

LEGISLATIVE FINANCE-HOUSE / SENATE FINANCE COMM. FILES 8879

SB 134 cont. , SB 135 1988-1989 619 2/28

PINS AND NEEDLES

Acupuncture joins the war on drug addiction

EACH WEEKDAY MORNING, a small group of people, perhaps 15 of them, gather to drink herbal tea. Each has five needles stuck in his or her ear. As they sip their tea, a therapist moves from person to person, manipulating the needles.

Although it may seem like a New Age spa scenario, this doesn't take place in some pricey, track-lighted coastal retreat with George Winston music floating in the background. Instead, these people are sitting around nicked, formica-topped tables in the well-used Hooper Center for Alcohol and Drug Intervention at the east end of Portland's Burnside Bridge. Once this outpatient acupuncture detoxification treatment is finished, the group will move on to a Narcotics Anonymous meeting.

The Hooper Center, operated by social service agency Central City Concern, is well-known in Portland's netherworld. The Hooper Center van circulates through town, particularly the Old Town area, where many of the city's alcoholic, drug-addicted and homeless people have washed up. In May alone, 1,700 drunks dried out in Hooper's sobering unit. As for the acupuncture...well, it works. And, just as important to the county-funded detox center, acupuncture is the most cost-effective detox program available.

David Eisen, director of acupuncture services at Hooper, recalls with some wonder a 63-year-old chronic alcoholic who came in for inpatient detox. The man couldn't stand up and was shaking so much that he couldn't touch his face. Two doses of two different drugs didn't help. Veteran acupuncturist Eisen was skeptical about whether he could help, but heeding the nurses' pleas, he tried. Five minutes later, the man was sitting in bed, calmly drinking tea.

Or take the 25-year-old woman, a 10-year heroin addict and a veteran of 25 treatment

programs. After acupuncture, she was off drugs for five months before relapsing. Before acupuncture, Eisen says, that relapse would have meant a months-long destructive bout with heroin. But thanks to the relative ease of an acupuncture detox, she came back to the center in less than two days.

"It helps the body deal with withdrawal — the vomiting, the nausea, the body- and headaches, the craving," says Eisen, who holds degrees in social work and Oriental medicine. "It is admin-

the kidney, liver, lungs and heart. The fifth acts as a local anesthetic.

Acupuncture has received the most attention in the Western press as a form of anesthesia, but it has been used to combat drug abuse in some Asian countries. In 1974 American graduates of Oriental medical schools began using acupuncture successfully for alcohol and drug detox programs in New York City's South Bronx area.

Eisen prefers acupuncture because it introduces a chemical-free detox atmosphere. The savings on drugs alone are significant: Eisen estimates that outpatient acupuncture detox costs \$3.32 a day versus the \$30 to \$50 a week a typical methadone treatment for heroin addiction might require. Chronic opiate

seven-day inpatient detox at Hooper finished it. Now that rate is up to 90 percent.

Although no published studies scientifically document how well acupuncture works with drug addicts, one small study suggests success with alcoholics. At the Hennepin County detox center in Minneapolis, a treatment group of 19 alcoholics received acupuncture treatment. The 18-member control group received a steel placebo — acupuncture at nonspecific points. Those in the treatment group expressed less need for alcohol, had fewer drinking episodes and fewer readmissions to detox centers than those in the control group.

Detox is one thing. Staying clean is another, and the Hooper



Not only does acupuncture ease withdrawal, it costs less than traditional detox programs.

istered in a group setting that is supportive and demonstrative and empowering. And it is totally voluntary."

Most often associated with Chinese medicine, acupuncture involves inserting needles at certain points on the body for treating everything from hay fever to chronic pain. Some 800 traditional acupuncture points lie along 14 head-to-toe lines or meridians, not necessarily near the body part they affect. The Hooper detox program uses five in the ear, four of which affect

addicts tend to require traditional medical inpatient treatment combined with acupuncture. But cocaine, crack and methamphetamine users usually need only the cheaper acupuncture in one of the three Hooper outpatient clinics.

Long-time alcoholics and heroin addicts say acupuncture treatment at Hooper is the easiest detox they've ever experienced. The process also appears to be more successful: before acupuncture, only 60 percent of those who started the five- to

Center doesn't have the funds to track people once they leave the program. Eisen estimates 50 percent of the people that go through the outpatient program stay clean. For those people who return for subsequent acupuncture sessions, Eisen says the difference lies in relapses that last a few days, rather than a few months, even in the most difficult cases.

Says Eisen: "The longer people are clean, the more they can see the value of that."

— PAUL RICHERT-BOE

CATHY CHENEY



The Oregonian/STEVE MEIR
A 17-year-old girl, whose street name is "Cricket," grimaces while receiving treatment from acupuncturist Sheila Moran for an alcohol problem. About 125 teens have benefited from the program.

HELPING THE HOMELESS KICK THEIR HABITS

ACUPUNCTURE FOR ADDICTS

Nobody is sure just quite why, but the treatment somehow seems to reduce the craving for alcohol and drugs — and now is helping homeless teens

By MICHELLE STEIN
of The Oregonian staff

She is 17, homeless and bulimic. She's also an alcoholic. Now the teen-ager, who will identify herself only by her street name, "Cricket," sits in a room with a handful of other troubled individuals. All have a minimum of five 2-inch needles piercing the insides of their ears. All are careful to avoid movement.

Acupuncture is not a new medical treatment, but the way it's being used here definitely is new. These people are alcoholics and drug addicts who want to quit. Acupuncture, somehow, helps them do that.

"It's a little uncomfortable," Cricket said, stainless steel needles dangling like limp spears from her ears. "But it's not painful."

Even if it did hurt, she said, it would be worth it.

"Without this program, I wouldn't have anywhere to go," she said.

David Eisen wants to make sure people have a place to go. He is director of acupuncture at the Hooper Center for Chemical Dependency Intervention, at 20 N.E. Union Ave. An adult acupuncture program opened there in May 1987 has helped more than 1,000 people quit drinking or drugs, Hooper Center statistics show.

But it was Eisen's acupuncture program for homeless teens that attracted Cricket and eventually helped her.

"I got rid of the urge," Cricket said of the treatment.

Eisen opened the youth clinic on Southwest Washington Street in April, using a \$7,000 grant from Mayor Bud Clark's homeless fund. He believes it is the first clinic of its type in the nation.

"This process has been used on kids before, but never in a clinic just for them," Eisen said. "To date, acupuncture is the most clinically successful and cost-effective treatment for central nervous system stimulants."

Patients say it works

Acupuncture is a funny thing. It works — because patients tell acupuncturists it works. But why acupuncture quenches a patient's desire to drink or do drugs Eisen cannot explain.

"The theory is that the needles strengthen the organs and rid the body's elimination system," Eisen said. "The exact mechanism of action, though, isn't known."

The treatment involves five sterilized needles that are inserted by a licensed acupuncturist into specific points in each ear. Each point stimulates an internal body function — the central nervous system, kidney, liver and lungs — that in turn assists in reducing the patient's craving for drugs or alcohol, Eisen said.

Needles remain in the ear 30 minutes to an hour. Daily treatment is recommended for the first few weeks; treatments then drop to two or three times weekly, Eisen said.

Acupuncture helps, but it should not be viewed as a cure for drug or alcohol addiction, Eisen emphasized. Patients should also be involved in good therapy programs, such as Alcoholics Anonymous.

It's just one tool

"Acupuncture is only a tool to help them with detoxification and recovery," Eisen said. "It's not a substitute for working on a formalized treatment program."

Bob Wheeler agrees. He's the day treatment program coordinator for the Paul Treatment Centers. He and his staff specialize in assisting homeless youth with problems in their lives, including drug dependency.

"Once in a while we get a kid who comes in for one acupuncture treatment and he thinks he's cured," Wheeler said. "But acupuncture is not a quick fix. It's part of a continuum of care."

Wheeler is an enthusiastic about acupuncture as Eisen — providing it is used properly, he says.

"It does assist in helping relieve some of the withdrawal symptoms."

If it works, then why don't all substance-abuse programs advocate acupuncture? Eisen said each treatment costs about \$10 and can be performed on an out-patient basis, making it one of the cheapest forms of medical treatment available.

"Our medical system is based on drugs," Eisen explained. "The drug companies are not going to give support in a treatment that involves non-drug

therapy."

Western doctors have a great deal to learn about Eastern medicine. And Christopher Eskell, a psychotherapist with the alcohol and chemical dependency program at St. Vincent Hospital and Medical Center, said it often takes time for foreign medical techniques to be accepted.

Recognition coming

"It took a long time for many, many doctors to recognize chiropractors," Eskell said. "Now it seems more and more physicians are recognizing acupuncture as a legitimate treatment program."

Acupuncture is not used at St. Vincent's, Eskell said. Drug and alcohol patients there are admitted to the hospital and monitored by a physician for 48 to 72 hours. If necessary, only a mild tranquilizer is given, he said.

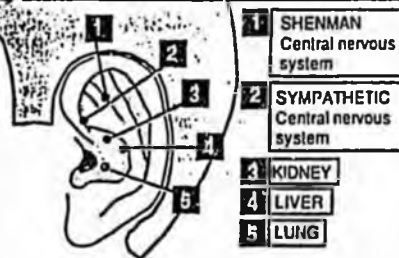
"I don't think we've ever seriously talked about acupuncture as a treatment," Eskell said. "But that doesn't mean we won't somewhere down the line."

Eisen wishes acupuncture was more widely accepted. In October he came to the Hooper Center from Boston, where he spent 10 years using acupuncture to treat drug and alcohol patients.

Here, like there, the figures are promising. Eisen said acupuncture works, he said. "Before acupuncture, about 60 percent of individuals in the drug detox programs

HOW THE TREATMENT WORKS

Acupuncture treatment for drug and alcohol therapy involves the insertion of five needles into specific points in the ear. Each point stimulates an internal body function which in turn assists in reducing the patient's craving for drugs or alcohol. Each treatment lasts 30 minutes to an hour.



The Oregonian

Please turn to
ACUPUNCTURE, Page C3

Acupuncture: Center funding to continue program in question

■ Continued from Page C1

(at Hooper) completed the program." Eisen said. "Now about 90 percent of those individuals are completing the program."

Figures are sketchier for the youth acupuncture program. Eisen guesses that the center has serviced 125 teens during the last three months, but he isn't sure how many of that number have benefited.

"How can you track them?" Eisen said. "Some stop in once or twice. We're not sure if they're doing better, or if they're drinking or doing drugs again."

"But I do think they're doing better. We've been encouraged by the positive results we have seen."

The mayor's office might want more proof than that. Funding for the youth treatment center ends in July; no decision has been made on additional funding, said J. Daniel Steffey, assistant to the mayor.

"We have received no formal report yet on how the programs has worked ... so I don't know what's going to happen," Steffey said. "If only three kids were helped by the money, then some people might not think the money was spent wisely."

"But if 2,000 kids were helped, then maybe it's a program worth continuing."

One 20-year-old Portland woman, who asked to be called by her middle name, Margaret, would tell the mayor's office the program is worth continuing. For four years she was a methamphetamine (crank) addict, injecting the powerful drug into her arm four times daily.

Finally, she said, she got into trouble with the law and was told by the courts either to enter the acupuncture program or go to jail.

She's glad she chose acupuncture.

"It takes away the anxiety feelings and cravings," she said of her treatment.

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Drug and Alcohol Abuse Treated by Acupuncture at PCR

by Ian MacCrae

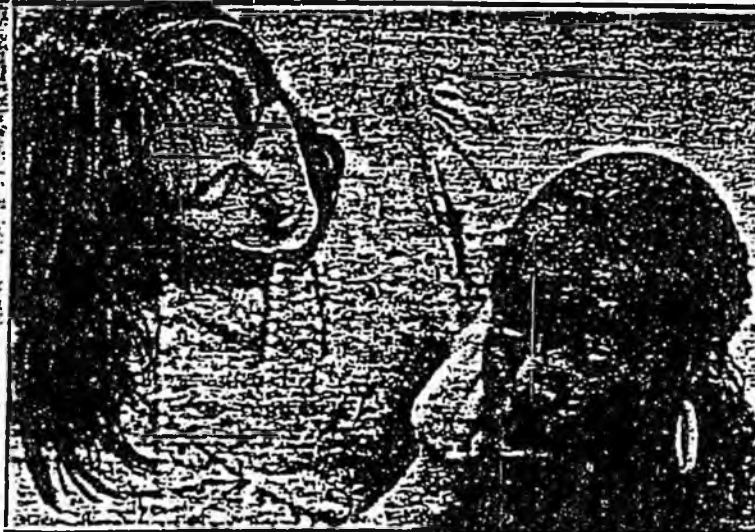
A new and effective aid in recovering from drug and alcohol dependency is now being offered at a clinic in inner North Portland at The Project for Community Recovery, located at 3924 N. Williams. The clinic uses the ancient Chinese healing art of acupuncture to help recovering substance abusers deal with the stress of withdrawal. The treatments are free, and available to anyone who walks in the door every weekday at 1:30 p.m.

Acupuncture has been used in China for over 3,000 years as therapy for a variety of illnesses and conditions. Extremely thin needles are inserted at a point which corresponds to the function of the ailing organ or bodily process. The stimulation of the needle acts to correct the imbalance caused by the malfunctioning organ.

When this reporter visited the clinic on Williams, twenty or so men and women, both caucasian and African-American, were receiving the treatment as they sat on folding chairs in a large circle. As the needles were inserted, patients would sometimes wince momentarily, but none appeared to be in discomfort afterward through the needles remained in place for approximately 45 minutes.

"Sometimes it hurts just a pinch," said Siesta, a young African-American woman in her third week of treatment. "But after they're in they don't hurt at all." She said she had heard about acupuncture and imagined that it was painful. "I couldn't imagine letting anyone stick needles in me, but it's OK. I come here every day," she said.

Fred Carty, a counselor at the clinic explained that the needles are



Acupuncturist Shelia Moran treats Siesta Edwards at the Community Recovery Center. Edwards has been in treatment for three weeks. Photo by Richard J. Brown

very slender, not nearly as big as a hypodermic needle. Once inserted, the patient usually feels no sensation at all and may even forget that they are in place. The most common effect, according to Carty, is a relaxed, "airy feeling" for 45 minutes to an hour after the treatment is completed.

David Eisen, director of the acupuncture treatment program, said helping patients endure the symptoms of withdrawal can be a decisive factor in their ultimate recovery. Those symptoms can include craving, body aches, sweating, headaches, cramps, nasal congestion, insomnia and many other physical problems. "If a person doesn't have to go through the pain of physical withdrawal, he or she will have a jump on getting it together psychologically," Eisen explained.

Over 70 percent of persons treated with acupuncture successfully completed detoxification, Eisen

claimed, compared with only 50 percent of those who do not receive the treatment. For those detoxifying from alcohol, the success rate is 90 percent, he said. Even people who are not receiving any other kind of treatment benefit from acupuncture, he asserted, with 60 percent still sober four to five months after receiving outpatient treatment.

Eisen stressed that substance abusers have a much better chance of staying clean and sober if they are also involved in Alcoholics Anonymous or Narcotics Anonymous. These self-help groups are made up of "people trying to keep it together with other people going through the same thing," he said. While both Hooper and P.C.R. offer such programs, they are completely free. "People who wish to receive only the acupuncture treatment," Eisen said.

According to Eisen, the use of acupuncture in the U.S. as a therapy for drug and alcohol abuse began in Lincoln Hospital in New

York's notorious South Bronx. After the technique proved successful there, clinics in Chicago, Illinois; Pine Ridge, South Dakota; Crow Agency, Montana; and Boston, Massachusetts began using it also. Acupuncture has been in use at the Hooper Center for the last 10 months in two outpatient and two inpatient programs. The acupuncture program at P.C.R. is now in its third week.

"One of the advantages of acupuncture treatment, according to Eisen, is its low cost. The total cost of operating the five clinics is only \$60,000 per year, he said, and most of that money is spent on staff salaries. The only cost of treatment itself is the needles and sterilization equipment. With growing recognition of the links between drug abuse and other problems, namely crime and AIDS, Eisen said he was optimistic that funding could be procured for other clinics throughout the Portland area. "Right now, this is the only thing that will stop the spread of AIDS," he claimed. "People need to stop doing drugs, period. . . . In this town, resources devoted to people of color are extremely limited. . . . The only thing with both cost efficiency and treatment efficacy is acupuncture."

But perhaps the best arguer for such programs come from those who have already been helped by them. "I'm really glad I found this program," said Siesta, "because it's helped me learn how to live without any kind of chemicals. It makes me feel good to come here. Her advice to others who may have a problem with substance abuse is simple. "If you think it's impossible to go even one day without drugs, you're wrong. It is possible, if you get treatment."

D11119

County told acupuncture aids addicts

By HARRY NODINE
of the Oregonian staff

Acupuncture treatments appear to have slashed the recidivism rates of alcoholics and drug addicts passing through Multnomah County detoxification programs in the last six months.

Normally, 20 percent to 25 percent of those participating in the county's alcohol and drug detox programs fail to complete them and return to their addiction, the County Board of Commissioners was told last week.

When acupuncture has been used, the recidivism rate drops to 5 percent, based on data collected by the Hooper Center since July.

"This is one of the most encouraging things I've seen since I've been here," County Commissioner Pauline Anderson commented.

Dr. David Elsen, 33, director of acupuncture services at the Hooper Center, said the 85 percent rate of success was based on the number of patients who hadn't returned to Hooper since receiving acupuncture.

Acupuncture itself doesn't cure alcoholism and drug addiction. What it does do is help individuals going through withdrawal by reducing their craving for drugs or alcohol and calming them down.

Going through detoxification for drugs such as cocaine is "hell," a very anguishing experience far more difficult than recovering from a hangover from drinking, Elsen explained. Acupuncture greatly reduces this agony or makes it bearable, he said.

Operating on a \$50,000 annual budget, which finances the operation of five clinics, Elsen said acupuncture was offered up both an inpatient and outpatient basis.

Inpatient treatment involves a five-day stay for alcohol detox, seven days for drug detox, he said.

