

ALASKA LEGISLATURE

1982

HOUSE and SENATE FINANCE COMMITTEE FILES, 1999 - 2000

Anchorage Economic Development Corporation

1999 Examples of Accomplishments

- New Business Incentive Program passed by Legislature and signed into law.
- BUY ALASKA available statewide on the Internet at www.buyalaska.com.
- With DCED, published Fresh and Live Seafood Reports for Korea, Taiwan and Hong Kong.
- Assisted Kinetic Aviation, Inc. with site location, permits and financing.
- Facilitated formation of advocacy group for multi-modal transportation access to the Anchorage waterfront in support of oil industry module construction projects and shipping of goods through the Port.
- Developed and published forecast and quarterly economic updates (in AEDC newsletter - circulation 32,000), presented updates to 87 audiences (ranging in size from 5 - 600 persons), and briefed Permanent Fund managers and guests of Mayor.

The Business Incentive Program provides infrastructure, equipment, key personnel relocation costs and on-the-job training for manufacturing and value added industry in Alaska. BUY ALASKA has created or retained 331 jobs with \$15.24 million retained in Alaska's economy. An increasing fraction of services are outside of Anchorage. Fresh and Live Seafood Reports are available on CD ROM and were presented at a 10/98 public symposium. Data is in support of fresh and live air cargo from Anchorage.

3 Top Economic/Business Needs

- Workforce development.
- Transportation infrastructure for commercial corridors.
- Completion of year round tourist destinations in Anchorage.

To keep more of our talented entry level graduates in the Alaska workforce, student outreach about work opportunities in aviation, health services, manufacturing and tele-communication needs to be supported with promotion campaigns and collaboration with local and "Outside" universities. Anchorage's growth patterns need to accommodate industrial development and freight mobility, as well as residential, tourist and pedestrian amenities. Additional tourist destinations, such as the Native Heritage Center, Potter Marsh Nature Center and Fisheries Industry Center at Ship Creek will enhance Anchorage's year round appeal.

2000 Goals

- Promote Anchorage as site for global logistics and light manufacturing.
- Promote Anchorage waterfront as multi-modal transportation/trade center.
- Expand use of Anchorage businesses to Alaska communities, especially health care and education.
- Promote year round tourism and convention infrastructure and destinations.
- Provide applied economic research/analysis for business opportunities in Anchorage.

FY 2000 Budget

\$47,692	State ARDOR grant
47,692	Locally generated match
1,060,616	Additional funds generated or leveraged by the ARDOR (may include State funds)
\$1,156,000	Total (The State ARDOR grant funds 4% of the total.)

Board of Directors

Executive Committee

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Jim Gorski, (Vice Chair) prof services
Gene O'Hara, (Sec/Treas) health services
Ernie Hall, manufacturing
Kirk McGee, Native corporation

Members

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Morton Plumb Jr., transportation
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Randy Simmons, industrial dev.
Dick Tremaine, Anch. Assembly
Fay Von Gemmingen, Assembly

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Arctic Development Council, Inc.

1999 Examples of Accomplishments

- Continued to provide technical assistance to more than 400 individuals of the North Slope Borough, including conducting a series of 2 business plan development workshops in each of the 8 communities.
- Provided revolving loan fund financing for 2 new small businesses on the North Slope. Total active loans = 9, reflecting \$221,380 in loans. Types of loans extended: Native arts and crafts, welding services, video game rentals/sales, coffeehouse, bed & breakfast and youth-owned concession stand.
- Developed Educating Youth on Entrepreneurship (EYE) Program. This helps young adults learn all aspects of ownership and operation of a small business. The 13 EYE graduates selected a small business to own and presently operate a successful concession stand at the Barrow Roller Rink.
- Implemented Youth Revolving Loan Fund - any youth organizations in the North Slope Borough are eligible to apply for a loan. Funding ranges from \$1,000 to \$5,000. One loan approved to date - a concession stand.
- Established and presently operate a Native arts and crafts gift shop; marketing outlet for local artisans.
- Continue to operate a business incubator having 4 clients and 5 successful graduates.
- Established a business resource library in the ADC Small Business Support Center providing a centralized location for residents. The library has more than 600 business-related materials (cataloged into the local Tuzzy library system) along with 2 personal computers (including a variety of software and a funding database) for client use.
- Continue to operate Project Information Center (PIC) for North Slope contractors who may review and/or purchase upcoming construction projects for bid. This year 50 borough capital improvement project bid packets were made available in the PIC and 149 plans and specifications sold. Also, available in the PIC are procurements for state and federal government construction projects.

3 Top Economic/Business Needs

- Privatization of borough services to private industry to increase small business ownership opportunities and efficiency of operations.
- Develop cultural tourism to replace dwindling oil revenues.
- Increase circulation of dollars spent on the North Slope.

FY 2000 Goals

- Privatization of North Slope Borough services designated for private sector operations.
- Expand Youth Entrepreneurship Program to at least 1 outlying village.
- Expand Business Resource Library to the 7 outlying villages.
- Establish business incubator in at least 1 village.
- Develop gift shop into an artisan's cooperative, if the community wants one. Otherwise develop gift shop into privately-owned business.

FY 2000 Budget

\$ 47,692	State ARDOR grant
423,000	Locally generated match - North Slope Borough
0	Additional funds generated or leveraged by the ARDOR (may include State funds)
\$470,692	Total (The State ARDOR grant funds 10% of the total.)

Board of Directors

Executive Committee

Mayor Jim Vorderstrasse (Pres),
City of Barrow
Robert Harcharek (Vice-Pres),
North Slope Borough
Ron Panigeo (Treas), Ukpeagvik
Inupiat Corp
Lucy Brown (Sec), Tagiugmiulla
Nunumiullu Housing
Authority

Members

Vacant, Native Village of Barrow
Ray Jakubczak, BP Exploration
Dorcus Thompson, Cape
Smythe Air Service
Wes Osowski, National Bank of
Alaska
Forrest "Deano" Olemaun,
Arctic Slope Regional
Corporation
Lisa Asplin, Iisagvik College

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**"I believe that ADC here in Barrow is a great asset to the people of the North Slope. When I was in need of services to put my business package together, they were of great assistance. They helped me with putting my business plan, budget and financial projections together."
Max Ahgeak, Egasak Electric Enterprises**



Kenai Peninsula Borough Economic Development District

1999 Examples of Accomplishments

- The new Kenai Peninsula Borough industrial prospectus was designed and written.
- Implemented electronic commerce training for small businesses through the Northwest Economic Development Network Project. Trained over 103 participants in Basic and Advanced Internet, Business and Marketing, and Web Page Design. Electronic commerce training opens the doors to global markets for small businesses, providing them with the tools to compete in the new electronic marketplace.
- Provided business consultation and training to over 220 clients, resulting in 41 jobs created and 37 jobs retained, and leveraged over \$2 million in loans. Business counseling and training help new and existing businesses solve a variety of business problems.

3 Top Economic/Business Needs

- Expansion of the Revolving Loan Fund pool and investigation of other financing alternatives. Recapitalization of the Revolving Loan Fund would allow EDD to partner with local banks to finance more businesses considered unlikely candidates for conventional financing in a conservative lending environment.
- Assessment of infrastructure needs for value added and communications technology. Infrastructure and skilled workers are critical elements for industrial growth.
- Diversification and development of existing business. Development of existing industry strengthens the industrial base and creates jobs.

2000 Goal

- Establish organizations leadership role in electronic commerce, work to strengthen information technology access across economic sectors. Assist small businesses in overcoming the "rural penalty" that can result from geographic isolation by using and developing telecommunications resources.
- Target recruitment activities towards industries that can take advantage of the Kenai Peninsula's infrastructure and resource assets. Identifying assets and targeting marketing efforts towards these assets will help bring new industries to the Kenai Peninsula Borough.
- Continue to strengthen relationships with municipal/community groups to promote locally driven economic development activities. Local participation in the development of goals will ensure community support.
- Continue the creation of new jobs through business assistance.
- Expand the Business Innovation Center activities to target technology and value-added businesses. The BIC and other business assistance activities promote economic growth.

FY 2000 Budget

\$47,692	State ARDOR grant
47,692	Locally generated match
461,402	Other operating funds leveraged by the ARDOR (may include State funds) ?
<hr/>	
\$556,786	Total Operating Funds
50,000	Pass-thru and project specific funds ?
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\$606,786	Total FY00 Budget (The State ARDOR grant funds 7% of the total.)

Board of Directors

Executive Committee

- Tom Boedeker, (Pres) city manager/City of Soldotna
- Jim Chambers, (Vice Pres) organized labor
- Pat Norman, (Sec) minority representative/Village of Port Graham
- Jeff Sinz, (Treas) finance/Kenai Peninsula Borough

Members

- John Crawford, minority representative, City of Seldovia
- Philemon Morris, transportation, City of Kachemak
- Bill Popp, non-profit, borough assembly
- Bob Satin, recreation, City of Seward
- Diana Spann, telecommunications, City of Soldotna
- Mary Tougas, retail, City of Soldotna
- Luke Welles, retail, City of Homer
- John Williams, real estate, City of Kenai

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If this ARDOR had more resources we could increase our outreach to provide better services to the remote villages; spend more time cultivating new industries; and concentrate on more in-depth market research in order to keep abreast of economic trends, thus enabling the organization to become more responsive to business opportunities.



Matanuska-Susitna Resource Conservation & Development Council

Our purpose is to enhance the employment and tax base of the Mat-Su Borough while maintaining a high quality of life for residents.

1999 Examples of Accomplishments

- Assisted Mat-Su Port Commission in obtaining funding.
- Hosted the 1st Annual Valley Economic Development Conference.
- Drafted Overall Economic Development Plan.
- Completed & distributed Timber Utilization Plan for the Mat-Su.
- Completed construction of the Houston Educational Park.
- Completed Houston Homesteaders Community Center.
- Completed Big Lake's 100 Junker Rally (clean-up project).
- Completed economic recovery grants for Wasilla, Houston, and Big Lake.
- Provided continuing assistance to: Wasilla Wonderland, Palmer Children's Playground, Houston Homesteaders, Skateboard Park, Goldrush Centennial, Palmer Hockey Association, Wasilla Soil and Water Conservation District.
- Completed portable dry kiln project.

3 Top Economic/Business Needs

- Lack of a port: A bulk commodity port is needed to facilitate mineral development in interior Alaska.
- Investment in infrastructure: Improved road and/or rail access is needed to develop Port MacKenzie and Hatcher Pass.
- Increased private ownership of land: Only 3% of the Mat-Su Borough is in private hands. State land (60%) is not managed for economic growth.

2000 Goals

- Market Port MacKenzie as an industrial site.
- Development of Hatcher Pass ski area.
- Continue work on Chijik Road access project.
- Complete the Overall Economic Development Plan.
- Complete Timber Bridge commercialization project.
- Assist the City of Houston with feasibility study of a septic treatment site.
- Apply for Economic Development District designation.
- Big Lake Fish Hatchery: Acquire land and market property.
- Host 2nd Annual Valley Economic Development Conference.

FY 2000 Budget

\$47,692	State ARDOR grant
25,500	Locally generated match
111,800	Additional funds generated or leveraged by the ARDOR (may include State funds)
\$184,992	Total (The State ARDOR grant funds 26% of the total.)

Board of Directors

Executive Committee

Bruce Borup, (Pres) Palmer EDA
Jim Ericksen, (Vice Pres) AK
Farmers & Stock Growers
Al Jorgenson, (Sec) Mat-Su Native
Federation
"Tiny" DePriest, (Treas) Greater
Palmer Chamber
Ted Smith, Willow Chamber Past
Pres.

Members

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Realtors
Tim Sullivan, Small Bus Dev Cntr
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Dick Zobel, Alaska Soil & Water
Conservation District
Chris Holmes, MTA
Meg Burgett, Wasilla SWCD
Debby Retherford, NBA
Michael Scott, Mat-Su Borough
Manager
Bill Stearns, Fairbanks Chamber

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Southwest Alaska Municipal Conference

1999 Examples of Accomplishments

- Conducted two regional conferences.
- Through SWAMC's resolutions and legislative policy process, developed united positions on numerous issues, including transportation funding, increased fishery and marine ecosystem research, fishery disaster aid and State university funding.
- Completed Southwest Alaska brochure which highlights various community tourism products. The brochure will assist in educating existing audiences and attracting new visitor target markets.

The regional conferences provided a variety of training opportunities including tourism business development, marketing, infrastructure development, and electronic commerce opportunities that assist in business development and job creation. A united front on public policy issues is essential to create more stable local economies, improve infrastructure, and provide a better economic climate.

3 Top Economic/Business Needs

- Education and training.
- Diversification of local economies.
- Infrastructure development.

The local economies and availability of jobs in many Southwest Alaska communities has been adversely impacted by changes associated with the commercial fishing industry, including world market conditions, technology, and climate. Infrastructure development is essential for economic diversification. Education and training is critical for work force development to meet the challenges of diversification.

2000 Goals

- Conduct successful regional conferences.
- Produce Comprehensive Economic Development Strategy (CEDS) for Southwest Alaska.
- Improve visibility and utilization of regional tourism services and facilities.
- Be a strong voice for businesses and people in regard to public policy issues affecting the Southwest region.

Public policy that is favorable to rural communities can improve the climate for economic diversification, business development, and job creation. Promoting available tourism services will assist in strengthening and diversifying local economies, as well as attracting new interest in rural business. An annual economic development plan can be an important resource for Southwest communities by providing up-to-date demographic and economic information. Regional conferences are critical communication and networking situations for Southwest community representatives.

FY 2000 Budget

\$47,692	State ARDOR grant
47,692	Locally generated match
126,108	Other funds generated or leveraged by the ARDOR (may include State funds)
\$221,492	Total (The State ARDOR grant funds 21% of the total.)

Board of Directors

Executive Board

Mayor Frank Kelty (Pres), City of Unalaska
Wayne Stevens (Vice-Pres), Chamber
Carvel Zimin (Sec/Treas), Bristol Bay Borough
Alice Ruby, Choggiung Ltd.
Kara Sandvik, Key Bank of Alaska

Members

Mayor Glen Alsworth, Lake Clark Air/The Farm Lodge
Steven Hakala, Aleutians East Borough
Stephanie Madsen, Aleutian Seafood Processors Assoc.
Jack McFarland, Kodiak Island Borough
Mary Monroe, Kodiak Island Borough
Joe Sullivan, (At-Large) At-Sea Processors Association

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The Southwest Alaska Municipal Conference is indeed an important advocacy group that represents a dynamic region of our state. Pointing out the inter-relationships of economic, social, and cultural issues of southwestern villages with all other rural and urban communities is an important mission and a vital service to the future of Alaska." Lt. Governor Fran Ulmer



Southeast Conference

1999 Examples of Accomplishments

- Publication of the Southeast Alaska Transportation Plan, bringing together the communities of the region and insuring their needs were included in the plan.
- Creation of the Southeast Electrical Intertie Committee to work toward implementation of the the Southeast Alaska Electrical Intertie System Plan.
- Provided technical and financial assistance for tourism development, fisheries enhancement, community development, and business infrastructure projects.
- Undertook major economic development planning/research project to seek federal designation as an Economic Development District (EDD) under the US Dept. of Commerce, Economic Development Agency.

This EDD designation will complement the State designation of the Southeast Conference as an Alaska Regional Development Organization and the US Dept. of Agriculture designation as a Resource Conservation and Development Council.

3 Top Economic/Business Needs

- Implement the Southeast Alaska Transportation Plan to improve transportation connections, reduce operating costs, increase capacity and provide more frequent and convenient service.
- Strengthen economic opportunities through an improved electrical intertie system of sharing energy resources, lowering cost and providing for environmental conservation.
- Stimulate economic recovery and stabilization in communities adversely affected by downturns in the natural resource based economy.

Continuation and improvement to the Alaska Marine Highway System (AMHS) is critical to the future economic and social life of the region. The AMHS ties the communities of the region together.

2000 Goals

- Develop regional infrastructure through implementation of the Southeast Alaska Transportation Plan and the Southeast Electrical Intertie System Plan.
- Support and assist communities in planning and executing local and regional economic development efforts and projects.
- Encourage and assist communities and organizations in responsible and balanced regional development and conservation efforts, as demonstrated by the MendeHall Watershed Management Project and the investigation of a Green Star program for marine vessels in Southeast Alaska.
- Strengthen partnerships with other organizations for the protection and improvement of the quality of life for all residents.

Southeast Conference will strive to achieve two major objectives in support of its mission to build strong economies, healthy communities and quality environment for Southeast Alaska: (1) Build upon those regional infrastructure projects that bring the communities of the region closer together and (2) Enhance the opportunity of community development through support and assistance at the individual project level.

FY 2000 Budget

\$47,692	State ARDOR grant
47,692	Locally generated match
268,500	Additional funds generated or leveraged by the ARDOR (may include State funds)
\$363,884	Total (The State ARDOR grant funds 13% of the total.)

