: The Alaska State Legislature is requested to authorize the continuation of the Alaska Regional Development Organization Program.

Section 2: This resolution shall take effect immediately upon its adoption.

ADOPTED BY THE BOARD OF DIRECTORS OF THE KENAI PENINSULA BOROUGH ECONOMIC DEVELOPMENT DISTRICT, INC., ON THIS 30th DAY OF JANUARY, 1992.

  
Chairman  
2-3-92  
DATE

  
Attest  
2/3/92  
DATE

# ALEUTIANS EAST BOROUGH

SERVING THE COMMUNITIES OF

■ KING COVE ■ SAND POINT ■ AKUTAN ■ COLD BAY ■ FALSE PASS ■ NELSON LAGOON

February 19, 1992

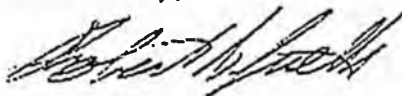
Representative George Jacko, Jr.  
State Capitol  
Juneau, AK 99801-1182

Dear Representative Jacko:

The Aleutians East Borough supports the introduction and passage of HB 452. The extension of the sunset provision of the ARDOR program until January 1, 1977 will greatly facilitate the implementation of the ARDOR programs throughout the State.

I believe that SWAMC was one of the first ARDORs funded by the State of Alaska and is the most effective organization currently operating. It has been actively promoting southwest Alaska since its inception and is undertaking new projects at breathtaking speed. I will not detail these, as I am sure you are familiar with the scope and breadth of their programs. The extension of the sunset date will allow not only SWAMC, but other ARDORs to perfect their programs and make a lasting economic impact on Alaska.

Sincerely,



Robert S. Juettner  
Borough Administrator

RSJ:emn

CLERK/PLANNER  
P.O. BOX 349  
SAND POINT, ALASKA 99661  
(907) 383-2899  
(907) 383-3496 FAX

BOROUGH ADMINISTRATOR  
1600 A STREET, SUITE 103  
ANCHORAGE, ALASKA 99501-5146  
(907) 274-7555  
(907) 276-7569 FAX


FINANCE DIRECTOR  
P.O. BOX 49  
KING COVE, ALASKA 99612  
(907) 497-2588  
(907) 497-2386 FAX



February 18, 1992

MEMORANDUM

TO: Jerry Mackie, Chairman  
Members, House Community and Regional Affairs Committee

FROM: Scott A. Burgess, Executive Director 

SUBJECT: Testimony on HB 399 - Establishment of Port Authorities

The Alaska Municipal League supports the intent of HB 399 - 1) the recognition of the potential benefits of port authorities to bring about community or regional economic development and 2) to clarify, if necessary, the authority of municipalities to form, operate, and finance port authorities in the best interests of the public and municipalities involved.

However, notwithstanding the sponsors' good intentions, the legislation as proposed in HB 399 may be, to a large extent, unnecessary or, worse, unnecessarily restrictive from the standpoint of the Alaska constitution, existing statute, and the desire for maximum local self-government. I have attached a copy of a memo dated February 11, 1992 from Jerry Luckhaupt, Legislative Counsel, to Senator Curt Menard. The Senate Transportation Committee, which Senator Menard chairs, is also considering port authority legislation, including SB 352 which is similar to HB 399. Mr. Luckhaupt's memo substantiates my belief the legislation, except for the public records provisions and separate bonding authority, is perhaps unnecessary. By implying the need for specific statutory authority, the legislation may have the effect of restricting municipal powers.

The AML urges the legislature to craft and pass minimal legislation which:

1. reinforces the provisions for maximum local self-government, a liberal construction of powers of local governments, and the ability for joint administration of any function or power under the Constitution (Article 10, Sections 1 and 13) and, subsequently, by statute (AS 29, Article 6; AS 29.35.010(13),
2. clarifies the ability of municipalities, singularly or jointly, to form public corporations, authorities, or similar public entities through which they may exercise municipal powers,
3. clarifies, under state and federal IRS laws, the ability of a public corporation or authority to sell bonds that are solely the debt of that corporation or authority, and
4. leaves, to the extent possible, the decisions as to the formation, powers, and structure of an authority to the municipality or municipalities involved - by ordinance, including requiring a vote of the people, and/or by bylaws.

AML Testimony on HB 399, Port Authorities  
February 19, 1992  
Page 2

The Alaska Municipal League Board of Directors passed Board Resolution No. 92-1 urging the passage of legislation to allow for local and regional port authorities. The AML 1992 Policy Statement states, " The League opposes any effort by the Legislature to restrict the method of establishment, form, powers, or other features of municipal port or other authorities. The League supports legislation that would clarify the ability of municipalities to form public corporations, authorities, and similar public entities through which they may exercise a power." (Page 47).