Outpatient treatment, costing the county about \$1 per patient to provide, is available free to addicts. Experience has shown that three acupuncture treatments provide the best help as patients complete the transition from alcohol or drug dependency, he said.

In the outpatient treatment, patients sit in a group with sterilized stainless steel needles attached to their earslobes for about an hour's time. The group provides a support atmosphere, he said.

About one patient in every 2,500 treated with acupuncture will have an adverse reaction, turning clammy and sweaty, Elsen said.

In those cases, the needles are detached and the patient lies down, suffering no lingering effects from the treatment, he said.

Those seeking information and assistance can contact either the Hooper Center, 20 N.E. Union Ave., or the Project for Community Recovery, 3921 N. Williams Ave., between 8:30 a.m. and 5 p.m. Monday through Friday.

Prior appointments are not required to participate in outpatient acupuncture treatment, Elsen said.

The Portland acupuncture program is similar to those developed in New York, Boston, Chicago, Minneapolis and Los Angeles under the auspices of the National Acupuncture Detox Association. Elsen is one of the association's founders.

OREGONIAN

2/15/88

Acupuncture used to detoxify youths

By DEE LANE
of The Oregonian staff

An experimental program using acupuncture for detoxification of drug- and alcohol-addicted youths was launched Monday in Portland.

David Eisen, acupuncturist in charge of the program, said it is "the first program in the country that targets kids."

Eisen spoke at a kickoff news conference that included the Rev. James W. Thornton, president of De Paul Center Inc., and Mayor Bud Clark. The \$7,000 program is paid for by a special appropriation from the mayor's homeless fund.

The De Paul Center owns the building on Southwest Washington Street where the program will operate.

The experiment is aimed at the approximately 500 homeless youth in Multnomah County. Recent studies have suggested that virtually all of the "street kids" have drug or alcohol problems. The program is voluntary and free to participants.

The method of treatment is similar to that used in a program for adults at the Hooper Center for Alcohol and Drug Intervention on Northeast Union Avenue. The program is 80 percent to 90 percent successful, depending upon the type of drug involved, Eisen said. He said he thinks the treatment will be even more effective with youths because they don't have such long histories of abuse and because "kids bounce back."

Acupuncture aids in detoxification by stimulating the liver, kidneys and lungs to work more efficiently, Eisen said. He also said it reduces stress and is "the only medically proven treatment" for the craving that drives addicts. Although no one is sure how it works, he said the treatment has proved effective in trials over the last 14 years.

The program is an offshoot of one that has been used in Multnomah County detoxification programs since last summer.

Eisen said in an earlier interview that acupuncture treatments appeared to have slashed the recidivism rates of alcoholics and drug addicts passing through Multnomah County detoxification programs from 20 percent to 25 percent down to 5 percent during a period from July 1987 through early February 1988.

"It's not a cure," he added, unless the addicts can be kept in some kind of long-term treatment. "The detox is the easy part. Keeping them in treatment is much harder."

For that reason, Eisen said it is important that the pilot program will operate out of the Burnside Projects Youth Shelter on Southwest Washington Street where it can work in conjunction with De Paul's youth shelter and day program for homeless youths and with preparation classes for the high-school equivalency examination.

Thornton said the overlap of programs in the same place means a young person could be kept in some type of rehabilitative program, or at least in the shelter, all night and most of the day.

The mayor praised the youth shelter, which he said had helped more than 900 youths in its first year — 400 above the projection. He also said he was impressed with the success of acupuncture treatment at the Hooper Center.

J. Daniel Steffey, Clark's aide on homeless issues, said the program will be funded for only four months "to see how it works."

Eisen said up to 45 youths a day could receive treatment.

"If it only serves three kids a day," Steffey said, "it won't be cost effective. We just need to give it a trial."

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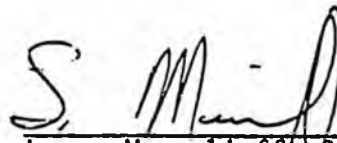
OREGONIAN MARCH 29 1988

CSSB 134(HESS): An Act relating to the practice of acupuncture.

The Senate HESS Committee substitute for SB 134 amended the original bill to remove those sections questioned by the department in its original position paper and testimony.

This amended version will allow for the licensure of acupuncturists, but without the expense of a board. It also allows for the adoption of regulations to assist in the establishment of standards of practice and a code of ethics for the acupuncture profession. These regulations will be developed in conjunction with the state's acupuncturists. We applaud this provision because it will assist the division and the profession in better protection of the public.

The department does not oppose the licensing of acupuncturists and supports passage of CSSB 134(HESS).



Larry Mercurieff, Commissioner

Date: 3/13/89

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4/19/89
Young

Dictionary of Mysticism and the Occult, published by Harper & Row, defines the occult practices of acupuncture as follows:

ACUPUNCTURE. A Chinese system of medicine. Its main technique involves the insertion of needles into specific points on the skin. Early accounts of acupuncture that date from the Han Dynasty (202 B.C.-A.D. 220) describe the needles as being made of stone. They were later fashioned from iron and silver, and these days are made of stainless steel.

A contemporary acupuncturist requires a working knowledge of around one thousand acupuncture points on the human body, which lie along twelve lines known as **Meridians**. Six of these lines are **Yang** (positive) and six **yin** (negative), each of them relating to a particular organ or health process in the body. It is along these meridians that the Life-force, **Ch'i**, passes through the body, and the stimulation of specific acupuncture points is said to enhance that energy flow.

POINTS OF OBJECTION:

1) Acupuncture, as stated in the definition given in the Dictionary of Mysticism, is a primitive technique used by occult practicing medicine-men or "witch doctors" The acupuncture techniques used today are no less occultic in nature and has no foundation in scientific proofs to justify itself as a legitimate medical practice.

2) The meridians which are referred to above are invisible and unverifiable in "Grays Anatomy" which is the American

Medical Association's standard. These meridians are an occultic term to identify fictitious and imagined landmarks. Used in much the same way that hypnotic suggestion is used to create psychosomatic platform for treatment of imagined fears and phobic problems which are manifesting physical symptoms. These are better treated by a Physician with more conventional methods.

3) The definition above included the mention of the **Yin and Yang** which are both constituents of an oriental religious system we might better know if called "shamanism." The Dictionary of Mysticism also mentioned the religious principle of the "**life-force**" which it called "**Ch'i**." These terms interwoven into the definition of acupuncture would identify the practice not only as occultic, but religious in the practice of it.

4) In the King James Bible, Jeremiah 10:2 says, "Thus saith the Lord, Learn not the way of the heathen..."

Second Corinthians 6:17 also advises, "So, come out from among (unbelievers), and separate (sever) yourselves from them, says the Lord, and touch not [any] unclean thing; then I will receive you kindly and treat you with favor, [Isa. 52:11.]" Amplified Bible.

"Passage of any legislation giving legal status to the occultic practice of acupuncture would be a disservice to all concern." Christian Meditation Ministries, P.O. Box 210128 Auke Bay, Ak. 99821

1/17/90
3-Knoensid

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to the practice of acupuncture.
Sponsor: Duncan
Requestor: House Rules Committee

Agency Affected: Commerce & Econ. Dev.
BRU: Occupational Licensing
Components: Admin. & Boards

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	2.9	2.9	2.9	2.9	2.9	2.9
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	1.1	1.1	1.1	1.1	1.1	1.1
SUPPLIES	0	0	0	0	0	0
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	4.0	4.0	4.0	4.0	4.0	4.0
CAPITAL	0	0	0	0	0	0
REVENUE	4.0	0	4.0	0	4.0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	4.0	4.0	4.0	4.0	4.0	4.0
TOTAL	4.0	4.0	4.0	4.0	4.0	4.0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

CSSB 134 (L&C) provides for licensing of acupuncturists by the department. The bill will allow acupuncture services to be offered by all qualified individuals; whereas, currently only medical doctors can offer acupuncture services. The costs identified in this fiscal note are explained on the following page.

Prepared by: Jennifer Strickler, Administrative Officer Phone: 465-2144
Division: Occupational Licensing Date: January 16, 1990

Approved by Commissioner: Larry Merculieff, Commissioner Date: 465-2500 16/1/90
Agency: Department of Commerce & Economic Development

Distribution (by preparer):

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

CONTINUATION of FISCAL NOTE ANALYSIS

CSSB 134 (L&C)

Testimony on this bill has revealed that very few acupuncturists currently reside in-state (fewer than five) and that only a few additional acupuncturists are expected to seek admission should this legislation pass. For the purposes of this fiscal note, we have anticipated a maximum of ten licensees.

This fiscal note differs from previous fiscal notes on the subject in that a portion of overhead personal services costs which the program can be expected to cover are included. As with all licensing occupations, each program is attributed a portion of administrative expenses of the division based on the number of licensees divided by the total number of division licensees. In this case, ten licensees represent .004% of the administrative costs reflected in the personal services and contractual services line items of the divisions's budget.

Because of the small number of practitioners, it would be unreasonable to establish a licensing fee which would require those few licensees to bear the entire cost of the licensing function. In such cases, the licensing costs must be supplemented by general funds or other licensing fees.

Revenues: The revenues projected are based on ten licensees paying a biennial license fee of \$400.

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: CS8B 134 (HESS)
PUBLISH DATE: 3/8/89

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce & Econ. Dev.
Title: An Act relating to the practice of acupuncture. BRU: Occupational Licensing
Sponsor: Senate HESS Committee Components: Admin. & Boards
Requester: Senate HESS Committee

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0	2.9	2.9	2.9	2.9	2.9
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	1.1	1.1	1.1	1.1	1.1
SUPPLIES	0	0	0	0	0	0
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	4.0	4.0	4.0	4.0	4.0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	4.0	0	4.0	0	4.0
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FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER (GF/PR)	0	4.0	4.0	4.0	4.0	4.0
TOTAL	0	4.0	4.0	4.0	4.0	4.0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary.)

CS8B 134 (HESS) provides for licensing of acupuncturists by the department. The bill will allow acupuncture services to be offered by all qualified individuals; whereas, currently only medical doctors can offer acupuncture services. The costs identified in this fiscal note are explained on the following page.

Prepared by: Jennifer Strickler, Administrative Officer Phone: 465-2144
Division: Occupational Licensing Date: March 7, 1989

Approved by Commissioner: Larry Mercurieff, Commissioner Phone: 465-2500
Agency: Department of Commerce & Economic Development Date: 3/8/89

Distribution (by preparer):
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Impacted Agency(ies)

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CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. CSSB 134 (HESS)

Testimony on this bill has revealed that very few acupuncturists currently reside in-state (less than five) and that only a few additional acupuncturists are expected to seek admission should this legislation pass. For the purposes of this fiscal note, we have anticipated a maximum of ten licensees.

This fiscal note differs from previous fiscal notes on the subject in that a portion of overhead personal services costs which the program can be expected to cover are included. As with all licensing occupations, each program is attributed a portion of administrative expenses of the division based on the number of licensees divided by the total number of division licensees. In this case, ten licensees represent .004% of the administrative costs reflected in the personal services and contractual services line items of the division's budget.

Because of the small number of practitioners, it would be unreasonable to establish a licensing fee which would require those few licensees to bear the entire cost of the licensing function. In such cases, the licensing costs must be supplemented by general funds or other licensing fees.

Revenues: The revenues projected are based on ten licensees paying a biennial license fee of \$400.

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to the practice of acupuncture.

Agency Affected: Commerce & Econ. Dev.
BRU: Occupational Licensing

Sponsor: Senators Duncan and Rodey
Requestor: Senate HESS Committee

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0	2.9	2.9	2.9	2.9	2.9
TRAVEL	0	7.4	7.4	7.4	7.4	7.4
CONTRACTUAL	0	1.5	1.5	1.5	1.5	1.5
SUPPLIES	0	1	1	1	1	1
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	11.9	11.9	11.9	11.9	11.9

CAPITAL	0	0	0	0	0	0
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REVENUE	0	3.0	1.5	5.3	1.5	8.3
---------	---	-----	-----	-----	-----	-----

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	8.9	10.4	6.6	10.4	3.6
FEDERAL FUNDS						
OTHER	0	3.0	1.5	5.3	1.5	8.3
TOTAL	0	11.9	11.9	11.9	11.9	11.9

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS : (Attach a separate page if necessary)

SB 134 will allow acupuncture services to be offered by all qualified individuals. Currently, only medical doctors can offer acupuncture services. The costs identified in this fiscal note are explained on the following page.

Prepared by: Jennifer Strickler, Administrative Assistant Phone: 465-2144
Division: Occupational Licensing Date: 1/27/89

Approved by Commissioner: Larry Merculieff, Commissioner Date: 1/31/89
Agency: Department of Commerce & Economic Development

Distribution (by preparer):

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

CONTINUATION OF FISCAL NOTE ANALYSIS

For Bill/Resolution No. SB 134

Last year, testimony on this bill revealed that very few acupuncturists currently reside in-state (2) and that only a few additional acupuncturists are expected to seek admission, should this legislation pass. For the purposes of this fiscal note, we have anticipated a maximum of ten licensees.

This fiscal note differs from previous fiscal notes on the subject in that a portion of overhead personal services costs which the program can be expected to cover are included. As with all licensing occupations, each program is attributed a portion of administrative expenses of the division based on the number of licensees divided by the total number of division licensees. In this case, ten licensees represents .04% of the administrative costs reflected primarily in personal services, contractual and supplies. The travel costs are based on a five-member board and staff to meet once in Anchorage and once in Fairbanks each year.

Because of the small number of practitioners, it would be unreasonable to establish a licensing fee which would require those few licensees to bear the entire cost of the licensing function. In such cases, the licensing costs must be supplemented by general funds or other licensing fees.

Revenues: The revenues projected are also based on ten licensees in the first year, paying a license fee of \$150.00 per year (\$300.00 biennially) and assuming a growth rate of five practitioners each year thereafter (which may be highly speculative).

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HOUSE COMMITTEE REPORT

(11)

Date Referred: May 2, 1989

FURTHER REFERRALS:

Date of Committee Action: 5/6/89

The FINANCE Committee considered:

CSSB 134 (L&C) am

~~CS FOR SENATE BILL NO. 134 (L&C) am~~

"An Act relating to the practice of acupuncture."

RECOMMENDATIONS:

- be replaced with _____ the same title
 a new title
 have attached amendment(s)
 do pass
 do not pass
 no recommendation
 individual recommendations
 additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(s):
(Dept)

APPROVES PREVIOUS:

(Date/Dept)

- fiscal impact _____
 zero fiscal note _____
 zero with analysis _____

- fiscal note(s) CEP 3/28/89
 zero fiscal note(s) _____
 zero fn/analysis _____

SIGNING DO PASS:

SIGNING:

(Check approp. column)

Do Not Pass No Rec Amend

Cl Swackhammer Swackhammer
W Koponen Koponen
H Olmer Olmer
R Barnes Barnes
D Shultz Shultz
R E Phillips Phillips
K Wallis Wallis
J Brown Brown

	Do Not Pass	No Rec	Amend

Cl Swackhammer vice chair
Chairman's Signature

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act relating to the practice of acupuncture.
Sponsor: Duncan
Requester: L&C Committee

Agency Affected: Commerce & Econ. Dev.
BRU: Occupational Licensing
Components: Admin. & Boards

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0	2.9	2.9	2.9	2.9	2.9
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	1.1	1.1	1.1	1.1	1.1
SUPPLIES	0	0	0	0	0	0
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	4.0	4.0	4.0	4.0	4.0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	4.0	0	4.0	0	4.0
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FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	0	4.0	4.0	4.0	4.0	4.0
TOTAL	0	4.0	4.0	4.0	4.0	4.0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary.)

CSSB 134 (L&C) provides for licensing of acupuncturists by the department. The bill will allow acupuncture services to be offered by all qualified individuals; whereas, currently only medical doctors can offer acupuncture services. The costs identified in this fiscal note are explained on the following page.

Prepared by: Jennifer Strickler, Administrative Officer Phone: 465-2144
Division: Occupational Licensing Date: March 20, 1989

Approved by Commissioner: Larry Mercuriotti, Commissioner Phone: 465-2500
Agency: Department of Commerce & Economic Development Date: 3/28/89

Distribution (by preparer):

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

CONTINUATION of FISCAL NOTE ANALYSIS

CSSB 134 (L&C)

Testimony on this bill has revealed that very few acupuncturists currently reside in-state (fewer than five) and that only a few additional acupuncturists are expected to seek admission should this legislation pass. For the purposes of this fiscal note, we have anticipated a maximum of ten licensees.

This fiscal note differs from previous fiscal notes on the subject in that a portion of overhead personal services costs which the program can be expected to cover are included. As with all licensing occupations, each program is attributed a portion of administrative expenses of the division based on the number of licensees divided by the total number of division licensees. In this case, ten licensees represent .004% of the administrative costs reflected in the personal services and contractual services line items of the divisions's budget.

Because of the small number of practitioners, it would be unreasonable to establish a licensing fee which would require those few licensees to bear the entire cost of the licensing function. In such cases, the licensing costs must be supplemented by general funds or other licensing fees.

Revenues: The revenues projected are based on ten licensees paying a biennial license fee of \$400.

Original sponsors: Duncan and Rodey

1 IN THE SENATE

BY THE LABOR AND
COMMERCE COMMITTEE

2

CS FOR SENATE BILL NO. 134 (L&C) am

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

SIXTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the practice of acupuncture."

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 * Section 1. PURPOSE. The health, safety, and welfare of the people of
9 the state are best served by the establishment of an orderly system of
10 licensure for the practice of acupuncture in the state. The rapid develop-
11 ment of the profession, including the establishment of national standards
12 for the education and practice of acupuncturists, has resulted in increased
13 public interest and increased demand for access to qualified acupunctur-
14 ists.

15 * Sec. 2. AS 08 is amended by adding a new chapter to read:

16 CHAPTER 06. ACUPUNCTURE.

17 Sec. 08.06.010. PRACTICE OF ACUPUNCTURE WITHOUT LICENSE PROHIB-
18 ITED. A person may not practice acupuncture without a license.

19 Sec. 08.06.020. APPLICATION FOR LICENSE. A person desiring to
20 practice acupuncture shall apply in writing to the department.