Board of Directors

Executive Committee

Bob Ward (Pres), public
Rosemary Hagevig (1st VP), private
John "JC" Conley (2nd VP), private
Tom Briggs (Sec), public
Lonnie Anderson (Treas), Mayor of Kake
Linda Snow (Past Pres), at large

Members

John Pearson, private
Maxine Thompson, Mayor of Angoon
Cheryl Lowden, public
Rob Allen, private
Murray Walsh, private

Ex Officio

Frank Homan, Executive Director

Contact

Frank Homan, Exec. Director
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If this ARDOR had more resources- the Southeast Conference would play a more aggressive role in providing direct technical assistance to individuals and groups seeking creation and retention of new wealth in the region. Opportunities exist in all sectors of Southeast Alaska's economy. Resource enhancement and value-added manufacturing are possibilities.





REPRESENTATIVE ALAN AUSTERMAN Alaska State Legislature

P.O. Box 2368, Kodiak, Alaska 99615 (907) 486-5930 • Session: State Capitol, Juneau, Alaska 99801 465-2487

SPONSOR STATEMENT - HB 265

In 1988 the Alaska Regional Development Organizations program was created in statute. Commonly referred to as ARDOR's, they are private, nonprofit corporations formed by local initiative to promote private sector economic development within their designated regions.

The statutory authority for the Alaska Regional Economic Assistance Program is found in AS 44.33.895. Formerly AS 44.47.900, this statute change was the result of Chapter 58 SLA 1999 which merged and changed the name of certain departments in the executive branch of state government. This program is currently under the administrative oversight of the Division of Municipal & Regional Assistance within the Department of Community and Economic Development.

The ARDOR program has led to the formation of 13 regional development organizations such as the Anchorage Economic Development Corporation, the Southwest Alaska Municipal Conference, the Southeast Conference, and the Lower Kuskokwim Economic Development Council. Nearly two hundred representatives of local political, social and economic interests, who serve on ARDOR boards of directors, are working together to lead their regions to greater economic self-sufficiency.

The ARDOR grants, while not particularly large, are not tied to specific projects and so may be used for operating expenses and to leverage dollars from other sources. These are the hardest kind of dollars to find and are, therefore, extremely valuable to the organizations. Millions of additional dollars have been leveraged from federal, private and other funding sources.

ARDOR's are achieving significant success in sustainable development through the establishment of production and marketing cooperatives, improved access to capital, development and marketing of tourism destinations, technical assistance and training for local businesses and entrepreneurs, support to value added production and proactive involvement in locally initiated economic development projects.

Another important benefit afforded ARDOR's by statute is the ability of state agencies to enter into contracts, with them being exempt from a competitive procurement process. This has proven beneficial to ARDOR's, who are able to provide greater local expertise in service delivery or project implementation, and to state agencies who through the ARDOR's, are able to deliver services or projects more efficiently and with less administrative burden.

Representative Alan Austerman

SPONSOR STATEMENT - HB 265

Page 2

Sound economic development relies heavily on solid partnerships between the public and private sectors. The ARDOR's were conceived to facilitate this kind of partnering and to bring a regional perspective to the discussion of economic development issues.

The original legislation had a sunset clause ending the program in 1993. This bill extends that date to July 1, 2003. I believe it is in the best interest of the State of Alaska to continue the ARDOR program to insure the ongoing economic viability of Alaska's various regions.



ALASKA STATE LEGISLATURE

Please enter into the record my testimony to the House Finance
 Committee on HB 265 ARDOR Exp. Dated 3-22-00
Committee Name
Bill / Subject

The Fairbanks North Star Borough has recently submitted a request to be designated as an ARDOR under the Economic Development Cmsn. The Commission recognizes the need for an organization to serve community and economic development opportunities. The ARDOR program is a vital part of structuring complementary organizations throughout the state which may cooperate and align economic development activities to promote synergy, lower development costs and other vital activities that overcome barriers to growth and economic diversification. A healthy economy is the cornerstone for a community's ability to develop a stable tax base that contributes towards greater self sufficiency. Please extend the ARDOR program so communities have the economic tools needed.

SIGNED: [Signature] Econ. Dev. Director

Testifier: Fairbanks North Star Borough
 Representing
809 Pioneer Way Fairbanks, AK 99701
 Address / Phone Number

Alaska State Statute

Article 8C. Alaska Regional Economic Assistance Program.

Sec. 44.33.895. Alaska regional economic assistance program. (a) The department shall

(1) encourage the formation of regional development organizations by providing assistance in forming organizations to interested individuals, including information on how to qualify and apply for regional development grants and federal funding under 42 U.S.C. 3121 - 3246 (Public Works and Economic Development Act of 1965), as amended;

(2) assist an interested individual in establishing boundaries for a proposed organization to ensure that the region

(A) is of sufficient geographic size and contains a large enough population to form an economically viable unit with shared interests, resources, traditions, and goals;

(B) contains at least one municipality that serves as a regional center; and

(C) contains the entire area of each municipality included in the region;

(3) gather information about regional economic issues, international trade, and tourism from organizations;

(4) serve as liaison between organizations and other state agencies and encourage other agencies to make resources available to help accomplish goals of the organizations;

(5) assist each organization to

(A) provide services designed to encourage economic development to local communities and businesses;

(B) collect and distribute economic information relevant to the region;

(C) participate in state marketing campaigns and join state trade missions that are relevant to the region; and

(D) develop and implement strategies to attract new industry, expand international trade opportunities, and encourage tourism within the region.

(b) Subject to (c) of this section, the department may make regional development grants to organizations for projects the department determines will be of value in encouraging economic development. During a fiscal year, the department may make no more than 15 grants and may only make grants to one organization from a particular region. An organization that is designated an economic development district under 42 U.S.C. 3171 qualifies for grants under this subsection. The department shall by regulation adopt procedures for applying for regional development grants, including application deadlines. The department may by regulation establish additional grant eligibility requirements.

(c) To qualify for a grant, a regional development organization must match the grant by providing an amount of money from nonstate sources. The department shall establish by regulation a formula that determines the amount of the match required under this subsection based on the capability of each organization to generate money from nonstate sources. The amount of match required may not exceed the amount of grant money and may not be less than 20 percent of the grant. The total amount of grant money provided to an organization during a fiscal year may not exceed \$100,000.

(d) There is established in the department the regional development fund consisting of appropriations to the fund. Money from the fund may be used only for regional development grants.

(e) In this section,

(1) "department" means the Department of Community and Economic Development;

(2) "regional development organization" or "organization" means a nonprofit organization or nonprofit corporation formed to encourage economic development within a particular region of the state that includes the entire area of each municipality within that region and that has a board of directors that represents the region's economic, political, and social interests. (64 ch 58 SLA 1999)

Alaska Administrative Code

CHAPTER 057

ALASKA REGIONAL ECONOMIC ASSISTANCE PROGRAM

3 AAC 57.010

PURPOSE.

This chapter is intended to implement, interpret, and make specific the Alaska regional economic assistance program under AS 44.33.026 .

History -

Eff. 2/22/89, Register 109

Authority -

AS 44.33.020

AS 44.33.025

3 AAC 57.020

DUTIES AND RESPONSIBILITIES OF THE DEPARTMENT.

(a) The department will provide assistance to organizations and individuals interested in the formation of an Alaska regional development organization by providing the following:

(1) information, procedures, forms, and other material as required, on how to apply and qualify for an Alaska regional development grant;

(2) counseling and technical assistance to the regional economic organization in establishing and operating an Alaska regional development organization program; and

(3) available data and information on the region's economy in support of the regional organizational efforts.

(b) The department will:

(1) receive and process Alaska regional development organization designation, and grant, applications;

(2) disburse and receive regional development fund money;

(3) supervise and service grants;

(4) provide a written determination of compliance for each application for designation, and funding, of an Alaska regional development organization.

(c) Upon designation of an Alaska regional development organization, the department will assist in coordinating the organization's plans, programs, activities, and projects with other local, state, and federal agency efforts.

History -

Eff. 2/22/89, Register 109

Authority -

AS 44.33.020

AS 44.33.026

3 AAC 57.030

ELIGIBILITY.

(a) The department will accept applications from an applicant seeking designation and funding as an Alaska regional development organization, if the applicant is one of the following: a nonprofit corporation incorporated under the laws of Alaska, including a regional Native nonprofit corporation; an association of municipal governments; a public/private association such as an association of municipal governments and chambers of commerce; an association of local chambers of commerce; an association of local economic development councils or private economic development councils; a body formed by an organized municipality; or any other entity that meets the criteria of AS 44.33.026(e)(2).

(b) An economic development district, as designated by the Economic Development Administration, United States Department of Commerce, is, under AS 44.33.026 (b), automatically designated as an Alaska regional development organization. If a federally funded economic development district includes more than one designated Alaska regional development organization, the preexisting Alaska regional development organizations may not receive more than two grant awards after the date of the first federal grant award to that economic development district. Thereafter, that economic development district will be the sole designated Alaska regional development organization and the sole eligible grant applicant for that region.

(c) It is the responsibility of the applicant to show that the proposed regional development organization complies with the criteria in 3 AAC 57.040 and 3 AAC 57.050 , and AS 44.33.026 (a).

History -

Eff. 2/22/89, Register 109; am 11/26/93, Register 128

Authority -

AS 44.33.020

AS 44.33.026

Note: This is a selected excerpt from the regulations. Please see 3AAC Chapter 57 for the entire text.



Alaska State Home Page
Department Home Page
Division Home Page

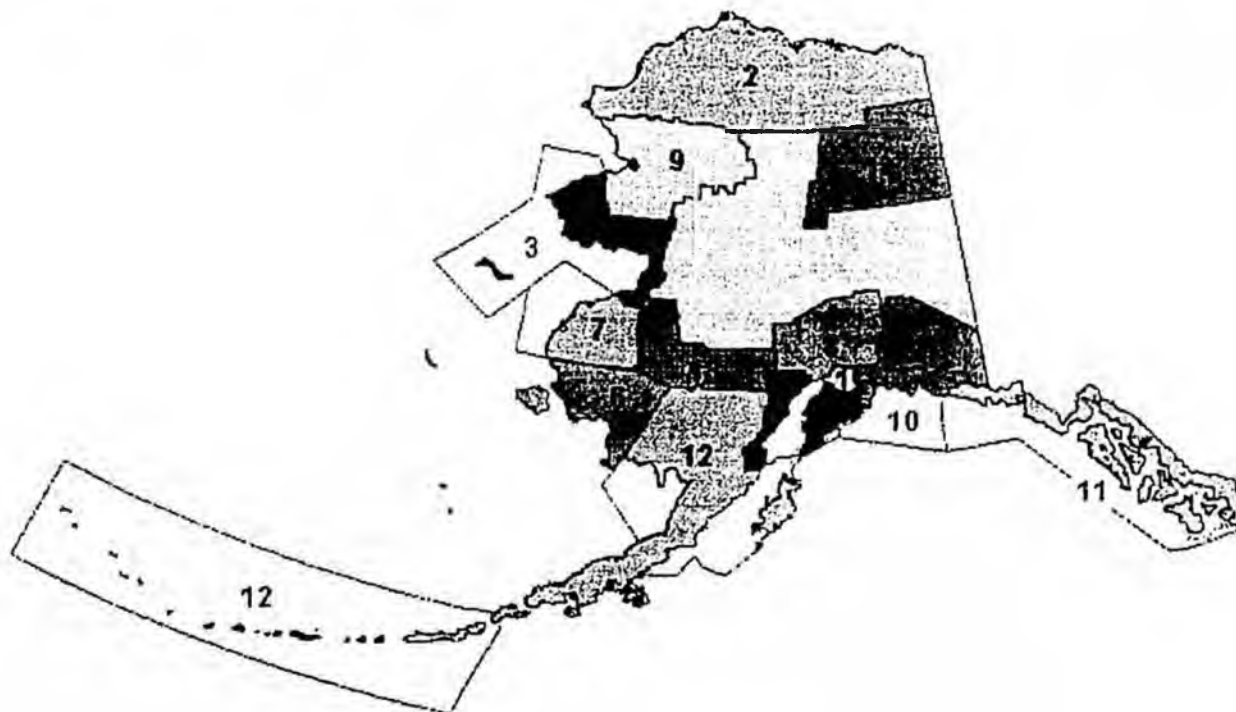
Alaska Regional Development Organizations -- ARDORs

The ARDOR program is based on the notion that locally driven initiatives, in partnership with the State, can most effectively stimulate economic development and produce healthy, sustainable local economies. The ARDORs are intended to:

- enable communities to pool their limited resources, and work together on economic development issues;
- develop partnerships among public, private and other organizations,
- offer a technical, nonpartisan capacity to develop and implement an economic development strategy,
- often have extensive experience with federal/State programs, and
- provide needed technical assistance via direct links with local citizens.

ARDOR Organizations

There are currently 12 ARDORs that cover all parts of Alaska with the exception of a portion of the interior. Two additional ARDOR applications are under review.




(ARDORs with Web Sites are "linked")


- | | |
|---|---|
| 1. <u>Anchorage Econ. Dev. Corporation</u> | 7. Lower Yukon Econ. Dev. Council |
| 2. <u>Arctic Development Council</u> | 8. Mat-Su Resource Conservation & Development, Inc. |
| 3. Bering Straits ARDOR Program | 9. Northwest Arctic Borough Econ. Dev. Commission |
| 4. Copper Valley Econ. Dev. Council | 10. Prince William Sound Econ. Dev. Council |
| 5. <u>Kenai Peninsula Borough Econ. Dev. District</u> | 11. Southeast Conference |
| 6. Lower Kuskokwim Econ. Dev. Council | 12. <u>Southwest Alaska Municipal Conference</u> |

Applications under review:

13. Interior Rivers Resource Cons. & Dev. 14. Yukon Flats Resource Cons. & Dev.
-


ARDOR TOPICS

Note: documents followed by  must be viewed and printed with *Adobe Acrobat*. You can download a copy of this application free at: Adobe Acrobat READER

- Frequently Asked Questions about ARDORS
 - ARDOR Statutes and Regulations
 - Contacting the ARDORS
 - Related Web Sites
 - 1997 ARDOR Annual Reports
 - 1998 ARDOR Annual Reports
 - 1999 ARDOR Annual Reports 
 - 2000 ARDOR Application Documents
-

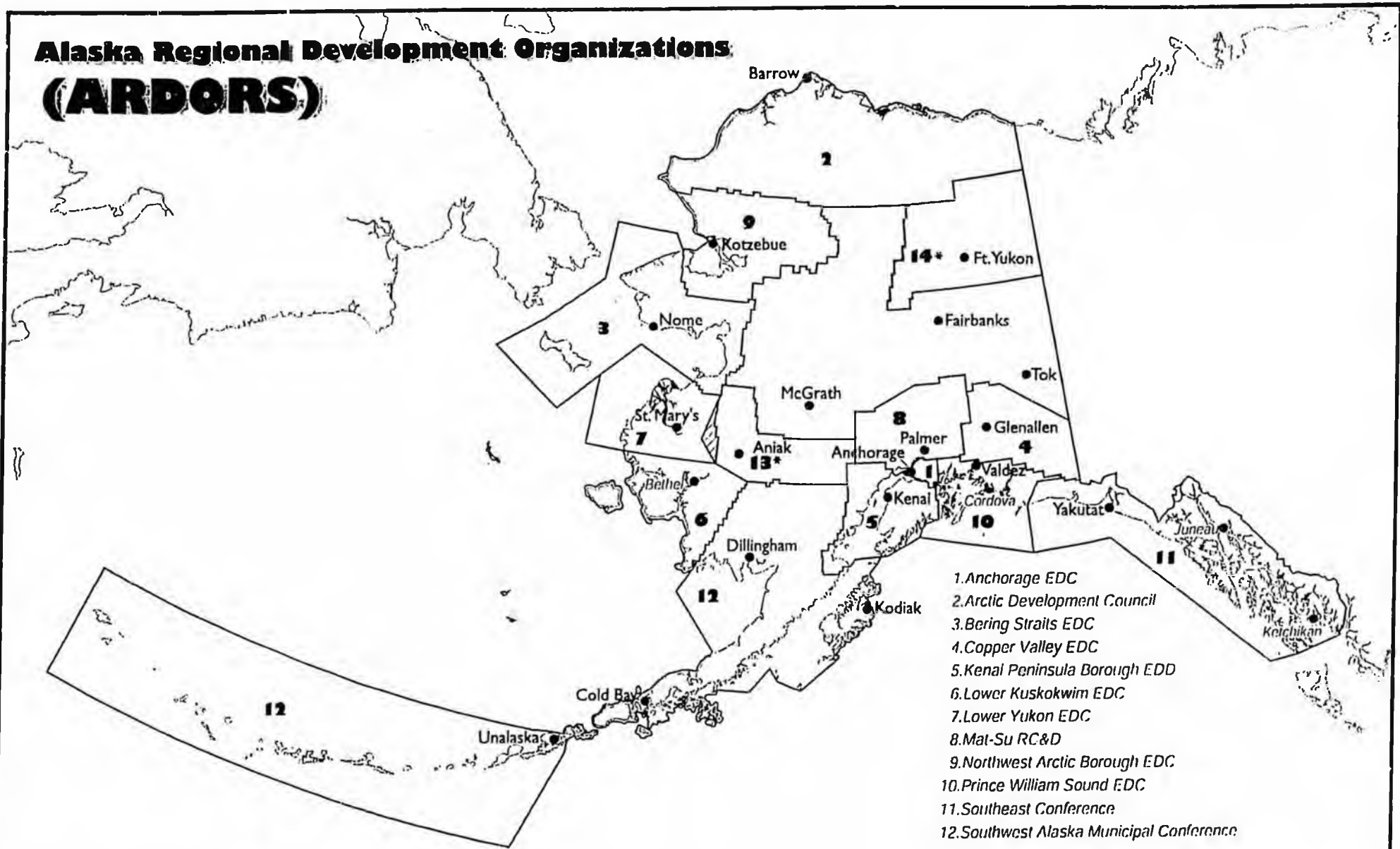
For more information about the ARDOR Program, contact:

Nelda Warkentin
 Department of Community and Economic Development
 Municipal and Regional Assistance Division
 550 West 7th Ave., Suite 1790
 Anchorage, AK 99501
 Phone: 269-4580 FAX: 269-4539
 e-mail: Nelda.Warkentin@dced.state.ak.us

 Please go to the ARDOR's website for more info-

http://www.dced.state.ak.us/mra/Mrad_ARD.htm

Alaska Regional Development Organizations (ARDORS)



NOTE: DCRA anticipates the Fairbanks North Star Borough & Tanana Chiefs Conference, Inc. will seek ARDOR designation in FY 99.