Again, the AML supports legislation as necessary to clarify that municipalities have the ability to form public corporations and authorities such as port authorities, singularly or jointly, and that such authorities have the power to incur debt separate from the municipality or municipalities. However, AML urges the legislature to pass the minimum amount of legislation needed and to avoid diluting or restricting municipal powers and local control.

For the Committee's and the sponsors' review, I have also attached a list of questions and concerns regarding the specifics of HB 399. For your information, I have also attached a copy of a memo to me dated February 13, 1992 from Lee Sharp, an attorney in private practice and a person I have worked with on municipal issues for a number of years. In the memo Mr. Sharp raises a number of other "observations" for the committee's consideration. I contacted Mr. Sharp regarding the port authority legislation before the legislature this year because we had worked together on this and similar issues in the past and I respect his expertise in municipal law.

I look forward to working with the sponsors and the committee on this legislation to accomplish our mutual goals.

#### Attachments

cc: Representative Baker  
Senator Pearce  
Senator Duncan  
Senator Menard

HB 399 - Questions and Concerns

o Overall: Too much policy language, i.e., what should be in bylaws and policies and procedures, in statute, e.g. .615(b), most of .625, and second sentence in .630(b).

o Page 2, .600(d)- is the authority wholly owned and controlled by a municipalities, i.e. is it eligible to be insured under AS 21.76 which are limited to insuring "municipalities and school districts"? See insurance provisions in .680. Also, see Luckhaupt memo, "Question 7."

(e) - Is this an areawide, non-areawide, or service area power? See Luckhaupt memo, "Question 5."

(g) - Requiring at least one member of the board to be a person with at least five years of experience is unnecessary (CEO can be the expert) and would probably rule out the possibility of having the council/assembly sit as the board.

(h) - Unclear. What "provisions" in the terminology "granted under those provisions" (emphasis added)?

o Pages 3-4 - "(9)" appears to have or include the same meaning as "(16)" and "(17)" and "(19)" appears to be the same as "(9)" and "(17)."

o Page 6, .640(b) - Why to just an "auditor"?

.660 - Why should authority have exclusive land use powers vested in boroughs? Private property owners do not enjoy this power. This includes land "managed" by authority. Does this hold true if the authority area is not contiguous? The exercise of land use powers or eminent domain powers in .655 appears to be at the discretion of the authority but not necessarily the discretion of the municipality to grant such powers to the authority.

o Page 8, .695 - Specific development plans as a port develops should be required in addition to an initial overall development plan.

o Page 10, .720(a) - Assume that the private or leasehold interests are not tax exempt. Should this be clarified?

(c) - "Boundaries of the authority" are referred to but not defined. Although very specific in many other ways, nothing in the law requires the municipality to set out the boundaries of the authority within which power is to be granted and exercised. Does the area have to be contiguous? For example, the language here would seem to exclude the possibility of requiring the authority to pay for legitimate off-site improvements necessitated by the development or activities of the port.

o Page 11, .750(5) - This would seem to make port employees ineligible for PERS.

RECEIVED  
FEB 18 1992  
ALASKA MUNICIPAL LEAGUE

TO: Scott Burgess, Executive Director  
FROM: Lee Sharp  
RE: Personal observation on Port Authority Legislation  
DATE: February 13, 1992

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I have watched with some interest the Port Authority legislation that has been introduced off and on for the last five years or so. Following are some personal observations. As always, I come from the position that if a single municipality wishes to establish a port operation, there need be no special legislation authorizing it to do so. If such legislation is put on the books, it is superfluous to existing powers and raises the serious question about how many other kinds of powers should be specifically delegated to municipalities in order to ensure that they have the authority to do what they already have the authority to do. Will we need legislation to allow municipalities to operate their hospitals under something called a hospital authority? We are not a "Dillon's Rule" state and I am always alarmed when a municipality comes forward stating that they have been told that they need special legislation granting and detailing the method of exercising a municipal power. If a port authority bill is going to go through the legislature (and it is possible that one may be needed for other reasons discussed below) then I sincerely hope that any prefatory language in the bill not indicate that it is in the public interest to authorize municipalities to create port authorities. I would hope that if such prefatory language is thought to be necessary that it be changed to indicate that it is in the public interest to provide by statute one specific method by which municipalities may exercise their rights to create port authorities and that such statutory provisions do not constitute the only method by which one (or more) municipalities could create a port authority under existing municipal powers nor does such legislation limit the powers or methods of operation of port authorities that are established outside the purview of the subject legislation.

Using CSHB 399 (TRA) as a basis for comment, I offer for your consideration the following comments and questions.

Section 29.35.600(a). May an Authority that is not established pursuant to this section call itself a "Municipal Port Authority" or is this term now reserved solely for the use of those Authorities that are formed pursuant to this legislation?