21 Sec. 08.06.030. LICENSE TO PRACTICE ACUPUNCTURE. (a) A person
22 is qualified to receive a license to practice acupuncture if the
23 person

24 (1) is of good moral character;

25 (2) is at least 21 years of age;

26 (3) either

27 (A) has completed a course of study consistent with
28 the core curriculum and guidelines of the National Council of
29 Acupuncture Schools and Colleges at a school of acupuncture

1 approved by the department; or

2 (B) is licensed to practice acupuncture in another
3 state that has acupuncture licensing requirements equivalent to
4 those of this state;

5 (4) is qualified for certification by the National Council
6 for the Certification of Acupuncturists as a diplomate in acupuncture;

7 (5) does not have a disciplinary proceeding or unresolved
8 complaint pending at the time of application; and

9 (6) has not had a license to practice acupuncture suspended
10 or revoked in this state or in another state, territory, or province.

11 (b) The department shall issue a license to practice acupuncture
12 to each person who is qualified and who pays the appropriate fee.

13 (c) Each person licensed to practice acupuncture under this
14 chapter shall display the license in a conspicuous place where the
15 licensee practices.

16 Sec. 08.06.040. RENEWAL OF LICENSE. The department may not
17 renew a license under this chapter unless the applicant

18 (1) demonstrates continued competence as an acupuncturist
19 in a manner established by the department in regulations; and

20 (2) submits proof that the applicant maintains certifica-
21 tion by the National Council for the Certification of Acupuncturists
22 as a diplomate of acupuncture.

23 Sec. 08.06.050. DISCLOSURE. (a) A person who practices acu-
24 puncture shall disclose that the person's training and practice are in
25 acupuncture

26 (1) to each patient; and

27 (2) on all material used in the practice of acupuncture and
28 made available to patients or to the public.

29 (b) A person who practices acupuncture without being covered by

1 malpractice insurance shall disclose to each patient that the person
2 does not have the insurance.

3 Sec. 08.06.060. RESTRICTIONS ON PRACTICE OF ACUPUNCTURE. A
4 person who practices acupuncture may not

5 (1) give, prescribe, or recommend in the practice a

6 (A) prescription drug;

7 (B) controlled substance;

8 (C) poison;

9 (2) engage in surgery; or

10 (3) use the word "physician" in the person's title unless
11 the person is also licensed as a physician.

12 Sec. 08.06.070. GROUNDS FOR IMPOSITION OF DISCIPLINARY SANC-
13 TIONS. After a hearing, the department may impose a disciplinary
14 sanction on a person licensed under this chapter when the department
15 finds that the licensee

16 (1) secured a license through deceit, fraud, or intentional
17 misrepresentation;

18 (2) engaged in deceit, fraud, or intentional misrepresenta-
19 tion in the course of providing professional services or engaging in
20 professional activities;

21 (3) advertised professional services in a false or mislead-
22 ing manner;

23 (4) has been convicted of a felony or other crime that
24 affects the licensee's ability to continue to practice competently and
25 safely;

26 (5) intentionally or negligently engaged in patient care,
27 or permitted the performance of patient care by persons under the
28 licensee's supervision, that does not conform to minimum professional
29 standards regardless of whether actual injury to the patient occurred;

1 (6) failed to comply with this chapter, with a regulation
2 adopted under this chapter, or with an order of the department;

3 (7) continued to practice after becoming unfit due to

4 (A) professional incompetence;

5 (B) failure to keep informed of current professional
6 practices;

7 (C) addiction to or severe dependency on alcohol or
8 other drugs that impairs the ability to practice safely;

9 (D) physical or mental disability; or

10 (8) engaged in lewd or immoral conduct in connection with
11 the delivery of professional service to patients.

12 Sec. 08.06.080. EXEMPTION. This chapter does not apply to a
13 person who practices acupuncture under AS 08.36 or AS 08.64.

14 Sec. 08.06.090. PENALTY. A person who violates this chapter or
15 a regulation adopted under this chapter is guilty of a class B misde-
16 meanor.

17 Sec. 08.06.100. REGULATIONS. The department may adopt regula-
18 tions to implement this chapter, including regulations establishing

19 (1) standards for the practice of acupuncture;

20 (2) standards for continuing education and training;

21 (3) a code of ethics for the practice of acupuncture.

22 Sec. 08.06.190. DEFINITIONS. In this chapter

23 (1) "acupuncture" means a form of healing developed from
24 traditional Chinese medical concepts that uses the stimulation of
25 certain points on or near the surface of the body by the insertion of
26 needles to prevent or modify the perception of pain or to normalize
27 physiological functions;

28 (2) "department" means the Department of Commerce and
29 Economic Development;

1 (3) "practice of acupuncture" means the insertion of ster-
2 ile acupuncture needles and the application of moxibustion to specific
3 areas of the human body based upon acupuncture diagnosis; the practice
4 of acupuncture includes adjunctive therapies involving mechanical,
5 thermal, electrical, and electromagnetic treatment and the recommenda-
6 tion of dietary guidelines and therapeutic exercise.

7 * Sec. 3. AS 08.01.010 is amended by adding a new paragraph to read:

8 (31) regulation of acupuncturists under AS 08.06.

9 * Sec. 4. AS 08.01.050(a) is amended to read:

10 (a) The department shall perform the following administrative
11 and budgetary services when appropriate:

12 (1) collect and record fees;

13 (2) maintain records and files;

14 (3) issue and receive application forms;

15 (4) notify applicants of acceptance or rejection as deter-
16 mined by the board or as determined by the department under AS 08.06
17 for acupuncturists, under AS 08.11 for audiologists, under AS 08.45
18 for naturopaths, or under AS 08.55 for hearing aid dealers;

19 (5) designate dates examinations are to be held and notify
20 applicants;

21 (6) publish notice of examinations and proceedings;

22 (7) arrange space for holding examinations and proceedings;

23 (8) notify applicants of results of examinations;

24 (9) issue licenses or temporary licenses as authorized by
25 the board or as authorized by the department under AS 08.06 for acu-
26 puncturists, under AS 08.11 for audiologists, under AS 08.45 for
27 naturopaths, or under AS 08.55 for hearing aid dealers;

28 (10) issue duplicate licenses upon submission of a written
29 request by the licensee attesting to loss of or the failure to receive

1 the original and payment by the licensee of a fee established by
2 regulation adopted by the department;

3 (11) notify licensees of renewal dates at least 30 days
4 before the expiration date of their licenses;

5 (12) compile and maintain a current register of licensees;

6 (13) answer routine inquiries;

7 (14) maintain files relating to individual licensees;

8 (15) arrange for printing and advertising;

9 (16) purchase supplies;

10 (17) employ additional help when needed;

11 (18) perform other services that may be requested by the
12 board;

13 (19) provide inspection, enforcement, and investigative
14 services to the boards and for the occupations listed in AS 08.01.010,
15 regarding all licenses issued by or through the department;

16 (20) retain and safeguard the official seal of a board and
17 prepare, sign, and affix a board seal, as appropriate, for licenses
18 approved by a board;

19 (21) issue business licenses under AS 43.70.

20 * Sec. 5. AS 08.02 10(a) is amended to read:

21 (a) An acupunccurist licensed under AS 08.06, an audiologist
22 licensed under AS 08.11, a person licensed in the state as a chiro-
23 practor under AS 08.20, a dentist under AS 08.36, a medical practi-
24 tioner or osteopath under AS 08.64, a registered nurse under AS 08.68,
25 an optometrist under AS 08.72, a registered pharmacist under AS 08.80,
26 a registered physical therapist or occupational therapist under
27 AS 08.84, a psychologist under AS 08.86, or a clinical social worker
28 licensed under AS 08.95, shall use as professional identification
29 appropriate letters or a title after that person's name which

1 represents that person's specific field of practice. The letters or
2 title shall appear on all signs, stationery, or other advertising in
3 which the person offers or displays personal professional services to
4 the public. In addition, a person engaged in the practice of medicine
5 or osteopathy as defined in AS 08.64.380, or a person engaged in any
6 manner in the healing arts who diagnoses, treats, tests, or counsels
7 other persons in relation to human health or disease and uses the
8 letters "M.D." or the title "doctor" or "physician" or another title
9 that tends to show that the person is willing or qualified to diag-
10 nose, treat, test, or counsel another person, shall clarify the let-
11 ters or title by adding the appropriate specialist designation, if
12 any, such as "dermatologist", "radiologist", "audiologist", "naturo-
13 path", or the like.

14 * Sec. 6. AS 08.36 is amended by adding a new section to read:

15 Sec. 08.36.114. QUALIFICATIONS FOR ACUPUNCTURE APPLICANTS. An
16 applicant for a license to perform acupuncture in the regular practice
17 of dentistry shall be licensed under AS 08.36.100 and shall satisfy
18 those requirements of experience or education in the practice of
19 acupuncture as may be adopted by the board.

20 * Sec. 7. AS 08.64.170(a) is amended to read:

21 (a) A person may not practice medicine, podiatry, or osteopathy
22 [, OR ACUPUNCTURE] in the state unless the person is licensed under
23 this chapter, except that

24 (1) a physician assistant may examine, diagnose, or treat
25 persons under the supervision, control, and responsibility of either a
26 physician licensed under this chapter or a physician exempted from
27 licensing under AS 08.64.370;

28 (2) a physician-trained mobile intensive care paramedic may
29 render emergency lifesaving service; and

1 (3) [A PERSON LICENSED UNDER AS 08.36 MAY PERFORM ACUPUNC-
2 TURE IN THE REGULAR PRACTICE OF DENTISTRY, SUBJECT TO THE REGULATIONS
3 OF THE BOARD OF DENTAL EXAMINERS; AND

4 (4)] a person who is licensed or authorized under another
5 chapter of this title may engage in a practice that is authorized
6 under that chapter.

7 * Sec. 8. AS 08.64.180 is amended to read:

8 Sec. 08.64.180. APPLICATION FOR LICENSE. A person who desires
9 to practice medicine or [,] osteopathy [OR ACUPUNCTURE] in the state
10 shall apply in writing to the department for a license.

11 * Sec. 9. AS 09.55.560(1) is amended to read:

12 (1) "health care provider" means an acupuncturist licensed
13 under AS 08.06; an audiologist licensed under AS 08.11; a chiropractor
14 licensed under AS 08.20; a dental hygienist licensed under AS 08.32; a
15 dentist licensed under AS 08.36; a nurse licensed under AS 08.68; a
16 dispensing optician licensed under AS 08.71; a naturopath licensed
17 under AS 08.45; an optometrist licensed under AS 08.72; a pharmacist
18 licensed under AS 08.80; a physical therapist or occupational thera-
19 pist licensed under AS 08.84; a physician licensed under AS 08.64; a
20 podiatrist; a psychologist and a psychological associate licensed
21 under AS 08.86; and a hospital as defined in AS 18.20.130, including a
22 governmentally owned or operated hospital; a corporate entity covered
23 under AS 21.88.050(b)(11); and an employee of a health care provider
24 acting within the course and scope of employment;

25 * Sec. 10. AS 18.23.070(3) is amended to read:

26 (3) "health care provider" means an acupuncturist licensed
27 under AS 08.06; a chiropractor licensed under AS 08.20; a dental
28 hygienist licensed under AS 08.32; a dentist licensed under AS 08.36;
29 a nurse licensed under AS 08.68; a dispensing optician licensed under

1 AS 08.71; an optometrist licensed under AS 08.72; a pharmacist li-
2 censed under AS 08.80; a physical therapist or occupational therapist
3 licensed under AS 08.84; a physician licensed under AS 08.64; a podia-
4 trist; a psychologist and a psychological associate licensed under
5 AS 08.86; and a hospital as defined in AS 18.20.130, including a
6 governmentally owned or operated hospital; a corporate entity covered
7 under AS 21.88.050(b)(1); and an employee of a health care provider
8 acting within the course and scope of employment;

9 * Sec. 11. AS 21.42 is amended by adding a new section to read:

10 Sec. 21.42.353. COVERAGE FOR COSTS OF ACUPUNCTURE TREATMENT. An
11 insurer authorized under AS 21.09 to offer, issue for delivery, deliv-
12 er, or renew a disability insurance policy in the state, or a hospital
13 or medical service corporation authorized under AS 21.87 to offer or
14 renew a subscriber's contract, may offer coverage for services of an
15 acupuncturist licensed under AS 08.06 if the policy or contract covers
16 acupuncture treatment by a health care provider who is subject to
17 other provisions of AS 08.

18 * Sec. 12. AS 21.88.900(9) is amended to read:

19 (9) "health care provider" means an acupuncturist licensed
20 under AS 08.06; an audiologist licensed under AS 08.11; a chiropractor
21 licensed under AS 08.20; a dental hygienist licensed under AS 08.32; a
22 dentist licensed under AS 08.36; a nurse licensed under AS 08.68; a
23 dispensing optician licensed under AS 08.71; an optometrist licensed
24 under AS 08.72; a pharmacist licensed under AS 08.80; a physical
25 therapist or occupational therapist licensed under AS 08.84; a physi-
26 cian licensed under AS 08.64; a podiatrist; a psychologist and a
27 psychological associate licensed under AS 08.86; a hospital as defined
28 in AS 18.20.130, including a governmentally owned or operated hospi-
29 tal; a corporate entity covered under AS 21.88.050(b)(11); an employee

1 of a health care provider acting within the course and scope of em-
2 ployment;

3 * Sec. 13. AS 21.88.900 is amended by adding a new paragraph to read:

4 (18) "acupuncturist" means a person licensed under AS 08.06.

5 * Sec. 14. AS 47.17.070(9) is amended to read:

6 (9) "practitioner of the healing arts" includes acupunct-
7 urists, chiropractors, dental hygienists, dentists, health aides,
8 nurses, nurse practitioners, occupational therapists, occupational
9 therapy assistants, optometrists, osteopaths, naturopaths, physical
10 therapists, physical therapy assistants, physicians, physician's
11 assistants, psychiatrists, psychologists, psychological associates,
12 audiologists licensed under AS 08.11, hearing aid dealers licensed
13 under AS 08.55, religious healing practitioners, and surgeons;

14 * Sec. 15. AS 08.64.207 and 08.64.380(1) are repealed.

WHAT IS ACUPUNCTURE?

Acupuncture is a healing method used in traditional Chinese medicine, a medical system with a history of thousands of years of effective use, now practiced worldwide.

Bioenergetics of the Acupuncture Network

- . Traditional Chinese ideas of energy exchange are like those of modern physics--the same principles work in all parts of the universe, however large or small--the solar system, an atom, or a human body.
- . The acupuncture network in the body is an "electromagnetic circulatory system" of energy flow along channels related to the organs. The energy, called qi, (pronounced chee) flows like current in an electrical system.
- . The twelve main channels are directly connected to organs--heart, liver, kidney, stomach, etc. They are "circuits" with energy flowing from the organs out into the arms and legs and back. There are also extra channels, for example, the "belt" channel, which goes around the waist. All of these form a network.
- . The network can "signal" the organs to do different things. Recent research in China has shown that putting a needle in the large intestine point on a dog's paw will change the movements of its large intestine.

Energy Balance

- . Balance in the energy network means good health. As long as the network is strong, balanced, and not blocked, a person will be healthy. Imagine a body with its "electromagnetic circulatory system" flowing along about the same lines as the blood circulatory system. Visualize the lines of current with a strong, consistent glow, and a smooth, regular flow through all the channels. This is the picture of health.
- . Imbalance means disease. The flow of energy can be too weak, too strong, blocked, or not moving in the proper pathways. For example, if you could photograph the network, a sprain might appear as a hot spot or "short." A migraine headache might show a blockage, and a heart attack would reveal a weak or blank spot.

Diagnosis

- . Diagnosis in Chinese medicine looks for patterns of imbalance in this energy network that relate to signs and symptoms in the body.
- . Traditional diagnosis uses a history and physical examination. The doctor asks special questions about what has happened inside and outside the body that put the system out of balance--wind, cold, heat, emotions, excess food or drink--and many others. A traditional oriental medical doctor will look at skin color, examine "alarm points" along the channels that indicate imbalance, look at the tongue, and feel the pulses. These are just a few of the important parts of a traditional medical examination.

Treatment

- . Treatment balances the system. Points are stimulated to increase energy, dissolve blockages--to encourage all of the "involuntary" body processes to return to their natural state of harmony. The main treatments used either alone or in combination to balance the system are:

acupuncture herbs moxa massage

- . Acupuncture stimulates points along the channels with very fine needles. These are now almost always made of stainless steel, but traditionally they could be made of other materials--bone, bamboo, silver, gold. The needles have different effects depending on what points are used. Sometimes needles are electrically stimulated, usually for added pain relief or anaesthesia.
- . Herbs are taken as teas or pills to do the work of balancing. They are very specific in their effects, and can be given easily in combinations made up especially for each individual.
- . Moxa is an herb that is burned close to the skin, or sometimes directly on the skin to stimulate the points with heat.
- . Massage stimulates the points with pressure to give balancing effect.
- . Of course, the complicated imbalance in many illnesses often make the process of diagnosis and treatment complicated too. As in Western medicine, traditional Chinese diagnosis and treatment is an art as well as a science.

Staying Well With Traditional Medicine

"Wholeness" of outlook is a historic part of Chinese medicine. According to tradition, people paid their doctors when they were healthy, and stopped paying them when they were ill. Whether true or not, this shows that the idea was to keep people well, and to look for and treat the earliest signs of illness. Preventive health care--diet, rest, exercise, and emotional and spiritual balance--has always been of greatest importance in the Chinese medical tradition.

How an Acupuncture Treatment Feels

Acupuncture needles are very fine, so they are relatively painless. There is a pinprick sensation as the needle goes through the skin, followed by the sensation of the needle "taking the energy"--connecting with the system. This may be felt as a tingling or traveling sensation, soreness, heaviness, warmth or aching. Among their many effects, the needles stimulate the release of endorphins--the body's own pain-killers--so there is generally a feeling of well-being and relaxation.

How to Help Your Treatment Work Better

Because treatments "rearrange" your energetic pattern, moderation is the key in eating, exercise and exposure to temperatures to maintain the new energy arrangement. The two hours immediately before and after your treatment is not the time for a heavy meal, alcoholic drinks or pain relievers, a strenuous workout, or a trip to the sauna.