Contact List

Anchorage Economic Development Corporation (4/11/89)¹

Patricia DeMarco, President
900 West 5th Avenue, Suite 300
Anchorage, AK 99501
Phone: 258-3700 Fax: 258-6646
aedc@alaska.net

Arctic Development Council (3/1/91)¹

Deborah Punton, Director
PO Box 1353
Barrow, AK 99723
Phone: 852-4146 Fax: 852-4147
dpunton_adc@barrow.com

Bering Straits Economic Development Corporation (1/15/97)¹

Norm Stadem, Director
c/o Kawerak, Inc.
PO Box 948
Nome, AK 99762
Phone: 443-4379 Fax: 443-2591
stadem@kawerak.org

Copper Valley Economic Development Council (11/1/90)¹

Larry Dickerson, Executive Director
PO Box 9
Glennallen, AK 99588
Phone: 822-5001 Fax: 822-5009
cvedc@alaska.net

Kenai Peninsula Borough Economic Development District (2/22/89)¹

Tess Whalen, Director
PO Box 3029
Kenai, AK 99611
Phone: 283-3335 Fax: 283-3913
twhalen@kpedd.org

Lower Kuskokwim Economic Development Council (9/17/91)¹

Carl Berger, Executive Director
PO Box 2021
Bethel, AK 99559
Phone: 543-4967 Fax: 543-4171
carl_berger@ddc-alaska.org

Lower Yukon Economic Development Council (11/1/91)¹

Scott Wagner, Executive Director
825 Mulchatna Dr.
Wasilla, AK 99654
Phone: 745-2262 Fax: 745-7984
lyedc@mtaonline.net

Mat-Su Resource Conservation & Development District (11/1/93)¹

Douglas Smith, Executive Director
351 West Parks, Highway, Suite 100
Wasilla, AK 99654
Phone: 373-1062 Fax: 373-1064
matsurcd@mtaonline.net

Northwest Arctic Borough Economic Development Commission (6/28/89)¹

Andy Concepcion, Executive Director
PO Box 1110
Kotzebue, AK 99752
Phone: 442-2500 Fax: 442-2930
nabedc@ptialaska.net

Prince William Sound Economic Development Council (11/1/91)¹

Sue Cogswell, Executive Director
PO Box 2353
Valdez, AK 99686
Phone: 835-3775 Fax: 835-3265
pwsedc@alaska.net

Southeast Conference (4/14/89)¹

Berne Miller, Executive Director
124 West Fifth Street
Juneau, AK 99801
Phone: 463-3445 Fax: 463-4425
seconf@ptialaska.net

Southwest Alaska Municipal Conference (4/6/89)¹

Glen Vernon, Executive Director
3300 Arctic Blvd., Suite 203
Anchorage, AK 99503
Phone: 562-7380 Fax: 562-0438
swamc@alaska.net

Frequently Asked Questions

What is an ARDOR? A non-profit organization of local volunteers, representing numerous public and private interests, working together to achieve economic development in their region. An ARDOR is organized in accordance with Alaska Statute 44.47.830 and the Alaska Administrative Code (3 AAC 54).

Why have a regional organization do economic development? The Legislature established the ARDOR Program in 1988, and again in 1997, in support of the widely held belief that a locally driven initiative, in partnership with the State and other entities, can most effectively stimulate economic development and produce healthy, sustainable local economies.

How does an ARDOR get established? DCRA approves an ARDOR designation. To be approved, the ARDOR must (1) be large enough and contain adequate resources to support a regional economic development program, and (2) be an economically viable unit with shared interests, resources, traditions, and goals. Currently, there are 12 ARDORs in all regions of Alaska, except the Interior. The Aniak region has submitted an application for ARDOR designation. Three other interior regions are considering ARDOR designation.

How does an ARDOR work? Each ARDOR is guided by a Board comprised of the economic development interests in the region. Board members are usually appointed by organizations in the region; however, some are elected. The Board hires an Executive Director to work with the Board to ensure an annual work plan is implemented. The Board oversees and directs the activities of the ARDOR.

What are the ARDOR Program goals? Encourage a healthier economic climate to increase the number of jobs; strengthen existing businesses; attract new businesses; and encourage economic diversification.

What does an ARDOR actually do? Each ARDOR is different with regard to existing economic development; infrastructure; a marketable natural resource; an educated work force; and a cohesive leadership organization—factors in achieving economic development. Thus, what each ARDOR does, is unique to that ARDOR. Generally, however, ARDOR's:

- ✓ conduct economic development related research and planning, including develop and implement a regional economic development strategy;
- ✓ respond to information requests;
- ✓ coordinate ARDOR's activities with other economic development activities;
- ✓ provide services designed to encourage economic development;
- ✓ collect and distribute economic information;
- ✓ develop and maintain community and village economic profiles;
- ✓ coordinate State economic or business development efforts; and
- ✓ serve as a liaison between State government and the region.

How is an ARDOR funded? DCRA awards annually, a State grant to each ARDOR that satisfies the statutory and regulatory requirements of the ARDOR Program, including the requirement that each ARDOR provide a local, non-State match. In FY98, each ARDOR received \$51,666. The State grant and required match is usually not the ARDOR's only source of funding. ARDOR's can and do receive funding from a variety of sources.

How much money does the State contribute to the ARDORs?

	FY97	FY98	FY99
Total	\$620.0	\$620.0	\$620.0
Each Grant	\$54.5	\$51.7	\$51.7
# of ARDORs	11 ¹	12	12

¹Plus, one organizing ARDOR received \$20.0.
NOTE: Amounts are \$1,000.



SOUTHEAST CONFERENCE

Working for strong economies, healthy communities, and a quality environment in Southeast Alaska

A RESOLUTION URGING REAUTHORIZATION OF THE ALASKA REGIONAL DEVELOPMENT ORGANIZATION (ARDOR) PROGRAM (Resolution 00-12)

- WHEREAS** one of the most serious challenges facing Alaskans today is expansion, diversification, and stabilization of the State's economy; and,
- WHEREAS** among the most successful approaches to economic expansion, diversification, and stabilization is one that encourages and facilitates a high level of participation at local and community levels; and,
- WHEREAS** the Alaska Regional Development Organization (ARDOR) Program was established to create and sustain regional development capacity by fostering effective public-private partnerships to implement locally conceived and executed economic and community development projects; and,
- WHEREAS** the ARDOR Program will "sunset" unless reauthorized by the Legislature, and
- WHEREAS** ARDOR statewide have laid a solid foundation for greater responsibility and leadership in economic and community development at the regional level; and,
- WHEREAS** Southeast Conference has assisted the people and communities of Southeast Alaska by: 1) supporting and helping improve and expand marine and land transportation infrastructure; 2) helping communities address solid waste management, household hazardous waste disposal, and other environmental needs; and, 3) helping communities plan and execute development efforts responsive to local needs and priorities.

NOW THEREFORE BE IT RESOLVED THAT:

Southeast Conference urges the Administration and Legislature to fully support the ARDOR Program through appropriate administrative policies and appropriation of funds adequate to sustain the ARDOR mission of "building local capacity" and developing sustainable economies.

Southeast Conference urges the Administration and Legislature to reauthorize the ARDOR Program during the next legislative session.


This Resolution be sent to the Governor, the Legislature, the Department of Community and Economic Development and Alaska Industrial Development and Export Authority.

ADOPTED BY: SOUTHEAST CONFERENCE ON SEPTEMBER 30, 1999

Witness:


Robert W. Ward, Jr. - President Southeast Conference

Attest:


Frank Homan - Executive Director

Jim & Diane Erickson

PO Box 877294
Wasilla, Alaska 99587-7294

Phone 907-745-7467
Fax 907-357-3805
Home Phone 907-373-3805
Email jde@mtaonline.net

JAN 31 2000

January 29, 2000

The Honorable Alaska Representative Alan Austerman
Alaska State Legislature
State Capitol (MS3100)
Juneau, Alaska 99801

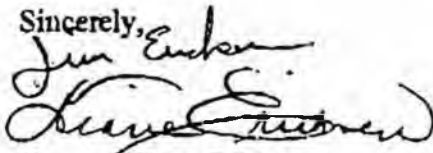


Dear Representative Austerman,

Thank you for sponsoring HB265. The ARDOR program is very important for economic development throughout the State of Alaska. One project that the ARDOR program and the Mat-Su RC&D were very involved with was the port project out at Point MacKenzie. This is only one of the numerous expertize contributions we need towards economic development for our State. Hopefully, the two committees will take a long look at all of the good brought forth by the use of the ARDOR program and the Mat-Su RC&D for our State.

Again, thank you. Please add our names to your support list of HB265. If you have any questions, please contact us at the above address. Thank you for your time, cooperation, and consideration.

Sincerely,



Jim and Diane Erickson

cc: The Honorable Alaska Senator Lyda Green
The Honorable Alaska Representative Beverly Masek

CORRESPONDENCE STUDY SCHOOL
MAT SU BOROUGH SCHOOL DISTRICT
600 EAST RAILROAD AVE., SUITE #6
WASILLA, ALASKA 99654 (907) 373-3570
FAX (907) 373-3573
STEVE LEVINE, PRINCIPAL



January 31, 2000

FEB 3 2000

Dear Representative Austerman,

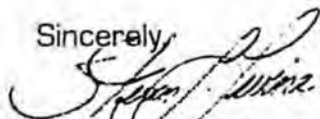
I am writing this letter to voice my strong support for the reauthorization of the ARDOR Program through the year 2003.

I have been a volunteer on the Board of Directors of the Mat-Su Resource Conservation and Development Council for the past five years. I have served over two years as Treasurer on the Executive Board. My seat on the Board allows me to represent the largest employer in the Matanuska-Susitna Borough, that of the Mat-Su Borough School District. I have always viewed my involvement in this organization as being good for Mat-Su Schools. A strong economy and greater assessed evaluations make building a better educational system easier to accomplish because more local revenue is available.

I know that Mat-Su RC&D is the only local entity able to leverage its broad-based political and business advocacy with local knowledge and expertise to make big dreams come true. We have made excellent progress on the Hatcher Pass Project, the dispensation of the Big Lake Hatchery, as well as moving the Port McKenzie Project forward. In addition to these headliner projects, we have a long list of individual businessmen and budding entrepreneurs that we have provided technical assistance to. Similarly, we have provided guidance and insight to many non-profit organizations related to community development and resources conservation such as, Wasilla Wonderland Park, Houston Homesteaders Community Center, Goldrush Centennial, Palmer Children's Playground, and Wasilla Skate Park. We have paved the way to make their dreams, albeit smaller than a port, come true as well.

Again, I urge you to do all that you can in support of House Bill 265, Extending the ARDOR Program, happen.

Sincerely,



Steven L. Levine



MATANUSKA-SUSITNA BOROUGH

Borough Manager

350 E. Dahlia Avenue, Palmer, Alaska 99645-6488
Phone (907) 745-9689 FAX (907) 745-9669

January 31, 2000

The Honorable Alan Austerman
Alaska State Legislature
State Capitol (MS3100)
Juneau, AK 99801

A
File
FEB 05 2000

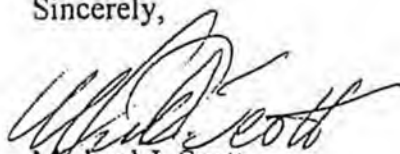
Dear Representative Austerman:

The Matanuska-Susitna Resource Conservation and Development Council (Mat-Su RC&D) has received funding for many years from the ARDOR program to enhance the employment and tax base of the Mat-Su Borough while maintaining a high quality of life for residents. Among its many exemplary accomplishments in 1999, Mat-Su RC&D has:

- Assisted Mat-Su Borough and Port Commission in obtaining funding for construction of Port MacKenzie.
- Hosted the 1st Annual Valley Economic Development Conference.
- Drafted Overall Economic Development Plan.
- Completed & distributed Timber Utilization Plan for the Mat-Su.
- Completed construction of the Houston Educational Park.
- Completed Houston Homesteaders Community Center.
- Completed Big Lake's 100 Junker Rally (clean-up project).
- Completed economic recovery grants for Wasilla, Houston, and Big Lake.
- Provided continuing assistance to: Wasilla Wonderland, Palmer Children's Playground, Houston Homesteaders, Skateboard Park, Goldrush Centennial, Palmer Hockey Association, Wasilla Soil and Water Conservation District.
- Completed portable dry kiln project.

Extending the ARDOR program through HB 265 will benefit future development projects of the Mat-Su Resource Conservation & Development Council and the residents of the Mat-Su Borough.

Sincerely,


Michael J. Scott
Borough Manager

/sk
013100.1

ELEANOR F. OAKLEY
P. O. BOX 4072
PALMER, AK 99645
907-745-1745
907-745-1749 (FAX)
email - coakley@mtaonline.net

FEB 02 2000

FAX COVER PAGE

DATE: February 1, 2000

TO: Rep. Alan Austerman
Attn: Cliff Stone, Chief of Staff

RE: Reauthorization, ARDOR Program

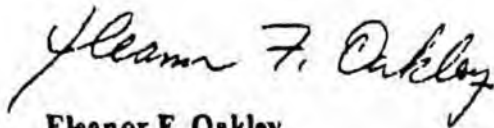
TELEPHONE: 907-465-4956

Number of Page: two (2)

As a former Mat-Su Borough Assembly member, I have worked closely with our local RC&D and realize the importance of the organization regarding economic development not only for our area but also for the benefit of the economic well-being of the State of Alaska. Also I worked with other RC&Ds on a state-wide basis as a founding member of the Alaska Center for Appropriate Technology and realize the importance of the organizations for economic development in the rural areas of the state.

I fully support the continued funding of the state-wide organization through H.B. 265. As you may be aware, the program leverages each \$1 invested to more than \$5 in private and federal dollars.

Sincerely,



Eleanor F. Oakley

cc: Mat-Su RC&D



415 E. Railroad Avenue * Wasilla, AK 99654
Email: chamber@wasilla.net

Telephone (907) 376-1299 * Fax (907) 373-2560
Home Page: www.chamber.wasilla.net

Voted "Alaska's Outstanding Local Chamber of Commerce ~ 1998"

February 4, 2000

Representative Alan Austerman
Alaska State Legislature
State Capitol (MS 3100)
Juneau, Alaska 98801

FEB 10 2000

A
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Dear Representative Austerman,

Please accept this letter of support for HB265. The State funding of the ARDOR program is critical to the Mat-Su Resource Conservation & Development Council. This agency has a strong performance record in our Borough, and has consistently worked to improve the local economy.

During 1998/99 our Chamber benefited from Mat-Su RC&D's efforts on the following projects:

- Established Annual Economic Development Summit for the Mat-Su Valley
- Helped secure U.S. Forest Service community economic development grants for Wasilla, Big Lake and Houston
- Provide annual assistance to Greater Wasilla and Palmer Chambers of Commerce to conduct joint-chamber economic development luncheon
- Assisted Greater Wasilla Chamber of Commerce with production of an aerial FAM-Tour of the major economic development projects in the Mat-Su Valley.

At a time when Alaska is seeking new investment opportunities which will stimulate economic diversification, it is critical that funding of the ARDOR program, which provides \$5 in private and federal funds per every \$1 the State invests, be extended.

Thank you for your efforts and sponsorship of HB265.

Sincerely,

Ed Brittingham
Executive Director

CC: Charles Parker, Mat-Su RC&D

EB/elp



prince william sound
**ECONOMIC
DEVELOPMENT
COUNCIL**

February 8, 2000

Representative Alan Austerman
State Capitol
Juneau, AK 99801-1182

REF: House Bill 265

Dear Representative Austerman:

Prince William Sound Economic Development Council, an ARDOR since 1991, has been instrumental in over \$5.5 million for our region. These projects have been extremely beneficial to the quality of life and economic growth of the area.

As president of PWSEDC board of directors, I would like to express my support for the ARDOR organizations and HB 265.

Thank you for providing leadership in this matter.