Under Section 600(e) may a borough establish a service area in which it assumes the port power and then use that as the basis for joining another municipality in the formation of a Port Authority which occupies, in the borough, only the area inside the service area? If it may, is it then legitimate for it to give up its planning and zoning powers as to Authority property within the service area as planning and zoning is an areawide power.

Although Section 600(h) purports to make clear that a municipality cannot use the legislation for the purpose of exercising a power that has not been granted under these provisions, I am not sure just what this means. Does it mean that a dual municipality Port Authority can exercise only those powers that are possessed by both municipalities and are specifically delegated to it? This is not what the section says. Is there a distinction between the exercise of a power by the municipality and the exercise of a power by the Authority; that is, if the legislation authorizes an Authority to exercise certain powers, may it do so even though one (or perhaps both) of the participating municipalities is not authorized to exercise that power? For example, under Section 610(12) the Authority is given the right to "exercise police powers" with respect to a port. Police powers are extremely broad and include not only police protection, but the full gambit of powers associated with the public health, safety and welfare. Under these two provisions, may a municipality, in its authorizing ordinance, authorize the Authority to exercise the full gambit of police powers even though the municipality does not possess those powers? May these powers be exercised only within the "jurisdiction" of the Authority or only as to property of the Authority? It would be the Authority exercising these powers, not the municipality, and Section 600(h) only indicates that this legislation does not authorize a municipality to exercise a power that has not been granted under these provisions. However, the police powers are being exercised by the Authority, not the municipality; and in any event, it appears under Section 610(12) that it literally does not make any difference whether the Authority and the municipality are viewed as the same entity (which they aren't) as the municipality does not delegate any of its authority to the Authority, it merely sets out in its authorizing ordinance the extent of the police powers that the Authority may exercise. If it is intended that port authorities be able to exercise powers that the participating municipalities do not possess, then language making that clear would help avoid having to face these questions after the legislature has gone home. If Port Authorities are to be able to exercise all the powers of a municipality (except as may be limited in their authorizing ordinances) without regard to whether the municipality itself possess that power, then we should make that clear. On the other hand, if we intend that the Port Authority have no more power than the participating municipalities, then that should be made clear. Actually, we get into this problem mostly with respect to the concept of the Authority exercising what are traditionally viewed as governmental powers. If the Authority were not given police powers, including land use regulation veto power, these questions might be less important.

Continuing on the "powers" question, what happens if a municipality exercises, on an areawide basis, a power that will be exercised by the Port Authority; e.g. fire protection? Does the borough no longer have areawide fire protection powers? If the Authority, pursuant to Section 610(14) finds that it is necessary or appropriate to serve a public purpose that the Authority construct and operate public roads within its

jurisdiction, does it simply oust the municipality from its authority to undertake such projects? What if the Port Authority is within a borough road service area? Are the service area boundaries deemed to have been changed? Or, if during the Authority formation process, the borough clearly gives to the Authority road construction and maintenance power within the jurisdiction of the new Authority, does this cast upon the Authority the duty and public responsibility to provide for road construction and maintenance within its jurisdiction? As the Authority has no taxing powers and is not entitled to revenue sharing for roads, would it be appropriate for the Authority to expend port revenues for road purposes within the service area?

What if a municipality has areawide solid waste disposal powers and has covenanted with solid waste facility bond holders to continue to exercise that power on an areawide basis and to require all persons within the borough to use the borough solid waste facility; may the Port Authority provide for solid waste disposal within its jurisdiction, or even just for the property it owns or controls in its port function?

Section 655 on eminent domain probably needs to be there as the courts are reluctant to find that any public entity has the power of eminent domain or declaration of taking unless it has clearly been delegated to that entity. As Title 29 currently prohibits municipalities from exercising eminent domain outside their boundaries, it is doubtful whether a court would view the exercise of eminent domain by an Authority as a "joint" exercise. However, the right of eminent domain and declaration of taking granted under this section applies only within the jurisdiction of the Authority. It might be helpful if someplace in Section 600 there is a requirement set out that the parallel ordinances must not only set out the number, qualifications, manner of appointment and terms of board members, but should also provide a legal description of the boundaries of the Port Authority. Then everyone will know what is inside and outside its jurisdiction for purpose both of the exercise of eminent domain and of police powers.

Section 660 appears to function essentially as the grant of a veto power over zoning regulations that would otherwise be applicable to the property of the Authority. This provision is not without some fairly substantial public policy questions. For example, is it really necessary in light of the fact that municipalities retain substantial control over the Authority through Section 695 (requiring municipal approval of Authority development plans)? Even the state of Alaska is required to conform its projects to local building and zoning codes unless the governor, for reasons of an overriding state interest, grants a waiver. Why shouldn't a Port Authority be required to comply with the zoning requirements imposed by the government within whose jurisdiction the port is located? Why should the owner of parcel A, who must comply with zoning restrictions, be left without the protection of the zoning ordinance if the Port Authority buys or condemns the parcel abutting his parcel A?