Acupuncture and herbs have a cumulative effect, so it is also important to follow through with a recommended series of treatments to get the desired results, and to follow all other instructions from your practitioner.

Treatment Response

Most patients want to know whether acupuncture just treats symptoms, or if it can really relieve the causes of their illness. With many different kinds of problems, the energetic changes brought about by acupuncture and herbs can bring a person fully back to health.

Results depend on the duration and nature of the disease, the amount of damage that has been done, whether surgery has been performed, the age and general health of the person--the same kinds of factors that determine outcomes in Western medicine.

Even if a disease process has gone too far to be reversed

entirely, it is often possible to slow or stop the progress of the disease, or at least to provide some relief from symptoms so that the person can live more comfortably.

Sterilization

Acupuncture needles are sterilized according to protocols approved for surgical instruments. Depending on your practitioner, steam autoclave or dry heat sterilization may be used. Sterilization is, by definition, the killing of all bacterial, fungus, virus, and spores.

Just as it is safe to re-use surgical instruments after they have been properly sterilized, it is also safe to re-use needles. If you are still concerned about this issue, ask your practitioner, and they will use disposable needles. Disposable needles are generally used for all people with hepatitis or AIDS or for people at high risk for these diseases.

Sterilization and all procedural techniques follow the Clean Needle Technique manual prepared by the National Commission for the Certification of Acupuncture.

The American Association of Acupuncture and Oriental Medicine

The AAOM is a national organization of practitioners and students of acupuncture and Oriental medicine. Its purposes are:

- to provide the primary organizational forum for state, regional and specialized acupuncture organizations in the United States
- to elevate standards of practice and education
- to provide a forum for sharing of professional knowledge
- to assist in the establishment of just health codes and laws and to support those that exist
- to develop and establish continuing education programs for professionals
- to educate the general public about Oriental medicine
- to promote, encourage and support research
- to support and cooperate with the national professional organizations for certification of practitioners and educational institutions in our field, the National Commission for the Certification of Acupuncture and the National Accreditation Commission for Schools and Colleges of Acupuncture and Oriental Medicine.

H

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R

SENATE COMMITTEE REPORT

FURTHER

2/16/89

DATE TURNED INTO OFFICE

4/7/89

Mr. President:

Fin

Committee considered

SSSB 135

establishing the Alaska neighborhood revitalization initiative; efd
and recommended

- replace with _____ CS SSSB 135 (Fix)) same title
- or adopt _____ CS _____) new title
- attached amendment(s) and technical title change (HB only)
- _____ letter of intent adopted

do pass

do not pass

no recommendation

individual recommendations

further referral to _____

- FISCAL NOTE(S) zero fiscal impact appropriation no FN
- new DCKED updated previous
- same as previous fiscal note(s) published _____

MEMBERS SIGNING DO PASS

[Handwritten signatures]

OTHER RECOMMENDATIONS

[Handwritten signature] NO REC

Chairman signature and recommendation

Committee Backup attached

R/O SFC 4-7-89

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: CS3SSB 135 (Fin)
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Neighborhood Revitalization Initiative
Sponsor: Rodey and Pearce
Requester: Senate Finance

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

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0

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

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

FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

This fiscal note assumes passage of an appropriation to the Neighborhood Revitalization and Development Fund and a separate appropriation from the Neighborhood Revitalization and Development Fund to the department of up to \$90.0 for administration of the program. Details of the department's anticipated costs are attached.

Prepared by: Tom Lawson, Acting Director
Division: Business Development

Phone: 465-2017
Date: 4-10-89

Approved by Commissioner: Larry Merculieff S.M.
Agency: Department of Commerce & Economic Development

Phone: 465-2500
Date: 4/10/89

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

FISCAL NOTE ANALYSIS

CSSSSB 135 (FIN) ALASKA NEIGHBORHOOD REVITALIZATION INITIATIVE

Assumptions/Program Summary

CSSSSB 135 (Fin) establishes a program which promotes neighborhood revitalization and development through local initiatives of the state's communities with the assistance of financial institutions and the state. The legislation creates a neighborhood revitalization and development fund to be administered by the Department of Commerce and Economic Development. Neighborhood housing services, community revitalization, and economic development projects are eligible. The program requires that any nonprofit organization applying for the grant funds from DCED must meet the criteria of the Neighborhood Reinvestment Corporation.

(The Neighborhood Reinvestment Corporation was established in 1978 by Congress as a public nonprofit corporation to assist communities in revitalizing declining neighborhoods for the benefit of current residents. That goal is achieved primarily through the development and support of Neighborhood Housing Services (NHS) programs, such as Anchorage Neighborhood Housing Services. In 1985, there were 239 NHS's in 137 cities.)

The Finance CS allows administrative costs of up to \$90.0 to be taken out of the Neighborhood Revitalization and Development Fund. Implementation of the program is subject to annual legislative appropriation from the Neighborhood Revitalization and Development Fund.

It is estimated that about 13 communities may be able to participate in the Neighborhood Revitalization and Development Program.

Personal Services. Staff for the Neighborhood Revitalization and Development Program includes the following two permanent full-time positions:

Program Coordinator-Development Specialist I (Range 18)	\$51.0
Accounting Clerk II (Range 09), 1/2 time	\$15.8

The statewide coordinator will initiate and administer the program. Under the supervision of the program coordinator, the accounting clerk will provide administrative support.

Travel. Costs include travel to communities participating in the program.

Contractual Services. Funds (\$7.0) are needed for office related services, including advertising, phone, postage, copying, printing, etc.

Supplies. Funds will be used to purchase office supplies and training materials. Costs will decrease in future years.

Equipment. Costs will only be for the first year and will include purchase of a computer/word processor terminal and miscellaneous equipment.

Program Summary:

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		66.8	66.8	66.8	66.8	66.8
TRAVEL		5.0	7.0	7.0	7.0	7.0
CONTRACTUAL		7.0	7.0	5.0	5.0	5.0
SUPPLIES		3.0	3.0	2.7	2.7	2.7
EQUIPMENT		6.0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		87.8	83.8	81.5	81.5	81.5

CAPITAL

REVENUE

FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER Neighborhood Revitalization						
TOTAL and Development Fund		87.8	83.8	81.5	81.5	81.5

POSITIONS:

FULL-TIME		1	1	1	1	1
PART-TIME		1	1	1	1	1
TEMPORARY						

6-0600J

Chenoweth
4/6/89

Original sponsors: Rodey and Pearce

1 IN THE SENATE

2 CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 135 (*Finance*)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska neighborhood re-
7 vitalization initiative."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. PURPOSE. The purpose of AS 44.33.436 - 44.33.438, added
10 by sec. 2 of this Act, is to promote neighborhood revitalization and devel-
11 opment through local initiatives of the state's communities with the assis-
12 tance of financial institutions and the state.

13 * Sec. 2. AS 44.33 is amended by adding new sections to read:

14 ARTICLE 6B. NEIGHBORHOOD REVITALIZATION AND DEVELOPMENT PROGRAM.

15 Sec. 44.33.436. NEIGHBORHOOD REVITALIZATION AND DEVELOPMENT
16 FUND. There is created the neighborhood revitalization and develop-
17 ment fund, to be administered by the commissioner. The commissioner
18 shall deposit to the credit of the fund

19 (1) grants and contributions to the fund; and

20 (2) appropriations to the fund.

21 Sec. 44.33.437. POWERS AND DUTIES. (a) The commissioner may
22 use money in the fund23 (1) to pay the costs of administration of the neighborhood
24 revitalization and development program, not to exceed \$^{4/7/89 90,000}~~100,000~~ (*Zharoff*) during
25 a fiscal year, if approved by the legislature by appropriation; and26 (2) to make grants to nonprofit development corporations
27 that qualify for assistance from the Neighborhood Reinvestment Corpo-
28 ration organized under 42 U.S.C. 8101-8107 (Neighborhood Reinvestment
29 Corporation Act), for neighborhood housing services, neighborhood

1 revitalization, and economic development projects in a community.

2 (d) In its administration of the grant program, the department
3 shall, consistent with the purpose of AS 44.33.436 - 44.33.438 and the
4 amounts available to make grants under (a)(2) of this section, equi-
5 tably distribute the grants, giving priority in the award of grants to
6 projects

7 (1) in communities that have demonstrated significant
8 community support for the proposed projects;

9 (2) that will generate maximum local employment; and

10 (3) that will have the best potential to attract matching
11 revenues from other public and private sources.

12 (c) The commissioner shall adopt regulations necessary to carry
13 out the department's functions under AS 44.33.436 - 44.33.438.

14 (d) The commissioner shall provide for an annual audit of the
15 grants to nonprofit development corporations made under this section.

16 Sec. 44.33.438. DEFINITIONS. In AS 44.33.436 - 44.33.438

17 (1) "commissioner" means the commissioner of commerce and
18 economic development;

19 (2) "community" means

20 (A) a municipality; and

21 (B) a place that is not incorporated as a city and in
22 which 100 or more persons reside as a social unit;

23 (3) "department" means the Department of Commerce and
24 Economic Development;

25 (4) "fund" means the neighborhood revitalization and devel-
26 opment fund established in AS 44.33.436.

27 * Sec. 3. AS 44.33.520 is amended by adding a new paragraph to read:

28 (31) administer the neighborhood revitalization and develop-
29 ment program under AS 44.33.436 - 44.33.438.

Original sponsors: Rodey and Pearce

1 IN THE SENATE

2 CS FOR SPONSOR SUBSTITUTE FOR SENATE BILL NO. 135 ()

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act establishing the Alaska neighborhood re-
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16 FUND. There is created the neighborhood revitalization and develop-
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18 shall deposit to the credit of the fund

19 (1) grants and contributions to the fund; and

20 (2) appropriations to the fund.

21 Sec. 44.33.437. POWERS AND DUTIES. (a) The commissioner may
22 use money in the fund

23 (1) to pay the costs of administration of the neighborhood
24 revitalization and development program, not to exceed \$100,000 during
25 a fiscal year, if approved by the legislature by appropriation; and

26 (2) to make grants to

27 (A) nonprofit development corporations that qualify
28 for assistance from the Neighborhood Reinvestment Corporation
29 organized under 42 U.S.C. 8101-8107 (Neighborhood Reinvestment

1 Corporation Act), for neighborhood housing services, neighborhood
2 revitalization, and economic development projects in a community;
3 and

4 (B) persons and organizations that qualify for assis-
5 tance under (b) of this section.

6 (b) The department shall administer grants for a community-based
7 Alaska Main Street Program that provide technical assistance and
8 training to accomplish community and economic revitalization and de-
9 velopment of older business districts and neighborhoods. The program
10 must use techniques developed by the National Trust for Historic
11 Preservation that are designed to stimulate business reinvestment,
12 restore building facades, retain existing small businesses, strengthen
13 the local tax base, create employment opportunities, promote new
14 commercial opportunities in the business district, and help to stimu-
15 late a renewed sense of community pride.

16 (c) In its administration of the grant program, the department
17 shall, consistent with the purpose of AS 44.33.436 - 44.33.438 and the
18 amounts available to make grants under AS 44.33.437(a)(2), equitably
19 distribute the grants, giving priority in the award of grants to
20 projects

21 (1) in communities that have demonstrated significant
22 community support for the proposed projects;

23 (2) that will generate maximum local employment; and

24 (3) that will have the best potential to attract matching
25 revenues from other public and private sources.

26 (d) The commissioner shall adopt regulations necessary to carry
27 out the department's functions under AS 44.33.436 - 44.33.438.

28 (e) The commissioner shall provide for an annual audit of the
29 grants to nonprofit development corporations made under this section.

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3 economic development;

4 (2) "community" means

5 (A) a municipality; and

6 (B) a place that is not incorporated as a city and in
7 which 100 or more persons reside as a social unit;

8 (3) "department" means the Department of Commerce and
9 Economic Development;

10 (4) "fund" means the neighborhood revitalization and devel-
11 opment fund established in AS 44.33.436.

12 * Sec. 3. AS 44.33.520 is amended by adding a new paragraph to read:

13 (31) administer the neighborhood revitalization and develop-
14 ment program under AS 44.33.436 - 44.33.438.

Patrick M. Rodey
Senator

Alaska State Legislature



Senate

3111 C. St., Suite 510
Anchorage, Alaska 99503
(907) 561-7618

During Session:
P.O. Box V
Juneau, Alaska 99811
(907) 465-3793

DATE : March 20, 1989

MAR 21 1989

TO : Senator John Binkley, Co-Chair
Senator Rick Uehling, Co-Chair
Senate Finance Committee

FROM : Senator Patrick M. Rodey

RE : Senate Bill 135 and Senate Bill 152 regarding neighborhood revitalization initiative and issuance of government obligation bonds

I respectfully request that the above-mentioned bills be scheduled for a hearing before the Senate Finance Committee on Wednesday, March 29th.

Ms. Cynthia Parker with the Neighborhood Housing Services in Anchorage and a representative of the Neighborhood Reinvestment Corporation (located in California) would be available to testify on the proposals.

Attached is some background information, as well as a brief summary prepared by Representative Donley's Office addressing these proposals. Representative Donley has introduced identical legislation in the House, and sponsored similar legislation last session.

Attachment

HOUSE LABOR AND COMMERCE COMMITTEE

ALASKA STATE LEGISLATURE

P.O. BOX Y, JUNEAU 99811

(907) 465-3892



February 6, 1989

MEMORANDUM

To: Members, House Labor and Commerce Committee

From: Representative Dave Donley, Chair
House Labor and Commerce Committee

Re: Proposed Committee Legislation - "Neighborhood Development Bonds"

Attached are two bill drafts creating the Alaska Neighborhood Revitalization and Development program (enabling) and authorizing the issuance of G.O. Bonds (appropriation) in the amount of \$11,000,000 to pay for the program.

The Neighborhood Revitalization Initiative and the companion bond bill creates a statewide program modeled after Anchorage Neighborhood Housing Services to leverage state money with secondary financial markets, both public and private, to redevelop commercial business zones. This program could provide as much as a ten to one match for every dollar the state puts in.

The purpose of the Alaska Neighborhood Revitalization Initiative is to provide an opportunity to develop a public/private partnership in communities to:

- Create new short term and long term jobs.
- Create an incentive for attracting new businesses to an area.
- Help make existing businesses more viable, attractive, and stable.
- Leverage business loans made with conventional financing.
- Create a business climate that better serves the Community

These drafts are modeled after HB 430 and 431, introduced last year by the House Labor and Commerce Committee. The significant difference is that the bond authorization replaces and substitutes for the direct \$2.7 million appropriation contained in the original HB 431. In addition, the new enabling legislation (last year's HB 430) is amended to speak directly to G.O. bonds as an additional funding source for capital improvements.

I would like to introduce these bills as Committee legislation as soon as possible. We will be taking them up tomorrow at 3:30 p.m. Please call me, Veronica Slajer, or Ginger Baim at 4954 if you have any questions or need additional information.

BACKGROUND MATERIAL PROVIDED BY SPONSOR

The Neighborhood Reinvestment Corporation
1987 Annual Report



CHAPTER 1 The Power of Partnerships

Since the mid-1970s, the national NeighborWorks network—the nation's largest and most successful system for neighborhood revitalization—has generated more than \$4.9 billion in cumulative reinvestment in previously declining neighborhoods.

In any scenario, \$4.9 billion represents a huge investment. Who is willing to make such an investment in declining neighborhoods, and why? The answer lies in the network's neighborhood-based partnerships, of which the most widely known is the Neighborhood Housing Services (NHS) approach. (Most network organizations also use "NHS" in their corporate names.) Founded on the principle of a three-way partnership between residents, local business and local government, NeighborWorks organizations create the environment necessary for reinvestment.

Introducing 'NeighborWorks'

In 1987, the Neighborhood Reinvestment Corporation's national public service advertising campaign introduced a new name—*NeighborWorks*—to represent the services and educational programs of the nation's largest system for neighborhood revitalization.

NeighborWorks unites all the network's organizations under one umbrella term in order to build visibility and recognition, and to set the stage for more effective fund-raising.

The "national NeighborWorks network" includes Neighborhood Reinvestment, Neighborhood Housing Services of America (NHTA), and the more than 100 affiliated, local public/private partnerships, including Neighborhood Housing Services (NHSs), Apartment Improvement Programs (AIPs), and Mutual Housing Associations.

In 1987, the nonprofit Advertising Council tested NeighborWorks public awareness ads in five cities.

Residents and property owners again feel confident about fixing up their homes: \$1.9 billion in new mortgages in NeighborWorks neighborhoods. *Local governments* improve public services and make capital improvements: \$734 million in sidewalks, drainage systems, streets and other physical improvements. *Local businesses*, recognizing that strong neighborhoods undergird strong cities, invest their charitable dollars in a concept that works: some 3,000 businesses and local governments channel \$24 million annually to NeighborWorks organizations.

In addition to the investment of hard dollars, the partnership fosters a resurgence of neighborhood pride and involvement. "When everyone pitches in, everyone gains," says Sophia Jeffery, president of the Springfield, Massachusetts, NHS board of directors and chairperson of the National NHS Advisory Council.

Indeed, in 239 neighborhoods across the U.S., NHS symbolizes the spirit of cooperation and voluntarism. "When asked why NHS works, I give a three-part answer," says William Nodine, chairman of the Clearwater, Florida, NHS board of trustees and chairman of Pioneer Savings Bank. "Local residents. Local business. Local government. All work together to get the job done."

The Partnership Advantage

On the local level, NeighborWorks organizations work through formal public/private partnerships. Each is locally initiated and locally funded. Residents, the "first among equals," work together with local business and government representatives to chart a path to revitalization. Each of the three key partners add significantly to the effort.

Residents. In each neighborhood partnership organization, residents take the lead. Residents hold the majority of seats on the board of directors and are represented on all committees. They determine the goals and standards for their neighborhoods, fix up their properties, and promote their neighborhoods as good places to live.

Business. Business leaders from banks, thrift institutions, insurance companies and other, non-financial corporations supply loans.