Sincerely,

David A. Dengel
President



February 9, 2000

The Honorable Alan Austerman
Alaska State House of Representatives]
House Finance Committee
State Capitol, Room 434
Juneau, Alaska 99801-1182

Dear Representative Austerman:

We at the Southwest Alaska Municipal Conference, appreciate your leadership and interest in identifying methods of funding for the reauthorization of the Alaska Regional Development Organizations (ARDOR). As one of the twelve approved ARDORs in Alaska, Southwest Alaska Municipal Conference is working to improve economic conditions in our region.

Our current ARDOR activity has resulted in preparation of promotional material for individual business in our region, training of specific operators in copyright protection technique, and consultancy in business planning for communities. Our role is one of advocate, counselor and technician. We work on multiple levels to match our service in a very tailored manner with requirements of our clients. We believe that tangible improvements in business practice are among the direct results of our efforts within the region we represent. Our clients through their call for continuing service document their need. We look forward to hearing more from your office as debate on reauthorization proceeds. Thank you for consideration of our situation.

Sincerely,

A handwritten signature in dark ink, appearing to read 'William Theuer', written in a cursive style.

William Theuer
Economic Development Specialist
Southwest Alaska Municipal Conference

lt/email/aust1.doc/wrt

FISCAL NOTE

Bill Version: HB 265
 (H) Publish Date: 3/1/00

**STATE OF ALASKA
 2000 LEGISLATIVE SESSION**

Revision Date/Time (Note if correction) 2/23/00 Dept. Affected DCED
 Title BRU Community and Econ Dev
 An Act extending the termination date of the Alaska Regional ... Component Community and Econ Dev
 Sponsor Representative Austerman
 Requester HOUSE Special Comm. on Econ. Dev./Tourism Component No. 2243

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services	30.0	30.0	30.0	30.0	30.0	30.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	620.0	620.0	620.0	620.0	620.0	620.0
Miscellaneous						
TOTAL OPERATING	650.0	650.0	650.0	650.0	650.0	650.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (RSA from AIDEA)	650.0	650.0	650.0	650.0	650.0	650.0
TOTAL	650.0	650.0	650.0	650.0	650.0	650.0

Estimate of any current year (FY2000) cost: 650.0

POSITIONS

Full-time	0	0	0	0	0	0
Part-time	1	1	1	1	1	1
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This is an existing program that is scheduled to sunset 6/30/00. Reauthorization will continue the program for 3 years (until 6/30/03). The \$650.0 comes to DCED via a Reimbursable Services Agreement (RSA) from the Alaska Industrial Development and Export Authority (AIDEA) Enterprise Development Fund (AS 44.88.155) DCED awards \$20.0 in grants equally to 13 existing Alaska Regional Development Organizations (ARDOR) (\$47 each). \$30.0 in personal services pays for a portion of DCED staff time associated with administering the grants and the ARDOR program in general. This funding is included in the current fiscal year budget and is included in the Governor's proposed FY 2001 budget.

Prepared by: Nelda Warkentin Phone 269-4568
 Division Municipal and Regional Assistance Division
 Approved by Commissioner Deborah B. Sedwick Date 02/23/00
 Agency Department of Community and Economic Development

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

For further distribution information, call the Governor's Legislative Office

FISCAL NOTE

No: 1

Bill Version: HB 265
 (H) Publish Date: 2/21/00

STATE OF ALASKA
 2000 LEGISLATIVE SESSION

Revision Date: _____
 Title: An Act extending the termination date of the Alaska
Regional ...
 Sponsor: Representative Austinman
 Requester: House Special Comm. On Econ. Dev./Tourism

Dept. Affected DCED
 BRU Community and Econ Dev
 Component Community and Econ Dev
 Component Serial No. 2243

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06
Personal Services	30.0	30.0	30.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims	620.0	620.0	620.0	0.0	0.0	0.0
Miscellaneous						
TOTAL OPERATING	650.0	650.0	650.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES []						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1091 Designated Program Receipts						
Other, AIDEA	650.0	650.0	650.0	0.0	0.0	0.0
TOTAL	650.0	650.0	650.0	0.0	0.0	0.0

Estimate of any current year (FY2000) cost: 650.0

POSITIONS

Full-time	0	0	0	0	0	0
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

* The amount included in this fiscal note is already included in the FY 2001 Governor's Request.

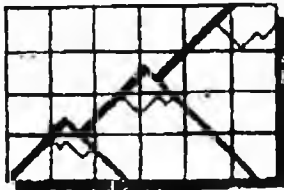
This is an existing program that sunsets 6/3/00. Reauthorization will continue for 3 years (until 6/30/03). The \$650.0 come to DCED via a Reimbursable Service Agreement (RSA) from the Alaska Industrial Development and Export Authority (AIDEA) Enterprise Development Fund (AS 44.88.155). DCED awards \$620.0 in grants equally to 13 existing Alaska Regional Development Organizations (ARDOR) (\$47.7 each). \$30 in personal services pays for a portion of DCED staff time associated with administering the grants and the ARDOR program in general.

Approved by: Representative Gail Phillips
 Chair, House Special Committee on Economic Development/Tourism

Gail Phillips

Phone 465-2689
 Phone _____
 Date 2/17/00

COMMITTEE COPY



Mat-Su Borough Small Business Development Center

201 N. Lucille St.
Suite 2-A
Wasilla, Alaska
99654
(907) 373-7232
Fax (907) 373-7234

Rep. Alan Austerman
Alaska State Legislature
State Capitol
Juneau, AK. 99801

Dear Sir,

I just wanted to take a small amount of your time to let you know that the Mat-Su Borough Small Business Development Center (SBDC) is in wholehearted support of House Bill 265, extending the ARDOR funding.

The small business community of the Mat-Su Borough profits immensely from the projects developed and supported by the ARDOR Program. Two of these projects, the Port MacKenzie Development and the Hatcher Pass Ski Resort are sure to bring countless business opportunities and much-needed jobs to the Valley.

Thank you for your attention to this matter.

Sincerely,

Tim Sullivan
Director Mat-Su SBDC

Sponsored by:

Mat-Su Borough
Key Bank
National Bank of
Alaska
First National Bank

Programs



A partnership
program of the US
Small Business
Administration and
the University of
Alaska.

HB

268

HFIN

FILE

(11)

HOUSE COMMITTEE REPORT

Date Referred to Committee: February 4, 2000

FURTHER REFERRALS:

Date of Committee Action: 2/9/00

The FINANCE Committee considered:

HB 268

HOUSE BILL NO. 268

COLLEGE TUITION SAVINGS PLAN

"An Act relating to the Alaska Higher Education Savings Trust; and providing for an effective date."

recommends it be replaced with the following committee substitute CS HB 268 (HES) the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____
 fiscal note(s) _____ fiscal note(s) LA, 2/4/00

zero fiscal note(s) _____ zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Lane Therriault</i> Therriault	X			
<i>John Bunde</i> Bunde			✓	
<i>Alan Quaterman</i> Quaterman			✓	
<i>Mr. Dan DAVIES</i> DAVIES	X			
<i>Ben Grussendorf</i> Grussendorf			X	
<i>Carl Moses</i> Moses			X	
<i>Steve DAVIS</i> DAVIS	X			
<i>William</i> William	X			
<i>Liz Phillips</i> Phillips	✓			

CHAIR'S SIGNATURE *Lane Therriault*

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

BILL NO. CSHB268 (HES)

Revision Date (Note if correction)		Dept. Affected	<u>University of Alaska</u>
Title	<u>An Act relating to the Alaska Higher Education Savings Trust; and providing for an effective date.</u>	BRU	<u>Statewide</u>
		Component	
Sponsor	<u>Representative Lisa Murkowski</u>		
Requester		Component Serial No.	

Expenditures/Revenues

OPERATING EXPENDITURES	FY 01	FY 02	FY 03	FY 04	FY 05
Personal Services	50.0	50.0	50.0	50.0	50.0
Travel	10.0	5.0	5.0	5.0	5.0
Contractual	90.0	20.0	20.0	20.0	20.0
Supplies	30.0	25.0	25.0	25.0	25.0
Equipment	20.0				
Land & Structures					
Grants & Claims					
Miscellaneous					
TOTAL OPERATING	200.0	100.0	100.0	100.0	100.0

CAPITAL EXPENDITURES					
-----------------------------	--	--	--	--	--

CHANGE IN REVENUES ()	○	60.0	70.0	80.0	90.0	100.0
-------------------------------	---	------	------	------	------	-------

FUND SOURCE

1002 Federal Receipts					
1003 GF Match					
1004 GF					
1005 GF/Program Receipts					
1037 GF/Mental Health					
1048 University Receipts	200.0	100.0	100.0	100.0	100.0
TOTAL	200.0	100.0	100.0	100.0	100.0

Estimate of any current year (FY00) cost: none

POSITIONS

Full-time	1	1	1	1	1
Part-time					
Temporary					

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

At this time there are many uncertainties about how the program can be best implemented. However, many of these cost will otherwise have to be incurred by the Advance College Tuition Program without regard to creation of the Alaska Higher Education Trust in order to meet participants needs for higher earning options. The Advance College Tuition program continues to have an important role in financing education, but changes in the federal tax and other laws currently favor more aggressive savings programs.

Prepared by	<u>Jim Lynch, Interim Vice President for Finance</u>	Phone	<u>474-7448</u>
Division	<u>Statewide Finance</u>	Date	<u>2/1/00</u>
Approved by	<u>Jim Lynch, Interim Vice President for Finance</u>	Date	<u>2/1/00</u>
Agency	<u>Statewide Finance</u>		

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REPRESENTATIVE LISA MURKOWSKI

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House Bill 268 – Alaska Higher Education Savings Trust Sponsor's Statement

Alaska, through its student loan program and the Advance College Tuition program has traditionally offered its residents seeking a higher education, solid financial options. HB 268 continues this trend and will allow residents and non-residents alike the ability to put money into a trust fund that may be used for higher education expenses. HB 268 will ensure that Alaskans will continue to have flexible and powerful financial options to utilize for their higher education.

Under IRS code 26 USC 529 commonly known as "Section 529," states are allowed to create "qualified State tuition programs." Section 529 defines "qualified State tuition program" as a program established and maintained by a State or an agency under which a person may either purchase tuition credits or certificates on behalf of a designated beneficiary which entitle the beneficiary to the waiver or payment of qualified higher education expense of the beneficiary; or, may make contributions to an account which is established for the purpose of meeting the qualified higher education expenses of the designated beneficiary.

Under Section 529, individuals are permitted to front load large sums of money, in some states in excess of \$100,000, gift-tax free either in one lump sum or over a 5 - year period. Quite a contrast to the \$500 annual limit on the Education IRA. Furthermore, the participant may change the beneficiary at any time and may even choose him or herself to be the beneficiary. Section 529 provides unprecedented flexibility and savings power.

As approximately forty other states have done, House Bill 268 establishes a qualified State tuition program. The program will be administered by the University of Alaska and will be known as the "Alaska Higher Education Savings Trust." The bill also changes the structure of the current Advance College Tuition program by updating its structure to conform to new IRS codes and changing the name of the program to the Advance College Tuition Savings Fund. In order to keep the overhead, record keeping and marketing costs to a minimum, HB 268 places both programs under one administrative head.

It is vital that this education savings program be flexible and designed to maximize returns for the investor with minimal tax consequences. Not only is this important so that Alaskans are able to have meaningful savings options for their higher education, but, with a strong program, it should entice non-residents as well to invest their savings dollars in Alaska.

I urge your support of HB 268. Thank you for your consideration.

Invest up to \$100,000 tax-deferred for your child's or grandchild's college education

Through the new NextGen College Investing PlanSM



For many families, the expense of higher education is one of the financial challenges. That's why you should consider the NextGen Investing PlanSM, a new tax-advantaged way to invest up to \$100,000 for higher education.

Highlights of the NextGenSM plan include:

- Assets from the Plan can be used at accredited U.S. colleges or post-secondary schools.
- Earnings grow federal income tax-deferred.
- Any family members or friends may contribute for a beneficiary.
- Contributed assets are considered removed from your estate for estate purposes.

For additional information and for upcoming seminar dates and locations, please contact:

1-800-770-7000 or

907-561-4433

Merrill Lynch

3601 C. Street

Penthouse Suite West

Anchorage, AK 99503

- The beneficiary may be changed (within the family) without losing tax deferral.
- Choice of professionally managed portfolios.

Call today to reserve your place at our upcoming seminar on "Building College Savings Tax-Deferred." Seating is limited so please reserve in advance.

For more complete information, including charges, expenses and risks of investing in the NextGenSM plan, ask for a prospectus. Please read it carefully before you invest.

FAME

Finance Authority of Maine



Dale McCormick
Maine State Treasurer

* Couples may be eligible to contribute up to \$100,000 in a single year without creating a taxable gift. Aggregate account balance limit is \$138,000 per beneficiary.

The College
Investing Plan for
the Next Generation



Merrill Lynch

New College Savings Plans Gaining Popularity

By Joseph F. Hurley, CPA

The process of saving for college is being revolutionized by the new tax-advantaged programs being established these days by many of the states under

Section 529 of the Internal Revenue Code. These programs, technically known as qualified state tuition programs, have been attracting a lot of attention in recent months with articles in *TIME*, *Newsweek*, *The Wall Street Journal*, *Kiplinger's Personal Finance Magazine* and other national publications. Some of the newest programs, such as those in New York and New Hampshire, have been swamped with new account applications. It is imperative that we as financial planners become familiar with qualified state tuition programs because our clients are going to be coming to us with a lot of questions about them.

For families saving for college, Section 529 allows qualified state tuition programs to offer a host of tax advantages that, in many cases, make them superior to the Education IRA, taxable funds and other investment alternatives. In addition to the income tax advantages, there are some distinct estate and gift tax advantages. For middle- to high-income families who face many obstacles in the tax law, the qualified state tuition program can be a clear winner.

The income tax benefits include deferral of earnings until distributions are made from the plan and taxation of the earnings to the student at (usually) the lowest tax bracket. The estate and gift tax benefits include treatment of a contribution into the plan as a completed gift eligible for the \$10,000 annual exclusion, despite the fact that the donor maintains full control and can later switch beneficiaries or have the account refunded. A donor can contribute \$50,000 at once without gift tax consequences because an election is available to treat the gift as made over a five-year period.

There are two basic kinds of qualified state tuition programs – prepaid tuition plans and savings-type plans. Some of the prepaid tuition plans, such as Florida's, have actually been around for several years and do not have a great reputation as a savings vehicle (deservedly so). They are designed to provide a return that merely keeps up with tuition increases and will often provide a lower return if the child attends a private college or out-of-state institution. Most prepaid tuition plans are restricted to

residents of the state, can only be used for tuition and not the other costs of attending college, and are treated as a financial "resource," which reduces federal financial aid on a dollar-for-dollar basis.



The newer savings-type qualified state tuition programs are a whole different ballgame. Most of the states offering these programs make them available to residents and non-residents alike, and the choice of college makes no difference. In the typical program, over \$100,000 can be contributed for a single beneficiary and is invested on a tax-deferred basis in an age-banded portfolio of mutual funds, which provides a more aggressive asset allocation for younger beneficiaries and then becomes more conservatively invested as the beneficiary nears college age. The state will contract with an investment manager

(such as Fidelity, TIAA or Vanguard) to structure the portfolios and administer the program. Many states offer tax deductions, income exemption or scholarships for residents making contributions to their programs. For federal financial aid purposes, the account is generally considered to be an asset of the parent despite being taxed to the child.

Why should the financial planner be excited about these programs, particularly since none of them (with the exception of Montana) offer commissions to investment advisers? It is because they can be great for your clients, and your clients will definitely need help in sifting through all the special programs now available for higher education (Education IRA, withdrawals from regular and Roth IRA, Series EE bonds). They also need help in developing a strategy for using qualified state tuition programs. There are many different state programs to choose from and each program is different. And because the investment of contributions is directed by the state, not the account owner, your client will need help in properly balancing the asset allocation imposed by the state with his or her other investments.

Note: Joseph F. Hurley CPA, is a tax partner at Bonadio & Co. LLP in Rochester, N.Y. He has appeared before the IRS and Treasury in hearings on the regulations being developed under IRC Sec. 529 and has written a book, The Best Way To Save For College – A Comprehensive Guide to State-Sponsored College Savings Plans and Prepaid Tuition Contracts. For more information, send e-mail to jhurley@bonadio.com or go to www.savingforcollege.com.



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Eight Great Ways to Save for College

500

► The newest state savings plans go to the head of the class. By Kristin Davis

States have been busy since we last reviewed state-sponsored college-savings plans. Six states will offer new plans by September, and two more have improved their investment options. The best news: All the new plans earn *As* on the scale we used to grade 32 plans in the February 1999 issue ("How to Ace Saving for College").

These states earned top marks by adopting features we applauded in our February survey, such as providing investment options suited to long-term investors and allowing proceeds to be used without penalty at any accredited college in the U.S.

Investments in the plans shift from an aggressive blend of stocks and bonds when children are young to a conservative mix as they mature. Money grows tax-deferred until it's used for college; earnings are then taxed in the student's bracket. Some states add tax benefits for residents.