Section 720 exempts the Authority property from all taxes and special assessments. Again, is there any sound public policy reason for exempting an Authority from the requirement to pay special assessments for improvements that specially benefit the Authority property. Title 29 requires the state of Alaska to pay such assessments. Should Authorities be treated any differently? Should they be permitted to have streets

abutting their property paved under a project where all the neighboring property owners pay a special assessment, but the Authority does not?

Under Section 720(c) there is authority for the Authority to agree to payments in lieu of taxes. May the Authority agree with one municipality to make payments in lieu of taxes and not agree with the other municipality in which it is located? Considering that generally the largest part of the tax revenues of a municipality go to support education, this restrictive use of payments-in-lieu seems unwarranted. While it is true that the Authority will be an industry that will create jobs, the people who hold those jobs have children who must attend school and the restriction on the objects of expenditure for the payment-in-lieu revenues seems unrelated to the general burdens created by the enterprise.

The declaration of inapplicability of certain statutes under Section 750 might be examined to determine whether they are necessary and whether, on balance, they accomplish a desired result. For example, is it necessary to exempt the Authority from Title 19? Title 19 governs the highways and public (state) projects that are undertaken by DOT/PF. New projects undertaken by the Authority would not appear to be public projects falling under Title 19. There are provisions of Title 19 that apply to areas near highways, however these sections are called out as exceptions to the Authority's immunity from the application of Title 19. What, in particular, within Title 19 was thought would apply to port authorities that would have made it difficult or impossible for Port Authorities to function?

What is it in Title 35 (Public Buildings, Works and Improvements) that was thought would apply to Authorities and would prevent them from operating efficiently? Public facilities and buildings as used in that chapter generally applies only to those controlled, held or constructed by the state of Alaska. One deviation from this is in A.S. 35.10.015 that requires DOT/PF to prepare, adopt and enforce regulations governing the construction of public buildings by the state, the university and political subdivisions to ensure that public facilities are accessible to and usable by the physically handicapped, aged and infirm.

Title 38 deals with public lands. Among its many provisions are ones that give upland property owners a preference for a negotiated lease of tidelands abutting their property and the authority for the state to convey lands to public entities at less than market value. Do Authorities want to divest themselves of these rights through a blanket disavowal of the application of Title 38? Again, what specific provisions of Title 38 were thought to impede the ability of Authorities to function?

What is it under Title 39 that would appear to impede the functioning of a Port Authority? Do municipalities not want to be able to make available to Port Authority employees access to PERS? Of course, if they do, not only will this exception from Title 39 need to be removed, but there should also probably be considered amendments to Title 39 to ensure that Authorities have access to PERS. Although it appears that the director and appointed Authority board members are exempt from the conflicts of interest statute, if that statute is applicable to city or borough managers and planning or zoning commission members, is there a sound policy reason to exempt the members of

a Port Authority board of directors and the executive director of the Authority from filing such statements? Perhaps the statute should be amended to include them.

Although, if there were a judicial challenge, I suppose that a court would put reasonable limits on the scope of the word "port" as it is defined in Section 790(5), nevertheless a port being any "facility of commerce" located in the state seems awfully broad for what most people think of as a Port Authority. Ports, at least in my mind, are generally associated with transportation facilities, typically marine ports and airports. Marine ports might also include associated rail facilities. However, even limiting it to transportation facilities are we talking about truck and highway facilities that are relatively independent of marine or airports? Are we including overland passenger transportation facilities? Are we intending it to go beyond just transportation facilities to include anything that involves the buying or selling of goods under the broader definition of "commerce."

As to the need for these bills, I do recognize that there may be reasons beyond simply some nagging doubts that some may have about whether municipalities really can join together under agreements for the cooperative or joint administration of functions or powers as provided in the constitution and in Title 29. One of these relates to the issuance of tax exempt obligations. If the entity is not the state or a political subdivision of the state, the IRS has established requirements with which other governmental entities must comply if they are to be permitted to issue tax exempt obligations. If these special requirements of the IRS are thought to require such legislation, then it may be helpful for someone to produce the specific IRS requirements so that the legislation may be examined in light of the specific requirements of the IRS. Then, those concerned with the Port Authority bills will be better able to evaluate what is required and what is surplusage in the bills.

I would urge you to bear in mind that if the perceived local government powers questions could be answered with very much abbreviated but more general legislation, then that may be the approach to take. Again, my concern is that we not put something on the books that will lead to the argument (or worse yet the conclusion) that these types of powers must be specifically delegated to municipalities by statute; but if there is to be such a delegation, it should be as short, uncomplicated and unrestrictive as possible. What may work for a Southcentral Port may not work for the Pribilofs or for Southeast Alaska. Those of us who were involved in drafting the present Title 29 attempted to rid it of all detail that seemed unnecessary. As I recall, presently there are only two areas in Title 29 that deal in what I think may be unnecessary detail with respect to the exercise of certain rather narrow powers. The Port Authority bills would add to Title 29 more extremely fine details than I believe could be found in Title 29 since its first major revision twenty years ago. Unlike a Dillon's Rule state, Alaska does not require detailed delegation of power. And, unlike this memo, Title 29 should be kept as short, simple and uncluttered as possible.

