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VILLAGE MANAGEMENT ASSISTANCE
FIELD ASSOCIATE TRAINING
JUNE 19 — JULY 21, 1978



THE ALASKA NATIVE FOUNDATION

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Village Corp.

Relationship

to STATE +

LOCAL Gov't

VILLAGE CORPORATION RELATIONSHIP TO
LOCAL AND STATE GOVERNMENT

Village Corporation Activity Area No. 6
Government
Village Management Assistance Program
Alaska Native Foundation

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I STATEMENT OF PURPOSE

The purpose of this material is to explore the relationship of the Native Corporation, particularly the village corporation, to local and state government within Alaska. Village corporations must:

- (1) define their rolls, as private economic institutions, to government.

In areas of the state which are not yet organized into boroughs or first class cities, local government is not well organized. Should the village corporation assume quasi-governmental responsibilities in rural Alaska?

- (2) learn how to approach and utilize the State government as a source of funds, of technical assistance, of legislated change.

This publication is a companion to the Charts and Discussion Guide on the Structure of Alaska State Government. They are designed to enable users to learn:

- (1) the history of local government;
- (2) the function and form of State government;
- (3) the relationship of government to the private sector of the economy;
- (4) the dynamic processes at work in government as they alter and redefine its structure, function and operations;

- (5) problems and options facing them as rural residents in assuming responsibility for their own government;
- (6) their roles as individuals, as villages, and as village corporations in influencing change in government.

II GOVERNMENT: WHAT IS IT?

Government is simply a type of organization created by people to provide for some common need of the group. Such needs are usually things they have difficulty in providing for themselves. Hence, in many respects the great variety of forms and complexity of government depends on the nature of the need -- which is then the 'purpose' of any government.

We can easily identify our basic governments -- federal, state, and local -- but often in their greater size and complexity we may lose sight of their many purposes and potentials. We also tend to lose sight of the many other kinds of government, both formal and informal, that we weave around ourselves.

The family is a government. Each member receives services, and each family member contributes according to consensus and custom. Even today, in many areas the native family is an identifiable working government, functioning within itself as a small group, and having strong relationships with other family groups. However, in contrast, in urban America today the family unit has become very narrow and scattered, with little relationship to other families, perhaps diminishing its 'services.' The family in rural Alaska provides many and varied services for themselves and for their neighbors.

In the past the role of the native family as an economic unit in a hunting and fishing society was predominant. It functioned as educator, deliverer of health and social services, and as the economic unit.

The whaling crew of the northwest Eskimo could be another example of government -- regulated by consensus, tradition, and religion. Likewise, the Southeastern native clan structure provide a sophisticated structure through which government functioned for a variety of needs.

The organization of a hunting and fishing society centers on food needs, social custom and health needs, and occasionally on defense of the food area. Nature shapes such societies and also generates the crisis that demands change and adjustment. Climates change, hunting patterns and game migration routes change, the entry of new tools allows access to new resources, all of which occasionally brought clashes between different people in search of, and defense of, food resources.

In our present day, right or wrong, the entry in Alaska of new technology, of new people, of new diseases, threats and crisis, of new means of livelihood, have brought a traumatic change for native Alaska. Such invasions have generated new needs in the village, and generated demands for new kinds of service by a new kind of government. Responses have ranged from early ANS efforts against TB, to current efforts by the state to provide high schools at home on the village level.

Modern day society has drawn people together in urban centers of increasing size, has demanded economic specialization, and a complex exchange of services through the so-called cash economy. Today government provides a wide variety of services, including water, sewage disposal, health

and hospital assistance, recreation services, transportation services, education, home loans, educational loans, business loans, community loans, business grants and technical assistance, and etc..

In the old governments an individual gave and an individual received. The Interior Indian helped build the caribou fence and shared in the proceeds of the hunt. However, in the complexity of modern government such personal intimacy is lost, but one wonders just how much of the function that cuts so close to the 'economic' has changed. In ancient times a people gathered to migrate in pursuit of game, while in modern times government lowers interest rates to create economic activity and jobs, or hires emergency employees under special work programs, extends unemployment benefits, or provide food stamps, all for the same purpose -- to alleviate economic crisis.

III RURAL ALASKA -- 'MISSING' LOCAL GOVERNMENT

Local government is perhaps our most important and basic form of government. It is our most personal government and delivers the most 'direct services' with the most direct benefits to the individual citizen.

Local government is important because it is what its name suggests -- local! It has the opportunity of being closest to the public it serves, to establish needs, to determine the costs of those needs, what portion the public 'user' must pay, and whether the public user wants to, and can afford to, pay for such services.

Local government is a missing link in the more remote areas of rural Alaska. Rural and village Alaska either has no local government, or very underdeveloped local government ... a lack which has existed for some very obvious and practical

reasons. However, the lack of local government structure in rural Alaska has also meant the lack of the services that traditionally are delivered by that level of government.

The State and federal government has often acted as a 'substitute' local government. However, it is perhaps naive to expect such government, NOT DESIGNED for such purposes, to perform very well in its substitute role.

Local government usually requires a local responsibility and some local source of revenue. However, today local government does not depend solely on such local revenue sources. They are supported by OTHER GOVERNMENTS. In order to best understand this relationship it is important to consider that local government is a 'direct service' government, while state and federal governments might be considered 'direct government.' What state and federal government often do is act as a clearinghouse for dollars and program incentives, and pass along large amounts of money to so-called 'lesser' governments in a better position to spend directly on citizen services.

Example:

In 1977 the Fairbanks North Star Borough, Alaska's second largest municipality, received about 70% of all its revenue, including school operations, from other governments -- mostly the state and federal government. In other words, only about 30% came from local taxes and user fees.

Example:

The State spend an extra \$900-million in surplus revenue between 1970 and 1977. This was money

above the state's normal tax income, and which came from the sale of Prudhoe Bay oil lands in 1969. However, of that \$900-million a minimum of \$445-million, and likely more, went straight to Alaska's local governments. The money was then respent by those communities in their 'direct service' programs.

Local government is a two-way street ... it brings benefits; but more than other governments it brings with it also some obligation of responsibility ... of local support in the form of taxes and service fees. In many functions the state and federal government provide grants for original construction of a facility, in some cases grant an ongoing subsidy for operations, and occasionally provide a free local service. But in the end local government is indeed local -- with local policy -- and with such local policy comes the implication of 'local' financial obligation.

It is the balance of financial obligations, however small, that reduces the opportunity for local government in rural Alaska, since marginal tax base, low population density, and remoteness pose questions of feasibility.

IV THE PAST: A SUMMARY OF THE DEVELOPMENT OF LOCAL GOVERNMENT IN ALASKA

The 'missing' structure of local government in the sparsely settled rural areas of Alaska is not a new problem. It is in fact a historic problem dating back to the early 1900s. And, many of the historical reasons that local governments could not come into existence in those early times are still valid today.

Such reasons include:

1) An inadequate tax base, 2) an unwillingness to incorporate by local impetus, 3) the general small size of the tax districts allowed, and 4) low population density, spreading population too thinly to be provided services efficiently, or to feel a common identification.

In contrast other states very early in their existence were parceled into areas called counties, creating some loose organization of area government with which the state could plan, cooperate, and participate. In Alaska this is not true ... there is the state and the larger urban oriented boroughs, then the small and often inefficiently based village government, but inbetween there are the great 'holes' where there is no local government organization. Additionally, because of the uneconomic base of many village governments, from a practical standpoint these units may hardly be judged to be local governments. The net result is that the state is left to be the inadequate substitute local government in much of rural Alaska. However, in the past Alaska as a Territory and as a young State, had neither the extra money to provide substitute local services, nor did the community have an adequate tax base with which to participate.

Oddly, the problem of sparse population and an uneconomic tax base, applied to Alaska as a whole in the early days of the Territory.

As a result, the federal government tended to by-pass the Territorial government, empowering the LARGER LOCAL communities to organize local governments, and do things such as raise taxes and sell bonds, the latter which the federal government denied the infant Territorial Government.

However, the Territorial government also seemed to recognize such larger local governments as the only really viable government in the state, and as a result passed on Territorial federal revenue to such communities in large amounts.

The early territorial/federal pattern left a weak Territorial Government, created a few strong urban local governments, and then left the weak Territory to wrestle with the multitude of problems of trying to provide some kind of substitute local government services in the small communities of Alaska, especially the native villages. The net result was that simply nothing was delivered to such small rural communities, and likewise there were few 'Territorial Services' as such. Quite simply, the Territorial period of Alaska the only viable government was simply a few larger urban governments.

History and experience in the Territorial experience provided strong government only in the form of the scattered local urban governments where there were sufficient people to make it work. The rest of the state was a fractured series of 'gaps' in such government.

The problem was recognized by members of the Alaska Constitutional Convention as they sought to deal with the question of 'local government.'

The delegates to the State Constitutional Convention of 1955 were confronted with the tradition of strong local government, it was the only government that had really worked in the Territorial period, but they were also confronted with the failures of the Territorial system in leaving the unfilled, and unserved, holes in the rural regions.

The drafters of the constitution therefore sought

some intermediate governmental entity that could be more regional in nature, providing greater services to areas of urban density, and providing lesser services such as might be feasible or demanded, to a broader rural region. The government so contemplated was to be called a BOROUGH.

The drafters of the constitution left the details of exactly what a borough was to be to the Legislature. However, a review of comments by the Delegates indicate they perceived the borough as a broad regional government that could include cities and also fill-in the blank spots of local government in rural areas. The Legislature first attempted a Voluntary Borough Act, and upon its apparent failure, went to the so-called Mandatory Borough Act.

However, the end result was still 'incomplete' local government for Alaska. Concerns over the feasibility of rural government in the end saw the formation of boroughs only in the more urbanized areas, although they include broad regional areas nearby. Rural Alaska was again left unorganized and without effective local government.

The unorganized borough has been greatly debated, but nothing of a very comprehensive nature has been done. Instead local government in rural Alaska has grown gradually depending on demands and special circumstances. As previously indicated both creation of formal local government (boroughs), and less formal structures under some unorganized borough general structure failed in part because local government can be justified only if: 1) there are adequate functions for it to perform, and 2) resources to support those functions. And, there are in Alaska vast areas where there is neither need nor justification for local government.

One other fundamental reason exists: -- fear of taxation. In the case of non-native regions there is perhaps

an ingrained social attitude of resistance to government and to 'taxation.' In the native communities the case is not so much a fear of taxation, as a resistance to what at times has been and advocacy of urban areas that rural areas be taxed simply because urban areas must pay real property taxes. In early statehood years the State Senate was regionally balanced, reducing urban vote-power. One of the less fortunate results was that urban lawmakers tended to threaten Southeast Alaska with the capital move and rural Alaska with 'taxation' of the unorganized borough.

The political tactic of threatening taxation of rural areas unfortunately tended to create rural fear of taxation, and secondly tended to eclipse what might have been more positive rural-based movement towards local government. The threatening movement stopped with reapportionment of the State Senate, which oddly granted urban areas the balance of power, thereby eliminating the 'threats' to rural areas because urban lawmakers actually recognized local government was not working in rural areas.

However, in recent years new fears of taxation have been generated due to the possibility that after 1991 a real property tax might subject their native corporation lands to taxation. Taxation ultimately holds threat of foreclosure and loss of lands. Efforts towards classifying lands for subsistence, and therefore reduced value and taxation, may eliminate this concern.

In lieu of some more comprehensive action towards local government the trend has been construction of local government in bits-and-pieces as 'need dictates' in rural areas.

In pre-Statehood days villages were governed by traditional village councils, not underwritten by formal

law, and Indian Reorganization Act Councils (IRAs) under the Bureau of Indian Affairs. IRAs in Alaska dated to the late-1930s, and reportedly evolved out of interest in native land claims.

In the early statehood years small Alaska communities were organized into first, second, and fourth class cities, but many native communities remained without local government organization except for traditional village councils. If villages were organized at all it was in the form of fourth class cities. Later the state municipal code was changed so that cities would be organized only as first or second class, with most small communities becoming second class cities.

In the early statehood period the state offered few services in the rural areas. However, the Rural Development Agency (RDA) was created to offer small grants, usually for labor, for special community projects in villages. However, the responsibility for running the project, receiving and dispensing money, rested with the village. Hence, there was a need for a public entity to run the project, and which could 'own' any property created under the grant. RDA also secured and transferred to municipalities surplus state and federal equipment. Obviously a public entity was needed to 'own' such public equipment on the village level. The state RDA program recognized and did use the traditional village councils, but the process encouraged something more formal in structure -- namely a sound local government.

Example:

A village received an \$8,000 RDA grant. Agreements were made concerning the nature of the project, and how much could be spent for labor, and how much for materials and equipment.

The village then was sent a special checkbook and a bank account established. The council was responsible for handling the checkbook, seeing that wages were paid, the project completed, and the account balanced.

The RDA grants were a unique government program in that they placed primary responsibility on the village level. The projects were small, but it was totally up to the village to see that a good job was done -- or to 'foul-up.' Many communities had problems, but mistakes were not generally bailed out by the state, and the community learned from its experience.