All plans levy a penalty on withdrawals not used for college expenses.



es. Unless noted otherwise, any U.S. resident can open an account.

► Arizona's Family College Savings Program is our favorite among the new plans because it gives you some choices about how your money is invested. No plan gives you total control of your investments, but Arizona

lets you predesignate up to two switches—say, from SM&R Growth fund (three-year annualized return, 17.5%) to SM&R Balanced fund (12.9%) on your child's 13th birthday, and from that fund to a bond or money-market fund at 16.

Arizona also offers the College Savings Bank's CollegeSure CD, which pays a rate pegged to college-cost inflation with a minimum guarantee of 4%. Whichever you choose, earnings are exempt from Arizona state tax. For more information, call the College Savings Bank (800-888-2723) or Securities Management and Research (888-667-3239).

► California's Golden State Scholarship Trust (877-728-4338; www.scholarshare.com)

invests in three TIAA-CREF funds, including the Growth Equity (12-month return, 26.5%), Bond Plus and money-market funds. For children up to age 2, the mix is 75% stocks and 25% bonds.

► Kentucky has offered only a fixed-rate return in its Educational Savings Plan Trust (800-338-0318), with a minimum guarantee of 4%. Starting this fall, accounts will be invested in the TIAA-CREF funds named above, and only earlier contributions will retain the 4% guarantee. Earnings are free from Kentucky state income tax. Participants must have ties to Kentucky, such as living or working in the state or having a family member who lives there.

► Maine's NextGen College Investing Plan (877-463-9843) invests in nine Merrill Lynch funds, starting with 90% stocks and 10% bonds for children up to age 3. Earnings are free from Maine income tax.

► Massachusetts's U. Fund (800-544-2776) supplements the state's prepaid-tuition plan. Your money is invested in eight Fidelity portfolios.

► Minnesota's College Savings Program (800-657-3866) is a TIAA-CREF plan similar to California's and Kentucky's. Minnesota residents who meet certain income criteria can get a matching grant.

► Missouri's Saving for Tuition (Most) program (888-414-6678) is yet another TIAA-CREF plan that will eventually include a fixed-rate option with a guaranteed minimum return. The big boost for Missouri residents: a state-tax deduction of up to \$8,000 per contributor per year. Earnings are free from Missouri tax.

► Vermont's Higher Education Savings Plan (800-637-5860; www.vsac.org) will mirror Missouri's plan, with TIAA-CREF funds plus a guaranteed-return option. Withdrawals will be free from Vermont tax. The contributor or beneficiary must have a "Vermont connection."

For reviews of plans in other states, see www.kiplinger.com/kids. •

States' College-Savings Plans Go National

Big Firms Provide Marketing Muscle

YOUR
MONEY
MATTERS

By LYNN ASINOF

Staff Reporter of THE WALL STREET JOURNAL
Merrill Lynch & Co. and other financial heavyweights are staking out turf in the college-savings-plan business, transforming the once-stodgy state plans into investment products with a national market.

Merrill Lynch last month started using its vast brokerage network to market Maine's brand-new NextGen program. Its 16-page brochure shows bright-eyed children, documents the rising cost of college and outlines various tax advantages. But it mentions Maine's sponsorship only a handful of times, even in the fine print.

Citigroup is taking a similar approach with Colorado's Scholars Choice program, which was announced yesterday and will be marketed starting Oct. 19 through Salomon Smith Barney brokers. New Hampshire's year-old Unique program is touted by Fidelity Investments in national newspaper and magazine ads. And TIAA-CREF, which operates New York's plan, has six more state programs in the works.

"There is a tremendous momentum building for these programs," Joseph F. Hurley, author of "The Best Way to Save for College," says. "As more investment companies wake up to the possibilities, it widens the whole playing field."

Age-Based Portfolios

Typically, money contributed by parents and grandparents is invested in special age-based portfolios of mutual funds. No federal income tax is owed on earnings until the funds are withdrawn to pay for college. Even then, earnings are taxed as ordinary income at the student's rate, which is typically lower than that of the person funding the plan.

A parent or grandparent can put as much as \$50,000 into an account in a single year and owe no gift tax as long as no additional gifts are made during the next four years.

Early versions of the plans have been



WSJ

9/23/99

Titus Neijens

around since the late 1980s, but they had their drawbacks. Most were prepaid tuition plans designed to protect against tuition inflation. Participation was restricted to state residents, and investors typically got full value only when used for colleges within their state's borders.

Then tax legislation in 1996 and 1997 cleared up lingering tax questions, and the number of plans mushroomed, Bernie Kent, a tax partner for PricewaterhouseCoopers in Detroit, says. They also started to change form. Prepaid plans still hold the most money, but it is now the savings plans that are growing fastest in number.

Unlike the original prepaid programs, the new savings plans generally aren't restricted to state residents. That means someone from, say, Illinois, could pick from among plans in states such as New York, New Hampshire, Maine and Massachusetts — or even put money into all of them — and use the funds to pay higher education expenses at virtually any school in the country.

The new savings plans also lend themselves to a "turn-key" approach, which shifts both operating cost and responsibility to outside companies. That is opening the door to competition between providers,

who must affiliate with a state plan to enter the market.

"Each firm is going to want to tell its customers 'We have one of these,'" Abram Claude, vice president of business development at Fidelity Investments, says.

For consumers, this competition is great news, Mr. Hurley says. People can shop among several state plans, comparing the performance, benefits, expense and restrictions.

Nationalization Concerns

But some providers worry about the trend toward nationalization. "We believe the intent of the law was for the states to set up a program for state residents," not to use a state to create a national platform. Timothy E. Lane, vice president of tuition financing with TIAA-CREF, says.

Concerned that Congress could revoke the tax advantages, TIAA-CREF is avoiding glitzy national marketing, targeting instead in-state employers who could offer the plan through payroll deduction.

National interest is high. Just a year old, New Hampshire's plan has attracted nearly \$120 million from investors from all 50 states, Puerto Rico, Guam and the U.S. Virgin Islands. Residents of California — not New Hampshire — account for the largest number of plan accounts.

Out-of-state savers do forgo some important tax advantages. Residents typically aren't taxed by the state on earnings in their own state plan, although they will likely owe state tax on earnings from out-of-state plans. Likewise, some states give tax deductions for annual contributions to their own savings plans. At least one state — New Jersey — is taking a broader view, extending its income tax exemption to earnings in other states plans.

But these plans aren't for everyone. Once you put money into a plan, you lose all control over how it is invested. Each state has its own formula, and returns vary widely depending on the mix of equity to fixed income built into the age-based portfolios.

"The models are tremendously different," Kalman Chany, author of "Paying for College Without Going Broke," says. So are the fees. While savers in Maine's NextGen can expect to pay about 1.5% on assets in annual management fees, savers in New York's plan pay only 0.65% and New Hampshire plan savers pay about 1%.

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SPECIFIC EXAMPLES :

<i>New Hampshire</i>	
Type of Program:	Savings
Name of program:	UNIQUE College Investing Plan
Initial Year of Operation:	1998
Telephone:	1-800-544-1722
Internet:	www.fidelity.com/unique
Residency requirements:	None
Age/time requirements:	None
Basic program description:	Accounts can be used to pay for all higher education expenses allowed under Section 529.
Maximum contribution:	\$109,825 to increase on January 1, 2000
Minimum contribution:	\$1,000 lump sum or \$50/month automatic deposit.
Investment information:	Age-based portfolios using a blend of Fidelity mutual funds
Enrollment period:	Open
Program fee:	\$30 annual maintenance fee (waived for account with automatic deposit or exceeding \$25,000 in value). Program investment fee of 0.3% charged against net assets of the portfolio. Portfolio expenses range from .65% to .75%. Earnings are exempt from New Hampshire interest and dividends tax.
What we like most:	Strong and experience program manager Fidelity Investments.

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<i>Maine</i>	
Type of Program:	Savings
Name of program:	NextGen College Investing Plan
Initial Year of Operation:	1999
Telephone:	1-877-463-9843
Internet:	www.nextgenplan.com
Residency requirements:	None
Age/time requirements:	None
Basic program description:	Accounts may be used to pay for all higher education expenses allowed under Section 529. Earnings are exempt from Maine income tax if used for college.
Maximum contribution:	\$145,000
Minimum contribution:	\$250 lump sum or \$50 month with automatic deposit
Investment information:	Age-based portfolios using a blend of existing Merrill Lynch Asset Management mutual funds. Options exist to invest 100% in equity funds, 75/25 in equity/fixed income funds, and 100% in fixed income.
Enrollment period:	Open
Program fee:	\$50 annual maintenance fee, waived for Maine residents and for accounts with at least \$2,500 in contributions for the year and for accounts that reach \$20,000 in value. Annual program management fees totaling 0.6% of net asset value and expense ratios in the portfolios ranging from 0.76% to 0.98%.
What we like most:	Strong program manager with Merrill Lynch.

What we dislike most:	The program will be sold through sales reps from Merrill Lynch, other investment companies in Maine, and Maine banking institutions who may not have full knowledge of the intricacies of 529 Plans (although specialists will be available by telephone).
New developments:	Click here for new developments!



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MANAGING YOUR MONEY

Generous tax savings point many to prepaid tuition plans

Thomas A. Fogarty
TODAY

ert and Debra Armstrong of N.Y., have been good savers of their two children. In the government paid off a bond they had bought to help the kids' college education. Armstrongs invested the unneeded cash in the New York College Tuition Savings Program, one of the USA's 40 state-sponsored savings plans.

husband read up on it and it was a really good deal," says. Particularly attractive, says, was being able to deduct up to \$2,000 this year on their state income tax for their contribution. Tuition plans, which offer professional money management and a shield of federal income tax on assets, have become the rage of college savers (story, 1B). Assets shot up to \$7.1 billion from \$3 billion six months ago. States — Florida, Hawaii, Illinois, Kansas, Minnesota, North Dakota, Oklahoma, Tennessee, Vermont, Oregon, West Virginia and Virginia — plan savings programs. And New Mexico are poised to launch prepaid plans, which let investors lock in tuition at public universities by prepaying a lower rate.

Key benefits

"329 plans," named after the number of federal tax law that permit, "combine a menu of options that you're just not going to see elsewhere," says Joseph Hurley, a New York City accountant who has written a guide to the plans. Many states hired investment companies to manage the accounts. TIAA-CREF, the company known for managing educators' pensions, has sold state plan contracts (see Fidelity Investments and Salomon Smith Barney have others, and market some plans nationwide). Many plans provide for investors to invest in a student who is a scholar-ship recipient or to attend college, becomes disabled. Parents and beneficiaries need not invest, and some plans even allow a donor to be the beneficiary. The federal government has devalued expenses broadly to include tuition, fees, books, supplies and living expenses.

Advantages

Among the most frequently cited advantages of the plans: Federal income taxes. Earnings are tax-deferred until they are withdrawn when the money is used for education. It's taxed at the beneficiary's rate, typically 15%. State income taxes. All states have income taxes that match the deferral of taxes on earnings. Like New York with its \$10,000 limit per couple for contributions far beyond, Virginia and Mississippi offer generous tax breaks such as unlimited deductions on contributions, and tax exemptions on contributions at withdrawal if the money is used for college.

rate planning. Donors can contribute up to \$50,000 without triggering the federal gift tax that kicks in after \$10,000 a year. Special treatment makes state plans especially appealing to some grandparents seeking a transfer wealth. Control. The contributor retains control of decisions about disbursement of parents or grandparents' money. In Johnny's plan to study statistics of rock concert tours at state U, they can transfer the money to another beneficiary. Parents are drawn to make sure the money goes for college expenses. Penalties apply when it is used for anything else. Most states follow

Saving for college? Here's how state tuition plans rate

College savers are not limited to their own state in selecting a state tuition plan, so they face an array of choices. Here is a listing of the plans that are now operating. More are on the way. The chart includes the rating given each plan by Joseph Hurley, a certified public accountant who has written a guide to funds called "The Best Way to Save for College." A rating of 5 is best; a 1 is worst. More information can be found on Hurley's Web site, www.savingforcollege.com, and on the Web site of the College Savings Plan Network, www.collegesavings.org.

State	Name (phone)	Web site	Hurley's rating	Type of program	Available to non-residents? (Hurley rating)	Enrollment period	Investments/comments
Ala.	Prepaid Affordable College Tuition (PACT) Program (800-252-7228)	agencies.state.al.us/treasurer	2	Prepaid	No	September	Tracks Ala. tuition and fee increases; no interest if canceled
Alaska	Advance College Tuition (ACT) (in Alaska: 800-478-0003; outside Alaska: 907-474-5671)	www.aaskia.edu/swact	1	Combined	No	Open	Money market interest rates
Ariz.	Arizona Family College Savings Plan (602-229-2591)	www.acsp.asu.edu	3	Savings	Yes (3)	Open	CD rates, 4% minimum or four 529 mutual funds
Ark.	Arkansas Tax-Deferred Tuition Savings Program (877-442-6553)	www.thegiftplan.com	5	Savings	Yes (4)	Open	Nine age-based portfolios
Calif.	Golden State Scholarship Trust College Savings Program (877-728-4338)	www.scholarshare.com	4	Savings	Yes (3)	Open	Age-based portfolios managed by TIAA-CREF
Colo.	Scholars Choice College Savings Program (888-572-4652) Colorado Prepaid Tuition Fund (800-478-5651)	www.scholars-choice.com www.prepaidtuition.org	Savings: 5 Prepaid: 2	Both	Savings: Yes (4) Prepaid: Yes (1)	Open Fall	Savings: age-based portfolios using Salomon Smith Barney mutual funds
Conn.	Connecticut Higher Education Trust (CHET) (888-799-2438)	www.aboutchet.com	3	Savings	Yes (3)	Open	Age-based portfolios; various money managers
Del.	Delaware College Investment Plan (800-544-1655)	www.fidelity.com/delaware	4	Savings	Yes (4)	Open	Age-based portfolios using Fidelity funds
Fla.	Florida Prepaid Tuition Program (800-552-4723)	www.fltpa.state.fl.us/prepaid	2	Prepaid	No	October-January	Tracks Fla. tuition and fee increases; no interest if canceled
Ill.	College Illinois (877-877-3724)	www.collegeillinois.com	2	Prepaid	No	Oct. 18-Feb. 18	Tracks Ill. tuition and fee increases; heavy cancellation penalties
Ind.	Indiana Family College Savings Plan (888-814-6800)	www.chc.state.in.us/itcp	4	Savings	Yes (4)	Open	Many One Group mutual fund options; Vanguard bond fund
Iowa	College Savings Iowa (888-446-6696)	www.collegesavingsiowa.com	4	Savings	Yes (3)	Open	One of four Vanguard portfolios
Ky.	Kentucky Education Savings Plan Trust (877-598-7878)	www.kentuckytrust.org	4	Savings	No	Open	Age-based portfolios managed by TIAA-CREF
La.	Louisiana Student Tuition Assistance and Revenue Trust Program (ISTART) (800-259-5626)	www.osta.state.la.us/start.htm	4	Savings	No	Open; Nov. 1 deadline for matching grant	Government bonds and other fixed-income investments
Maine	NextGen College Investing Plan (877-463-9843)	www.nextgenplan.com	5	Savings	Yes (4)	Open	Age-based portfolios using Merrill Lynch mutual funds
Md.	Maryland Prepaid College Trust (888-463-4723)	www.prepaid.usmd.edu	2	Prepaid	No	Feb. 10-June 10	Tracks Md. avg. tuition and fees; cannot cancel first three years
Mass.	U. Fund (800-544-2776) U. Plan (800-449-6332)	www.mefa.org	Savings: 4 Prepaid: 2	Both	Savings: Yes (4) Prepaid: Yes (1)	Savings: Open Prepaid: May 2000	Savings: age-based portfolios using Fidelity mutual funds
Mich.	Michigan Education Trust (800-638-4543)	www.mtas.state.mi.us/college/mef/mefindex.htm	1	Prepaid	No	Fall/winter	Tracks Mich. tuition and fees; no cancellations
Miss.	Mississippi Prepaid Affordable College Tuition Program (MPACT) (800-987-4450)	www.treasury.state.ms.us	3	Prepaid	No	Sept. 1-Nov. 30	Tracks Miss. tuition and fees
Mo.	Missouri Saving for Tuition Program (MOST) (888-414-6678)	www.missourimost.org	5	Savings	Yes (4)	Open	Age-based portfolios or fixed-income; both TIAA-CREF
Mont.	Montana Family Education Savings Program (800-888-2723)	www.montana.college.savings.com	4	Savings	Yes (3)	Open	CDs based on avg. college costs, 4% minimum
Nev.	Nevada Prepaid Tuition Program (888-477-2667)	prepaid-tuition.state.nv.us	3	Prepaid	No	Aug. 30-Nov. 16	Tracks Nevada tuition increases
N.H.	UNIQUE College Investing Plan (800-544-1722)	personal400.fidelity.com/d/annuity/college	5	Savings	Yes (4)	Open	Age-based portfolios using Fidelity mutual funds
N.J.	New Jersey Better Education Savings Trust (NJBEST) (877-465-2368)	www.state.nj.us/treasury/osa	3	Savings	No	Open	Invested by state; minimum 60% in bonds
N.Y.	New York's College Savings Program (877-697-2837)	www.nysaves.com	4	Savings	Yes (4)	Open	Age-based portfolios managed by TIAA-CREF
N.C.	College Vision Fund (800-600-3453)	www.collegevisionfund.org	2	Savings	No	Open	Fixed-income securities
Ohio	Ohio Prepaid Tuition Program (800-233-6734)	www.ohiocollege.savings.org/	2	Both	No	Open	Tracks Ohio tuition increases
Pa.	Pennsylvania Tuition Account Program (TAP) (800-440-4000)	www.petatap.org	2	Prepaid	No	Open	Tracks Pa. tuition increases; no interest if canceled
R.I.	Rhode Island Education Savings Trust (RIHEST) (877-474-4378)	www.rihest.com	3	Savings	Yes (3)	Open	Age-based portfolios with various money managers
S.C.	Prepaid Affordable College Education (PACE) (888-772-4723)	www.state.sc.us/top	2	Prepaid	No	Oct. 1-Jan. 21	Tracks S.C. tuition and fee increases; no interest if canceled
Tenn.	Tennessee Baccalaureate Education System Trust (BEST) (888-486-2378)	www.treasury.state.tn.us/best.htm	1	Prepaid	No	Open	Tracks Tenn. tuition and fee increases
Texas	Texas Tomorrow Fund (800-445-4723)	www.texas-tomorrow.fund.com	2	Prepaid	No	Nov. 1-March 28	Tracks Texas tuition and fee increases
Utah	Utah Educational Savings Plan Trust (UESP) (800-418-2551)	www.uesp.org	4	Savings	Yes (4)	Open	Four options, with state-run fixed-income fund and Vanguard stock and bond index funds
Va.	Virginia Education Savings Trust (VEST) Virginia Prepaid Education Program (VPEP) (888-567-0540)	www.vpep.state.va.us	Savings: 5 Prepaid: 3	Both	Savings: Yes (4) Prepaid: No	Savings: Open Prepaid: Dec. 1-Feb. 29	Prepaid: tracks Va. tuition and fee increases; savings: seven age-based portfolios
Wash.	Guaranteed Education Tuition of Washington (GET) (877-438-8848)	www.get.wa.gov	2	Prepaid	No	Sept. 1-Jan. 15	Tracks Wash. tuition increases
W.Va.	West Virginia Prepaid College Plan (800-307-4701)	www.wvtreasury.com	2	Prepaid	No	October-January	Tracks W.Va. tuition and fee increases; no interest if canceled
Wis.	Edvest Wisconsin (888-338-3789)	edvest.state.wi.us	1	Savings	No	Open	Tuition units similar to U.S. Savings Bonds, now 8% interest