Banks, savings-and-loans, and other lenders made a total of \$302 million in conventional loans in NeighborWorks neighborhoods. Public loans totaled another \$51 million in reinvestment, while property owners used on-hand resources to reinvest an additional \$127 million.



property coverage, management expertise, operating contributions, or any combination of these.

Local government. A crucial member of the partnership is the local government. The local government usually provides the funds to develop a new NeighborWorks organization; targets necessary capital improvements as well as loans, grants and special programs to the target neighborhood; supplies principal funding for the NHS revolving loan fund; and, in cooperation with the partnership organization, conducts a sensitive, systematic housing inspection program aimed at voluntary compliance.

"No matter whether we've expanded programmatically or geographically, the partnership concept has served as our foundation," says David Lewis, executive director of the Shreveport, Louisiana, NHS.

Revolving Loan Funds

A factor in the success of an NHS is its locally controlled revolving loan fund. Seeded by a grant from Neighborhood Reinvestment and matched many times over by local contributions, the local revolving loan fund

makes loans available to "unbankable" borrowers—those who are not able to meet regular loan criteria.

In 1987, a total of \$25.6 million in new capital increased the aggregate size of the revolving loan funds to \$183.1 million. The average revolving loan fund was just over \$1 million. More than 18,450 loans totaling nearly \$159 million have been made. (Integral to the Revolving Loan Fund System is the national secondary market operated by NHSA, described in Chapter 3.)

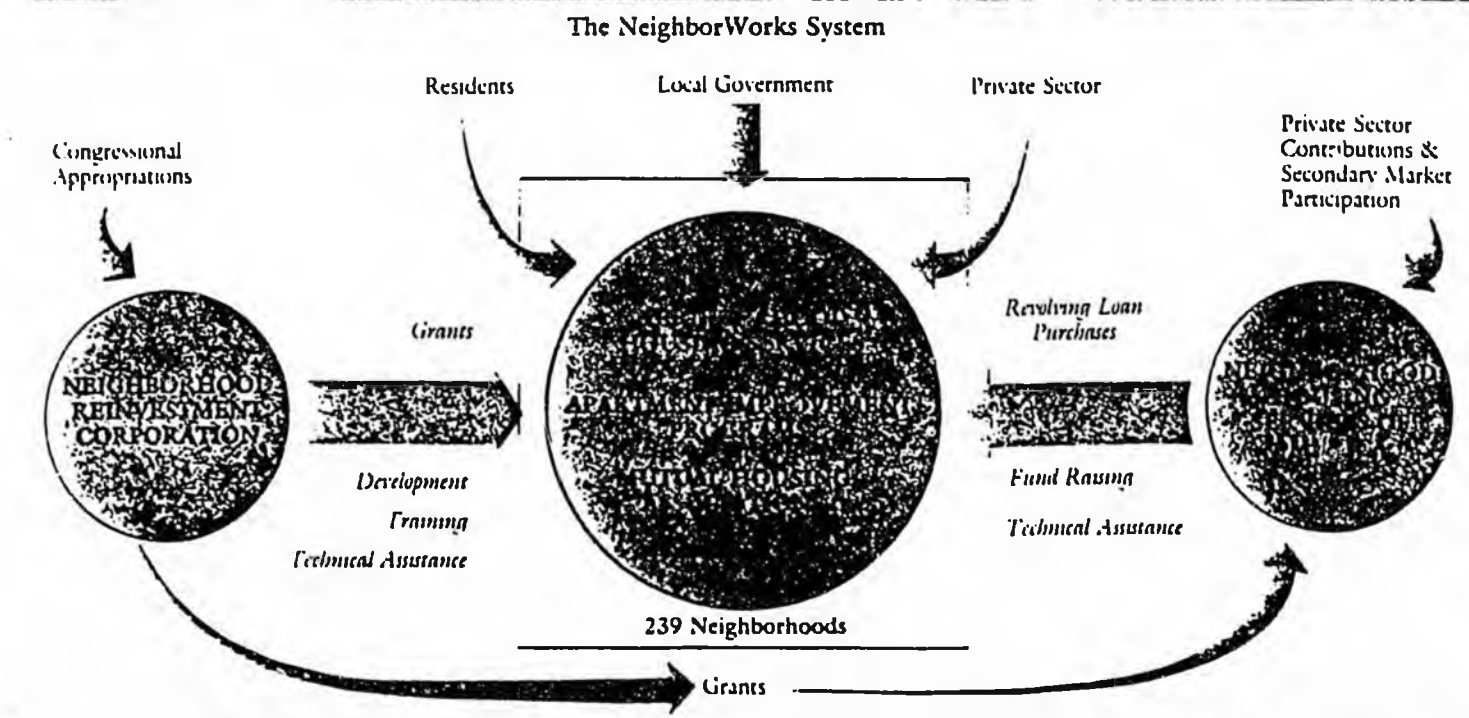
NHS loans reach low-income residents. A survey of 16 NHSs revealed that of their active loans totaling \$19.3 million, 47 percent were made to very low-income families (median income \$6,888), 31 percent were made to low-income families (median income \$14,400), and 22 percent were made to moderate- and middle-income families (median income \$23,136).

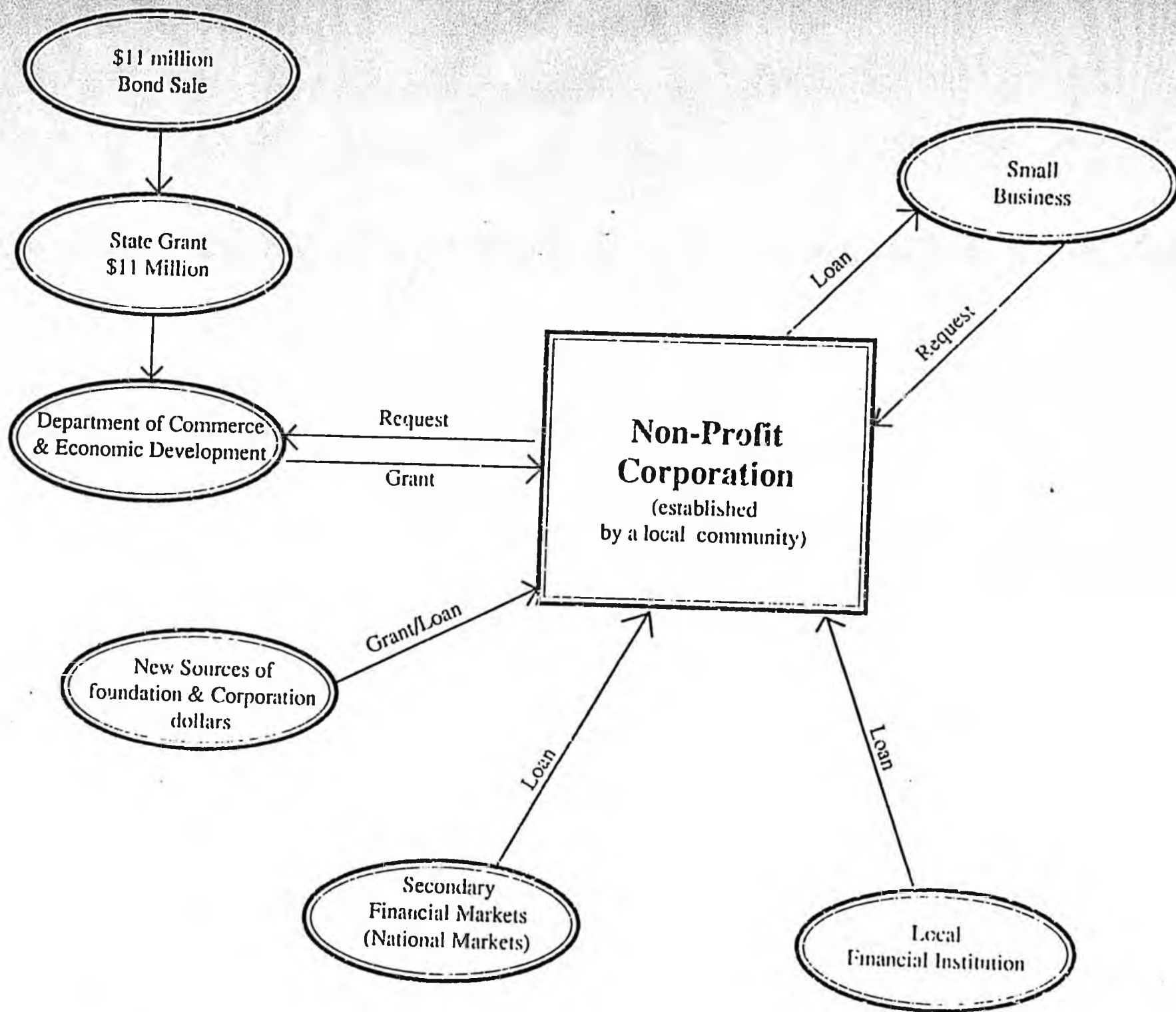
"The Federal Reserve has been involved with Neighborhood Housing Services since the early 1970s. We have thought that not only were the purposes worthy, but that the implementation was good and effective."

The Honorable Paul Volcker
Chairman, The Federal Reserve

A Demand for Strong Partnerships

In 1987, formal requests for the development of NeighborWorks partnerships exceeded by five times the Corporation staff and resources needed to act on those re-







March 23, 1989

BOARD OF DIRECTORS

ROBERT B. O'BRIEN, JR., Chairman
Chairman & CEO
Carteret Savings Bank
Morristown, New Jersey

WILLIAM PLECHATY, Vice Chairman
Executive Vice President
Southeast Banking, N.A.
Miami, Florida

RAYMOND W. TIBBITTS, JR., Vice Chairman
Executive Vice President
Allstate Indemnity Company
Northbrook, Illinois

MARY LEE WIDENER, President
Neighborhood Housing Services
of America, Inc.
Oakland, California

GEORGE W. BEHYMER, Treasurer
Consultant
Cincinnati, Ohio

ALPHONSO WHITFIELD, JR., Secretary
Vice President & Director
of Community Investment
Federal Home Loan Bank of New York
New York, New York

WILLIAM E. BROOKS
Vice President, Social Response
The Prudential Insurance
Company of America
Newark, New Jersey

SOPHIA JEFFERY
Director of Social Services
Early Childhood Center of Springfield
Springfield, Massachusetts

PETER A. LEFFERTS
President
IDS Bank & Trust
Minneapolis, Minnesota

ED LOPEZ PASTOR
Maricopa County Supervisor
District 5
Phoenix, Arizona

HON. JOSEPH P. RILEY, JR.
Mayor
Charleston, South Carolina

CLARISSA WALKER
Director of Social Services
Sabethani Community Center
Minneapolis, Minnesota

RAUL YZAGURRE
President
National Council of La Raza
Washington, D.C.

ADVISOR

WILLIAM A. WHITESIDE
Executive Director
Neighborhood Reinvestment
Washington, D.C.

EXECUTIVE STAFF

MARY LEE WIDENER
President

MICHAEL BALMUTY
Senior Vice President

FRED FILLON
General Counsel, Partner
Orick, Herrington & Sutcliffe

Ms. Cynthia Parker
Executive Director
Anchorage NHS, Inc.
3700 Woodland Drive
Suite 500
Anchorage, AK 99517

Dear Cynthia:

As President of Neighborhood Housing Services of America, Inc., I am writing to express my support of your efforts to pass the Alaska Neighborhood Revitalization Initiative. This legislative initiative sounds like an exciting opportunity to expand the activities of NeighborWorks organizations throughout Alaska. If your legislation should be enacted, NHSA would be pleased to assist the state of Alaska in implementing NeighborWorks programs in Alaska by providing an attractive leverage of a portion of the funds available to accomplish program goals.

Within the context of programs developed as a result of this legislation through the Neighborhood Reinvestment Corporation as part of the NeighborWorks Network, you can anticipate NHSA participation to bring about a leverage of 4-1 in private funds for every dollar of grant funds allocated to NHSA to assist you in your efforts. In other words, if a commitment of the size proposed within the context of the State Legislation were to be achieved, for every \$1 million allocated to NHSA, \$4 million in private support would be leveraged in support of your program efforts.

Sincerely,

Mary Lee Widener

Mary Lee Widener
President

MLW:ym
NHA0024.2

BOARD OF TRUSTEES

CHARLES E. LORD
Chairman
Senior Consultant
Dixon, Reed & Company, Inc.
New York, New York

WAYNE E. HENEM
President
Allstate Insur
Northbrook, I

WILLIAM P. CLAY

ALICE E. MONTAGNA

BARBARA BROWN

LAND S. PRUSSIA
Chairman of the Board, Retired
nAmerica Corporation
San Francisco, California

MEMO FROM NEIGHBORHOOD HOUSING



Neighborhood Reinvestment Corporation

428 13th Street
Suite 1100
Oakland, CA 94612
(415) 273-4074

Neighborhood Reinvestment
Corporation

Board of Directors

Federal Reserve System
Governor Marsha P. Seger, Chairman

Comptroller of the Currency
Robert L. Clarke, Vice Chairman

Secretary of Housing and Urban
Development
Samuel R. Pierce, Jr.

Chairman, Federal Home Loan
Bank Board
M. Danny Wall

Chairman, Federal Deposit Insurance
Corporation
Director C.C. Hope, Jr., alt.

Chairman, National Credit Union
Administration
Board Member Elizabeth F. Burkhardt, alt.

March 24, 1989

Cynthia Parker, Executive Director
Anchorage Neighborhood Housing Services, Inc.
3700 Woodland Park Drive, Suite 500
Anchorage, Alaska 99517

SUBJECT: Neighborhood Revitalization Initiative
State of Alaska

Dear Ms. Parker,

I want to take this opportunity to advise of our Corporate support for the Alaska Neighborhood Revitalization Initiative.

Neighborhood Reinvestment is a congressionally chartered, public, nonprofit corporation. Its Board of Directors include the Comptroller of the Currency, the Chairman of the Federal Home Loan Bank Board, the Chairman of the FDIC, a member of the Federal Reserve, Chairman of the National Credit Union Administration and the Secretary of HUD.

Neighborhood Reinvestments mission includes the revitalization of both urban and rural areas across the country. Neighborhood Reinvestment initiates development and provides long term support to local neighborhood-based partnerships.

Neighborhood Reinvestment has developed public/private community based nonprofit organizations in over 240 neighborhoods in 140 Cities across the country. Neighborhood Reinvestment has been the catalyst behind a network that represents over \$4.9 billion in community reinvestment within the communities where NeighborWorks Partnerships exist. Our efforts include over \$120 million raised for local revolving loan funds, \$33 million leveraged through the national secondary market, \$486 million in low-interest public loans, and \$1.9 billion in conventional lending.

The Anchorage Neighborhood Housing Services is an excellent example of one of those programs. As a result of the success of your revitalization work and our interest in expanding a broader network within the State of Alaska, we strongly support a Statewide initiative that would make this possible.

Cynthia Parker, Executive Director
Anchorage Neighborhood Housing Services

March 24, 1989
Page - 2 -

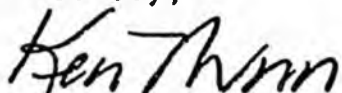
We are able to utilize Neighborhood Reinvestments trained staff, technical capabilities and capital resources to develop locally based public/private partnerships in designated Alaskan communities. Neighborhood Housing Services of America (NHS/A), a partner Organization, anticipates participation at the secondary market level (letter attached).

Neighborhood Reinvestment provides local organizational management and development assistance to NeighborWorks Programs. Our work represents a national focus and network committed to revitalizing neighborhoods within established programs in major cities and rural communities. Neighborhood Reinvestment development involves: a) structuring public/private partnerships, b) developing a local resident and business leadership base, and c) identifying alternative financial resources. Development activity involves total management by Neighborhood Reinvestment.

We are prepared, within the Pacific District, to facilitate the development of additional Programs throughout the State if the Neighborhood Revitalization Initiative and appropriations can be authorized to support that effort.

Two members of our Board of Directors are planning visits to you at the Anchorage Neighborhood Housing Services in May, 1989. I know they will be interested to learn of the State Initiative and to provide any assistance that they can.

Sincerely,



Ken Nunn, Director
Pacific District

Attachments

Low-Cost Capital through Secondary Market Leveraging

A Report to the Senate Committee
on Banking, Housing and Urban Affairs

Pursuant to Report 99-314, 99th Congress, Second Session,
Title I, Subtitle C, Section 147



Neighborhood Reinvestment Corporation

Neighborhood Reinvestment Corporation

Board of Directors

Federal Reserve System
Governor Martha R. Seger, *Chairman*

Comptroller of the Currency
Robert L. Clarke, *Vice Chairman*

Secretary of Housing and Urban Development
Samuel R. Pierce, Jr.

Chairman, Federal Home Loan Bank Board
M. Danny Wall

Chairman, Federal Deposit Insurance Corporation
Director C.C. Hope, Jr., *alt.*

Chairman, National Credit Union Administration
Board Member Elizabeth F. Burkhart, *alt.*

Wm. A. Whiteside
Executive Director

Neighborhood Reinvestment Corporation
Suite 800
1325 G Street, N. W.
Washington, D. C. 20005

NHS Secondary Market History

Almost immediately after the first three NHSs developed by the Neighborhood Reinvestment Corporation's predecessor organization began operations, their success in providing services to their neighborhoods brought them up against the barrier of limited revolving loan funds.

Before passage of the Community Development Act of 1974, foundations were the only source of NHS revolving loan funds. While the small revolving loan funds imposed a limitation, each NHS possessed a uniquely powerful ingredient for success: a governing board made up of a partnership³ of unlikely partners — residents of a troubled neighborhood, and representatives of local financial institutions and the local government.

The partnership representatives were united by their shared commitment to success in upgrading a jointly selected declining neighborhood. They had committed to each other to do all they could to achieve their objectives. Neighborhood residents risked their limited resources and incurred debt to improve their homes, and risked their reputations by encouraging their neighbors do the same. Business leaders contributed management expertise and financial support to the program's operations, and made conventional loans that would have been turned down were it not for their NHS partnership commitment. The local government sensitized all its departments to the neighborhoods needs, with cooperation ranging from the assignment of housing inspection staff to help identify home repair needs to active participation by police, sanitation, planning and other departments in meeting neighborhood service needs — plus budgeting capital improvements such as sidewalk repairs, park installations, and lighting improvements.