By placing resources at the disposal of the village, a need for functional government was encouraged in order to carry out the purpose -- the project. From the viewpoint OF TODAY the old RDA programs appear very small, but it was an important first step in growth of local government on the village level. It gave the community resources, the opportunity for a small but useful project, and the chance to run the show themselves.

One of the earliest governmental needs in Alaska communities was electricity, which is generally a 'utility' service of government which customers then pay for with a month charge. In many Alaskan villages electricity was either not available (except in the school), or was provided by a private source -- usually the local trader. Private power systems were often haphazard, subject to breakdowns, and provided to residents on a very arbitrary basis. Additionally, most communities lacked 'personal income' on the

part of residents to be able to pay for electricity on a monthly basis. The limited cash economy limited the possibility of services, private or public, which must be paid for with cash. In the pre-statehood period, only coastal native communities with access to a fishing economy, could usually afford electricity.

Private systems also posed problems in small communities in terms of how people were treated and who in the end was in a position to literally run the community, especially if no formal government was present and the community was organized only under the traditional village council.

Example:

A citizen in an Interior Alaska Village in the 1950s complained to the local private powerplant operator, the store-owner, that the electrical power was so unstable that it was ruining what few appliances people owned. The trader told the citizen he would 'take care' of the problem. When the citizen got home that night he found the wires running to his house were disconnected.

The citizen went back to the private power operator and was told: "... he had complained and his problem was solved ... he didn't have to worry about unstable power anymore, nor would his appliances be ruined -- he just wouldn't have any power." At that time there was no village power operator, or state commission to

complain to.

Today villages have the right to own their own power systems, and to complain to the state concerning operations and rates. Citizens must be provided equitable treatment, and a person may not be treated in an arbitrary manner as was our citizen of the 1950s.

Publically owned plants were difficult for a village community because the local government was undeveloped and had no money -- no capital. Hence, in some cases power plants were put together out of necessity by a few well intentioned citizens. Such systems often provided limited power on a level villagers could afford.

Example:

A villager in the early 1960s tried to get the village council to raise money for a community power plant. He was unsuccessful, so he and several others pooled their money, and secured the voluntary assistance of the electrical cooperative in a nearby large city. Together they installed several small powerplants and the power lines gathered from surplus materials of the helpful urban cooperative. The utility operated only in the morning between 7 a.m. and 9:30 a.m., and in the evening between 4 p.m. and 9 p.m.. Additionally, residents were asked not to use heavy electrical-use appliances.

The net result to the community was a limited power system that was dependable,

provided electricity when the village needed it most, and at a rate the average person could afford to pay.

However, such power systems still lacked responsibility. Being owned by private individuals they were subject to the changing lives and ambitions of those individuals. Additionally, there was no assurance such individuals, and their power system, could survive some major breakdown or disaster.

The need of villages for electrical power lead on through the 1960s to the development of a few village utilities of a public nature, usually in the form of a cooperative sponsored under the Bureau of Indian Affairs, or a federal Rural Electrification Cooperative (REA). Unalakleet was an early REA, and the Barrow Electrical Cooperative was put together under BIA sponsorship to operate both Barrow's natural gas and electrical systems.

By the late-1960s an effort beginning to materialize to bring electricity -- the number one government need -- to Alaskan native villages through REA financed cooperatives. The Rural Electrification Program provided 2% financing (at that time) for generation and distribution systems, and was the federally backed program that brought electrification to much of rural America. The systems technically were 'consumer cooperatives,' but in effect functioned as government, and in most cases were certified as utilities by local government. By the time Alaska approached their need for REA assistance, the rural areas of the state really represented the last really unique rural challenge for the Rural Electrification Administration (REA).

Under ordinary circumstances each Alaska community

might have qualified as an individual REA, as the community of Unalakleet and a few others had done a few years earlier. However, the small size of Alaskan communities posed special economic problems, and as a result Alaskan rural villages in the electrification effort became packaged into one cooperative called the Alaska Village Electrification Cooperative (AVEC).

The concept was to package villages into one program, allowing special technical assistance, special maintenance, training, installation of common equipment (reducing maintenance problems), and permitting packaging of financing and overall financial management under one agent. The system then was to allow a certain amount of autonomy for the individual village system. The concept was probably a necessary and reasonably good one, but also faced all the problems of administering and maintaining the program over a vast and isolated region. Additionally, like many Alaska projects before AVEC, and since then, the program was undercapitalized, perhaps implemented too quickly, and suffered from lack of technology and materials adapted to arctic conditions.

AVEC was a consumer cooperative, but required recognition by local municipal governments. The net result was the necessity of organizing the villages to receive electrification into (at that time) fourth class cities under Alaska statutes. Fourth class cities had the power to offer limited municipal services, but had only the power to implement a sales tax for general tax revenue.

Hence, AVEC itself provided what was a basic government utility service in a form -- as a consumer cooperative -- which resembled and operated like government but was over. However, AVEC required the creation of a large number of

municipal governments, bringing formal Alaska statutory local government to much of rural Alaska, and additionally tended to interject Alaska State Government into a responsibility for native village local government affairs.

AVEC soon encountered many problems due to small economy of scale, poor construction, maintenance, management, and soaring electrical rates. The tendency to resolve economic problems generally was to get the village school, through the legislature and state government, to pay rates far in excess of ordinary. In essence, the school became a vehicle for the state to subsidize the village AVEC system.

The method of school subsidy was not critical until the creation of the Rural Education Attendance Areas (REAs). The REA system divided rural Alaska up into 21-rural school districts with locally elected boards, and their own school budget allocated on a state school formula related to the numbers of students and regional cost-of-living. The REAs were a unique step in local government all of their own, but suddenly the extreme rate of AVEC subsidy in the school budget became a sore point with the local REA boards. They saw the high rates limiting the money they had available to deliver local education. It is of interest that two emerging forms of piece-by-piece local government should come to a collision on such a basic rural local government issue as electrical rates.

The conflicts between the school REAs and the AVEC systems are far from resolved. However, the conflict demonstrates the coming of age and the growing complexity of rural local government in Alaska. The local government void in rural Alaska is being filled on a piece-by-piece basis.

Prior to 1970 the state school system was simply

run by the Department of Education under the authority of the State Board of Education and the budget authorizations of the Legislature. There prevailed a feeling among rural lawmakers and rural education interests that the interests of rural schools were subverted beneath an urban bias of the board. Hence, a movement began towards a separate rural school board to run schools in the unorganized areas of the state.

The result finally was the creation of the State Operated School System under a separate board which came to be called the SOS Board (State Operated School Board). The regular state school board was left intact with the responsibility of looking after general educational affairs in the Department of Education, and whatever role they had in relation to the rather independent urban school systems. The rural school board was appointed by the governor, represented rural interests, were subject to confirmation by the legislature, and had the power to hire and fire their own 'director' of the state system, who was completely independent of the Commissioner of Education. The system was designed to provide a greater rural say in educational matters, and as something of a statewide education local government in the unorganized borough.

However, the SOS system didn't cure rural school problems. In the final analysis it appeared that the problems of managing rural schools were rooted inherently in the difficult task of trying to administer scattered rural schools over great distances. No sooner was SOS formed than movement began towards decentralization into local districts in order to: 1) allow a local policy voice, and 2) place the management of schools on a local enough level to allow a more sensitive management.

In 1975 the state eliminated the SOS system and board, and divided the state into 21-rural school districts called Rural Education Attendance Areas (REAs). Each REA had its own locally elected board and its own school funding formula with money provided by the state. The REA board was permitted to hire-and-fire teachers and make almost exactly like any urban school district.

Since anywhere in the United States the function of 'schools' is the chief local service, the creation of the REAs was a giant step towards creation of general local government in rural Alaska. Additionally, with the creation of the REA, for the first time, ALL ALASKA was covered by some form of local government.

As in the case of AVEC which created a need for fourth class cities, the REA's could come into existence because the state provided the resource -- the dollars -- needed to carry out the function, while the local communities created the expressed need for localized school policy. The source of REA funding was 'limited' but STABLE.

In the end stable local government depends on a stable resource, which usually means money, and secondly depends on a stable need for some service by the user. The stability of the resource and the demand have a great deal to do with the stability of the service offered. In urban areas the stability of resource and demand relates to local taxes and local user fees. Often a resistance against paying higher taxes and fees in urban areas makes a service unstable in those areas. In the rural areas there is little tax or service fee base, and therefore, for example with the REAAs, money is likely to come from the state, federal government, or from grants, and such sources may also be unstable.

Grants are especially unstable sources of funding. They offer a potential resource to a community and should be reviewed as an opportunity. However, caution should be exercised because grants are often obtained predominantly because THEY ARE AVAILABLE, and not because they are a stable source as a monetary resource, or because there is a clear demand or need. Grants can be disruptive to a small community, and simply viewed with awareness of their negative potentials. In the end grants fall somewhat short because they do not usually meet the local government 'test' of a clearly defined resource for support and a clearly defined need based in the community.

The REAAs are a unique experiment in local government. They avoid the issue of local taxation and provide a service with state dollars, but are set up in a formula that tends to encourage sound local decision making on priorities. Essentially under the system the number of state dollars are limited, and therefore must be allocated to the highest need by local decision makers.

The REAAs will have difficult problems in their early years for all the usual reasons. They are new, generally small, they, too, must work with problems of sparse population, distance, and poor communications between communities. However, they seek to strike a balance between the need for a certain level of efficiency of size, and a desire for as much local control as possible. But the real uniqueness of the REAA is that it is an effort that recognized the limited local tax base, therefore sought not to frighten-off the potential of local government with tax proposals, and maturely provided for state money as the supporting resource.

In the end, of course, development of local government of any real sophistication requires the obligation of local supporting taxes and fees. However, the REAAs are allowing the growth of experience, and hopefully in the end development of a stronger cash-income on the village level will allow development of a tax base.

V THE PRESENT: GOVERNMENT AND RURAL ALASKA

As previously indicated AVEC brought incorporation of villages into cities under Alaska law. The cities were to provide some local authority to own and manage property, and to provide local services as needed. Such local services could range from very simple requirements such as owning and lending a piece of equipment, to sophisticated services such as utilities, fire, police, airfield management, and etc.. However, such municipalities generally have a limited taxing ability.

The State presently has eleven borough governments:

- Anchorage
- Bristol Bay
- Fairbanks
- Haines (3rd class)
- Juneau

- Kenai
- Ketchikan
- Kodiak Island
- Matanuska-Susitna
- Sitka
- North Slope Borough

The state has 20 'first class' cities. The difference between a first and second class city is basically in their ability to tax, and in the fact that a first class city must provide for schools. A first class city can impose a sales tax and a property tax, while a second class city may only impose a sales tax. The following are first class cities:

- | | |
|--------------|--------------|
| --Cordova | --Nenana |
| --Craig | --Nome |
| --Dillingham | --Pelican |
| --Eagle | --Petersburg |
| --Galena | --St. Marys |
| --Hoonah | --Skagway |
| --Hydaburg | --Unalaska |
| --Kake | --Valdez |
| --King Cove | --Wrang ll |
| --Klawock | --Yakutat |

It is of interest to note that many of the native communities listed above are in the coastal area, where they have some industrial property value (usually fish processing, etc.) to tax in addition to homes, and where there is also some cash economy. Exceptions perhaps are St. Marys, Galena, and Eagle.

The state also has ninety-two (92) second class cities, which have only the power of a sales tax, and which DO NOT have responsibility for schools. It is in this category that most of Alaska's native villages fall. Many communities also remain 'unorganized' with only their traditional village councils. A few others are organized only under the Indian Reorganization Act (IRA). The second class cities are:

- Akiachak
- Goodnews Bay
- Noorvik

--Akiak	--Grayling	--Nulato
--Akoimuit	--Holy Cross	--Pilot Station
--Alakanuk	--Hooper Bay	--Platinum
--Aleknagik	--Hughes	--Port Alexander
--Allakaket	--Huslia	--Port Heiden
--Ambler	--Kaltag	--Quinhagak
--Anderson	--Kasaan	--Ruby
--Angoon	--Kiana	--Russian Mission
--Aniak	--Kivalina	--Saint Michael
--Anvik	--Kobuk	--Saint Paul
--Atmautluak	--Kotlik	--Sand Point
--Bethel	--Kotzebue	--Savoonga
--Brevig Mission	--Koyukuk	--Scammon Bay
--Buckland	--Kupreanof	--Shageluk
--Chefornak	--Kwethluk	--Shaktookik
--Chevak	--Lower Kalskag	--Sheldon Point
--Chuathbaluk	--Manokotak	--Shishmaref
--Clarks Point	--McGrath	--Shungnak
--Deering	--Mekoryuk	--Stebbins
--Delta Junction	--Mountain Village	--Tanana
--Diomede	--Napakiak	--Teller
--Eek	--Napaskiak	--Tenakee Springs
--Ekwok	--Newhalen	--Togiak
--Elim	--New Stuyahok	--Toksook Bay
--Emmonak	--Newtok	--Tuluksak
--Fort Yukon	--Nightmute	--Tununak
--Fortuna Lodge	--Nikolai	--Unalakleet
--Gambell	--Nondalton	--Upper Kalskag
--Golovin	--White Mountain	--Wales
--Selewik	--Koyuk	--Whittier

Of the above second class cities twenty-three (23) last year did not even file their annual reports to the state, while another 26 are not even levying a tax of any kind. Hence, only forty-three (43) are organized enough to levy a one percent to three percent sales tax.