Source: Saving for College by Joseph Hurley, 1999

The downside

So, what's not to like? Kaiman Chamy, author of *Paying for College Without Going Broke*, says state officials and companies that manage the plans are only picking the plans' good points.

For starters, Chamy says, anyone who invests in a tuition plan before making sure they are getting the maximum employer match in their company's 401(k) plan — if they have one — is making a big mistake. Beyond that, Chamy and others point

account can be steep.

► Lack of investment choice. Once an account is open, the state — or the investment company acting as the state's agent — takes full control over how the money is invested. In most savings plans, the assets are allocated, according to the beneficiary's age, among stocks, bonds and money market mutual funds.

The younger the beneficiary, the more risk is taken. By the time the student reaches college, most of the account is invested in low-risk bonds and money market mutual funds.

an account. New Hampshire, by contrast, invests 88% of a newborn's account in stocks.

► Prepaid plan conversions. Prepaid tuition contracts let students convert state university tuition credits for use at a private or out-of-state college. Some plans, however, make conversions at a significant discount from public university tuition.

► Taxes. Tax payments aren't considered a college expense under IRS rules. So a student must have another source of money to pay taxes on money coming out of the savings

investment account, which lets a minor withdraw up to \$700 in interest tax-free each year.

► Impact on financial aid. Proceeds from a prepaid tuition plan reduce a student's financial need dollar-for-dollar.

By contrast, at least for now, the government has issued an interpretation that gives savings plans relatively favorable treatment in financial aid calculations. As a result, savings accounts have less negative impact on aid than other assets.

But the debate over how savings

financial aid substantially.

So how do you pick a plan? The first decision is between a prepaid and a savings plan.

► A prepaid plan is for a conservative investor who wants the assurance that the full cost of college, at least the cost of college at a public university, will be covered.

► A savings plan is for those who can live with the idea that their savings may come up short of fully covering tuition.

Once that decision is made, check to see if your own state offers what

States by Type of Program

As of 7/1/99

12 Prepaid only – operational

Michigan	Pennsylvania	Maryland
Ohio	Texas	South Carolina
Alabama	Mississippi	West Virginia
Alaska	Washington	Nevada

1 Prepaid only – in progress

New Mexico

15 Savings only – operational

Kentucky	Connecticut	New Jersey
Wisconsin	North Carolina	Iowa
Louisiana	New Hampshire	New York
Indiana	Delaware	Rhode Island
Utah	Montana	Arizona

11 Savings only – in progress

Maine	Vermont	Kansas
California	North Dakota	Hawaii
Missouri	Wyoming	Oregon
Minnesota	Oklahoma	

1 Dual – operational

Massachusetts

5 Dual – in progress (with legislative authorization in place)

<u>43</u> Colorado	Tennessee	Florida
Virginia	Illinois	

Hopefuls

Arkansas	Idaho	South Dakota
Georgia	Nebraska	Washington, D.C.

HB

270

HFIN

FILE

(11)

HOUSE COMMITTEE REPORT

Date Referred to Committee: March 31, 2000

FURTHER REFERRALS:

Date of Committee Action: 4/10/00

The FINANCE Committee considered:

SSHB 270

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 270

SEXUAL ASSAULT & SEXUAL ABUSE

"An Act relating to sexual assault and sexual abuse and to payment for certain examinations in cases of alleged sexual assault or sexual abuse."

recommends it be replaced with the following committee substitute CS HB 270 LHCs the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(s): (Dept) _____ APPROVES PREVIOUS: (Dept/Date) _____
 fiscal note(s) _____ fiscal note(s) _____

zero fiscal note(s) _____ zero fiscal note(s) DPS 3/15/00

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Gene Therriault</i>	Therriault	X			
<i>Don Bunde</i>	Bunde	✓			
<i>John Kusterman</i>	Kusterman	X			
<i>Paul L. Davies</i>	Davies	X			
<i>Ben Grossinger</i>	Grossinger	X			
<i>Phil Moses</i>	Moses	X			
<i>Gene L. Davis</i>	G. Davis	X			
<i>W.B. Williams</i>	Williams	X			
<i>Phillip L. Stullis</i>	Stullis	✓			

CO - CHAIR'S SIGNATURE Gene Therriault

FISCAL NOTE

Bill Version: CSSSHB 270 (STA)

(H) Publish Date: 3/15/00

**STATE OF ALASKA
2000 LEGISLATIVE SESSION**

Revision Date _____ Dept. Affected Public Safety
 Title SEXUAL ASSAULT & SEXUAL ABUSE BRU Alaska State Trooper Detachments
 Component: Alaska State Trooper Detachments
 Sponsor Representative Croft
 Requester H. State Affairs Committee Component No. 2325

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING						

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
-----------------------------	------------	------------	------------	------------	------------	------------

CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
-------------------------------	------------	------------	------------	------------	------------	------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2000) cost: 0.0

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)

This bill is not expected to have an adverse impact on the budget.

Prepared by: Royce Weller, Special Assistant Phone 465-4322
 Division Office of the Commissioner Date/Time 3/3/2000
 Approved by: [Signature] Date 3-6-00
 Agency Commissioner Ronald L. Otte, Dept. of Public Safety

COMMITTEE COPY PLEASE PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
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Post-It Fax Note	7671	Date	4-10-00	# of pages	7
To	Reo Phillips	From	Heather Arnet		
Co./Dept.	HR 270	Co.	Women's Resource		
Phone #	Plz - Del. Ind	Phone	Crisis Ct		
Fax #	465-3472	Fax #	Kenai		

283-5844

Monday, April 10, 00

To Whom it May Concern,

Last year, on March 7, 99, the police took me to Bartlett Regional Hospital in Juneau for a rape exam. The care was thorough, and necessary, and left me with a bill I was unable to pay. To date I am still indebted for this bill, and have since required 2 follow-up exams with blood screens, both of which I am unable to pay, and as personal health + public concern for screening possibly transferred S.T.D.'s require this care + caution, I have incurred the unpaid costs + am held responsible. If there is any possible public funding available for women in my circumstances, I urge your support in making it available.

These kinds of medical costs can not become a deterrent to seeking care + should not be overlooked by our public for the safety + health of the individual, and the far reaching impacts on us all.

Thank you.

Lisa R.A. Greenleaf

Lisa R.A. Greenleaf
residing at the TRANSITIONAL
LIVING
Center
in Kenai AK.

Del FH
Gail

FISCAL NOTE

Bill Version: CSSSHB 270 (STA)
 (H) Publish Date: 3/15/00

**STATE OF ALASKA
 2000 LEGISLATIVE SESSION**

Revision Date _____ Dept. Affected Public Safety
 Title SEXUAL ASSAULT & SEXUAL ABUSE BRU Alaska State Trooper Detachments
 Component: Alaska State Trooper Detachments
 Sponsor Representative Croft
 Requester H. State Affairs Committee Component No. 2325

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING						

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
-----------------------------	------------	------------	------------	------------	------------	------------

CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
-------------------------------	------------	------------	------------	------------	------------	------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2000) cost: 0.0

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)

This bill is not expected to have an adverse impact on the budget.

Prepared by: Royce Weller, Special Assistant Phone 465-4322
 Division Office of the Commissioner Date/Time 3/3/2000
 Approved by: [Signature] Date 3-6-00
 Agency Commissioner Ronald L. Otte, Dept. of Public Safety

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STATE OFFICE
ALASKA PEACE OFFICERS ASSOCIATION

P.O. Box 240106 Anchorage, Alaska 99524-0106 Phone (907) 277-0515 Fax (907) 272-5355



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John Lucking, Jr., Member
Unalaska
Pres. Aleutian Islands Chapter

February 3, 2000

Representative Eric Croft
Alaska State Legislature
State Capital
Juneau, Alaska 99801-1182

Dear Representative Croft:

Thank you for providing us yesterday with a copy of the current (attached) work draft of CSHB 270.

Our original opposition was to the financial responsibility for testing for sexually transmitted diseases and emergency contraception. Those matters were not law enforcement related. Now that those components have been removed from the bill, we have changed our position. We agree that victims should not have to pay for evidentiary exams. We've reviewed the changes and now endorse the attached work draft of CSHB 270.

You may contact us at the APOA office in Anchorage at 277-0515.

Sincerely,

John Charbonneau
State President

Attachment

cc: Representative Jeannette James



Representative Eric Croft

Sponsor Statement

Sponsor Substitute for House Bill 270

"Payment of Evidentiary Forensic Exams"

SSHB 270 makes sure that adult victims of sexual assault are not charged the costs of evidentiary forensic exams.

A victim of sexual assault has by definition been victimized once. In order to facilitate investigation of the crime and prosecution of the criminal, a victim is often asked to submit to a forensic exam to gather evidence. The forensic exams often involve taking physical samples and photographs. While it is the ordinary police practice to pay for these evidence gathering exams, some victims now report that they have been asked to pay for the cost of the forensic exam itself through their medical insurance. To victims of sexual assault, this is a third victimization.

When a house is burglarized and law enforcement takes photos or fingerprints of evidence, the victim is never sent the bill, directly or indirectly, or asked to have their homeowners' insurance billed. Nor should they. We have faith that most law enforcement agencies take responsibility for victims' needs and appropriately pay for evidentiary exams as needed. Those few agencies that attempt to transfer this cost to the victim should be stopped.

With the passage of HB 270, victims would be assured that they could not be required to pay for evidentiary forensic exams.

HB

272

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 3/2/00

FURTHER:

REPORTED OUT OF
SFC 4/15/00

DATE TURNED
IN TO OFFICE:

15 April 00

Finance Committee considered

HOUSE BILL NO. 272

"An Act relating to the tax assessment by a home rule or general law municipality of housing that qualifies for the low-income housing credit under the Internal Revenue Code; and providing for an effective date."

and recommends:

- be replaced with S CS HB 272 (FIN)
- adopt previous _____ CS _____
- attached amendment(s)
- adopt Letter of Intent by _____
- further referral to the _____ Committee

- Senate Bill:
 - same title
 - new title
- House Bill:
 - same title
 - technical title
 - new: SCR# _____

*CS
forth coming*

new Fiscal Note only

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>W. D. ...</i>	<input checked="" type="checkbox"/>	<i>Bill ...</i>		<input checked="" type="checkbox"/>	
<i>Andrew D. ...</i>	<input checked="" type="checkbox"/>	<i>Lyle ...</i>	<input checked="" type="checkbox"/>		
		<i>Gary ...</i>	<input checked="" type="checkbox"/>		
		<i>Al Adams</i>	<input checked="" type="checkbox"/>		
Co-Chair: <i>[Signature]</i>	<input checked="" type="checkbox"/>	Co-Chair:			
Co-Chair:		Co-Chair:			

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

<i>House CRA</i>	<i>3/1/00</i>	<input checked="" type="checkbox"/>	

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

B. Version: HB 272

(H) Publish Date: 2/2/00

STATE OF ALASKA
2000 LEGISLATIVE SESSION

REPORTED OUT OF
SFC 415/00

Revision Date: Feb. 01, 2000
Title: Municipal Taxation on Low
Income Housing Properties
Sponsor: Hakro
Requester: _____

Dept. Affected: NONE
BRU: _____
Component: _____
Component Serial No.: _____

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
CHANGE IN REVENUES []						

FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1091 Designated Program Receipts						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost: _____

POSITIONS						
Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

No impact on state agencies

Prepared by *[Signature]* for HSE. CRA

Phone 465-4859

Phone _____

Date 02-01-2000

Donley COMMITTEE
2000 COMMITTEE ACTION

Bill Number	HB 272		
Amendment	"S IT" as amended		
Motion	Report from Committee		
<u>Motion by</u>			
<u>Objection by</u>		PH	
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	Vote	N
Senator Dave Donley	✓		
Senator Loren Leman	✓		
Senator Al Adams	✓		
Senator Gary Wilken	✓		
Senator Pete Kelly		—	
Senator Lyda Green	✓		
Senator Randy Phillips			✓
Co-Chair Sean Parnell		—	
Co-Chair John Torgerson	✓		
<u>Tally</u>			
Yea	6		
Nay	1		
Absent	2		
<u>MOTION</u>			
Pass			

at full occupancy

Amendment #1

Amendment #2

1 base assessment of the value of the property on the actual income derived from the
 2 property and may not adjust it based on the amount of any federal income tax credit
 3 given for the property; for property the full and true value of which is to be
 4 determined under this paragraph, to secure an assessment under this paragraph, an
 5 owner of property that qualifies for the low-income housing credit shall apply to the
 6 assessor before May 15 of each year in which the assessment is desired; the property
 7 owner shall submit the application on forms prescribed by the assessor and shall
 8 include information that may reasonably be required to determine the entitlement of
 9 the applicant;

10 (3) for property that qualifies for a low-income housing credit under
 11 26 U.S.C. 42, the governing body

12 (A) may determine, by parcel, whether the property shall be
 13 assessed under (a) of this section or on the basis of actual income derived from
 14 the property without adjustment based on the amount of any federal income tax
 15 credit given for the property, as authorized by (2) of this subsection; and

16 (B) may not, under (A) of this paragraph, change the manner
 17 of assessment of the parcel of property if debt ^{related *} relating to the property incurred
 18 in conjunction with the property's qualifying for the low-income housing tax
 19 credit remains outstanding.

20 * Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section
 21 to read:

22 RETROACTIVITY. (a) Section 1 of this Act is retroactive to January 1, 2000, and
 23 applies to property that qualifies for a low-income tax credit under 26 U.S.C. 42 for the
 24 assessment year that begins January 1, 2000.

25 (b) In a municipality in which a municipality determines that the provisions of
 26 AS 29.45.110(d)(2), added by sec. 1 of this Act, apply during the assessment year beginning
 27 January 1, 2000, the municipality may, notwithstanding the applicable deadline set in that
 28 paragraph, set a different application deadline that is later than May 15, 2000.