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110 Willow St., Suite 106 • Kenai, Alaska 99611 • (907) 283-3335 FAX (907) 283-3913



KENAI PENINSULA BOROUGH

ECONOMIC  
DEVELOPMENT  
DISTRICT, INC.

February 19, 1992

Representative George G. Jacko, Jr.  
Alaska State Legislature  
P.O. Box V  
Juneau, Alaska 99811

RE: House Bill 452

Dear Representative Jacko:

Enclosed is a copy of Resolution 92-2 recently passed by our Board of Directors. As you may be aware, the Kenai Peninsula Borough Economic Development District, Inc. (EDD) was the first organization to be designated as an ARDOR. Since that time, we have aggressively pursued our mission of job creation and retention with a substantial amount of success.

Our level of success, however, could not have been possible without the financial contribution of ARDOR funds and technical assistance of the State ARDOR staff.

I appreciate your support in the authorship of this bill.

Please don't hesitate to contact me if I can be of further assistance.

Sincerely,

A handwritten signature in cursive script, appearing to read 'Stanley R. Steadman', written in dark ink.

Stanley R. Steadman  
Executive Director

SRS/sb

enclosure

KENAI PENINSULA BOROUGH  
ECONOMIC DEVELOPMENT DISTRICT, INC.

## RESOLUTION 92-2

REQUESTING LEGISLATIVE AUTHORIZATION TO CONTINUE THE ARDOR PROGRAM.

WHEREAS, the Kenai Peninsula Borough Economic Development District, Inc. (EDD) is the first organization to be designated an Alaska Regional Development Organization (ARDOR) and has received financial support to accomplish the shared economic development mission of the State and EDD; and

WHEREAS, this state/regional partnership has allowed state funds to be leveraged many times over to create jobs and employment within the Kenai Peninsula Borough and additional funding would expand this leveraging potential; and

WHEREAS, the network of regional organizations and coordination by the Department of Commerce and Economic Development has successfully enhanced the opportunities for individual ARDOR program development; and

WHEREAS, EDD has established a stable and effective organization that is in a position to provide ongoing regional economic development leadership; and

WHEREAS, EDD believes a reasonable portion be appropriated to each ARDOR and should require a local match; and

WHEREAS, the continued and expanded leveraging of local, federal, and other funding sources and the development and effectiveness of state and regional economic development programs is to a large measure dependent on continuation of the ARDOR program.

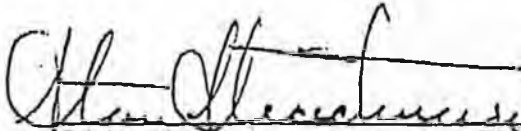
NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE KENAI PENINSULA BOROUGH ECONOMIC DEVELOPMENT DISTRICT, INC., THAT

Section 1: The Alaska State Legislature is requested to authorize the continuation of the Alaska Regional Development Organization Program.

Section 2: This resolution shall take effect immediately upon its adoption.

ADOPTED BY THE BOARD OF DIRECTORS OF THE KENAI PENINSULA BOROUGH ECONOMIC DEVELOPMENT DISTRICT, INC., ON THIS 30th DAY OF JANUARY, 1992.

  
Chairman  
2-3-92  
DATE

  
Attest  
3/3/92  
DATE

# ALEUTIANS EAST BOROUGH

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SERVING THE COMMUNITIES OF

■ KING COVE ■ SAND POINT ■ AKUTAN ■ COLD BAY ■ FALSE PASS ■ NELSON LAGOON

February 19, 1992

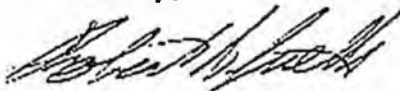
Representative George Jacko, Jr.  
State Capitol  
Juneau, AK 99801-1182

Dear Representative Jacko:

The Aleutians East Borough supports the introduction and passage of HB 452. The extension of the sunset provision of the ARDOR program until January 1, 1977 will greatly facilitate the Implementation of the ARDOR programs throughout the State.

I believe that SWAMC was one of the first ARDORs funded by the State of Alaska and is the most effective organization currently operating. It has been actively promoting southwest Alaska since its inception and is undertaking new projects at breathtaking speed. I will not detail these, as I am sure you are familiar with the scope and breadth of their programs. The extension of the sunset date will allow not only SWAMC, but other ARDORs to perfect their programs and make a lasting economic impact on Alaska.