The record does not speak very well for the state of organization of local government on the village level. While a sales tax does not yield much in a small community, nevertheless, the lack of any tax clearly means the community has little monetary resources.

Today State government is a stronger and better

substitute to serve rural needs, and the where-with-all of surplus state revenue is also available for special assistance.

However, again the caution, on the bottom line in the smaller villages, and depending on local conditions in a community, there still may be no solution for providing local government services. The question is can they (the community), regardless of subsidy, afford to support and maintain their part of any local government system? The bottom line is: CAN THEY AFFORD IT?

In order to put things in a more balanced perspective, it should also be recognized that rural areas of urban communities also do not share in many local government services.

Example:

Fairbanks is a borough of 60,000 people. The City of Fairbanks is one of several cities in the borough. About 25,000 people live inside the cities, about 35,000 outside the city limits in the general borough area. People in the cities receive a large number of services --fire protection, police, street maintenance, electricity, sewer, water, garbage pickup, dog control, public library-- and they pay a fairly high tax rate (maybe \$700 a year).

People living in the borough outside the city often live in a rural setting where they DO NOT, OR CANNOT, receive many such services of local government. As a result they will pay maybe \$350 a year. However, in many cases those urban rural residents have THE OPTION OF DEVELOPING A SERVICE

AREA AND ACQUIRING WHATEVER SERVICES FROM THE BOROUGH GOVERNMENT. There is a certain element of choice available. The persons may choose to live in the nearby city where services are available, or may choose to advocate forming a service area to bring services.

However, in many cases in the urban-rural area, like in the villages, it is simply not possible to deliver a service. The houses may be too far apart to ever deliver water or sewer service. In the urban case many people have elected not to have full local government services because THEY CAN'T AFFORD THEM --they would be too inefficient and too costly to deliver.

In villages the economic problems of a local government utility, such as water is 'too few' total customers, but in the urban-rural zone the problem is often technical unfeasibility due to customers being too scattered in their residence pattern.

Hence, village residents are not necessarily discriminated against. Both village-rural and urban-rural residents have problems 'affording' the economics of a service system of local government, or in meeting technical requirements of a feasible system. However, the more urbanized areas do have the benefit of an available regional government in the form of the borough, which can act as a conduit for state services and for such services as a group of residents may from time-to-time opt to. Rural residents have only their first or second class city, often too small and lacking economic foundation, and have no other available 'area' or 'regional' unit of some greater sophistication between the village and the state.

As a result government is often too small and too local to provide services, assistance, and planning, or is too remote in the form of the state as a substitute.

VI. THE PRESENT: GOVERNMENT AND THE PRIVATE ECONOMIC SYSTEM

In most western democratic nations and states, including Alaska, our system of organizing society's activities generally divides into two identifiable systems --the government and the private economic system.

Both sectors are subject to constant change, depending on the needs and the crises of the times. The line between the private and the public often becomes narrow and undefinable. Government at times controls, and operates, what would appear to be private business functions, and conversely, on occasion the private sector delivers what would appear to be government functions.

However, we might best describe the private sector's interests as those functions providing a reasonable expectation of profits. If profits are less than normal, the private sector is likely to offer its services for sale elsewhere. Government on the other hand does not earn profits, but offers services supported by general taxes or specific fees, which may or may not, have a direct relation to the quantity or quality of the service delivered. Government tends to act under a utility concept, where everyone pays something (taxes), but the more economic parts of the system tend to support the extension of the system into the less economic areas of service. The system is not simply a take from the rich and give to the poor concept, but allows a total benefit for all by allowing systems to be reasonably complete and uniform.

Government in the past quarter century has been subject to great change. The quantity of existing services, and the number of new services of government has increased

tremendously. During the same period the private sector has been subject to the changes of a rapidly expanding economy and technology. During these years the line between government and the private has become less clear.

A number of unique conditions affect the relationship between the government and private structure in Alaska. Two of these factors are: 1) the state has an excess of money from oil income, and 2) a unique corporate organization has been created in the form of the native land claims corporations.

However, the existence of the land claims corporations as a unique economic vehicle, and the condition of state excess wealth, relate to two other conditions. One, the state has a tremendous area of native population which stands outside the current economic mainstream, and two, there exists a sophisticated and developed urban-based economic infrastructure from which to extend and build economic efforts into the economic void of the rural areas.

The development of oil resources in Alaska has given the state the ability to expand traditional services, and also to consider the problem of what should be done with excess state revenue which is not needed at the present time. Petroleum revenue has allowed the state to provide state revenue sharing with cities and boroughs, has allowed the increased construction of airports and harbors, and for rural areas will provide the monies to construct and operate currently proposed village level high schools.

However, it is important in dealing with state government issues to understand that the existence of such surplus revenue is unique. It is a rare gift of nature, and perhaps an accident of discovery that the state fell heir to such wealth

in this historical timeframe.

Prior to 1969 Alaska was like most other states -- 'poor'. Despite good ideas, and critical needs, the state had little extra money each year to fund anything beyond already existing services.

In the early 1960s a slough of the Yukon at Fort Yukon was washing away homes and endangering the community school. The U.S. Corps of Engineers rejected damming the head of the slough as impossible and too costly. Additionally, federal funding would likely take too long. The state funded the project at \$200,000 and with some good luck was successful in diverting the river.

In the mid- 1960s a \$200,000 appropriation for such a special project was almost unheard of, regardless of need.

Today, less than 10-years later, the appropriation of special funds by the state for such urgent community needs is regular practice. Today the availability of money does not depend on the lack of funds regardless of the need, but rather on the proponents of the need getting together their information and taking their case to governor and legislature.

The availability of oil resources has made possible such urgent community projects, and also the increased development of such rural needs as schools, airfields, roads, and harbors. However, the availability of excess revenues also opens up the question of the state using its money in areas beyond traditional services --Such as for loans. Generally state and local governments are not in the loan business, either to the citizen or in the form of business development loans, simply because they don't have enough funds for the traditional services. The traditional services came first, and so in the 1960s in Alaska there was little money for loans,

except perhaps a few dollars for veterans and farm loans.

The \$900-million received from the sale of Prudhoe Bay oil lands in 1969 plunged the state into the realm of excess-revenue, and into a wide variety of new loans programs. Prior to 1969 the scope of state loans was roughly veterans and agricultural loans. In the post-1969 period the state increased its portfolio to veterans home and business loans, fishing vessel and gear loans, general small business loans, tourism loans, education loans, fisheries enhancement loans, and the bank incentive loan program. In addition the state created the Alaska Housing Finance Corporation, and put up needed reserves to bank-roll several hundred million in low and moderate income housing loans.

In 1972 the state's total outstanding loan portfolio was a modest \$18.9-million, but by 1977 that portfolio was \$202-million, and showing signs of growing at more than \$50-million a year with no 'new programs.' It is important to note that during the mid-1970s the loan programs also began to tilt away from simple 'citizens' loans, and become available to corporate entities in the form of tourism loans, fisheries enhancement loans, agricultural loans, small business loans, and the Bank Incentive Loan Program.

Such loan programs at this point do not provide viable tools for direct partnership with the native claims corporations, but excess wealth has allowed a progression TOWARD USEFULNESS BY SUCH CORPORATIONS. The permanent fund legislation now being debated may take the final step towards specifically creating the 'programs' that will allow a partnership between excess state wealth and the private corporation.

The second unique ingredient in the changing Alaska public/private relationship is the creation of somewhat unique

corporations in the form of the land claims corporations.

On one hand, the state having excess revenue is getting pushed into using that wealth in a 'business fashion' --to resolve the economic problems of its citizens. The state is being pushed into the business arena.

On the other hand, the native corporations are unlike conventional business corporations. They have a stockholder base concerned with basic economic and social interests. The stockholders are community motivated, and are likely to temper their profit-interests in a manner unlike conventional stockholders. The native corporations, especially the smaller ones, because of their social base are likely to be pushed into acting more like some kind of government.

Both the state and the native corporation face special potentials and dangers in their tendency to drift towards a mixed business/government centerground. These dangers will be discussed later.

In comparison to the native corporations, regular private business has little regional or social loyalty. The corporation is loyal to top management, and top management to the stockholders scattered from Maine to Oregon. The company may be a very important local business in Alaska, but top management may be in Seattle or New York.

The conventional corporation owes its stockholders profits, dividends, and long range protection of their investment. The native corporation owes the same thing, but under local investment circumstances the stockholder may be willing to temper somewhat interest in profits and dividends in favor of local services and/or local employment benefits. However,

the corporation must beware the ultimate sacrifice of long range protection of investment (capital).

In many respects the native corporation may prove to be both the conventional and social tempered corporation, or a mixture. For example:

A village invests in a business in Seattle or even Anchorage. If the business requires high skill, offering little native employment opportunity, then the investing corporation is taking the form of the conventional corporation. It is seeking the highest possible return and safe long range investments for stockholders.

A village investment in a hotel in the village may offer local employment, opportunities for other craft and tourist business, and therefore draw village investment with associated benefits to the community replacing high profits. However, such a business will still have to make some profit to insure its continued existence. In this case the corporation is acting as the socially tempered corporation.

A mixture of the two might be represented by an investment in Anchorage, which can supply jobs to village residents living there,

or moving back and forth to Anchorage. Additionally, joint partnerships in construction projects can provide jobs for village residents on a rotating basis. In this case the corporation is mixing hoped for high returns with meeting some social needs.

Of course, the investments of a corporation as outlined above do not stand alone from each other. In the end they must combine their profits and losses into the total profits-and-losses of the parent Village Corporation. Hence, the investment philosophies can become even more mixed, with some high return investments supporting the less profitable home-area investments. Additionally, a profitable investment may make it possible to support a home-area investment that will ultimately be profitable, but which requires a longer development period until profits begin.

Before we discuss the relationship of the unique conditions of STATE EXCESS WEALTH and THE MORE SOCIALLY ORIENTED NATIVE CORPORATIONS, we should touch on two other related conditions. One is the lack of any economy in broad areas of the state, but second, is the advantage of the close proximity of a relatively well educated and sophisticated economic structure that can provide a 'jumping off' point.

Alaska is a region of economic contrasts. Presently there appears to be the sophisticated urban economy, and then in the broad northern and western areas of the state 'no economy.' The native rural areas of the state represent an economic region much like many of the so-called third world nations. The problem in these areas is NOT a depressed economy, but a complete lack of economic structure.

Hence, the difficulty in dealing with the problem is to find someplace to even start.

A depressed economy usually still provides the basic structure of an economy which can be regenerated, or partially regenerated, while other new sources of economy are brought into existence. In earlier times much of rural Alaska had a thriving economy, and uniquely, an economy that was sufficiently half-way between native life-style, and the life-style of the new migrants, to be comfortable for both.

In early period of the century economic life was not always comfortable for white or native, but there usually was a means of making an income any time of the year. In the summer rural people often went to the mines to work, or in transportation on the rivers, there was fish to be caught for winter. In the fall, or almost any time of the year there was wood to be cut for someone, in the winter there was fur, and other teamster work in hauling supplies over the frozen ground. And, in the spring a 22-rifle and a rat canoe could bring enough money to leave behind with a family, and travel to the mines to work.

In the late 1930s the use of oil was rapidly eliminating the woodyard (and employment thereby), the airplane was making encroachments on the previous labor intensive transportation industry, the fixed price of gold each year saw mining development close down, and the fall in popularity of fur and the rise of domestic fur farming and synthetic fur was gradually eliminating the rural trapping industry.

The activity of the war overshadowed the growing rapid collapse of the natural rural industries. After the war the activity ceased, and Alaskans found rural Alaska in the final stage of total depression. In the 1950s the rural depression became almost total and with the passage of time became not just depression but simple lack of any economy. There was little wood to cut for pay, the airplane eliminated transportation jobs, the mines were all but closed, and fur was at rock bottom. Hence, the rural communities relied on subsistence, and the 1960s brought welfare. Few people realized the total shift of economic circumstances that had befallen Alaska's most permanent population.

Rural Alaska is just now emerging from thirty years of total lack of economy. Hence, economic planners face the problem of trying to find where to re-ignite a fire that has completely gone out. Government can solve some problems in rural Alaska, and with money can quite easily increase traditional services. However, government has a poor record on the economic side of the fence -- in producing an economy and in producing employment. Alaska State Government now has surplus revenue it can supply to the increase of not only traditional services, but to tackling the economic problems of rural Alaska.

However, despite the tool of available dollars, and good intentions, the state still has the very difficult problem of finding how and where to begin. Oddly, the village and regional corporations have the same problem. They are almost forced into investing in the existing economy of the urban areas, protecting their capital, until 'they too,' with their tool of wealth, can find where to

begin in the economic void back-home on the regional and village level. The state and village corporations are not only partners in their dilemma, but have common goals and common tools in the form of potential capital.