29 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

* technical change

Leman COMMITTEE
2000 COMMITTEE ACTION

Bill Number	HB 272		
Amendment	#1		
Motion	adpt		
<u>Motion by</u>			
D			
<u>Objection by</u>			
none			
<u>Removed</u>			
Second Objection by			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Loren Leman			
Senator Al Adams			
Senator Gary Wilken			
Senator Pete Kelly			
Senator Lyda Green			
Senator Randy Phillips			
Senator Dave Donley			
Co-Chair Sean Parnell			
Co-Chair John Torgerson			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>			
PASS			

Adams COMMITTEE
2000 COMMITTEE ACTION

Bill Number	HB 272		
Amendment	#2		
Motion	adpt		
<u>Motion by</u>	G		
<u>Objection by</u>	none		
<u>Removed</u>			
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	<u>Vote</u>	N
Senator Al Adams			
Senator Gary Wilken			
Senator Pete Kelly			
Senator Lyda Green			
Senator Randy Phillips			
Senator Dave Donley			
Senator Loren Leman			
Co-Chair Sean Parnell			
Co-Chair John Torgerson			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	Pass		



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

FAX COVER SHEET

DATE: 4/15/00 TIME: 4:20 pm

TO: Leg. Legal Services

NUMBER OF PAGES, INCLUDING COVER SHEET: 2

FROM: MINDY ROWLAND
SENATE FINANCE COMMITTEE SECRETARY
PHONE: 465-4935
FAX: 465-2187

NOTES: HB 272
please amend as attached
& send final
Thx
Mindy

1-LS1148VT
Chenoweth
4/11/00

SENATE CS FOR HOUSE BILL NO. 272()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY

Offered:

Referred:

Sponsor(s): REPRESENTATIVES HALCRO AND ROKEBERG, Croft, Porter, Kemplen, Hudson, Murkowski, Kerttula, Smalley, Mulder

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the tax assessment by a home rule or general law
2 municipality of housing that qualifies for the low-income housing credit under the
3 Internal Revenue Code; and providing for an effective date."

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

5 * Section 1. AS 29.45.110 is amended by adding a new subsection to read:

6 (d) The provisions of this subsection apply to determine the full and true value
7 of property that qualifies for a low-income housing credit under 26 U.S.C. 42:

8 (1) when the assessor acts to determine the full and true value of
9 property that qualifies for a low-income housing credit under 26 U.S.C. 42, instead of
10 assessing the property under (a) of this section, the assessor shall base assessment of
11 the value of the property on the actual income derived from the property and may not
12 adjust it based on the amount of any federal income tax credit given for the property;
13 for property the full and true value of which is to be determined under this paragraph,
14 to secure an assessment under this subsection, an owner of property that qualifies for

1 the low-income housing credit shall apply to the assessor before May 15 of each year
 2 in which the assessment is desired; the property owner shall submit the application on
 3 forms prescribed by the assessor and shall include information that may reasonably be
 4 required to determine the entitlement of the applicant;

5 (2) the governing body of the municipality shall determine by ordinance
 6 whether the full and true value of all property within the municipality that first
 7 qualifies for a low-income housing credit under 26 U.S.C. 42 on and after the effective
 8 date of this subsection shall be exempt from the requirement of assessment under (1)
 9 of this subsection; thereafter, for property that first qualifies for a low-income housing
 10 credit under 26 U.S.C. 42 on and after the effective date of this subsection and that,
 11 by ordinance, is exempt from the requirement of mandatory assessment under (1) of
 12 this subsection, the governing body

13 (A) may determine, by parcel, whether the property shall be
 14 assessed under (a) of this section or on the basis of actual income derived from
 15 the property without adjustment based on the amount of any federal income tax
 16 credit given for the property, as authorized by (1) of this subsection; and

17 (B) may not, under (A) of this paragraph, change the manner
 18 of assessment of the parcel of property if debt relating to the property incurred
 19 in conjunction with the property's qualifying for the low-income housing tax
 20 credit remains outstanding.

21 * Sec. 2. This Act takes effect January 1, 2001.

Phillips COMMITTEE
2000 COMMITTEE ACTION

Bill Number	HB 272 <i>verse</i> B		
Amendment			
Motion	<i>to adopt</i>		
<u>Motion by</u>	<i>L</i>		
<u>Objection by</u>	<i>SA</i>		
Removed	<i>✓</i>		
<u>Second Objection by</u>			
<u>Committee Member</u>	Y	Vote	N
Senator Randy Phillips			
Senator Dave Donley			
Senator Loren Leman			
Senator Al Adams			
Senator Gary Wilken			
Senator Pete Kelly			
Senator Lyda Green			
Co-Chair Sean Parnell			
Co-Chair John Torgerson			
<u>Tally</u>			
Yea			
Nay			
Absent			
<u>MOTION</u>	<i>adopted</i>		

SENATE CS FOR HOUSE BILL NO. 272()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES HALCRO AND ROKEBERG, Croft, Porter, Kemplen, Hudson, Murkowski, Kerttula, Smalley, Mulder

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the tax assessment by a home rule or general law
2 municipality of housing that qualifies for the low-income housing credit under the
3 Internal Revenue Code; and providing for an effective date."

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

5 * Section 1. AS 29.45.110 is amended by adding a new subsection to read:

6 (d) The provisions of this subsection apply to determine the full and true value
7 of property that qualifies for a low-income housing credit under 26 U.S.C. 42:

8 (1) the full and true value of all property within the municipality that
9 qualifies for a low-income housing credit under 26 U.S.C. 42 may be determined under
10 (a) of this section or under (2) of this subsection;

11 (2) if, under (3)(A) of this subsection, the governing body determines
12 by ordinance that the provisions of (a) of this section do not apply to determine the
13 full and true value of property that qualifies for a low-income housing credit under 26
14 U.S.C. 42, instead of assessing the property under (a) of this section, the assessor shall

1 base assessment of the value of the property on the actual income derived from the
2 property and may not adjust it based on the amount of any federal income tax credit
3 given for the property; for property the full and true value of which is to be
4 determined under this paragraph, to secure an assessment under this paragraph, an
5 owner of property that qualifies for the low-income housing credit shall apply to the
6 assessor before May 15 of each year in which the assessment is desired; the property
7 owner shall submit the application on forms prescribed by the assessor and shall
8 include information that may reasonably be required to determine the entitlement of
9 the applicant;

10 (3) for property that qualifies for a low-income housing credit under
11 26 U.S.C. 42, the governing body

12 (A) may determine, by parcel, whether the property shall be
13 assessed under (a) of this section or on the basis of actual income derived from
14 the property without adjustment based on the amount of any federal income tax
15 credit given for the property, as authorized by (2) of this subsection; and

16 (B) may not, under (A) of this paragraph, change the manner
17 of assessment of the parcel of property if debt relating to the property incurred
18 in conjunction with the property's qualifying for the low-income housing tax
19 credit remains outstanding.

20 * Sec. 2. The uncodified law of the State of Alaska is amended by adding a new section
21 to read:

22 RETROACTIVITY. (a) Section 1 of this Act is retroactive to January 1, 2000, and
23 applies to property that qualifies for a low-income tax credit under 26 U.S.C. 42 for the
24 assessment year that begins January 1, 2000.

25 (b) In a municipality in which a municipality determines that the provisions of
26 AS 29.45.110(d)(2), added by sec. 1 of this Act, apply during the assessment year beginning
27 January 1, 2000, the municipality may, notwithstanding the applicable deadline set in that
28 paragraph, set a different application deadline that is later than May 15, 2000.

29 * Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

1-LS1148V
Chenoweth
3/21/00

SENATE CS FOR HOUSE BILL NO. 272()

IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIRST LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVES HALCRO AND ROKEBERG, Croft, Porter, Kemplen, Hudson,
Murkowski, Kerttula, Smalley, Mulder

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the tax assessment by a home rule or general law
2 municipality of housing that qualifies for the low-income housing credit under the
3 Internal Revenue Code; and providing for an effective date."

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

5 * Section 1. AS 29.45.110 is amended by adding a new subsection to read:

6 (d) When determining the full and true value of property that qualifies for a
7 low-income housing credit under 26 U.S.C. 42, instead of assessing the property under
8 (a) of this section, the assessment of the value of the property shall be based on the
9 actual income derived from the property and, if so based, may not be adjusted based
10 on the amount of any federal income tax credit given for the property. However,
11 within one year after the effective date of this subsection, the governing body shall
12 determine by ordinance whether the full and true value of all property within the
13 municipality that first qualifies for a low-income housing credit under 26 U.S.C. 42
14 on and after the effective date of this subsection shall be exempt from the requirement

1 of assessment under this subsection. Thereafter, for property that first qualifies for a
2 low-income housing credit under 26 U.S.C. 42 on and after the effective date of this
3 subsection and that, by ordinance, is exempt from the requirement of mandatory
4 assessment under this subsection, the assessor may determine, by parcel, whether the
5 property shall be assessed under (a) of this section or on the basis of actual income
6 derived from the property without adjustment based on the amount of any federal
7 income tax credit given for the property, as authorized by this subsection. For
8 property the full and true value of which is to be determined under this subsection, to
9 secure an assessment under this subsection, an owner of property that qualifies for the
10 low-income housing credit shall apply to the assessor before May 15 of each year in
11 which the assessment is desired. The property owner shall submit the application on
12 forms prescribed by the assessor and shall include information that may reasonably be
13 required to determine the entitlement of the applicant.

14 * Sec. 2. This Act takes effect January 1, 2001.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

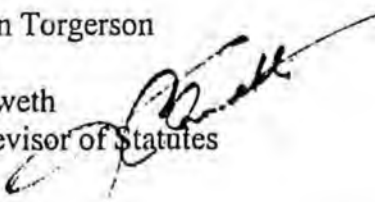
MEMORANDUM

April 14, 2000

SUBJECT: Draft SCS HB 272 () (Work Order No. 1-LS1148\B)

TO: Senator John Torgerson

FROM: Jack Chenoweth
Assistant Revisor of Statutes



Per our earlier phone conversation, I've recast the enclosed draft.

The provisions of **bill section 1** of the draft deal with determining the value of housing qualifying for the 26 U.S.C. 42 low income housing tax credit:

-- the lead-in language [*page 1, lines 6 and 7*] serves the same purpose as in the earlier versions, as a framework to set out the following paragraphs;

-- paragraph (1) of AS 29.45.110(d) gives municipalities the option to use the "full and true value" assessment method of existing AS 29.45.110(a) or to use the "actual income derived" method spelled out in paragraph (d)(2);

-- paragraph (2) tells governing bodies of municipalities that, under the alternative method of assessment, the assessor is to make the determination of value based on the property's projected annual income; this paragraph also sets out procedures to be met for property that is assessed using this method of assessment;

-- paragraph (3) authorizes parcel-by-parcel determinations and precludes changes in the method of assessment while there is outstanding debt on the parcel if the debt was incurred in conjunction with qualifying the parcel for the tax credit.

Since, per your instruction, the "grandfather" language of the last version is now dropped, the choice of assessment method for this property is made available to all qualifying property, whether already qualifying for the low-income housing tax credit or qualifying for that credit in the future. A municipality may make a choice as to assessment method in the current assessment year. Consequently, in **bill section 3**, I've given the measure an immediate effective date and, in **bill section 2**, to accommodate choice of assessment method in the current tax assessment year (2000), made the measure retroactive to January 1, 2000, and specifically allowed municipalities to select a date different than the general May 15 application deadline for property subject to assessment under AS 29.45.110(d)(2) during this assessment year.

JBC:pl
00-142.plm

ALASKA STATE LEGISLATURE

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CO-CHAIR
COMMUNITY AND REGIONAL AFFAIRS

VICE-CHAIR
LABOR AND COMMERCE
TRANSPORTATION

SPECIAL COMMITTEE
ECONOMIC DEVELOPMENT AND TOURISM

REPRESENTATIVE ANDREW HALCRO

District 12

INTERIM
716 WEST 4TH, SUITE 620
ANCHORAGE, AK 99501
(907) 269-0244
FAX (907) 269-0248

HB 272

SPONSOR STATEMENT

The federal government (HUD) has established a program offering tax credits to developers to build and maintain low and moderate income housing units. Developers receive tax credits in exchange for limiting rental prices to 30% of a tenant's income. These properties are restricted to individuals who earn less than 60% of median income and are targeted toward a population who previously did not have housing.

In 1998, the Municipality of Anchorage changed the way in which they assess these projects. Prior to 1998, the Municipality of Anchorage assessed low-income housing based on the capped rental rates. They now are assessing these properties at their estimated market value - the amount of rent these properties would receive if the rental rates were not deed-restricted.

This change in assessment has created a severe problem for the non-profit agencies and others who are developing these types of properties. Banks are now refusing to finance these properties because they are not financially viable under the market assessment approach.

Providing affordable housing to those otherwise priced out of the market is an important goal. The federal government is providing tax credits to encourage development of low-income housing to meet the need for basic housing for families. The Municipality of Anchorage has indicated their assessment practice is a function of state law. However, the approach taken by the Municipality of Anchorage has negated the federal incentive to develop low-income housing.

HB 272 would require local governments assess low-income housing at its rental value instead of its estimated market value. It is appropriate that the state law be changed to encourage the development of needed affordable housing for low-income families.

LEGAL SERVICES

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130 Seward Street, Suite 409
Juneau, Alaska 99801-2105

MEMORANDUM

October 12, 1999

SUBJECT: Adding a limitation or restriction on municipal determination of the full and true value of property for which a low-income housing credit is allowable under 26 U.S.C. 42 (Work Order No. 1-LS1148\A)

TO: Representative Andrew Halcro, Co-Chair
House Community & Regional Affairs Committee
Attn: Jonathon Lack

FROM: Jack Chenoweth
Assistant Revisor of Statutes

The division director, Tam Cook, to whom this amendment of material in Title 29 would usually be assigned, is on leave through the date on which you have set a meeting on this matter. In her absence, I have prepared the accompanying draft.

Though you mentioned the recent example of Washington State, your instruction expressly indicated that I should not prepare a tax *exemption*, as had recently been done by that state's legislature. Accordingly, I have prepared this as a limitation on the manner in which the municipal assessor determines the full and true value of certain property.

This matter affects the valuation of certain low-income housing, sometimes also called "affordable housing." The immediate difficulty, as I understand from the copies of the several pieces of correspondence that accompany the work order request, is that the Municipality of Anchorage is changing from determining a full and true value of the affordable housing property based on "rental" or "income" considerations to one predicated on "market" conditions.

The ability to select among recognized valuation methods to appraise property is today committed to the discretion of the municipal assessor. Twentieth Century Investment Co. v. City of Juneau, 359 P.2d 783, 788 (Alaska 1961); North Star Alaska Housing Corp. v. Fairbanks North Star Borough Bd. of Equalization, 778 P.2d 1140, 1143-1144 (Alaska 1989).

The approach set out in the accompanying draft would circumscribe the municipal assessor's authority to the relatively limited extent necessary to require that the assessor determine value taking into account the limitations and restrictions that operate to qualify the property for the federal income tax credit allowable under 26 U.S.C. 42 (Internal Revenue Code). The measure, involving an addition of a new subsection to AS 29.45.110, directs the

Representative Andrew Halcro
October 12, 1999
Page 2

assessor, when making the full and true value determination of the affordable housing, to determine value based on its actual rent or actual income without adjustment for the allowable income tax credit. In other words, if, to qualify for the tax credit, requirements attach to the property to limit its use and occupancy that tend to diminish the property's rent or income, the assessor may not ignore or overlook those factors, no matter the assessor's selection of a general valuation method.

From my understanding of AS 29.45.110, setting out the general obligation of the municipal assessor to value property at full and true value, I do not see that this matter is fairly addressed simply by directing the municipal assessor to select one method of property valuation over another. The preferred approach, I believe, would continue to leave choice of discretion to the assessor but require that official to use actual income rather than a projected market value of the units.

Also, based on AS 29.45.062, I believe that the municipal assessor needs to be apprised that property is, or may be, subject to the new limitation on valuation, so the burden would be on the property owner to make timely application for the assessment. The last part of the language of the accompanying draft follows AS 29.45.062(b)'s application approach and cites to the same deadline.

JBC:pl
99-159.plm

Enclosure

ALASKA STATE LEGISLATURE House of Representatives

COMMITTEE ASSIGNMENTS

LABOR & COMMERCE COMMITTEE, CHAIRMAN
JUDICIARY COMMITTEE, MEMBER
LEGISLATIVE COUNCIL, MEMBER
SPECIAL COMMITTEE ON UTILITY RESTRUCTURING, MEMBER
SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT & TOURISM, MEMBER



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PHONE: (907) 485-4200
FAX: (907) 465-2040

e-mail: Representative_Norman_Rokeberg@legis.state.ak.us

Representative Norman Rokeberg

September 15, 1999

The Honorable Rick Mystrom
Mayor, Municipality of Anchorage
PO Box 196650
Anchorage, AK 99519-6650

FAX: (907) 343-4499

RE: Tax Assessments on Low-Income Housing

Dear Mayor Mystrom:

Members of Anchorage's banking community have brought to my attention a serious situation concerning tax assessments on low-income housing. I would appreciate your review of this matter and your advice as to why a change was made in the way these assessments are handled.

It is my understanding that up until the end of 1997, the Municipality used a taxation method that was based on the actual income stream of these low-income projects. This involved taking into consideration the cap on the rents as required by the federal government. In 1998, apparently the Municipality changed its assessing method thus causing taxes on some of these properties to nearly double. No longer was the cap on rents considered. It is my further understanding that the federal HUD has indicated its concern about this new policy.

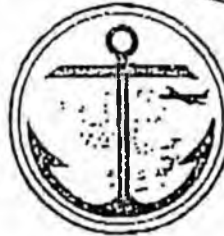
Many of these projects involve "very" low-income individuals and provide housing for people who were formerly "street" people. Apparently the Municipality's "housing plan" encourages these developments but its new taxing policy does not.