Sincerely,



Robert S. Juettner  
Borough Administrator

RSJ:emn

---

CLERK/PLANNER  
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(907) 383-2899  
(907) 383-3496 FAX

BOROUGH ADMINISTRATOR  
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FINANCE DIRECTOR  
P.O. BOX 49  
KING COVE, ALASKA 99612  
(907) 497-2588  
(907) 497-2386 FAX

Representative George Jacko, Jr. 2/16/92  
House Committee on Community and Regional Affairs Presentation

**HOUSE BILL 452** "An Act to extend the Alaska Regional  
Economic Assistance Program."

**PURPOSE:** HB 452 pushes back the sunset date of this program from  
July 1, 1993 to July 1, 1997.

**EFFECT:** This will allow the last two unorganized ARDORS to be  
established. These are the Tanana Region outside of  
Fairbanks and the Matsu Region.

Also, eight of the thirteen existing ARDORS have just  
been established within the last 2 years, so this  
legislation would allow them a longer window of  
opportunity to get established and to take advantage  
of technical support.

**COST:** It will cost \$750,000 annually.

This amount allows each ARDOR to receive matching  
grants of up to \$50,000 per year.

(This is not an additional cost for Fiscal Year '93, as it is  
already figured into the operating budget. The existing  
sunset would have eliminated funding for this program  
beginning with FY 94.)

**PROGRAM BACKGROUND:**

- \* 13 Alaska Regional Development organizations  
(ARDORS) have been designated since 1989.
- \* 93% of AK's Population is represented by ARDOR's
- \* More than 200 community leaders serve on ARDOR  
board of directors.
- \* The ARDOR program cost the state less than \$1.00 per  
capita.

- \* The ARDORs purpose is to encourage & support local responsibility for economic development planning and economic self-sufficiency.
- \* ARDORs create jobs in every region.
- \* ARDORs are supporting new business in every region.
- \* ARDORs are supporting business education in Alaska's Schools Systems.
- \* ARDORs have formed a critical linkage between local communities and state government for the examination and determination of economic development policy.

**JUSTIFICATION:** As the State of Alaska suffers decreasing revenues and is forced to cut back funding for programs affecting the municipalities, the ARDOR program has the ability to provide the assistance needed to allow communities to take over some of their new responsibilities. I believe this is a necessary pursuit and that the state should support the establishment of these programs and making them economically sound.

Capital and Economic Development projects of the ARDOR programs include water system expansion, tourist development, marketing of several products, AK railroad spur and dock, electric power transmission line, waste management studies, and many more worthy pursuits.

Each of these programs receives matching funds from the communities they serve. In the example of the Southwest Alaska Municipal Conference, community members pay \$0.50 per resident to support SWAMC. Without the state ARDOR funding, this amount would need to be increased and would likely no longer be affordable to the small, isolated communities in our region who benefit most from a regional association.

Finally, the Alaska Regional Development Organizations Program promotes the development of business and industry throughout Alaska, which simple put means jobs!

**SUPPORT:** There are several support letters in your packet from

**Department of Commerce and Economic Development  
Alaska Municipal League  
Kenai Peninsula Borough Economic Dev. District, Inc.  
Southwest Alaska Municipal Conference  
Aleutians East Borough  
Anchorage Economic Development Corporations  
Kuskokwim Economic Development Council  
Copper Valley Economic Development Council, Inc.  
Interior Alaska Economic Development Council**

**OTHER WITNESSES:** Tom Lawson from the Department of  
Commerce and Economic Development is here  
to answer any specific program questions.

**UNITED STATES PORT AUTHORITY  
ORGANIZATION, INVESTMENT  
AND GOVERNMENT RELATIONSHIPS**

**By Charles E. Doan  
Deputy Executive Director  
Port of Tacoma**

**I. INTRODUCTION**

The United States has a thriving public port industry with over 100 commercial deep draft ports operating on four coasts: Great Lakes, Atlantic, Gulf and the Pacific, from the Arctic ice in Alaska to the tropical zones of Puerto Rico and Guam. Vital materials for our industries transit through these ports and the world's largest trading country ships its commerce over their docks in record volumes, i.e. 1990:

	<u>Metric Tons</u>	<u>Dollar Value</u>
Exports	374,963,098	\$161 billion
Imports	<u>502,654,347</u>	<u>303 billion</u>
Total	877,617,445	\$464 billion

In view of these ports' strategic nature to the economy and security of the USA, it is probably surprising to realize that there is no national port system, authority or even federal programs to govern, develop, finance or promote ports. The U. S. Constitution does grant the federal government exclusive jurisdiction over the navigable waters of the United States, including its deep draft channels and harbors -- authority delegated primarily to the Coast Guard and the U. S. Army Corps of Engineers. But federal jurisdiction over harbors stops at the water's edge. Port authorities in the United States are instrumentalities of state or local government established by enactment or grants of authority by the state legislature.