In dealing with the problem of excess wealth, and applying it to the problems of a large regional lack of economic structure, Alaska does have the advantage of having a thriving sophisticated urban core, and of being integrated into one of the world's most dynamic national economies.

The well-off urban core of the state may at times be both unthinking and unfeeling of the state's rural problems. The rural urban economic contrast may at times also be embarrassing. However, the state does have an advantage of having a thriving economic core onto which to build some sort of rural economy. The state also has the resources to apply to education and literacy gaps.

In contrast most small undeveloped nations of the world, struggling with similar large areas of total 'lack-of-economy,' are not quite so fortunate. Even their economically developed zones are poor, and are simply struggling to function with the rest of the world, while at the same time they face the problem of initiating an economy in areas totally out of touch with their own struggling economic centers. These nations face the problem of few government resources to deliver traditional services of health, education, and transport, making economic breakthroughs almost totally out of the realm of the possible.

Such undeveloped nations DO NOT have governments with MORE THAN sufficient capital, they DO NOT have localized groups with capital of their own, they DO NOT have populations in the undeveloped zones that are already well along the road to reasonably high educational services and levels of literacy. The only thing such nations have in common with rural Alaska is the economic void, and perhaps the cultural disparity between the rural population and the so-called modern economy. However, one critical burden Alaska must bear in ANY development is that of being in one of the world's highest cost sectors.

VII THE FUTURE: THE RELATIONSHIP OF THE VILLAGE CORPORATION TO THE DEVELOPMENT OF GOVERNMENT IN RURAL ALASKA

Today local government needs in rural Alaska are again in serious consideration. Two ingredients seen to encourage a more sophisticated local government. One, is that even though many rural communities represent an uneconomic density of population for local government, that 'surplus state oil revenues,' have provided a source of assistance to marginal populations. Second, certain local investments of native claims corporations may depend on a local government structure which can provide utilities.

Example:

A village corporation determines there is a need for a hotel facility in the community. Such an investment appears marginal, but compensates by creating a few jobs on the local level. Feasibility indicates that the structure of the hotel would cost \$310,000.

However, the community has no water or sewer system. Hence, the additional cost of such utilities to the project may add another \$100,000, or more, depending on area climatic conditions. If a local government is supplying sewer and water needs to a village, then the hotel would be 'spared' financing that initial financing cost. The project would then simply hook into the system and begin paying its regular monthly utility bills like anyone else.

However, while village and regional corporations will find their potential for economic investment marginal on the village level, it should be remembered that local government

will also be extremely marginal in terms of feasibility. The only difference will be that local government can command grants to lower construction debt costs of a local government project, and due to state surplus money can command some measure of annual 'operational' assistance. Such special assistance allows smaller communities to be marginally feasible, but at the bottom again there still is a size community that will find local government 'uneconomic.'

In other words, many communities in rural Alaska perhaps should not attempt local government for many of those reasons that prevented local government organization in rural Alaska from 1900 to 1950.

The lack of local government in the rural areas creates another special problem for village corporations. First, it creates a demand on the village corporation to perform as a substitute government, since the corporation has some monetary resources and the village municipality does not.

Second, since the stockholders of the village, and the citizens of the village are the same people, they are apt not to have a clear picture of the difference between the second class city and the village corporation, and the proper function of each. Where there is no municipality at all, then the village corporation is apt to automatically become something of a government.

Thirdly, the village corporation leaders in their difficulty in dealing with proper goals for the village corporation, may become tempted to perform more as a government. For example, a corporate leader might show some success in traveling to Juneau in an attempt to get airfield repairs underway. The action is something of a governmental action pushed upon the corporate leader. Since government goals may be 'more indentifiable' to the community, a corporate leadership could be diverted from

their proper corporate goals.

Fourth, in many cases village corporation officers are also members on the city council, an education advisory board, and even an IRA, all at the same time. The result can be genuine confusion in roles and in responsibilities.

The State Community and Regional Affairs Department already receives government reports often signed by a corporate president, and the Department of Commerce year-end annual corporate reports signed by a city council president. The book-keeper for the corporation and city may be the same, but the methods of keeping corporate and city books are entirely different. For example, the social security payments for a municipal employee and a private employee (of the corporation) actually are sent to different places.

Fifth, due to the difficulty of a small village corporation showing investment success, it may become very tempting for corporate leaders to slip over into the governmental arena, and use 'governmental' activity and success as substitutes. This does not mean that the village corporation does not have a role in helping pursue community governmental goals. The regular private corporation does NOT HAVE SUCH A DUTY, but clearly it would be dishonest to suggest that the village corporation does not have a local social responsibility. Clearly, it does since its base of stockholders are in a social and community base, but in recognizing this fact, it should be warning to corporate leaders that the community (governmental) duty should not supercede its duty to stockholder investments and profits. THE CONFUSION OF ROLES ON THE LOCAL LEVEL IS A VERY REAL, AND A VERY SERIOUS, PROBLEM FOR THE VILLAGE CORPORATIONS.

Village communities are small. Some presently have no organization except the village corporation and perhaps an informal traditional village council. However, others are

caught with a confusion of being a village corporation, IRA community, an Alaskan second class city, and may even have in existence a traditional 'village council.'

The present circumstances would appear to indicate that most Alaska second class cities on the village level are barely able to organize and function. On the other hand, there are no area governments to aid in regional planning and to coordinate services that may require a larger base than the village.

The REAA has begun to fill in the middle. It is at least a regional government dealing with schools. Additionally, Coastal Zone Management and Land Use Planning have begun to push at the issue of some kind of regional planning. Such regionalization and planning stands very close to being a form of local government.

Obviously, rural Alaska needs some form of regional local government to fill in the gap between THE STATE and the often too-small SECOND CLASS CITIES of the villages. The future form of such 'area' local government can bring benefits and also problems.

A rural regional local government can become just one more organization with which the village must contend. Previously, we described the complexity, and possible confusion, of the traditional village council, city council, corporate board, IRA council, a likely school advisory board, plus we can add the REAA (area school board), the relationship to the Native Regional Corporation, and regional non-profit corporations. Obviously, the suggestion of adding on top an area local government, despite problems due to its lack, must be viewed with some caution and care.

In view of adding to possible confusion of organiza-

tions, one suggestion has been to simply allow REAA (Rural Education Attendance Area) to take on minor local government functions. The REAA might receive an annual grant of funds from the state to carry out certain coordination and planning functions within their area. In addition, the REAA might become a conduit to deliver some specified state service under a degree of policy direction by the local board. The most difficult part of using the phase-in concept described above is to develop some criteria, which at a certain point, would require the REAA to cast-off its add-on local government functions to some more formalized non-school local government.

The problems of local government in rural Alaska is not easy. However, in the end local government must depend on a supporting resource, usually money, and a legitimate demand for a needed service by the people. Nevertheless, the village corporation may well find it to their benefit to encourage the development of local government, and its tools.

VIII THE FUTURE: VILLAGE CORPORATION AND STATE GOVERNMENT COOPERATION IN THE DEVELOPMENT OF A RURAL ECONOMY

The initiation of an economy where there is none is in the best of circumstances difficult and discouraging. Therefore, it may be useful to give thought to the good fortunate of Alaska to have a number of sources of ready capital. The problem is the cautious and proper use of the capital -- the tools of development.

STATE CAPITAL to underwrite more than the usual in the way of traditional services such as schools, water, sewage, electrification, social services and etc..

STATE CAPITAL to underwrite special capital pro-

jects, construction and facilities, that may be of advantage to the development of private economy.

STATE CAPITAL to guarantee, or directly participate in through loans and debt, economic development projects within the sector, in conjunction with native corporations, or non-native corporations.

NATIVE CORPORATE CAPITAL to participate in projects either on its own, in conjunction with private capital, with state capital, or in combined investment with both or other private and state capital.

Additionally, such capital may be aimed at rural-located investment, or may be aimed at investment 'anywhere' in the state conditioned on the potential transport of rural labor to-and-from the jobsites. The latter potential of cyclical transport of rural residents to-and-from jobs has merit in developing a skilled seasonal workforce, and reinforcing rural family livelihood while buying time for perhaps a more careful investment of state and village corporate capital on the home level.

The traditional services of government generally have little to do with the 'economic base' of a community, with a few notable exceptions. Generally, such services simply benefit the daily well-being of the individual citizen and family (education, health, police, etc.). The exceptions may be certain physical facilities which tend to aid commerce, such as a good airfield, or perhaps a road to some particular site. Such facilities will not create an economic base if there is none, but may enhance an economic opportunity if one develops.

Example I:

A village corporation invests with another private operator to develop a fish processing facility. The site is five miles from town on a separate bay where water is available. If the facility locates in town it must develop a very expensive water operation, if it locates at the remote site it has a natural water supply. Additionally, the village corporation owns the land at the more remote site. However, if the enterprise must finance the road to the site it could add \$100,000 in financing cost for a low-quality road, and neutralize any savings from the water availability.

The question facing the corporation is whether the savings due to the village corporation owning the land, plus the availability of water, exceed the cost of the road?

Are there other alternatives?

OPTION ONE: The Village Corporation could prevail upon the municipal government of the village to develop a water system to serve both the town and the fish processing plant located in-town. Eventually, the business would pay 'its share' of the town water facility through utility rates. However, the processing plant would save the initial cost of having to finance its own water system. The Village municipal government could seek aid from the state, and the federal government in paying the cost of constructing the water utility, but once constructed the utility would have to break even

in paying remaining debt and operational costs.

OPTION TWO: The representative of the Village Corporation and the village municipality may approach the State to build the road five miles to the more remote site. The state would likely be able to build a higher quality road designed to last longer. The project could be an organized and planned project within several programs of the Department of Transportation, or could take the form of a request for a special appropriation by the Legislature (especially if time is short).

If the road to the site could be justified as in the public interest, then the road could be built without either an initial construction cost, or a user-fee to the plant. The project would come under the heading of a general state service, paid for by all state taxpayers, just as the village taxpayers pay their small share of supporting state highways in Fairbanks or Anchorage.

Option one above represents a government 'utility' service, where the state and federal government may aid in initial construction, but burden of operation falls on the local community. Option two represents a general state service where the burden is carried by all state taxpayers without charge.

Example II:

A village corporation and a partner mining company are jointly seeking to develop a small mine about 10 miles from the community. The mine will be a small operation, but subject to the fluctuation of mineral prices, so it may

not operate every summer, or may operate at a smaller stand-by level.

The corporation has the problem of getting the ore to the Village, providing stockpiling and packaging, and then flying the ore out. However, the airfield is inadequate for larger planes. The development will be in planning for about four years. The corporation is seeking ways of saving money and enhancing its overall economic feasibility.

What are the alternatives in the mining project in which the state might provide related assistance?

OPTION I: The state might construct the 10 miles of road from the mine to the village. However, such a distance could carry a high price tag, involving much heavier road construction for the benefit of mining trucks, and construction of several costly bridges. The higher cost will create much tougher state questions when help is requested.

OPTION II: The State can through special Legislative appropriation participate in improving some 'public' facilities at the airfield. For example, the state might install a level airfield parking apron which could facilitate freight handling and storage.

Under certain circumstances a storage building might even be built for the airfield, with portions designated as a public terminal, and portions leased to any private individual

wishing to lease. Obviously, the mining company is the only available renter, and while it would have to pay equitable rents the company would be able to escape the front-end cost to build their own building.

OPTION III: The corporation and the municipality could approach the state for improvements in the airfield to accomodate larger aircraft. However, the project is a sizable venture, and may have to wait its turn in the priority list of such projects.

The three options listed above are all projects that the state has some justification in doing as a general state service. Any one or ALL of the projects could be undertaken. However, all taken together the projects may represent a total cost that might bring serious opposition from the state administration and Legislature, since those high costs may tend to threaten, or bump the priority, of other projects. Therefore the planners of a project, hoping for state assistance, should be very careful in terms of how, when and with what proposals they approach the State Government.

In considering the previous options and their benefits and potential of achievement, the project planners must carefully consider such questions as:

Which of several of the options for state assistance are most critical to project feasibility?

Which option for such public assistance takes the longest to bring about? Should it then be acted on extremely quickly?

Can options be delayed until the latter stages of mine development, lessening the initial cost to the State?

Should the State Administration be approached on some proposals for aid, and the legislature for others?

What part can the local Village municipality play? Would it be better if they acted as the predominant spokesman for projects? Could the Village even receive facilities from the State, and then own and lease the facilities to a private party?

Could the Village municipality upgrade its status, borrow funds from the state (municipal bond bank), and then lease facilities to industry, plus levy a tax to recover for general unleased improvements which would tend to make the mining operation more feasible.

Example II is designed to show how the state can provide substantial benefits to the economic feasibility of a project, but without becoming an investor, or a loaner of money directly to the project. However, such proposals to government require lead-time. Government generally moves slowly, and there are further time lags for planning and engineering, and actual construction.

A good rule of thumb may be that requests for government related improvements to a project must run-ahead of the private timetable.