Renewed confidence in the neighborhood could be expected to flow from such widespread commitments and it did. Hardship situations could be expected to emerge as the rehabilitation activity got underway and they did. As the financial limitations of the revolving loan funds created for hardship lending became an early reality, NHS boards were faced with a need to ration funds even before they could celebrate their success in turning a debilitating lack of confidence into a heavy demand for rehabilitation loans and technical assistance. Out of this combination of success and frustration, the NHS secondary market was born — conceived by NHS partners who wanted a reliable way to replenish their revolving loan funds.

The President of the Oakland, California, NHS was then a financial industry representative from Great Western Savings — Mr. Leslie N. Shaw. He captured the sentiment of all the partners when

he said that a business-like mechanism would have to be created to replenish NHS loan funds. His recommendations spurred development of an NHS loan purchase program, and Neighborhood Housing Services of America was incorporated to administer it. The Urban Reinvestment Task Force, Neighborhood Reinvestment's predecessor, responded with a grant⁴ enabling NHTSA to purchase NHS loans at par, loans which had been made to "unbankable" borrowers at terms based upon their ability to pay (terms which over the years have averaged about five and one-half to six percent interest and 12-year maturities). The availability of such resources to the NHS organizations unleashed program activity which had until then been held back by uncertainty. Requests to NHTSA to purchase loans quickly exceeded available resources.

With the help of the Ford Foundation's Louis Winnick and the Neighborhood Reinvestment Corporation, NHTSA began work to turn its loan purchase program into a true secondary market. The NHTSA board⁵ — made up of representatives of each of the NHS partners, including talented financial institution executives — worked closely with staff in designing the initial format, and key board members along with the Chairman of the Federal Home Loan Bank Board participated in pivotal meetings with Ford Foundation representatives. Mr. Winnick enlisted the participation of the Equitable Life Assurance Society of the U.S. as the first purchaser of NHTSA corporate notes, backed by the cash flow from NHS loans and other collateral. The Equitable's \$1 million purchase, closed in May 1978, liquified NHTSA's mortgage pool and allowed NHTSA to buy a further \$1 million in NHS loans.

This process initiated the next stage of development in the NHS secondary market program. The Chairman of the Federal Home Loan Bank Board and the President of the Federal Home Loan Mortgage Corporation became personally involved and assigned staff to join with Neighborhood Reinvestment and NHTSA in designing the current program.

The NHS secondary market functions as follows:

- An NHS offers to sell a portion of its loan portfolio to NHTSA under the conditions of a Loan Sale and Servicing Agreement, which provides that:
 - NHTSA buys the NHS loans at par (without discounting),
 - the servicing relationship between the borrower and the NHS remains with the NHS,
 - should a loan become 90-days delinquent, the NHS will buy it back or replace it with a similar loan, and
 - the NHS may sell NHTSA not more than 50% of its loan portfolio, so that it always has this replacement capacity.

- NHSA buys loans from an NHS utilizing capital it has received through grants and loans. After it has pooled a significant dollar volume in loans from a number of NHSs, NHSA is prepared to issue a corporate note backed by these NHS loans.

- A social investor agrees to buy NHSA's notes in accordance with the terms and conditions of a Master Note Purchase Agreement at an interest rate several points below market. The costs to NHSA of each social investment placement is the difference between the approximately 6% leverage rate on the NHS loans and the higher — yet below market — rate on the notes sold, plus operating expenses and required cash flow guarantee reserves. At a closing, the social investor receives the notes, NHSA receives cash (which it uses to buy further NHS loans, starting the cycle over again), and a trustee receives the pool of NHS loans which guarantees the notes, as well as the reserves.

- NHSs collect monthly payments on the loans they have sold, forward them to NHSA, and NHSA, in turn, forwards them to the trustee. The trustee makes quarterly payments on NHSA's obligations to the social investor from a combination of the monthly loan payments received and the reserve funds. The reserve funds serve a dual purpose, subsidizing the interest rate differential and serving as a cash flow guarantee fund to cover unanticipated shortfalls that could result from delinquent loans.

As the NHS partners and supporters observed the importance of the NHS secondary market program to the NHS network and its effectiveness, their personal and institutional commitments to it grew. New social investments flowed from this increased sense of commitment and significant corporate and foundation grants leveraged larger lending pools, enabling NHSs to reach a wider range of lower income lending needs, and to increase their lending by \$24 million, to date.

Personal executive leadership was again key to the successful expansion of NHSA's loan purchase capacity. The chief executives of Equitable, Prudential, Aetna, Allstate and Metropolitan showed confidence in the NHS secondary market through significant new commitments from their companies and highly visible personal support. Federal Reserve Board Governor J. Charles Partee, Chairman of the Neighborhood Reinvestment Corporation, provided steady leadership enabling the Corporation's grants and loans to NHSA to expand its loan purchase capacity.

Active NHSA directors under respective Chairmanships of George W. Behymer and Edmund C. Sajor gathered expanded support for continued growth of the NHS secondary market,

ensuring continued liquidity of the NHS network as an important national resource for lower income neighborhoods.

Mr. Charles E. Lord accepted enlistment as founding chairman of a Board of Trustees⁶ to help NHSA's directors by guiding long-range resource planning and enlisting broader corporate participation. Senior Executive Trustee colleagues from Allstate Insurance Company, the Standard Oil Company, and the Bank of America gave enormous personal time developing strategies and enlisting support. They were joined by NHSA's finance chairman, Mr. Robert B. O'Brien, Jr., Chief Executive of Carteret Savings of Newark, and undertook a goal of bringing the NHSA loan purchase capacity to \$32 million while maintaining loan purchases at par, even though their rates were well below market.

Their work built on the pioneering creativity of NHS supporters which has been described, and the funding goal was in sight by early 1986. Formal agreements will bring the total purchase power to \$32 million by year end 1987. The mix of loans and grants which make this possible are as follows.

Long-term social investments: Prudential \$12.5 million, Metropolitan \$5 million, Aetna \$4 million, Allstate \$4 million, Equitable \$3 million, CIGNA \$2 million, Mutual Benefit Life \$1 million and Employers of Wausau \$500,000. Short-term, zero-interest loans: Bank America Foundation, \$1 million and the Metropolitan Life Foundation \$200 thousand.

Contributed funds: The Standard Oil Company, \$750,000, the Arco Foundation \$300,000, the Ford Foundation, \$200,000, the William Penn Foundation \$200,000, the Levi Strauss Foundation \$200,000, the Ahmanson Foundation \$100,000, and ongoing support from the Neighborhood Reinvestment Corporation, including a special Congressional appropriation in FY 1987 of \$1 million.

An additional \$261,750 from the Charles Stewart Mott Foundation, the Weyerhaeuser Company Foundation and the Allstate Foundation for staff and volunteer leadership development enhanced the capacity of NHS organizations to develop complimentary local resources to carry out the local objectives that were being assisted by an increased NHS secondary market capacity.

Each funding agreement represented a new stage of evolution in the growth and development of the NHS secondary market. With each new agreement the NHS network celebrates both the availability of needed funds and the continued belief in and support of their efforts. This belief in their work has encouraged the volunteers to reach continued new heights in meeting the needs of their communities.⁷

The "sticking points" in many neighborhoods' revitalization need much larger amounts of low-cost capital than has been available to date. The NHS partners are again tackling this need as a solid public-private partnership. Neighborhood Reinvestment and NHSA are again putting in front of NHS partners the needs and opportunities related to low-cost capital. Already, local groups are establishing objectives for the use of such funds if they can be developed. And already, a major NHS supporter, the Allstate Insurance Company has offered a pilot commitment of \$10 million to launch a local government secondary market program with the potential to recycle many more millions of dollars in CDBG loans for vital neighborhood revitalization purposes.

Progress Report on Local Government Secondary Market

In January 1987, Mr. Wayne E. Hedi, President of the Allstate Insurance Company, declared Allstate's willingness as an NHS partner to work with Neighborhood Reinvestment and NHSA to develop a local government secondary market pilot. Allstate is working with NHSA to develop the financial and legal vehicle for a purchase of \$10 million of NHSA notes backed by local government loans.

The loans will be purchased from local governments by NHSA with recourse; however, since there are no leverage funds to permit these loans to be purchased at or near par, over-collateralization will be required in order to produce a near market rate yield, as well as to cover administrative costs. Before approaching Allstate, NHSA had investigated the potential for creating a market-rate secondary market through existing mechanisms. Representatives from three separate major investment bankers were interviewed. All indicated that the small sizes of the transactions, which will need to average under \$500,000 in order to be responsive to small cities, and the low yields on the loans, along with other special supports the transactions would need, made the business unfeasible. In discussing the characteristics that would be necessary for the program to be responsive to the special needs of low-income neighborhoods, Allstate officials made it clear that the yields did not justify the investment of staff time that would be needed and that they would not pursue the activity but for their interest in NHS and the benefits that could be brought in the communities that would be served.

Local governments are allowing a portfolio analysis of their loan funds ahead of any formal commitments, to allow the legal details of the pilot to be tailored to their common needs. Dialogue and portfolio analyses are underway with fourteen local governments, representing \$67 million in loan funds, that will be considered for

participation in the \$10 million pilot. These dollar resources, the interest of local government representatives, and project goals which have been identified jointly by the local governments and NHS partners offer the potential for a solid pilot which will be representative of the common needs and opportunities which can be served by the local government secondary market program.

Long-Term Potential of the Local Government Secondary Market

The local government secondary market offers excellent long-term potential as a source of low-cost capital for NHSs, Mutual Housing Associations and other community development purposes. Existing or future portfolios of local government loans funded from CDBG or other sources could be recycled and the funding used again for similar purposes.

The proceeds would be program income under CDBG regulations, subject to reuse in accordance with CDBG regulations. Many local governments will welcome the opportunity to obtain funds immediately rather than waiting the 10 to 20 years for the loans to be paid in full, even if it means the dollars being discounted to their present value. Many others would find it attractive if the loans could be sold at or near par, as is the case in the NHS secondary market.

It requires approximately \$1.00 in leverage funds for each \$5.00 in loans purchased in the NHS secondary market. TO purchase local government loans at or near par is estimated to require as much as \$1.00 in leverage funds for each \$3.00 of loans purchased in light of three factors: a) the local government loans appear to have a lower average yield than NHS loans, b) the notes backed by the loan portfolio would have to produce a near market yield, and c) the leverage funds would have to cover administrative costs, rather than the administrative costs being covered by current Neighborhood Reinvestment Corporation grants.

Another factor is that of working capital. Currently NHSA utilizes a \$1 million Neighborhood Reinvestment Corporation loan and Neighborhood Reinvestment's grants to warehouse NHS loans until enough have been purchased to warrant a closing under a purchase agreement with an institutional investor. Little of this resource would be available for a local government secondary market. Many "small closings", i.e. under \$10 million, would be objectionable to the institutional investor, and one or more simultaneous closings, i.e. where the loans were closed with the local governments simultaneously with the notes being closed with the institutional investors, would be awkward and time consuming.

In order for such a secondary market to effectively recycle capital on an ongoing basis, both a working capital revolving fund and

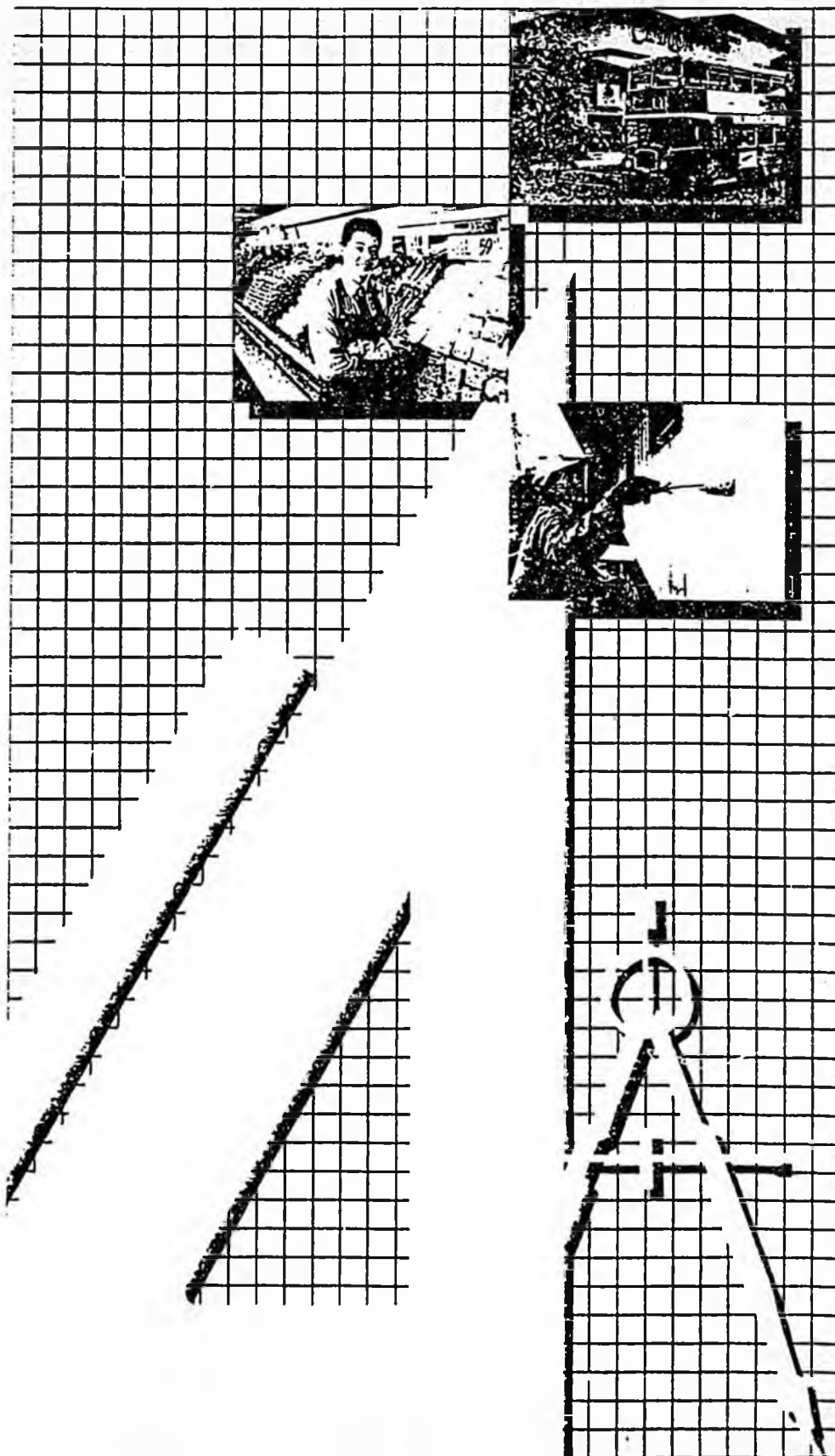
annual leverage funds would be required. For instance, an appropriation of \$5 million to establish a working capital fund along with \$6.6 million in leverage funds would enable at least \$20 million in local government loans to be purchased, and thereby approximately \$20 million would be made available for neighborhood revitalization and other community development purposes. With the working capital fund in place, only \$6.6 million would be required to achieve the same results in later years.

Endnotes

- ¹ See Appendix A for description of Mutual Housing Associations.
- ² See Appendix B for description of Apartment Improvement Programs.
- ³ See Appendix C for description of Neighborhood Housing Services.
- ⁴ The Neighborhood Reinvestment Corporation Act, Public Law 95- 557 — October 31, 1978, recognized this role, providing in Section 606 (a)(4) that "The corporation shall continue the work of the Urban Reinvestment Task Force in supporting Neighborhood Housing Services of America, a nonprofit corporation established to provide services to local neighborhood housing services programs, with support which may include technical assistance and grants to expand its national loan purchase pool and may contract with it for services which it can perform more efficiently or effectively than the corporation."
- ⁵ See Appendix D for the Board of Directors listing.
- ⁶ See Appendix E for Board of Trustees listing.
- ⁷ See Appendix F for progress in homeownership opportunities for lower income households.

ANCHORAGE NEIGHBORHOOD HOUSING SERVICES, INC.
1987-88 ANNUAL REPORT

ANHS continues its
commitment to
strengthen the
community through
reinvestment.





“The Corporation is dedicated to the development of programs that encourage the stability of our neighborhoods and enhance business growth.”

This annual report provides a glimpse into the variety of loan programs and activities offered by Anchorage Neighborhood Housing Services over the last year and a half.

The corporation is dedicated to strengthening the vitality of existing neighborhoods through targeted revitalization strategies and specific community development activities. We've been providing loan programs for both residential and business purposes, as well as developing community projects to encourage neighborhood stabilization and enhance compatible business growth. To date, Anchorage Neighborhood Housing Services has targeted three neighborhoods in Anchorage: Nunaka Valley, Government Hill and Spenard.

The Corporation has seen a number of changes over the life of this annual report. The quality of life seems more fragile in the face of a strong economic downturn, while housing vacancies caused by foreclosures threaten to erode the strength of our fine neighborhoods. New programs will help put homeowners back into these units while we continue to work to revitalize the Spenard Commercial District.

We've been working individually with many homeowners to assist them through the current economic period, providing additional counseling, and working with our existing borrowers through these times. Our original loan portfolio remains strong despite the "non-bankable," and "high risk" nature of our loans, with a less than 3% delinquency factor.

In the Spenard Commercial District, we have been providing business loans to existing and new businesses in order to continue the revitalization efforts of the Spenard redevelopment strategy. We are pleased that the efforts of the Spenard Road Design Review Committee and Commercial Loan Committee have blended so well in focusing business redevelopment efforts with the public improvements of the roadway.

On a city-wide basis, this last year we launched the "Paint The Town" project, involving over 700 volunteers in a week-long event that painted the homes of some 70 plus individuals in need of assistance. Businesses and individuals contributed to pay for the cost of this project, which acted as a catalyst to bring together a spirit of volunteerism in response to a need.