Would you please promptly review this matter and let me know why the decision was made to change the method of assessment on these types of projects? Does the State of Alaska need to make a statutory change for the Municipality to return to assessing these projects under the "old" method (following federal guidelines of taking into consideration the cap on rents or income of the property)?

Sincerely,

Norman Rokeberg
State Representative
District 11

Municipality of Anchorage



P.O. Box 135
Anchorage, Alaska 99519-0050
Telephone: (907) 343-4431
Fax: (907) 343-4499
<http://www.ci.anchorage.ak.us>

Rick Mystrom, Mayor

OFFICE OF THE MAYOR

October 8, 1999

The Honorable Norman Rokeberg
Alaska State House of Representatives
716 West 4th Avenue, Suite 640
Anchorage, Alaska 99501

99 OCT 14 AM 9:15

RECEIVED

Dear Norm:

The assessment of property located in the Municipality is based on State and local law and the legal precedents available from throughout the nation as they apply to specific property types.

The method of valuation employed by the Municipality is consistent with the method used in most states including major states such as Michigan and New York. The Municipality is not aware of any statements by HUD with regard to the onerous effects of the legal decisions in these major states or by HUD on a national level. We are aware of a letter issued by the Anchorage HUD office which appears to be based on local advice as opposed to national policy. Interviews of HUD and assessment officials in other states do not reveal any concern or position of such.

If the body of legal precedent developed across the country pertaining to Low Income Housing property assessment were to change, the Municipality would review the current methodology and consider changes consistent with State and local law. Absent change to this legal precedent the current method of assessment for Low Income Housing property will remain unchanged.

I hope this letter has answered your questions regarding the assessment of Low Income Housing within the Municipality of Anchorage.

Sincerely,

Rick Mystrom
Mayor

"City of Lights and Flowers"



REPRESENTATIVE ERIC CROFT

October 8, 1999

Representative Andrew Halcro
Community and Regional Affairs Committee
716 West 4th Avenue, Ste. 620
Anchorage, AK 99501

Dear Representative Halcro:

Recently some disturbing practices have come to my attention through the banking community, with regard to affordable housing and how it is being assessed in property taxes in Anchorage. I'm concerned that both the state and local governments are not doing enough to encourage the development of affordable, low income housing—and in this cases is discouraging it.


It is my understanding the Municipality of Anchorage has started a practice of assessing low income housing at market rents. I fear this will result in non-profit organizations discontinuing involvement with new affordable housing projects. Other states, especially Washington State, have done a good job to create incentives for the business community to stay involved in affordable housing projects. I believe Alaska should step forward and do the same.

Enclosed is a copy of a letter from Jan Sieberts, Senior Vice President of National Bank of Anchorage. Jan has spent many years creating housing projects throughout Alaska. He details some of the background to understanding this issue. Additionally, I have enclosed a letter from the Department of Housing and Urban Development which sharply criticizes the Municipalities' tax treatment of affordable housing.

I urge your committee, under your leadership, to take steps to correct this. Alaska is a state filled with opportunity for all those who come here, shouldn't part of that opportunity include clean, affordable housing for families? Let's do all we can to ensure this occurs.

Thank you for your consideration and please don't hesitate to contact my office with questions.

Sincerely,


Representative Eric Croft

CC: Jan Sieberts



National Bank of Alaska



September 10, 1999

Corporate Headquarters
P.O. Box 100600
Anchorage, AK 99510-0600
Phone (907) 522-8888

Eric Croft
State Representative
P.O. Box 101617
Anchorage, AK 99510

Re: Affordable Housing

Dear Representative Croft,

National Bank of Alaska has been actively involved in improving the housing stock in Alaska for our 90 years of existence and currently service \$3 billion of the residential home loans in the state of Alaska. In recent times we have been actively involved in partnership with various non-profit entities in the creation of quality multi-family housing properties in Anchorage and other communities in the state. Since the cost of the construction is substantially higher than what would be otherwise economically justifiable using conventional financing, we have utilized the federal low income housing tax credit program which enables investors to obtain their income through a credit on their federal income tax. This program has been so successful that in excess of 60% of the rental properties in the United States are currently utilizing tax credits to build new properties. This is the only effective means of providing housing for low income and very low income individuals and congress anticipates increasing the amount of tax credits available by 40%. This is estimated to generate financing for an additional 27M affordable housing units in the United States.

Under the Community Reinvestment Act banks are encouraged (and graded) by the Office of Comptroller of Currency to make low income housing tax credit investments. In the state of Alaska, NBA, First National Bank of Anchorage, Key Bank and Bank of America have made these investments as has other national investors. The end result is the best quality rental housing built in Anchorage, are tax credit projects.


In all the projects NBA has been involved the general partner and primary beneficiary has been a non-profit organization. Two of the projects we are involved in, the Loussac Sogn SRO and the Adelaide SRO projects are projects for "very" low income (incomes not to exceed 30% of median). In some cases, we are providing housing for people that previously lived on the streets of Anchorage. The Spruce View Apartment project, which is located on Lake Otis Blvd., provides quality affordable housing for families. I am sure you are aware most of the rental housing built in Anchorage was built for use by pipe line workers and other construction workers and does not adequately fit the modern needs of the families that are becoming an increasing part of our community. NBA has a commitment to meeting the needs of the low to moderate members of our community.

Despite the fact that the Municipality of Anchorage "housing plan" encouraged banks and investors to invest in low income housing tax credits to encourage the development of this segment of the market, they subsequently changed their attitude on taxation. Until 1997 the Municipality accepted a methodology of taxation which taxed based on the income of the projects. In 1998 they changed their approach which in some cases increases the taxes on properties by nearly double. They no longer would take into account the cap on the rents as required by the federal government. The result of this is catastrophic losses to the owners due to major increases in property taxes. Recently HUD wrote a strong letter to the Municipality indicating that they believe that the "Municipality's tax policy disregarding the rent restrictions on these properties is the single greatest threat to the preservation of existing stock and development of affordable housing in Anchorage today."

Our concern is if the Municipal assessor prevails on this issue it will effect the development of affordable housing to the residents of the entire state of Alaska. Certainly, the quality of rental housing built will be less than was developed in recent years. Because of this issue Alaska is the only state in the United States that is not fully utilizing their allocation of tax credits. It would be fool hardy for a financial institution to become involved in the development of well planned quality properties that require tax credits.

We believe that like the state of Washington these issues will have to be resolved by state legislation which requires assessors to recognize the federally required rent restrictions when assessing these properties. The non-profits and financial institutions have no problem with reasonable taxation on the properties unlike the state of Washington's legislation which exempted taxation on these properties all together. The state of Oregon's Supreme Court sided with the various housing entities on this issue. Making it impossible for various non-profits and developers to develop affordable housing utilizing tax credits, means that in the long term that AHFC will be pressured to develop public housing which will probably not be managed with as much sensitivity to local issues as would a local private developer and at much greater cost to the state. We would like your support in correcting the current situation which is restricting the development of affordable housing for the citizens of the state of Alaska.

Sincerely yours,


Jan Sieberts
Senior Vice President

JKS:kak

CC: Ed Rasmuson

National Bank of Alaska



September 10, 1999

Corporate Headquarters
P.O. Box 100600
Anchorage, AK 99510-0600
Phone (907) 522-8888

Caren Mathis
Planning Director
Municipality of Anchorage
PO B x 196650
Anchorage, AK 99519

Re: Affordable Housing/1998 HUD Performance Report

Dear Ms. Mathis;

National Bank of Alaska has been actively involved in improving the housing stock in Alaska for our 90 years of existence and currently service \$3 billion of the residential home loans in the state of Alaska. In recent times we have been actively involved in partnership with various non-profit entities in the creation of quality multi-family housing properties in Anchorage and other communities in the state. Since the cost of the construction is substantially higher than what would be otherwise economically justifiable using conventional financing, we have utilized the federal low income housing tax credit program which enables investors to obtain their income through a credit on their federal income tax. This program has been so successful that in excess of 60% of the rental properties in the United States are currently utilizing tax credits to build new properties. This is the only effective means of providing housing for low income and very low income individuals and congress anticipates increasing the amount of tax credits available by 40%. This is estimated to generate financing for an additional 27M affordable housing units in the United States.

Under the Community Reinvestment Act banks are encouraged (and graded) by the Office of Comptroller of Currency to make low income housing tax credit investments. In the state of Alaska, NBA, First National Bank of Anchorage, Key Bank and Bank of America have made these investments as has other national investors. The end result is the best quality rental housing built in Anchorage, are tax credit projects.

In all the projects NBA has been involved the general partner and primary beneficiary has been a non-profit organization. Two of the projects we are involved in, the Loussac Sogn SRO and the Adelaide SRO projects are projects for "very" low income (incomes not to exceed 30% of median). In some cases, we are providing housing for people that previously lived on the streets of Anchorage. The Spruce View Apartment project, which is located on Lake Otis Blvd., provides quality affordable housing for families. I am sure you are aware most of the rental housing built in Anchorage was built for use by pipe line workers and other construction workers and does not adequately fit the modern needs of the families that are becoming an increasing part of our community.

NBA has a commitment to meeting the needs of the low to moderate members of our community.


Despite the fact that the Municipality of Anchorage "housing plan" encouraged banks and investors to invest in low income housing tax credits to encourage the development of this segment of the market, they subsequently changed their attitude on taxation. In 1998 the Municipality changed its approach to tax assessments which in some cases increases the taxes on these affordable properties by nearly double. They no longer would take into account the cap on the rents as required by the federal government. The result of this is catastrophic losses to the owners due to major increases in property taxes. We have invested many millions of dollars into these properties and feel betrayed by the Municipality's actions.

Our concern is if the Municipal assessor prevails on this issue it will effect the development of affordable housing to the residents of the entire state of Alaska. Certainly, the quality of rental housing built will be less than was developed in recent years. Because of this issue Alaska is the only state in the United States that is not fully utilizing its allocation of tax credits. It would be fool hardy for a financial institution to become involved in the development of well planned quality properties that require tax credits with this taxation issue hanging over its heads.

We believe that like the state of Washington these issues will have to be resolved by assembly action or state legislation unless the Municipality comes to its senses. The non-profits and financial institutions have no problem with reasonable taxation on the properties, but the Washington legislature exempted similar properties from all property taxes. Unreasonable taxation will make it uneconomic to develop affordable housing even with the utilization of tax credits. This means in the long term the quality of affordable housing in the Municipality will deteriorate and managed by those less interested in the well being of the lower income individuals in the community.

I'm sure our non profit partners have more to offer on this subject.

Sincerely yours,


Jan Sieberts
Senior Vice President

JKS:kak

CC: Ed Rasmuson

ALASKA STATE LEGISLATURE

House of Representatives

COMMITTEE ASSIGNMENTS:

LABOR & COMMERCE COMMITTEE, CHAIRMAN
JUDICIARY COMMITTEE, MEMBER
LEGISLATIVE COUNCIL, MEMBER
SPECIAL COMMITTEE ON UTILITY RESTRUCTURING, MEMBER
SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT &
TOURISM, MEMBER



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SESSION:
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JUNEAU, AK 99801-1182
PHONE: (907) 465-4968
FAX: (907) 465-2040

Representative Norman Rokeberg

MEMORANDUM

TO: House Community & Regional Affairs Members

FROM: Rep. Norman Rokeberg 

DATE: January 31, 2000

RE: HB 272 - Municipal Tax Credit: Low Income Housing

I would encourage your support for this legislation, which arises from a situation we are facing within the Municipality of Anchorage.

As you know, the construction and operation of low-income housing units is important as such units provide residential space for low-income Alaskans. Certain guidelines have to be met in the construction and operation of these facilities.

While federal law (26 U.S.C. 42) provides for a low-income housing credit as described in the legislation, the Municipality of Anchorage has been basing real property taxes due on the full and true value of the property without applying the actual income standard which has been customary. This means that these properties must pay more in real property taxes with revenues that are based on lower rentals than similar units and similar property pay. This is not a way to encourage these projects, which Alaska's banking community and developers have been supporting with the understanding that the rental income standard would be used. In fact, financial institutions have been encouraged by local governments to become involved in financing these projects and using the Low Income Housing Tax Credit. The tax credit is the incentive to invest not the rental income stream.

In 1998, low-income housing properties' assessed value for taxation went up as much as 100%. These properties were designed to show little profit and the financial future of some of these projects is at stake. Increase in local taxes cannot be a cause for a rental increase under the program guidelines (which limit the amount of rent charged to 30% of the tenant's income).

Discussions with my local government have indicated that unless state law is changed, the Municipality will continue with its current practice (since 1998) of not considering rental income when working with low-income housing units' real property tax assessments. While the Municipality of Anchorage is apparently the only local government current involved in this matter, the potential is there, without this law, for other local governments to use the same full and true value taxing policy.

As a result of the MOA's policy, Alaska is the only state in the Union to not use its allotted tax credits for this program. Therefore, we have irretrievably lost some benefits from this successful private-public program.

Thank you for your consideration of this legislation.

National Bank of Alaska



Corporate Headquarters
P.O. Box 100600
Anchorage, AK 99510-0600
Phone (907) 522-8888

January 8, 2000

Senator Loren Leman
Alaska State Senate
PO Box 190773
Anchorage, Alaska 99519-0773

Subject: Taxation Policy and Low Income Housing Tax Credits

I missed your reception yesterday as I have been very busy underwriting new loans for the upcoming building season and issues related to the sale of the bank. We continue to be committed to community issues and anticipate that we will continue our community commitment in the foreseeable future. An issue that we feel may require legislative assistance has been brought about by the regressive method in which low income housing which have been created by the federal tax credit program have been assessed property taxes by the Municipality of Anchorage.

The mayor's office claims that the problem is brought about by State law, but it is an issue of unfair valuation whereby the Municipality refuses to consider the effects of federally restricted rents. As any real estate investor knows rental property valuation is determined by cash flow characteristics of the property. The Municipality's actions are bankrupting many of the properties developed for low income housing and restricting future development. If these properties fail they will ultimately become the property of Alaska Housing Finance and will pay will or no property tax to the Municipality.

An important objective of National Bank of Alaska over the past 50 years has been to meet the housing needs of those in communities in which we serve. With the help of others we have done a pretty good job in developing programs for home owners in most communities. The toughest goal to achieve is to provide quality housing to those low income individuals who do not qualify for home ownership. The various financial institutions serving the community finally thought we had the tools to improve the quality of affordable rental housing with the creation of the Low Income Housing Tax Credit program as approved by Congress. However, despite the needs in our community the Anchorage Tax Assessor has brought the process of developing affordable housing to a grinding halt much to the detriment of the low income citizens of our community.

In 1995 the Municipality encouraged financial institutions to invest in affordable housing using LIHTC's, but in 1998 increased the tax assessed value of most of these properties by 100%. All but one of these properties are owned by non-profits. As the

properties were designed to show little profit the tax increases have been devastating and may ultimately lead to financial failure of the properties altogether.

To qualify for LIHTC's the owners must limit the rents charged to 30% of the tenant's income. An increase in taxation can not be offset by an increase in rents. The Adelaide property is designed to house individuals who make 30% of median income or not more than around \$12,000 per year. This property has often taken in individuals who previously lived on the streets. Three properties were built for families with incomes of not more than 60% of median income and some restricted to families with incomes of 50% of median or less. Admittedly, these three properties are likely the best quality rental housing for low income individuals in the community with green belts, club houses, play grounds, and modern fire safety systems.

So what is the Municipality's problem? The development of these properties has already substantially increased the tax collections of the Municipality. New construction of affordable housing will further increase the tax collections of the Muni. The assessor believes that the properties should be taxed as if there was no restriction on the rents received by the owners. Historically, commercial and multi-family property has been taxed based on the "income approach" as appraisers would call it or the cash flows reasonably obtained on operation of the property to determine a value. The Muni taxed these properties accordingly until 1997, however, then decided to tax them based on an unachievable rent level. Additionally, the tax assessor believes that the LIHTC's obtained by the investors for injecting capital into the properties should be taxed too. This would be similar to charging taxes on grants from federal or state governments. For small business owners it would be like the Muni charging taxes on someone's depreciation write offs.

LIHTC's are indirect subsidies designed to encourage equity investment of private funds and facilitate feasibility. The primary form that these indirect subsidies take is tax credits, which may be used to offset federal income tax liabilities directly by the owner which may be individuals or corporations. So an individual may buy tax credits for a dollar invested in the property, and Uncle Sam will allow him to get his repayment over a 10 year period. The investor must remain committed to stay in the affordable housing partnership for 15 years, and there are more than normal investment risks. The property must remain affordable for the fifteen year period and in Alaska the State often requires that they remain affordable for 30 years.

Other risks are foreclosure, delivery of the tax credits, compliance of tenant eligibility, comprehensive and often untested IRS regulations, and in Anchorage a change in philosophy on property tax evaluation by the Muni is a risk nobody contemplated. The penalties to the investor by the IRS are substantial if the project does not meet every aspect of the tax code and if the property goes into default. It is estimated that over 60% of the rental housing built in the United States today are built with the use of tax credits. The reason for this is that the cost of building housing has increased far more rapidly than income of low to moderate income individuals and their ability to pay rent.