Examples I and II point out that there are a variety of means which there can be substantial state assistance to a

private economic venture. Generally, such assistance is through construction of related facilities of benefit which can be justified as BEING PUBLIC FOR REASONABLE PUBLIC BENEFIT. Additionally, there is substantial difference in benefits and the problems of bringing them about, between those services which can be termed general state services, and those which might be termed government utility services.

In the past, such options as outlined in Example I and II would have been precluded first simply by a lack of state money resources. Second, there would be serious questions concerning the expenditure of public dollars for private benefit. The purpose of economic creation in a depressed area in past times has not been considered a 'justifiable' purpose of government.

The traditional roles of government are perhaps really only roles we have become accustomed to. Hence, the non-traditional role of government might be defined as those areas where government has to intercede less frequently, and generally for some urgent and special purpose.

Hence, government has tended not to become an actual investor in, or participant in, private profit making economic projects. However, where there has been special reason government has done so under one justification or another. The crisis of the 1930's depression, followed by the crisis of a World War, pushed the federal government into new involvements with the private sector. The government provided jobs, loaned money, provide emergency relief programs, initiated permanent relief programs like our unemployment insurance programs, built and owned pipelines, tankers, and barges, dams, and developed a nationwide semi-private electrical system under the Rural Electrification Administration. The examples are endless, but least anyone think the pattern started with the 1930's depression, we should recall the federal government built, owns and

operates a railroad in Alaska, and Alaskans of the 1920's were delighted when the federal government went into that usually private business.

Since the 1930's the federal government has been active in the farm price support field, subsidy of certain commodities, in providing loans and credit to farmers, in the provision of special tax concessions to farmers, in construction and partial subsidy of irrigation projects. The federal government has maintained subsidy for airlines, and other forms of transportation, including marine shipping. In the post-war years, the federal government began activity in support of 'small business,' and initiated the Small Business Administration (EDA), the next generation of federal interest came with the war on poverty, the encouragement of cooperatives, the creation of organizations like the Community Enterprise Development Corporation (CEDC), and finally the civil rights movement produced the affirmative action programs and support for 'minority' business ventures.

However, despite all of the above, and much unmentioned, the myth of the 'separate worlds' of government and private ventures persists. It is a myth that native corporations will encounter with state policymakers, and project developers must always take care in handling the issue lest they provoke philosophical barriers that bar logical discussion and assessment of a project.

State and local governments have not been strong in the field of direct assistance to private development. The fundamental reason may largely be due to limited financial resources.

However, the State of Alaska with surplus oil funds has been flirting with such 'direct assistance' since 1970. And now, with oil royalty and tax revenue building up from

pipeline oil flow, the state will undoubtedly move strongly into 'development' investment participation during the next decade.

However, dealing generally with the posture of state and local governments, they have been cool to direct assistance, but often active in the area of providing local and state tax 'concessions.' However, the issue of tax concession (or forgiveness) can evoke heated philosophical difference among policymakers, and since 1970 Alaska has strongly held public policy to prohibit tax concessions by either state or local government.

During the past 10 years Alaska's state loan programs have expanded to more than \$200 million in direct loans, and moved from the concept of individual loans to citizens to loans commercial development. For example, a veterans home loan was larger simply to aid the veteran individually with financing of a home, but the newer Tourism Loan Program is designed to similarly aid the borrower, additionally attract new tourist dollars into the state, and perhaps to promote a new industry in an area of the state where financing is difficult.

However, the key point in Alaska State Government's limited, but changing relationship with the private sector, is predominately related to having enough money. Revenue from the state's oil resource has simply meant the state has sufficient money to meet the critical traditional services, and then has something left so that it cannot avoid entering the difficult arena of the economic plight of its rural residents.

Ten years ago, projects like the damming of the Fort Yukon slough were almost impossible. There simply was not enough state revenue. And, if one was funded, then there was ten more waiting in line to be treated similarly. As a result, the solution was likely to be that 'none' of such projects were funded. A hard-line was drawn and that line generally

held fast, reinforced by 'no money.'

Additionally, a decade ago or today, even traditional services in rural areas are extremely costly. The basic cost of building a proposed facility, is not only high due to high transportation and labor costs, but often the external infrastructure must also be built. The external infrastructure means that a school will also have to build its own sewer and water facilities, at great added cost. Hence, a school elsewhere just plugs into an adjacent utility system, in rural Alaska, the project more often than not, must build and pay for construction of its own, and then pay for its annual operating costs. The net result is that the per capita cost of delivering rural services, or building a one-or-two classroom school, often appears staggering to the people who must review such projects. Such disproportionate high costs are a real and emotional barrier to both rural, private and public projects.

However, such projects with 'private relationships' must still meet the requirements as public projects, and must remain within legal barriers. Such projects may prove more justifiable in rural areas where the Alaska economic benefits are more identifiable, and where potential profits may be assessed to determine whether a private enterprise is taking unreasonable advantage in softening state government concerns between what is public and what is private.

The present issues surrounding excess state revenues provide a glimpse of the state of the future growing relationship between the State and private investment as a development tool.

A great deal of the Permanent Fund debate centers on how much of the excess state capital should be available as participating investment capital within the state -- partnership capital with domestic corporations and native corporations.

In addition, considerable debate has centered on state participation in Alcan Pipeline Financing, on similar issues in the state sale of royalty oil and gas. Former Governor William Egan seriously proposed state ownership of the Alyeska Oil Pipeline, and the state's 1972 Pipeline Right-of-Way Leasing Act originally has a provision for purchasing an equity portion of the oil pipeline.

All of these things represent the change slowly taking place in terms of what is an acceptable relationship, and mutual involvement between, the state and private enterprise when it comes to development investment. The changing relationship should be to the advantage of the native regional and village corporations, since they represent an assured hometown corporation with similar social and economic goals as the state. However, change in policy comes in bits-and-pieces, and native corporations will have to be aware of, and wary of, state partnership capital as direct investment in equity and debt, or as guarantees, in the beginning years of the 1980's.

STRUCTURE OF STATE GOVT

STRUCTURE OF ALASKA STATE GOVERNMENT

Village Corporation Activity Area No. 6
Government
Village Management Assistance Program
Alaska Native Foundation

The structure of state government is relatively simple if it is viewed as a series of 'specialized pieces'. Each piece serves some need.

The pyramid on top of the pieces coordinates the pieces, supports the pieces, and acts as a source of 'appeal' when problems and needs don't fit the pieces.

Approaching state government requires determining "what's the problem", and "what's the piece" it fits in.

If the problem doesn't fit, or is a new 'need', then the task is to find out who up the administrator/policymaker pyramid can help make it fit.

VIEWED AS A WAREHOUSE . . .

Viewed as pieces, the structure of Alaska State Government is something like a series of warehouses. Each warehouse provides different tools and services.

However, the Government warehouses aren't known for their desire to advertise for new problems. They have enough problems, and the Alaska State Government is no exception.

Understanding the structure of state government is understanding what tools to ask for, where, when, and learning how to use them. It helps to know which

warehouseman has authority to issue tools and send out the mechanic.

Plus, it helps to know the 'foreman' who can help get tools the warehouse doesn't have in stock.

OF COURSE GOVERNMENT'S LARGE . . .

Alaska State Government is large, but that doesn't always mean its complicated. It has 14,211 employees, operates 14-major departments, a Court System, a University system, and a variety of special 'offices', commissions, and boards.

The figure of 14,211 employees may surprise you but Alaska State Government administers for 400,000 people spread over a giant landmass in a very uneconomic and inefficient manner. Additionally, Alaska State Government is in many instances a substitute local government, operating services that are not carried out by states elsewhere.

Alaska State Government is simple, however, when compared with the bewildering complexities of most other state governments. The State had the benefit of writing its constitution as late as 1955, and implementing its government structure only 18 years ago.

Alaska benefited from the problems of other states. We were able to implement what other states are still

struggling towards, a structure of state government that has some hope of functioning efficiently, and of being accountable for actions.

THE GOVERNOR: IN THE END IT'S HIS FAULT

Basically, in Alaska we have developed a centralized concept where theoretically all responsibility leads to the top -- the Governor.

We have 'one' statewide elected administrator, assuming the Lt. Governor's a standby. The Governor gets the praises, and in the end the blame. The central point in the Alaska system is that the Governor is the sole 'accountable person' ... there are not one, two, three, or more elected state officials who can dilute responsibility and, thus, confuse the public.

Oddly, in most other States the Governor isn't responsible for much of state government. Some of the most important functions may be headed by another elected official, even of the opposite party.

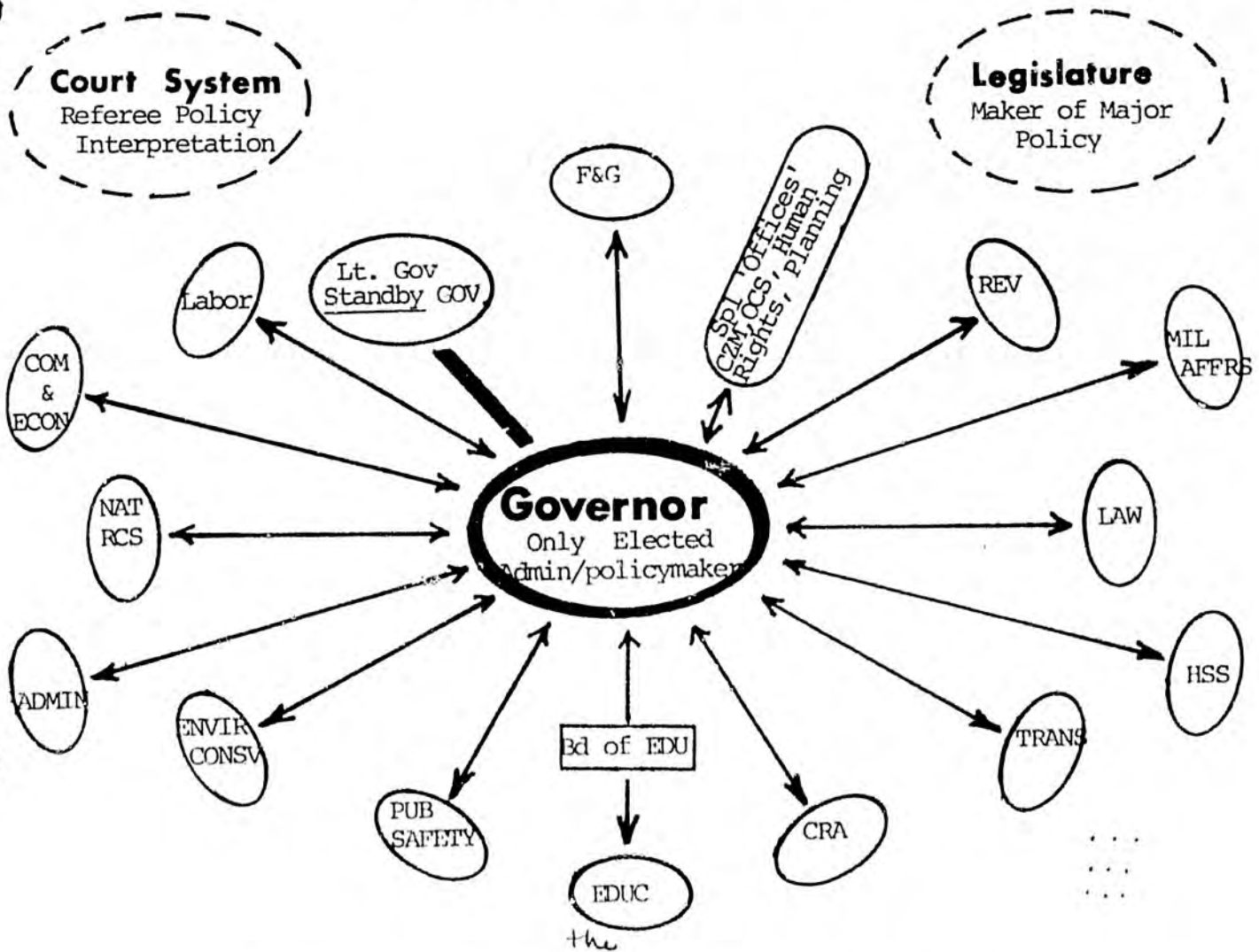
Further, such Governors face elected boards, or boards with non-removable members -- who can thumb their nose at Governor and public alike.

The reality in many other states is a state administration headed by a 'number' of elected Governors --

something like a committee of Governors -- who may, or may not, even like each other. The net result is a loss of who is accountable for actions, and an ease of dodging responsibility and passing the buck, and the problem, on to the next bureaucrat.

But, back to the Alaska premise. In Alaska if you can't find a door to open that fits the problem, there's always one last door to open that will inescapably fit the problem -- the Governor's.