In response to the problems of the Anchorage real estate market, ANHS has identified several foreclosed condominium properties, and is in the process of converting them into housing cooperatives. This will provide home ownership opportunities for people who have been precluded from home ownership and, because of the structure of the cooperative, provide stable property maintenance for the benefit of our neighborhoods. This is an example of how our strategies have changed to ensure long-term stability within our community.

Cynthia Parker, Executive Director

CORRECTION

**THIS DOCUMENT
HAS BEEN REPHOTOGRAPHED
TO ASSURE LEGIBILITY**



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Cynthia Parker, Executive Director

P R E S I D E N T ' S M E S S A G E

This past year has seen Anchorage Neighborhood Housing Services begin to implement many of the strategic plans formulated over the past few years. It has been exciting to participate in this process. Despite city and state financial cutbacks, ANHS has been able to successfully move ahead with our program goals, which have included the expansion of services we have traditionally offered.

During the last several years, ANHS has worked with the Municipality, local residents and businesses to help lay the groundwork for redeveloping the Spenard Commercial District. The vision is now becoming reality. During the summer of 1988, Phase II of the roadway project moved ahead, with completion scheduled for the spring of 1989. The ANHS Commercial Loan Fund was established and funded and began lending money to help make the business district more viable and attractive.

Falling real estate values in the greater Anchorage area has meant that fewer homeowners have been able to take on additional debt to make improvements to their homes. For ANHS, this has led to a reduction in our traditional activity of home improvement lending. We have addressed this problem by coordinating our first city-wide effort, Paint The Town. The project's goal was to help improve housing stock and beautify the city by painting the exterior of homes of families in need. Paint The Town was a resounding success, enlisting 700 volunteers to paint the homes of 70 senior citizens, fixed income families, disabled and single heads of households.

ANHS has also been actively exploring strategies to strengthen the real estate markets in our target neighborhoods, and to develop some innovative techniques for home ownership. We are currently studying the possibilities available in mutual housing associations and limited equity cooperatives. Through these concepts, housing stock which is currently vacant, abandoned or underutilized will be improved and restructured for home ownership by low to moderate income people. It will improve the housing stability in our target neighborhoods and make the opportunity of home ownership available to a segment of the market which previously was limited to renting. In these efforts, ANHS has been working closely with groups involved in residential real estate, both in the private and public sector.

ANHS has continued to work with all three target neighborhoods in an effort to improve the quality of life for those who live there. I would like to thank everyone who has taken the time to get involved, including state and local officials, residents, business people, the ANHS Board of Directors and especially the ANHS staff who continue to adapt and innovate during these difficult economic times.



Barry Hulin, President



"ANHS has been actively exploring strategies to strengthen the real estate market . . . and to develop innovative techniques for home ownership."

For every dollar that ANHS has invested, an additional \$33 in public and private funds has been reinvested through effective leveraging.

Anchorage Neighborhood Housing Services is a private non-profit corporation, founded in 1982 to improve neighborhoods through the development of public-private partnership. Initially focused in Spenard, ANHS originally concentrated on housing stock rehabilitation as a strategy for revitalizing neighborhoods. Since those early days, ANHS' strategy has become more diverse and complex, and now includes planning major infrastructure improvements. Additionally, several loan programs aimed at improving both the residential and business districts have been initiated.

Partnership Model ANHS accomplishes its goals by using an effective partnership between neighborhood residents, business leaders and government representatives. This model is utilized throughout the Corporation, in its board and committee structure. It guarantees that a public-private working group provides active representation of all in the decision-making.

Target Neighborhoods Since its initial focus on residential activities in Spenard, ANHS has been steadily increasing its constituent base and redevelopment activities. In 1984, it added commercial programs to Spenard's business district agenda. In 1986, several new neighborhoods were added after a city-wide neighborhood analysis. The two neighborhoods, Nunaka Valley and Government Hill, have been integrated into the Corporation's existing board and committee structure. Independent committees facilitated by ANHS in all three neighborhoods continually examine their

neighborhood's needs for both public and private improvements in their areas.

Strategic Development With the goal of increasing both public and private investment in its target neighborhoods, the ANHS approach is to help the communities develop strategic plans and to then assist in their implementation. ANHS utilizes the strength of its partnership to assist in the development process, enabling the community's foremost leaders to participate in preparing the long-range plans. Each community prepares its own strategy, taking into account the unique needs and features of the area.

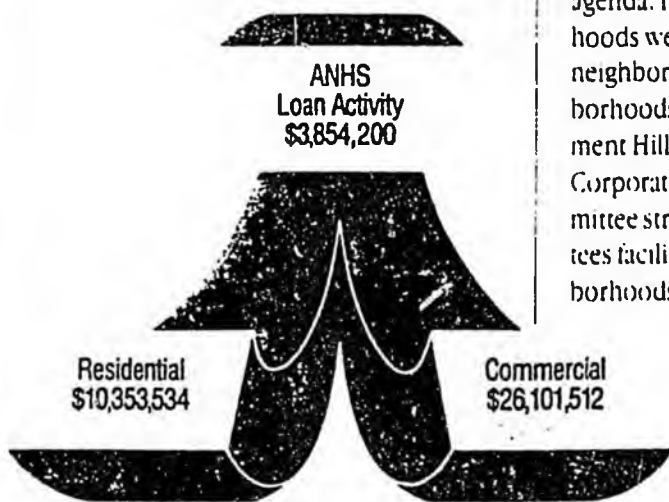
The strategies are comprehensive, addressing housing, business and community-wide needs. Infrastructure, such as roadway improvements, street lighting, parks and recreational facilities are used to stimulate private investment and community pride. Public improvements in a neighborhood often lead to increased neighborhood involvement and broader visions of what a neighborhood can become. ANHS works with the communities to identify such projects, and then helps to obtain financing to accomplish them.

Community Reinvestment One goal of ANHS' programs is community reinvestment. That is, the direct efforts of ANHS through loans and other programs, especially when combined with public improvements, often serve as an incentive to individuals and private investors to improve and invest in both commercial and residential properties. Thus, ANHS' funds leverage private capital to improve the neighborhoods. Since 1982, ANHS funds have been leveraged 1:15 with private investment in the target neighborhoods. When public investment in the neighborhoods is added, ANHS funds have been leveraged 1:53. Both private and public investment have decreased in Anchorage since ANHS' early years. However, ANHS loans continue to leverage additional residential

Construction Activity 1982-1987

	1982-1986	1986-87	Total
Total Private Investment	\$35,137,439	\$1,317,607	\$36,455,046
ANHS Investment	2,342,525	1,011,675	3,354,200
Total Reinvestment	\$37,521,339	\$2,544,507	\$40,309,246

Neighborhood Spinoff Activity

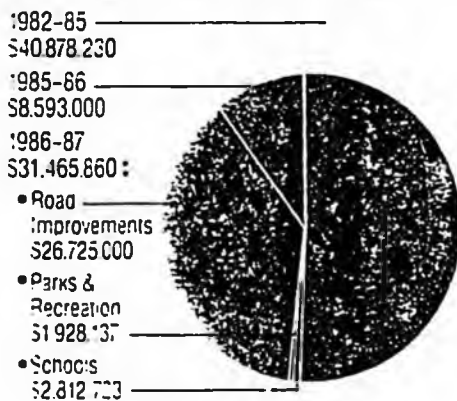


Construction Activity 1982-1987

and commercial investment in the ANHS neighborhoods.

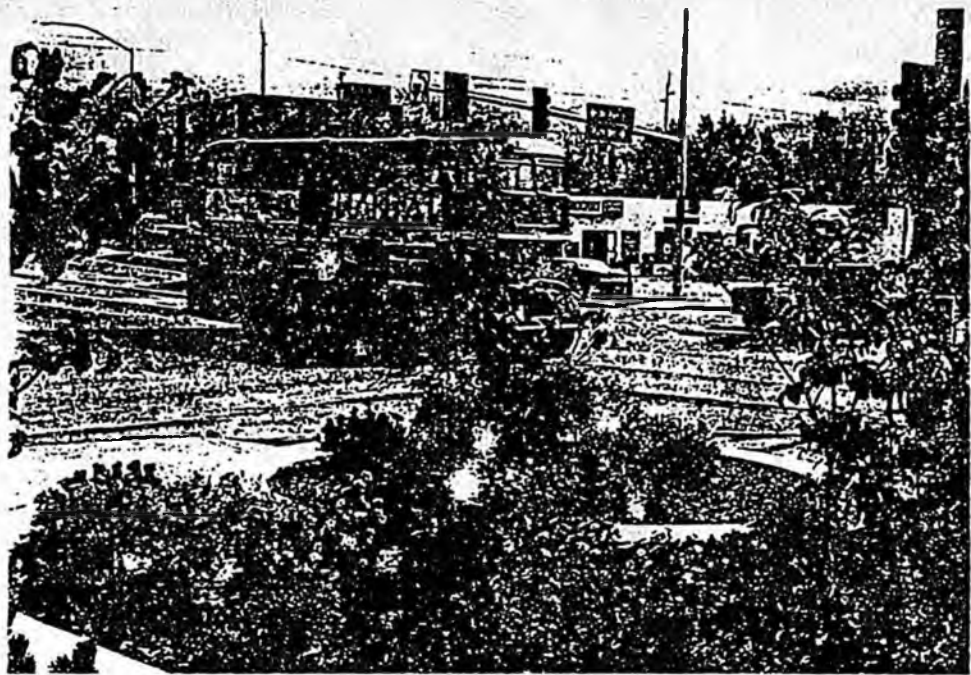
Public Improvements ANHS has worked with its target neighborhoods to accomplish public improvements in its target neighborhoods. During this fiscal period, the improvements included the development of the Asian Cultural Center adjoining Northwood School; the development of Northwood, Old Hermit and Sisterhood Parks in Spenard; Nunaka Valley Park and Charles Harvard Park in Government Hill. The pie chart details the amounts spent on public improvements in the target neighborhoods since ANHS has been involved.

Public Improvements — 3 Target Areas



The loan fund which ANHS administers is an important vehicle for accomplishing the strategic goals. The Residential and the Commercial Loan Programs provide financing for housing and business improvements. ANHS loans are made according to specific guidelines which enable development that conforms to the overall neighborhood strategy. Thus, improvements made through financing from the loan funds achieve both individual and community benefits.

A less tangible but equally important role that ANHS plays is increasing neighborhood exposure, community pride, and improving neighborhood image. Some of this is achieved as a direct result of the loan programs, some results as a



product of public improvements, some results from organized neighborhood self-help projects. Gradually, the community's self esteem begins to change as the residents become more involved. ANHS helps plan activities such as trash cleanup days, fun runs through the neighborhoods and adopt-a-park programs.

As a mechanism to stimulate business attraction, ANHS sponsored the Double Decker Bus operation in 1987 and 1988. The bus brought visitors and tourists through Spenard, stopping at restaurants, hotels, shopping centers and downtown. It greatly increased the visibility of the neighborhood business district. During the summers of 1987 and 1988, nearly 15,000 passengers rode the bus.

Summary The goals of ANHS' various programs are to reverse decline in the target areas, to increase both public and private investment, and to encourage development in a strategic manner.

ANHS creates public/private partnerships to develop and implement plans that increase community reinvestment.

Northland Soy is Alaska's only tofu producer and sprout growing operation . . . ANHS was able to offer financing which allowed business expansion and use of a vacant property within the Spenard Commercial District.



Learning about the availability of ANHS' Commercial Loan Fund, Bernie Souphanavong moved Alaska's only tofu production and sprout growing business to Spenard when he purchased a property which allowed him to expand his business. Northland Soy has grown in size, sophistication and efficiency during its eight-year history, from a hand-watered operation to one that is nearly completely mechanized. ANHS was able to offer Northland Soy financing for the rehabilitation and purchase of a property which had been vacant for over a year.

This move has allowed him to expand and diversify his business operation. It brings an empty building into operation and six new full-time employees to Spenard.

Souphanavong was awarded SBA's Minority Business Person of the Year in 1987 and SBA's Small Business Person of the Year in 1988.

Redeveloping the Spenard Commercial District has been an integral part of redesigning the roadway which bisects the Spenard residential neighborhood. The commercial area had deteriorated and was negatively impacting the neighborhood's image. The roadway was unsafe for both pedestrians and vehicles, without sidewalks, turn lanes and other amenities which simply did not enhance the business climate. Thus, ANHS identified, as a timely opportunity, the development of a comprehensive plan to address these issues. ANHS has served as the community's facilitator in this long-term project, staffing the Spenard Road Design Review Committee and administering its Commercial Loan Programs.

Job Creation During a period of declining employment, the Spenard Road redevelopment project has had a significant impact on employment: temporary and permanent, public and private. A total of 90 jobs were created for a four- to six-month period, approximately 340 person-hours, for the road project itself. In addition, 27 temporary construction jobs and 21 permanent new jobs were created by private redevelopment projects which were related to the road development. Approximately 90 jobs are added to businesses each summer to manage the increased seasonal demands. This seasonal increase is in large part due to new developments along the roadway, which have made Spenard a more attractive place for businesses, visitors, consumers and residents.

In drafting the Neighborhood Business Development Loan Fund's policies, ANHS closely adhered to the strategy that was developed for the area. The loan fund guidelines, which are intended to foster a sense of cohesiveness to the district's physical development, include specific recommendations regarding

requirements such as landscaping, site planning, facade treatment, and signage.

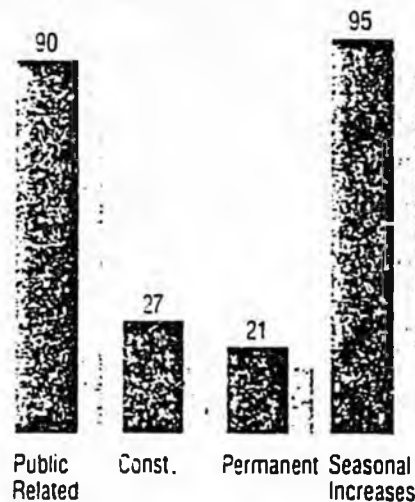
Loans are reviewed by a Commercial Loan Committee, comprised of local residents and business people, bankers, real estate professionals and government representatives. Ultimate decision-making authority rests with the Board of Directors.

Leveraging Outside Capital ANHS has a discrete pool of funds to use in its commercial revitalization efforts. While the commercial loans are backed by a secondary market for loans utilizing real estate collateral, the funds must be used prudently to allow for the greatest possible impact. One way ANHS has found to increase the availability of funds is to use the loan fund to leverage outside capital. ANHS accomplishes this by providing gap financing, equity capital, or simply by participating with other lenders, potentially lowering the effective rate for the borrower.

Flexibility The ANHS staff works closely with its loan clients, designing loans which specifically meet their individual needs. Terms, rates, and loan requirements vary, depending on the situation. If necessary, ANHS can take an equity position in the deal. ANHS has utilized its ability to be flexible in approving several loan requests.

National Model The Neighborhood Business Development Loan program serves as a national model for community development loan funds. This fund's uniqueness is its strategic development agenda, which will ultimately produce an attractive, viable business district.

Spenard Redevelopment Project
233 Jobs Created 1987-88



The Spenard redevelopment project has had a significant impact on new employment in the area.



Jack and Michelle Shockley have lived in Nunaka Valley with their two children since 1983.

"We believe in small neighborhoods. That's why we moved to Nunaka Valley five years ago. We've been active in Anchorage Neighborhood Housing Service programs here, like fixing up the park and putting in the volleyball court. Those things help make Nunaka Valley a better place to live.

"We've been working through ANHS on this house for two years in a row. We painted our home, moved the front door and built a car port. Next summer we plan to finally do landscaping.

"Since ANHS has come to Nunaka Valley, we've really been able to see the neighborhood improve. Sometimes it's little things, but especially in a down economy, those little things make a big difference."

ANHS offers a variety of lending, technical assistance and support programs to its target neighborhoods. These programs comprise the basis for building stronger, self-reliant and revitalized neighborhoods. Programs are continually being developed to address the on-going and unique needs of each community. Program implementation follows the partnership model, involving community residents, business people and government representatives.

Lending Programs ANHS home rehabilitation loans are administered by its Residential Loan Committee, comprised of real estate professionals, bankers and residents. ANHS provides loans to neighborhood residents for removing code violations from their properties, and making other home improvements. The loans are made regardless of age or income, with rates and terms varying by individual



Judith Connors has lived in her Spenard home since 1974. She raised five sons in this home which was built in 1956. "After that, I needed a new house! And I practically have one thanks to Neighborhood Housing Services." With a \$21,000 budget, Mrs. Connors installed a new pitched roof, a new bathroom, new windows in the back bedrooms, brought the house up to code, re-sided and painted. "I couldn't be happier," she says of her rebuilt house.

requirements. ANHS has made a total of 84 loans totaling \$1,011,975 from 01/80 to 03/88.

The Exterior Beautification Program was specifically designed to help make neighborhoods more attractive from a streetside perspective. Loans of up to \$3,500 are made at 5% interest with a maximum three-year term. These loans are to be used for painting, landscaping, fencing, siding, decking, gutters and downspouts. Loans are awarded based on credit approval and visibility in the neighborhood. To date, 170 loans have been made under this program.

The Driveway Paving Program provides a way for residents to lower the cost of paving their driveway by working together with their neighbors. ANHS coordinates requests on a neighborhood by neighborhood basis and then solicits bids from paving contractors.

Development Programs With the goal of helping to stabilize its target areas, ANHS has begun a development role in response to the current residential real estate slump facing Anchorage during this period. High vacancy rates have led to empty apartment and condominium projects which can quickly deteriorate. One strategy ANHS has identified to address this issue establishes a Mutual Housing Association to serve as a property developer with the goal of converting such empty projects to limited equity cooperatives.

ANHS has identified some key properties, has conducted a market study to assure adequate demand for cooperative conversion, and has appointed a Mutual Housing Advisory Committee to study the conversion and development process. The committee has concluded that a Mutual Housing Association should be established as a subsidiary of ANHS and that it should continue an on-going development and training role.

Technical Assistance and Support

ANHS offers residents a variety of technical assistance and support programs to help them determine their needs, accomplish their goals, and improve their neighborhoods. Technical Assistance programs offered include the following:

- Contractor Referral
- Construction Monitoring
- Loan Packaging
- Loan Workout Counseling

- Business Start-Up Planning
- Community Planning
- Home Inspections
- Home Improvement Assessments
- Weatherization Assessments

Neighborhood support programs include beautification and clean-up projects, park planning and implementation, supplier discounts, and sponsoring community events.