There are, of course, many private docks and facilities, but most of these serve specific industry operations such as steel mills and oil refineries, and are not generally available for public use.

Public ports in the USA have been around for a few years; possibly the earliest is San Francisco, authorized by the California State Legislature in 1851. A good example of why public ports were developed is my own Port of Tacoma

Alabama  
Connecticut  
Delaware  
Georgia  
Hawaii  
Indiana  
Louisiana  
Maine  
Maryland

Massachusetts  
Mississippi  
New Hampshire  
North Carolina  
Oregon  
Puerto Rico  
South Carolina  
Virginia

The next grouping of ports with similar governing characteristics are local ports, usually encompassing an area larger than a city (i.e., county) within a state. States which have authorized such ports are:

Florida  
Illinois  
Michigan  
Ohio

Pennsylvania  
Texas  
Washington

The final grouping of ports with similar governing characteristics are city ports. The following states have authorized certain of their municipalities to engage in port development and operations:

Alaska  
California  
New York

Minnesota  
Rhode Island

**B. Governmental Authority**

Generally speaking, the four types of ports categorized herein share similar political forms of control and governing authority within their category. I will try to give a representative sample for each:

1. Bistate Authority of New York/New Jersey was created by a treaty between the two states with 12 commissioners, six from each state appointed by their respective governor. They serve without pay for overlapping terms of six years. The executive director is elected by the Board of Commissioners with both governors having veto power. The Port Authority is a self-supporting, corporate agency functioning without tax assistance to plan, develop and operate terminal, transportation and other facilities of commerce, and to improve and protect the commerce of the bistate port.

This bistate port authority has the broadest range of powers in the USA. They are responsible for:

- a) Six interstate toll tunnels and bridges
- b) An interstate rail transit system (PATH)

C. Port Commissions

The most common thread throughout the USA ports is their governing body, usually called a commission but sometimes also a board of directors. As you can ascertain from the following table, most boards are appointed -- 64% among those 105 major commercial ports surveyed by the American Association of Port Authorities (AAPA). However, you will also note that nine ports have no governing board.

U. S. PORT COMMISSIONERS -- ELECTIVE STATUS

<u>Region</u>	<u>No Governing Boards</u>	<u>Appointed</u>	<u>Elected</u>	<u>Indirect Election</u>	<u>Total</u>
North Atlantic	3	14	1	0	18
South Atlantic	2	6	3	1	12
Gulf	1	14	7	2	24
South Pacific	1	11	2	--	14
North Pacific	2	3	13	--	18
Great Lakes	--	<u>19</u>	--	--	<u>19</u>
TOTAL	9	67	26	3	105

Sometimes the appointment is a shared responsibility, e.g., Chicago, Illinois has 9 commissioners, 5 appointed by the mayor and 4 by the governor; Duluth, Minnesota has 7 commissioners, 2 appointed by the governor, 2 by the city council and 3 by the county council.

Certain port authority charters or enabling acts lay down specific geographical or professional criteria for the choice of port commissioners. The members of the North Carolina State Ports Authority, all appointed by the governor, must be selected "from the state-at-large and insofar as practical shall represent each section of...the business, agricultural and industrial interests of the State." The 11 member board of the Virginia Port Authority may include no more than a total of three representatives from municipalities in the tidewater area of Hampton Roads.

By its charter, the Port Commission of Richmond, Virginia shall include:

- a) The city manager
- b) A person experienced in maritime commerce
- c) A person experienced in... freight transportation
- d) A person experienced in finance
- e) A person experienced in sales and marketing

- Administrative/ Executive
- Actions to carry out established policies, i.e., appointments
  - Execute contracts
  - Supervise leases
  - Repair of facilities
  - Collect revenues

d) Division of Responsibility:

- Commission can designate its own treasurer for custody of port funds
- Commission appoints its own auditor to ensure accountability of funds

The State Auditor is charged with conducting an annual audit to assure compliance with state law in the conduct of the ports activities. The state legislature examines the enabling legislation on a regular basis.

E. Nature and Powers, Generally

Port districts in Washington State are created by law as "municipal corporations" of the state. Like private corporate entities, they are capable of contracting, suing and being sued. As "municipal" corporations, however, their functions are wholly public. They are, in a sense, incorporated agencies of the state, exercising local governmental powers.

Counties, cities and towns are regarded as "general purpose" municipal corporations because they possess general governmental authority in all matters of local concern, including police power.

Port districts are created for special purposes and their powers, though extensive, are limited to those areas of jurisdiction. On the other hand, because of their unique and relatively broad spectrum of powers, port districts in this state bear a close resemblance to "general purpose" municipal corporations.