Alaska Structure



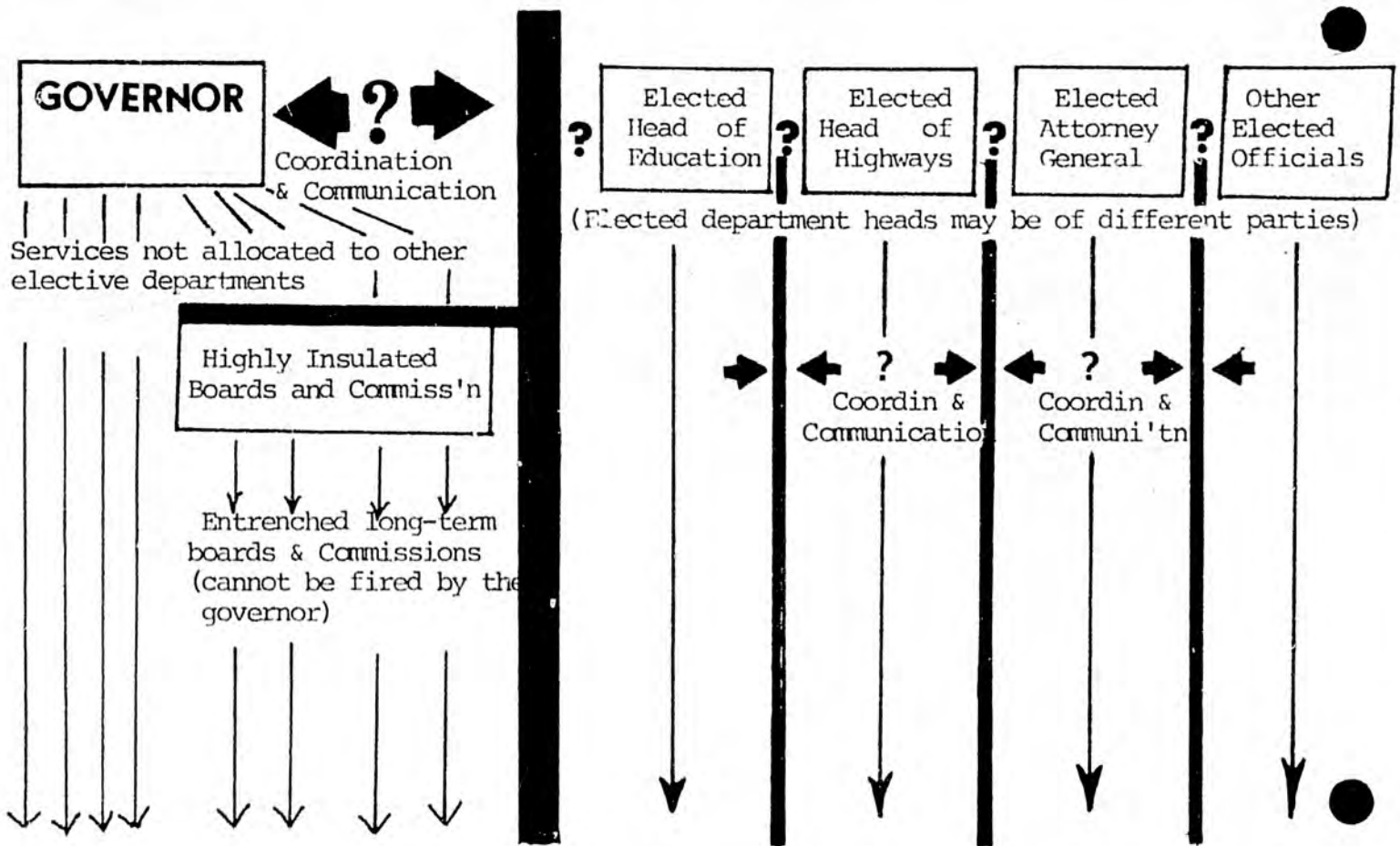
The GOVERNOR is the 'sole' official with final responsibility for directing all state policy and management (services).

An ALASKA GOVERNOR has 'nowhere' to pass-the-buck.

An ALASKA GOVERNOR is ultimately responsible for the success of state actions, the disasters of actions, and the failures to act.

The CONCEPT is accountability -- being able to fix blame!

Other States



In OTHER STATES the executive structure is 'fractured', with different services being controlled by different 'independently' elected department heads. SUCH STATES LITERALLY ELECT A COMMITTEE OF GOVERNORS.

Other states also have numbers of independent commissions, which cannot be removed by a new administration, with the result policy changes very slowly. Such boards in other states may even direct policy in a department.

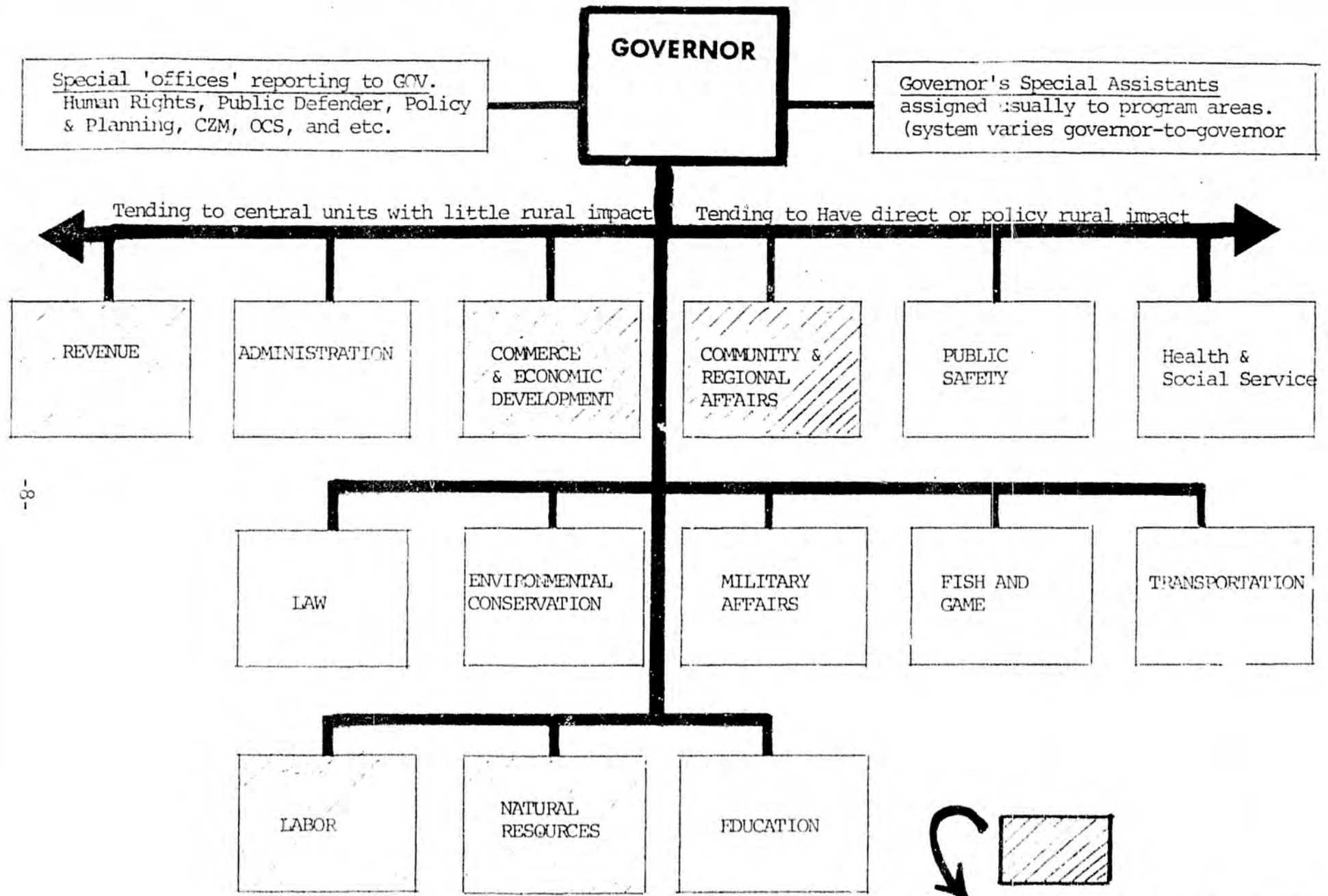
Under fractured system there is no assurance of cooperation and coordination on a common issue.

It is the executive branch, and only this branch, of government which can actually deliver services.

It is important to remember that the Legislature 'is not' an administrator, a deliverer, of services. The Legislature provides for a broad workable policy, and then provides the means -- the money -- of implementing that policy.

The point should be made, as the executive branch is examined, that the Legislature is essentially ON THE PUBLIC'S SIDE. Basically, the Legislature is a group of laymen trying to find a way to resolve a problem, or the means to deliver a service without creating legal inequities among citizens.

STRUCTURE ALASKA STATE GOVERNMENT



-8-

NOTE: CROSS-HATCH BOXES INDICATE HIGH IMPACT ON VILLAGES AS VILLAGE 'CORPORATIONS' AS OPPOSED TO GOVERNMENTS AND COMMUNITIES. (See Next page 8-b)

THE STRUCTURE IN TERMS OF VILLAGE CORPORATION IMPACT

The cross-hatched boxes  on the previous page

indicate departments with direct relationship to the business functions of Village Corporations. It should be stressed that the relationship of government to the community is different than to the corporation.

COMMERCE AND ECONOMIC DEVELOPMENT: This department handles incorporations, annual reports, business loans for which corporations might qualify, and in the future will handle state technical assistance to business.

COMMUNITY AND REGIONAL AFFAIRS: This department has a high degree of relationship to the rural community on the 'village' as government side. However, it is also trustee for village lands of unorganized communities under certain provisions of the Land Claims Act (municipal lands).

NATURAL RESOURCES: The corporation will have a relationship to the Department of Natural Resources, especially the lands Division, in development of lands, seeking easements across state lands, and in relation to certain permits involved in resource development.

DEPARTMENT OF REVENUE: As an employer and taxpayer the Village Corporation will have a relationship with the State Department of Revenue, which collects individual taxes, corporate taxes, and gross business taxes from ALL CORPORATIONS IN THE STATE, including the Native Village Corporations.

DEPARTMENT OF LABOR: Again, as an employer the Village Corporation will have a relationship with the Department of Labor, as does any other state corporation and employer.

Alaska State Government is divided into 14-major administrative departments. It is limited by the State Constitution to 21-departments, has been as high as 16-departments, and recently consolidated to 14-units. Departments vary greatly in size, with the Department of Transportation employing 3,194 people, and the Department of Environmental Conservation only 119.

Departments vary greatly in purpose. Some departments are deliverers of 'direct services', such as public safety, while other departments are basically planning, indirect processing, indirect management, or administrative support departments, and do NOT HAVE STRONG DIRECT CONTACT WITH THE CITIZEN. The Departments of Administration and Revenue are such 'low citizen contact' departments.

Seven departments have a strong rural relationship, but only about five have a direct rural presence.

Departments which are physically present in rural areas are:

- 1) Transportation
- 2) Health & Social Services
- 3) Public Safety
- 4) Community & Regional Affairs
- 5) Fish and Game

However, other departments such as Education, Natural Resources, and Environmental Conservation, have a strong,

less direct, impact on rural areas.

The 'presence' of State functions outside Juneau, Anchorage, and Fairbanks, can be seen from the following figures.