"The ANHS Loan Fund allowed us to begin our new business in Spenard. With airport access and the new look, it was the perfect place."



After twenty years experience in the travel business in Alaska, Don and Sue Williams wanted to own their own travel agency. They came to ANHS requesting funds for start-up and operating capital. The business is located in a business park fronting on Spenard Road within the commercial district. During Quality Travel's first period of operation, each month surpassed the business' initial dollar projections. Quality Travel employs four full-time travel agents, plus the two owners.



Al Bramstead Jr., KTUU Channel 2

“We were pleased. . . . It was one of those opportunities to be involved with something that captured the spirit of the community and was so visibly positive.”

This was ANHS' first year to organize and coordinate Paint The Town, a one-day painting marathon in which 70 homes of families in need were painted at no charge to the homeowner. The houses were painted by teams of volunteers. Eligible homeowners included senior citizens, fixed-income families, single heads of households and disabled people.

Five private businesses sponsored the project which involved over 700 volunteers. The sponsors, Fred Meyer, Key Bank of Alaska, KTUU-Channel 2, Spenard Builders Supply and The Anchorage Times, donated more than \$85,000 in cash, materials and services to make the project work. The volunteers were drawn from church groups, businesses, and service clubs.

The Paint The Town project provided an opportunity for a broad cross section of Anchorage to roll up their shirtsleeves and help their neighbors. At the end of a hard but fun day of painting, all the participants were invited to a picnic to celebrate.

ANHS was awarded an Urban Beautification Award from the Municipality's Urban Design Commission for its efforts in this project. ANHS plans to continue this project as a regular part of its program planning for the future.



Assemblyman Craig Campbell gets a tough spot.

“Paint The Town gave all of us a way to do something positive for our community. In addition to the tangible benefits, the kind of spirit that develops when people help their neighbors makes Anchorage a better place to live. Key Bank of Alaska is proud to have been a part of Paint The Town; we couldn't think of a better way to say “We Believe in Alaska.”

Michael J. Burns, President,
Key Bank of Alaska

“Fred Meyer has traditionally been active in supporting the communities in which we serve through in-kind, as well as cash contributions. A survey revealed that many of our employees are active volunteers, providing many needed services to the communities. Projects like Paint The Town bring the entire community together, and we're honored to be a major sponsor of such a worthy event.”

Candyce Hayes, Public Affairs
Spokesperson, Fred Meyer

“We at the Anchorage Times were proud to participate in Paint The Town which made such an outstanding contribution to the city. We were pleased with the entire project.”

Elaine Atwood

“Paint The Town was one of the most worthwhile community endeavors Spenard Builders has ever participated in. We received a tremendous amount of positive feedback, but the most important part for us was seeing so many people benefit. It was a small investment for the amount of positive good in the community. We would like to see it continue.”

Pat Anderson, Director of Marketing



“At the end of the day, we all knew we did something that really made a difference in that person’s life.”

“I love to paint, so Paint The Town was a perfect opportunity for me to volunteer. I saw this as an excellent way to help people who needed help. I’d participate again in a minute. Our paint crew had a great time. Our painting supervisor gave us all the tips and pointers we needed to be responsible housepainters. The project was very well organized and everything went smoothly. But the best part was the appreciation of the homeowner. At the end of the day, we all knew we did something that really made a difference in that person’s life.”

Carolyn Corder

B A L A N C E S H E E T

**Anchorage Neighborhood
Housing Services, Inc.**

June 30, 1988
(with comparative totals for 1987)

Operating
Fund

Assets

Current Assets:

Cash	\$ 33,565
Short-term investments	1,282,277
Interest receivable	24,027
Grants receivable	
Inventory	5,500
Due from other funds	
Prepaid expenses	12,511
Construction work in progress— Phase II	143,080
New project development cost	
Current portion of loans receivable	

TOTAL CURRENT ASSETS 1,501,360

Loans Receivable, less current portion,
net of allowance for uncollectible
loans of \$66,000

Other Receivable

Equipment and Leasehold Improvements,
net of accumulated depreciation of
\$44,108 and \$28,996

99,845

\$1,601,205

Liabilities and Fund Balance

Current Liabilities:

Accounts payable	\$ 21,303
Due to other funds	506,505
Unapplied grants	893,772

TOTAL CURRENT LIABILITIES 1,421,580

Commitments

Fund Balance

179,625

\$1,601,205

<u>Revolving Loan Fund</u>	<u>Commercial Projects Fund</u>	<u>Housing Rehabilitation Fund</u>	<u>June 30,</u>	
			<u>1988</u>	<u>1987</u>
\$ 11,402	\$ 53	\$ —	\$ 45,020	\$ 29,549
1,404			1,282,277	1,089,225
			26,051	20,775
		23,000	23,000	58,500
			5,500	7,875
474,190	109	32,206	506,505	1,051,667
			12,511	8,936
			143,080	147,507
<u>57,753</u>	<u> </u>	<u> </u>	<u>57,753</u>	<u>55,000</u>
544,749	162	55,206	2,101,477	2,465,839
980,627			980,627	660,275
100,000			100,000	100,000
	102		99,947	107,704
<u>\$1,025,376</u>	<u>\$ 264</u>	<u>\$ 55,206</u>	<u>\$3,282,051</u>	<u>\$3,333,818</u>
\$ 13,537	\$ 264	\$ —	\$ 35,104	\$ 26,003
			506,505	1,051,667
			893,772	606,152
<u>13,537</u>	<u>264</u>	<u> </u>	<u>1,435,381</u>	<u>1,483,802</u>
<u>1,011,839</u>	<u> </u>	<u>55,206</u>	<u>1,846,670</u>	<u>1,850,016</u>
<u>\$1,025,376</u>	<u>\$ 264</u>	<u>\$ 55,206</u>	<u>\$3,282,051</u>	<u>\$3,333,818</u>

The Executive Committee provides a forum for new ideas, and frequent policy direction for the Corporation.

The Board is a thirteen-member body comprised of business people, residents of each target neighborhood, and government representatives. The Board has a five-person Executive Committee.



President

Barry Hulin is President, Chief Executive Officer, and Chairman of the Board of First Federal Bank. He has been in the banking profession for twenty-five years, having

worked in London, San Francisco, Los Angeles and Seattle prior to his move to Alaska. He has served on the ANHS Board since October 1984.



Vice President

Tom Scott is the President and Executive Director of the Southern Region Emergency Medical Services Council. Having moved to Alaska in 1976, he has lived in

Nome and Juneau as well as Anchorage. He has served as President of the Turnagain Community Council, is the Chair of the Spenard ANHS Community Improvements Committee, is on the board of the Federation of Community Councils, the Tough Love organization, and is secretary of the Alaska EMS Association.



Secretary

Tyler Jones is the Assistant Port Director for the Municipality of Anchorage. He is a member of the Export Council of Alaska, an active member of the Government Hill Community Council, and the coordinator of the Ship Creek Waterfront Project, developing recreational and commercial boating facilities and extending the coastal trail. He is a founding member of the ANHS Board.



Treasurer

Donald Keil is the Deputy Regional Administrator for the Federal Aviation Authority. He moved to Alaska in 1954 to work with the FAA, and moved to Washington,

D.C. from 1970 to 1974 to serve in the office of the Secretary of the Treasury. He served on the Salvation Army Advisory Board, the Board of Challenge Alaska, Alaska Pacific University's Board of Trustees, and is a member of Rotary. He has served on the ANHS Board for three years.



Member At Large

Veronica Slajer is a marketing specialist with an emphasis on political campaigns. She currently works as staff for State Representative Dave Donlev. She has served on the

ANHS Board since November 1987. A resident of Nunaka Valley, she serves on the Nunaka Valley Community Improvement and Planning Committee, the Residential Loan Committee and the Mutual Housing Advisory Committee.



Ex Officio Member At Large

Faye Connolly has been active in the Spenard community for 36 years. She currently serves as a member of the National Western Regional

Advisory Board to Neighborhood Reinvestment. She is a member of ANHS' Spenard Community Improvements and Planning Committee, the Residential Loan Committee and Mutual Housing Advisory Committee. She is involved in the Turnagain Community Council. She has been involved with ANHS since its inception and was a founding board member.



Main Street Fairbanks

547 3rd Ave, Fairbanks, Alaska, 99701
(907) 452-8671

April 6, 1989

To: The Interior Delegation
Senators Coghill
Farenkamp
Frank

Representatives Boyer
Davis
Koponen
Miller
Sharp

From: Howard "Buzz" Otis, Chair Organization Committee

The Organization committee has reviewed the committee substitute for HB 160, and we are still opposed to Main Street 's inclusion in this bill; we feel a Main Street bill to establish a statewide program, with it's potentially far reaching benefits, should stand on it's own merits, with it's own goals and objectives, own personnel and own budget. We still have many of the concerns addressed in our last memo of 3/31/89. Thank you for your patience and hard work in a difficult job. If the Main Street program is to remain in this bill, the following attached recommendations need to be incorporated. See attached.

cc: Senate Finance

Main Street

The National Main Street Center is a program of the National Trust for Historic Preservation, a private non-profit corporation. The Main Street Center provides assistance to states to establish comprehensive downtown revitalization program within the context of historic preservation and to implement these programs at the local level. The Main Street Center provides technical assistance and training to both the state and local participants. The following is a list of essential elements to consider in the development of a successful Alaska state Main Street program:

Full Time State Coordinator: This person, with the assistance of the Center, initiates, coordinates and trains local Main Street downtown revitalization organizations. This type of intensive technical assistance typically requires 15 to 20 weeks of travel to local communities per year and extensive in-house management of the program.

Full Time or Contracted State Main Street Architect: To teach local property owners and communities about quality design. (Does not take the place of local architects.) Requires 15 to 20 weeks of travel per year.

Clerical support.

Adequate travel budget.

Training and Technical Assistance from the National Main Street Center: The Center has helped five hundred communities in thirty states to implement Main Street programs and is currently contracting with 17 states and seven communities. The Center works on a fee for service basis and prefers to work with a state program with a full time coordinator as this is a more efficient and cost effective way of providing services for both the Center and the state. The cost for Main Street services for Fairbanks this year is \$53,195. The estimated cost for one year of technical assistance and training for the Alaska state program and five Main Street communities is \$170,000. (This estimate will require revision after 7/01/89.)

Projected State Program Start Date: Currently the Center is at peak service capacity and will be unable to work with additional Alaska towns individually, or to initiate the start up of a state program for Alaska until 1990.)

State Program Design: The Center recommends that the state choose by competition no more that five communities per year for intensive



National Trust for Historic Preservation

assistance. The Main Street program is designed for communities with traditional downtowns between 5,000 and 50,000 population. Smaller and larger communities including urban commercial neighborhoods can benefit from the Main Street Approach but need separate, more specialized services.

State Grant Assistance to Main Street Towns: Some states provide start-up and/or project grants to local communities. Grants should be offered on a matching basis to foster local self reliance and program ownership.

Program Duration: States typically offer intense training and assistance to each town for a three year start up period, and ongoing training and program evaluation after that. The Main Street program is designed to set up a community process that will revitalize downtown and provide long-term management. The level of Main Street Center assistance desired in later years depends on the capacity of the state program and the number of state Main Street communities.

3/29/89
National Main Street Center
1785 Massachusetts Avenue
Washington, D.C. 20036
(202) 673-4219

**STATE OF ALASKA
1989 LEGISLATIVE SESSION**

BILL VERSION: CSHB 160 (Fin)
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: 4-4-89 Agency Affected: Commerce & Economic Dev.
Title: Neighborhood Revitalization Initiative BRU: Business Development
Sponsor: House Labor and Commerce Components: _____
Requester: House Finance

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		66.8	66.8	66.8	66.8	66.8
TRAVEL		5.0	7.0	7.0	7.0	7.0
CONTRACTUAL		7.0	7.0	5.0	5.0	5.0
SUPPLIES		3.0	3.0	2.7	2.7	2.7
EQUIPMENT		6.0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		87.8	83.8	81.5	81.5	81.5

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER Neighborhood Revitalization						
TOTAL and Development Fund		87.8	83.8	81.5	81.5	81.5

POSITIONS:

FULL-TIME		1	1	1	1	1
PART-TIME		1	1	1	1	1
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary.)

See attached

Prepared by: Tom Lawson, Acting Director Phone: 465-2017
Division: Business Development Date: 4-4-89

Approved by Commissioner: Larry Mercurieff Phone: 465-2500
Agency: Department of Commerce & Economic Development Date: 4/4/89

Distribution (by preparer):

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

by SFC 4/7/89

FISCAL NOTE ANALYSIS

CSHB 160 (FIN) - ALASKA NEIGHBORHOOD REVITALIZATION INITIATIVE

Assumptions/Program Summary

CSHB 160 (Fin) establishes a program which promotes neighborhood revitalization and development through local initiatives of the state's communities with the assistance of financial institutions and the state. The legislation creates a neighborhood revitalization and development fund to be administered by the Department of Commerce and Economic Development. Neighborhood housing services, community revitalization, and economic development projects are eligible. The program requires that any nonprofit organization applying for the grant funds from DCED must meet the criteria of the Neighborhood Reinvestment Corporation.

(The Neighborhood Reinvestment Corporation was established in 1978 by Congress as a public nonprofit corporation to assist communities in revitalizing declining neighborhoods for the benefit of current residents. That goal is achieved primarily through the development and support of Neighborhood Housing Services (NHS) programs, such as Anchorage Neighborhood Housing Services. In 1986, there were 239 NHS's in 137 cities.)

The bill also provides that the department shall administer technical assistance and training grants for a community-based Alaska Main Street Program for economic revitalization and development projects in older central business districts and neighborhoods using techniques developed by the National Trust for Historic Preservation.

The Finance CS establishes the Neighborhood Revitalization and Development Fund and allows administrative costs of up to \$100.0 to be taken out of the newly created fund. Implementation of the program is subject to annual appropriation from the Neighborhood Revitalization and Development Fund.

It is estimated that about 13 communities may be able to participate in the Neighborhood Revitalization and Development Program. Under the Main Street Program, it is assumed that approximately 12 to 14 communities will participate in program grants.

Personal Services. Staff for the Main Street and the Neighborhood Revitalization and Development Programs includes the following two permanent full-time positions:

Program Coordinator-Development Specialist I (Range 18)	\$51.0
Accounting Clerk II (Range 09), 1/2 time	\$15.8

The statewide coordinator will initiate and coordinate both programs. Under the supervision of the program coordinator, the accounting clerk will provide administrative support for the grant programs. Staff will administer grants for both programs. Grants for the community-based Main Street programs will include provisions for technical assistance and training to accomplish community and economic revitalization.

Travel. Costs include travel to communities participating in the programs.

Contractual Services. Funds (\$7.0) are needed for office related services, including advertising, phone, postage, copying, printing, etc.

Supplies. Funds will be used to purchase office supplies and training materials. Costs will decrease in future years.

Equipment. Costs will only be for the first year and will include purchase of a computer/word processor terminal and miscellaneous equipment.

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Neighborhood Revitalization
Initiative
Sponsor: Senator Rodey
Requestor: Senate Labor & Commerce

Agency Affected: Commerce & Econ. Dev.
BRU: Business Development
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES			75.3	202.0	202.0	202.0
TRAVEL			10.0	25.0	20.0	20.0
CONTRACTUAL			110.0	110.0	90.0	90.0
SUPPLIES			3.0	3.0	2.7	2.7
EQUIPMENT			6.0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS			150.0	325.0	405.0	175.0
MISCELLANEOUS						
TOTAL OPERATING			354.3	665.0	719.7	489.7

CAPITAL						
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REVENUE			0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND			354.3	665.0	719.7	489.7
FEDERAL FUNDS						
OTHER						
TOTAL			354.3	665.0	719.7	489.7

POSITIONS:

FULL-TIME			3	4	4	4
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See attached

by JFC see Dept. note 4/10/89

Prepared by: Tom Lawson, Acting Director
Division: Business Development

Phone: 465-2017
Date: 2-13-89

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

Date: 2/12/89

Distribution (by preparer):

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

FISCAL NOTE ANALYSIS

SSSB 135--ALASKA NEIGHBORHOOD REVITALIZATION INITIATIVE

Assumptions/Program Summary

SSSB 135 establishes a program which promotes neighborhood revitalization and development through local initiatives of the state's communities with the assistance of financial institutions and the state. The legislation creates a neighborhood revitalization and development fund to be administered by the Department of Commerce and Economic Development. Neighborhood housing services, community revitalization, and economic development projects are eligible. The program requires that any nonprofit organization applying for the grant funds from DCED must meet the criteria of the Neighborhood Reinvestment Corporation.

(The Neighborhood Reinvestment Corporation was established in 1978 by Congress as a public nonprofit corporation to assist communities in revitalizing declining neighborhoods for the benefit of current residents. That goal is achieved primarily through the development and support of Neighborhood Housing Services (NHS) programs, such as Anchorage Neighborhood Housing Services. In 1986 there were 239 NHS's in 137 cities.)

The bill also establishes the Alaska Main Street Program to provide grants to persons and organizations for economic revitalization and development projects in older central business districts and neighborhoods, using techniques developed by the National Trust for Historic Preservation.

The Neighborhood Revitalization and Development Fund is funded in part by proceeds from a proposed bond issue (SB 152) of \$11,000,000, if approved by the voters. Proceeds from the general obligation bond sale can only be used for capital improvement projects so any administrative costs or grants that are not directly attributable to such projects must be funded through the general fund or other sources.

It is estimated that about 13 communities may be able to participate in the Neighborhood Revitalization and Development Program. Under the Main Street Program it is assumed that approximately twelve to fourteen communities will participate in program grants.

The election on the question of the bond sale (SB 152), the proceeds of which fund the initiative, would be held in November 1990. Assuming voter approval of the initiative, and the bond sale is conducted in a timely manner, the first six months of FY 91 will be spent establishing the new programs, including development of administrative regulations.