F. Port District Powers

The legislature has described the basic purposes of a port district as follows:

"Port districts are hereby authorized to be established in the various counties of the state for the purposes of acquisition, construction, maintenance, operation, development and regulation within the district of harbor improvements, rail or motor vehicle transfer and terminal facilities,

we seem to be going that is really no surprise. I can tell you they spent lots.

A. Expenditures

Before discussing the source of funding, it may be instructive to have a look at why we need financing -- or at least where it goes (the why is caught up in those non-value esoterics such as strategic advantage, politics and egos). Using the aforementioned report which was prepared by the U. S. Maritime Administration (of the Department of Transportation), I have prepared a few slides illustrating our capacity to spend.

As shown in Chart 1, the public sector has invested \$10.5 billion in capital expenditures during the 44 years from 1946 to 1989. This figure does not include the investments made by the private sector, principally for dry and liquid bulk facilities, estimated to essentially equal those made by public port agencies. Figure 2 confirms that we do learn well, from an average expenditure between 1946-1972 of only \$120 million to \$512 million between 1979-1989.

Figure 3 relates new construction expense to that of modernization/rehabilitation; Figure 4 takes that last increment of ten years (1979-1989) and breaks down the expenditures by type of facility. It is not surprising to see here the preponderance of spending on general cargo facilities. Capital expenditure by type facility, new vs. M & R, is shown in these next two pie charts.

B. Funding

Port authorities obtain funds from a variety of sources: user charges, lease payments, interest, grants, bond proceeds and, in some states, taxes. Financing for capital improvement programs is a major issue and challenge facing today's U. S. public port industry. On the side of demand for funds, we have seen the rapid increase in the amount of expenditures made by the port industry in the last 11 years. On the funding supply side, there is growing pressure for ports to become more self sufficient -- less dependent on tax-based support.

1. Taxes are a source of income for a limited number of port authorities. In a 1989 survey of member ports conducted by the AAPA, eight states had ports which reported the use of tax revenues as income. In our state, Washington law authorizes port districts to use five separate property tax levies

Terminal leasing, or concessions in the international vernacular, has become the new standard instead of port operated terminals. They provide a stable income, a committed tenant, and reduce the risk of migrating to competitor ports. The Port of Tacoma until the early 1980s was a strong operating port, but to participate in the same league as the major general cargo operators we had to provide dedicated terminals. The next chart depicts the impact of this change on our source of revenues between 1980-1990. Not shown is the marine terminal portion of property rentals which was 67% in 1990.

General Obligation (GO) Bonds are one of the long-term financing instruments used by U. S. ports. GO bonds are normally floated by a state or local government acting as the legislative arm of the port and provides the security for the bonds to the limit of their taxing authority. With the tax generated repayment base, GO bonds carry the full faith and credit of the authority as a taxing unit. This provision implies that, while earmarked tax revenues underwrite the bonds, all sources of revenue may be used to service the debt subject to any specific limitations or exclusions. The issuance of these bonds is often preceded by a voter referendum to determine the willingness of the community to fund the proposed bond issue.

Revenue Bonds are another type of long-term financing instrument. These bonds are secured by general port income or the revenues generated by a specific port project. The issuance of these bonds does not require voter approval. Revenue bonds generally carry a higher interest rate than GO bonds since they are secured by an operating revenue stream rather than an approved tax authority.

Loans include loans received from state and local governments and from commercial sources.

Grants includes grants received from state and local governments. The source of these funds may include transportation trust funds, budget appropriations, and appropriated subsidies. The federal government does not offer specific grants for port development. The Economic Development Administration has provided grant assistance indirectly through programs designed to aid economically distressed areas.

## V. SUMMARY STATEMENT

Public ports are created to serve the public need. Using public funds to create and enhance economic development. In the public interest, those same entities should be efficient and profitable. Ports frequently differ in their areas of responsibility but most are monopolistic in what they do. Ports must avoid the pitfalls a monopolistic position can engender: casual management, inefficient work practices, and overmanning. A lack of competition may be profitable but nonetheless inefficient; thus, it is the port's customers who "pay" for its inefficiencies because they have no alternative.

With competition only the fittest will survive; competition will decide how you manage and how you price and what you do. Profits make the world go around; they can only be generated by keeping costs to an absolute minimum and efficiency as high as possible to maximize the utilization of assets. The private sector has always worked on these principles, the public sector has tended to do just the opposite.

I hope I have been able to bring to you ideas as to how many of the public ports in the U. S. are legally enabled and manage this through a public/private approach to their business. Thank you very much.

With respect and acknowledgment to:

- American Association of Port Authorities (AAPA)  
Rexford Sherman Report: "Public Port Agencies in the United States and Canada". July 1990.
- U. S. Maritime Administration (MARAD)  
"United States Port Development Expenditure Report".  
February 1991.

CED:ram  
USPortAu  
2/13/92