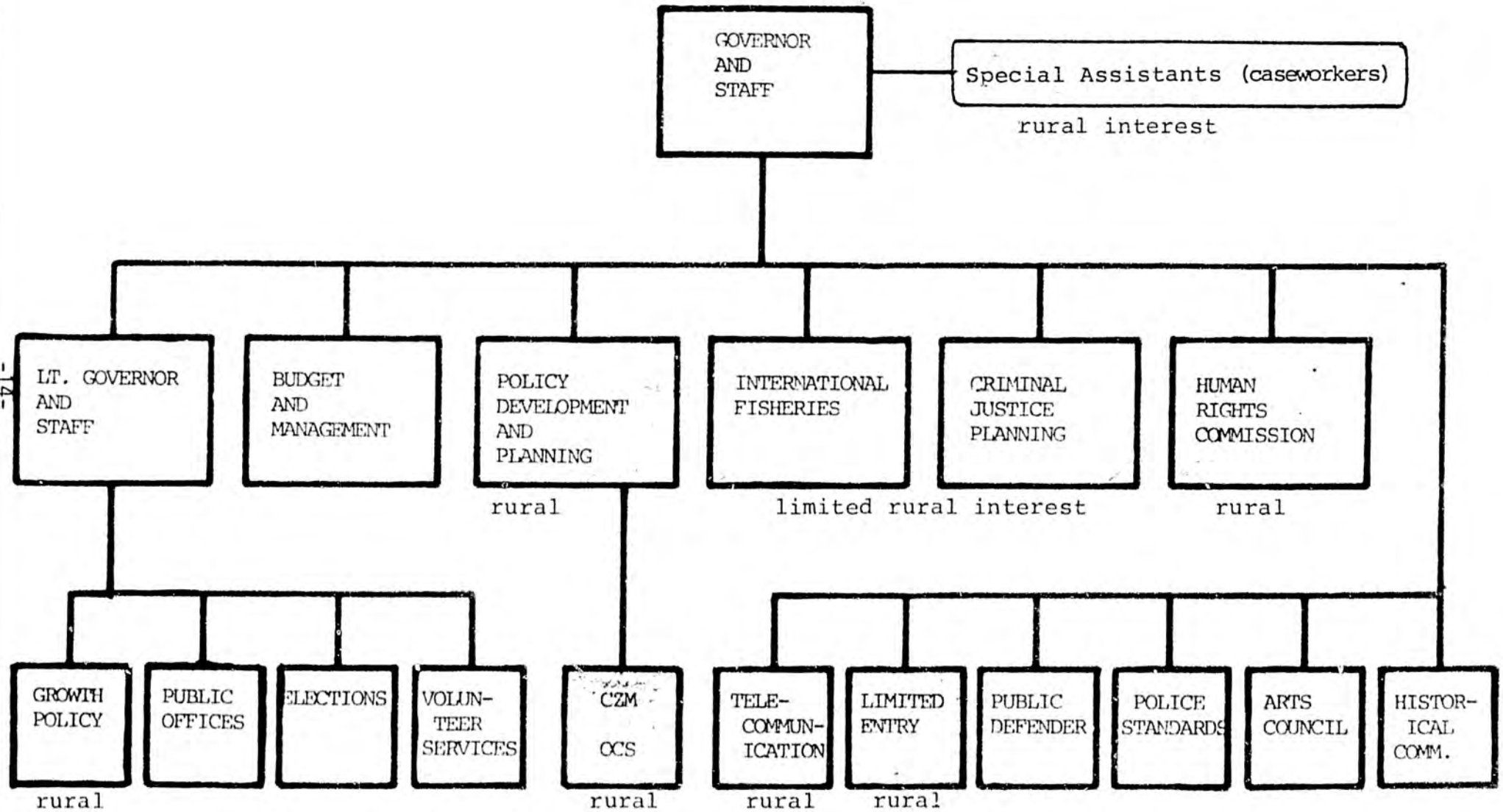
<u>Department</u>	<u>Total Employees</u>	<u>Employees Outside Juno/Anc/Fairbanks</u>
Governor Office	326	21
Law	174	17
Revenue	256	10
Education	435	77
Labor	768	77
Commerce	252	3
Environ' Conservation	119	15
Natural Resources	504	144
Public Safety	847	313
Fish and Game	875	364
Community & Reg. Affairs	159	14
Health and Social Serv.	1,801	461
Transportation	3,194	1,117
Court System	483	120
University of Alaska	2,857	359

*Not included: Military Affairs and Administration

Viewed another way there are:

- 3,597 employees in Juneau
- 4,444 employees in Anchorage
- 2,913 employees in Fairbanks
- 3,363 employees in the rest of the State
(a large percentage of which are involved in
highway constuction and maintenance.)

OFFICE OF THE GOVERNOR



-14-

Governor's Office

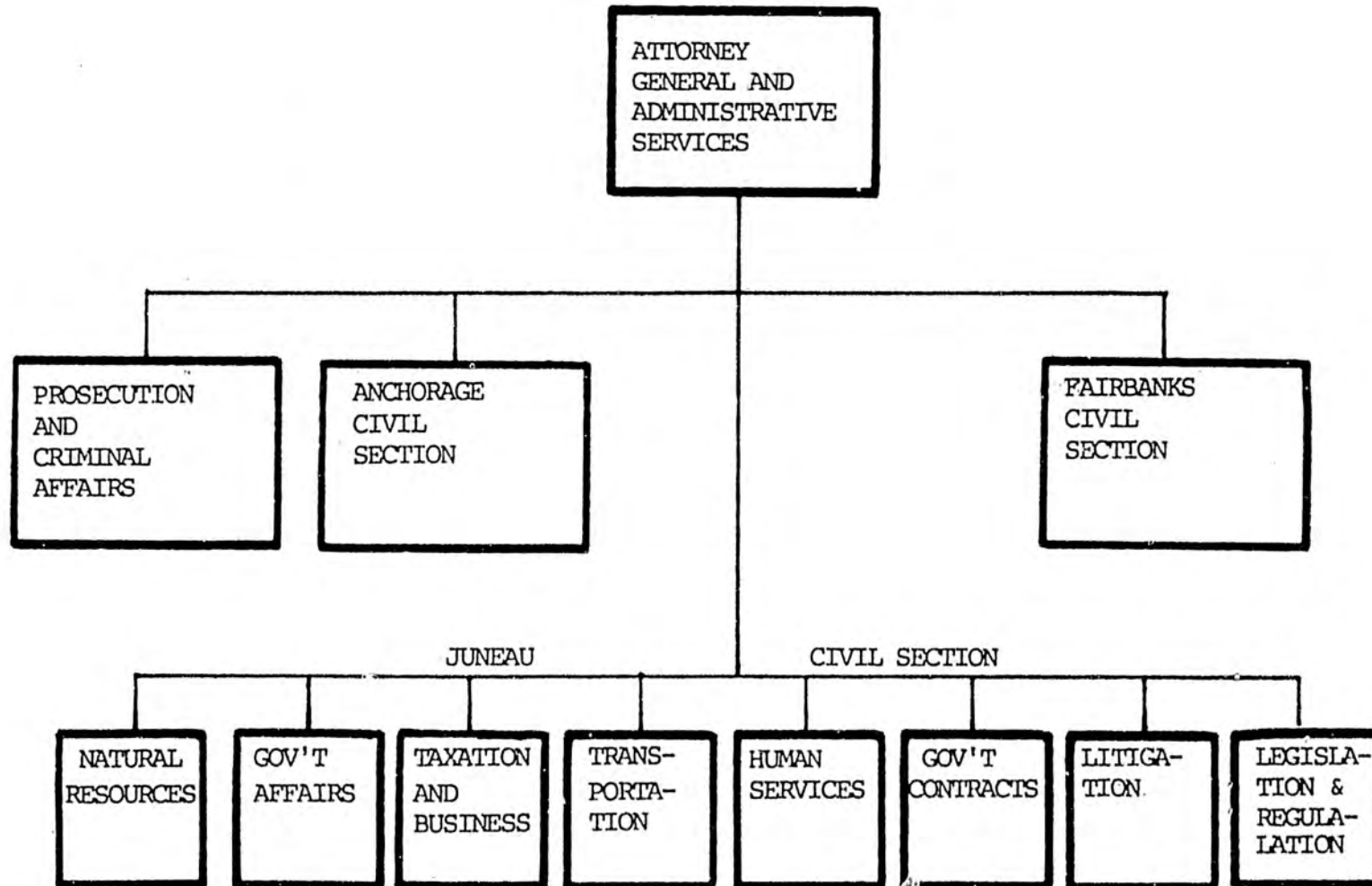
The Governor's actual 'personal staff' is relatively small.

Most of the 326 employees of the Governor's Office belong to special offices attached to the Office of the Governor, which either represent planning functions or 'unique' functions that do not fit logically into some other regular Department.

The most important rural functions are:

- 1) SPECIAL ASSISTANTS (case workers): This is an informal group of assistants that work on current 'brushfire' problems for the Governor. Every governor handles such staff differently, but each usually handles a number of departmental 'interest areas'.
- 2) POLICY DEVELOPMENT AND PLANNING: This office can be what a governor wishes to make of it, but generally it handles longer-range planning issues. Currently THE COASTAL ZONE MANAGEMENT and OFFSHORE OIL units report to this office.
- 3) HUMAN RIGHTS COMMISSION: A highly independent office working under policy of the Human Rights Commission. It is in the Governor's Office because it may have to investigate other agencies and must be as independent of them as possible.
- 4) TELECOMMUNICATIONS: A new office dealing with problems of communications service and telecommunications technology, especially in rural areas.
- 5) GROWTH POLICY COUNCIL/LIMITED ENTRY COMMISSION: The Growth Policy Council is a public-participation issue unit; while the Limited Entry Commission is in charge of issuing commercial fishing permits.

DEPARTMENT OF LAW



Department of Law

The Department of Law, headed by the Attorney General, is the legal arm of the State.

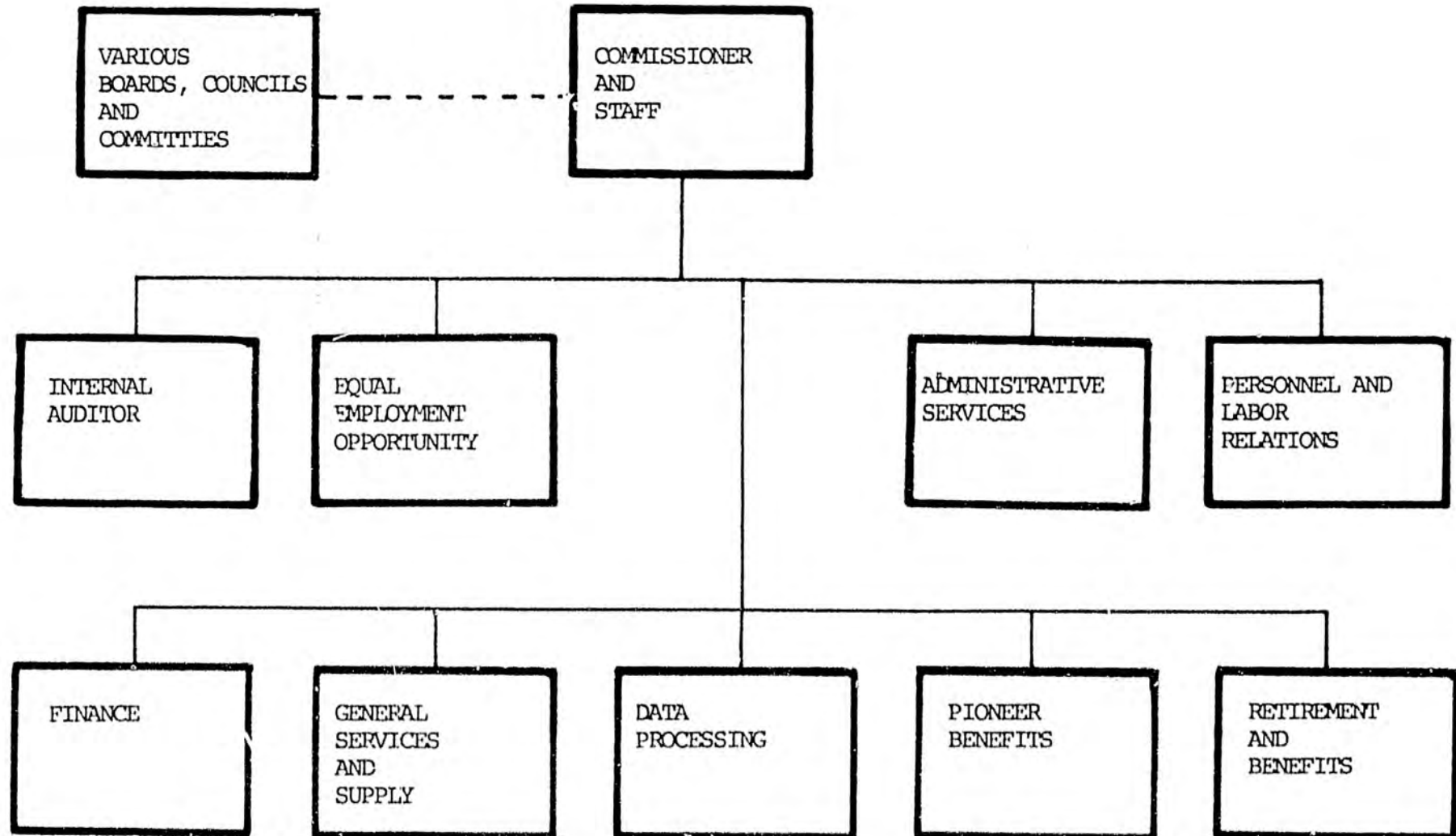
The Department has 174 employees, all but 17 of whom are working in Juneau, Anchorage, and Fairbanks. Employees are generally located in cities where Superior Court Judges are assigned.

Legal Advice

- 1) The Department provides the Governor with his primary source of legal advice on pending and future legal and policy issues.
- 2) CRIMINAL PROSECUTION: The Division's best known function is the prosecution of criminal offenses.
- 3) CIVIL SECTION: The Department of Law must also enter into civil suit in behalf of the state's interests, and the individual public, in such categories as taxation and business, human rights, consumer protection, state regulation, etc.

The Attorney General tends to also be a right-hand political advisor to the Governor, especially where technical/legal issues are involved. Many rural issues, including complex land and tax issues relating to land claims, often end up on the Attorney General's desk.

DEPARTMENT OF ADMINISTRATION



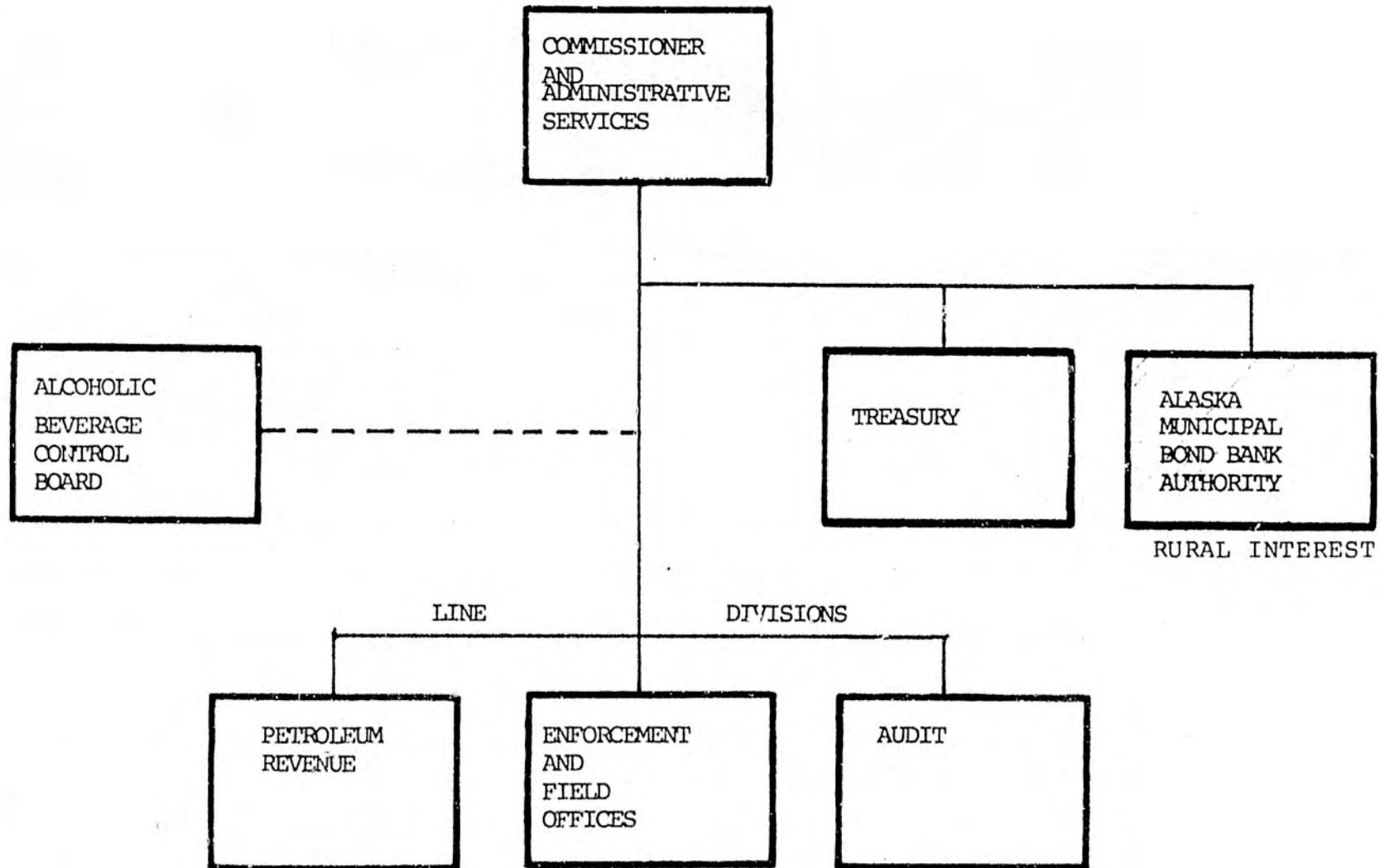
Department of Administration

The Department of Administration basically is an 'internal' State agency. It supports other State departments with such services as SUPPLY, DATA PROCESSING, ADMINISTRATIVE SERVICES, and operates the PERSONNEL SYSTEM, and the STATE LABOR RELATIONS AGENCY.

The only two direct-to-citizen services operated by the Department are PIONEER BENEFITS and RETIREMENT BENEFITS.

The Department has little direct involvement with rural issues.

DEPARTMENT OF REVENUE



Department of Revenue

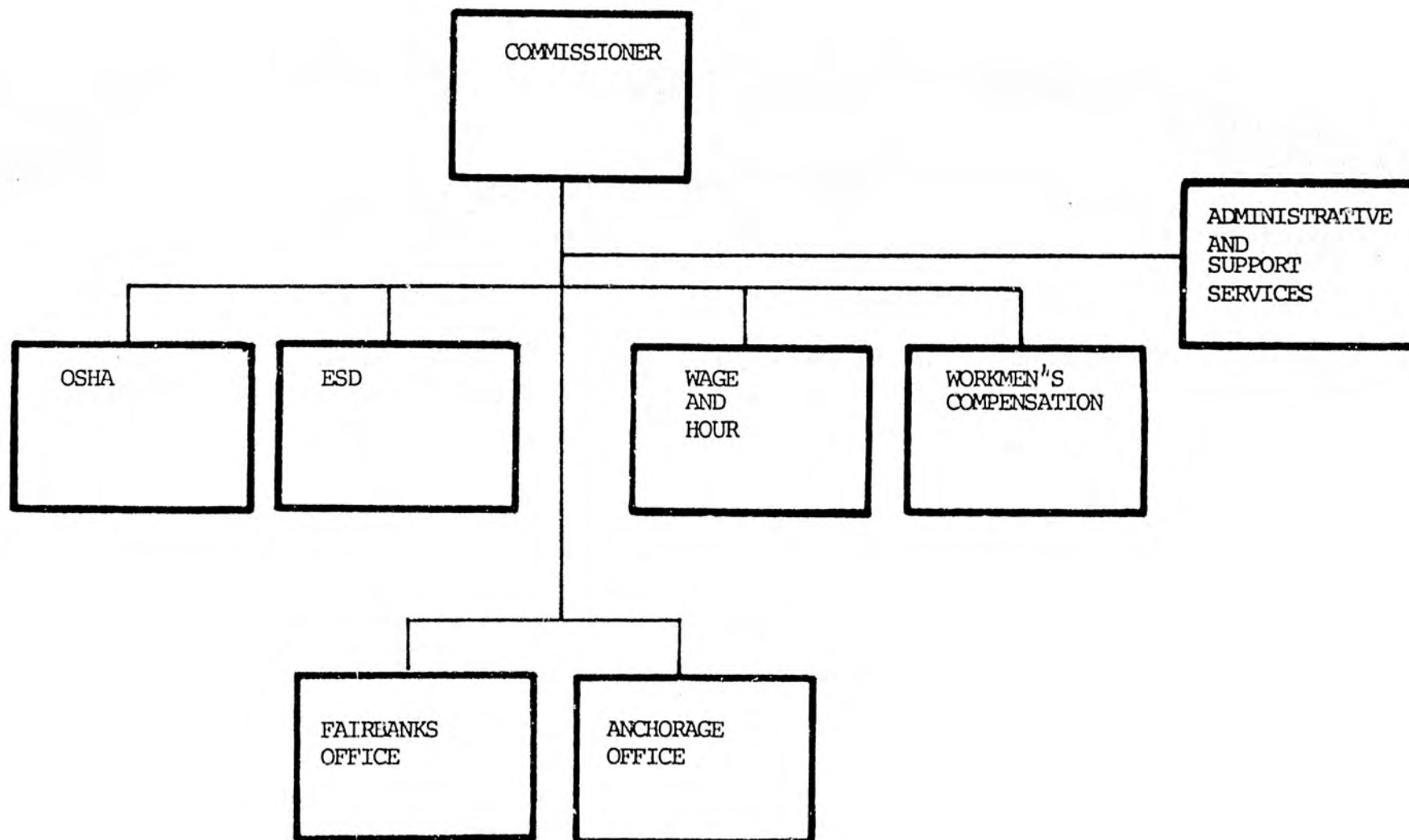
The State Department of Revenue is largely an internal State support department, but does deliver direct-service to citizens as a processor of individual and business taxes.

The Department of Revenue operates the MUNICIPAL BOND BANK, which purchases small community bonds, and could become involved with industrial bonds of small communities which might relate to activities of Native corporations in certain instances. The Bond Bank is located in Anchorage.

The Department also operates the Alcoholic Beverage Control Board, which licenses liquor establishments, and also enforces liquor licensing regulation and law.

The Department has 256 employees, of which only 10 are located outside Juneau, Anchorage, and Fairbanks.

DEPARTMENT OF LABOR



Department of Labor

The Department of Labor is also a centralized department. The Department provides citizen services, but only from the central locations of Fairbanks, Anchorage, and Juneau.

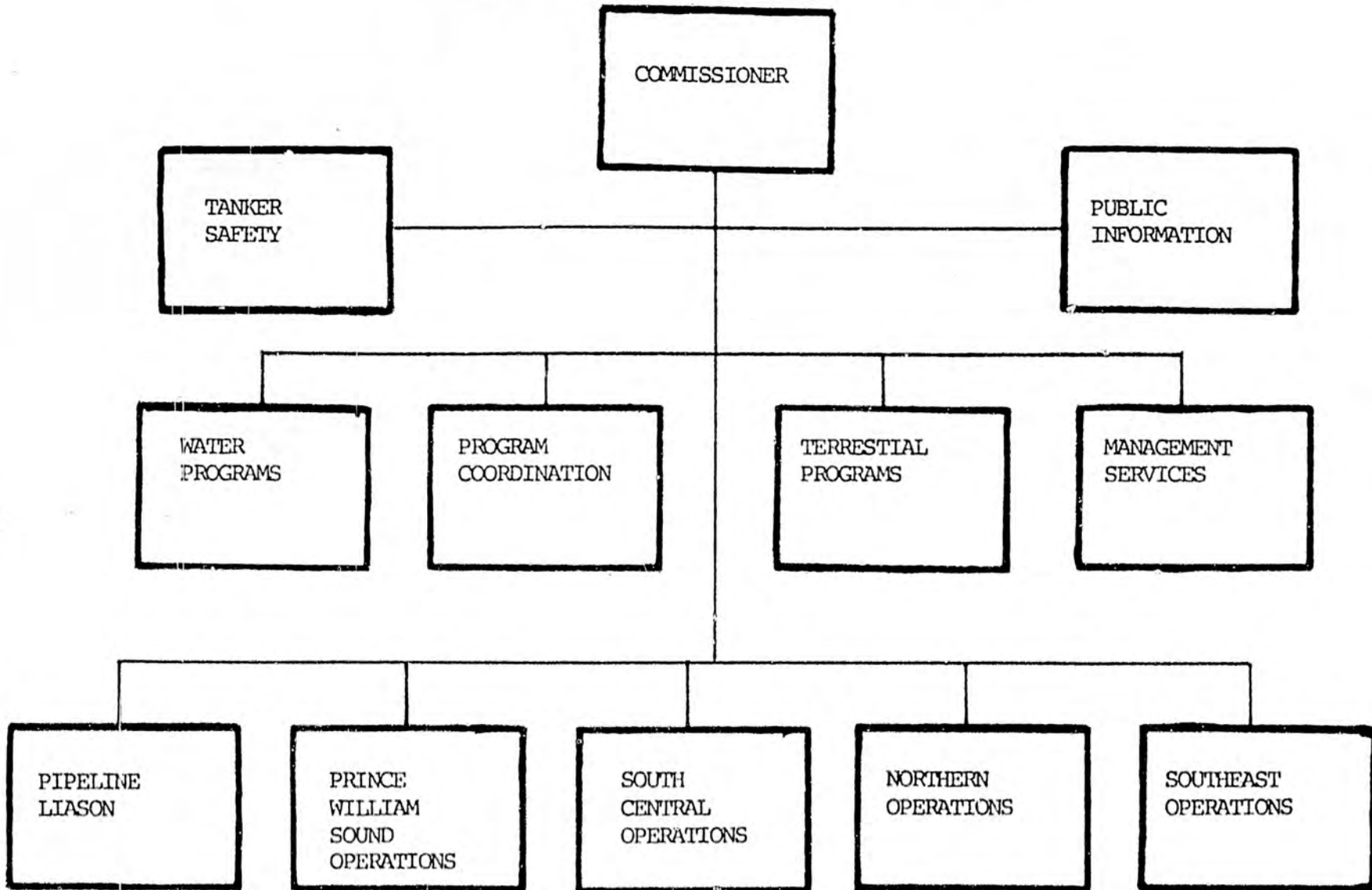
A 'regional' office of the Commissioner, staffed by a Deputy, is maintained in Fairbanks and Anchorage. These field offices are good general information contacts with the Department.

The Department also administers the Jobs Service and Employment Security agencies, which are located in all large and medium sized Alaskan communities. The Jobs Service program is charged with matching employers with employees. Employment Security administers unemployment insurance.

The Department is in charge of: 1) enforcing occupational health and safety laws, 2) wage and hour law, 3) workman's compensation benefits, 4) unemployment security benefits, and such additional regulations as State local hire laws.

The Department has considerable rural impact, particularly in respect to development of local hire policies, and the impact upon individuals of unemployment compensation and job finding assistance.

DEPARTMENT OF ENVIRONMENTAL CONSERVATION



Department of Environmental Conservation

The Department of Environmental Conservation is charged with policing private and other public agencies in protection of the State's natural and man-made environment (in concert with development and resource usage).

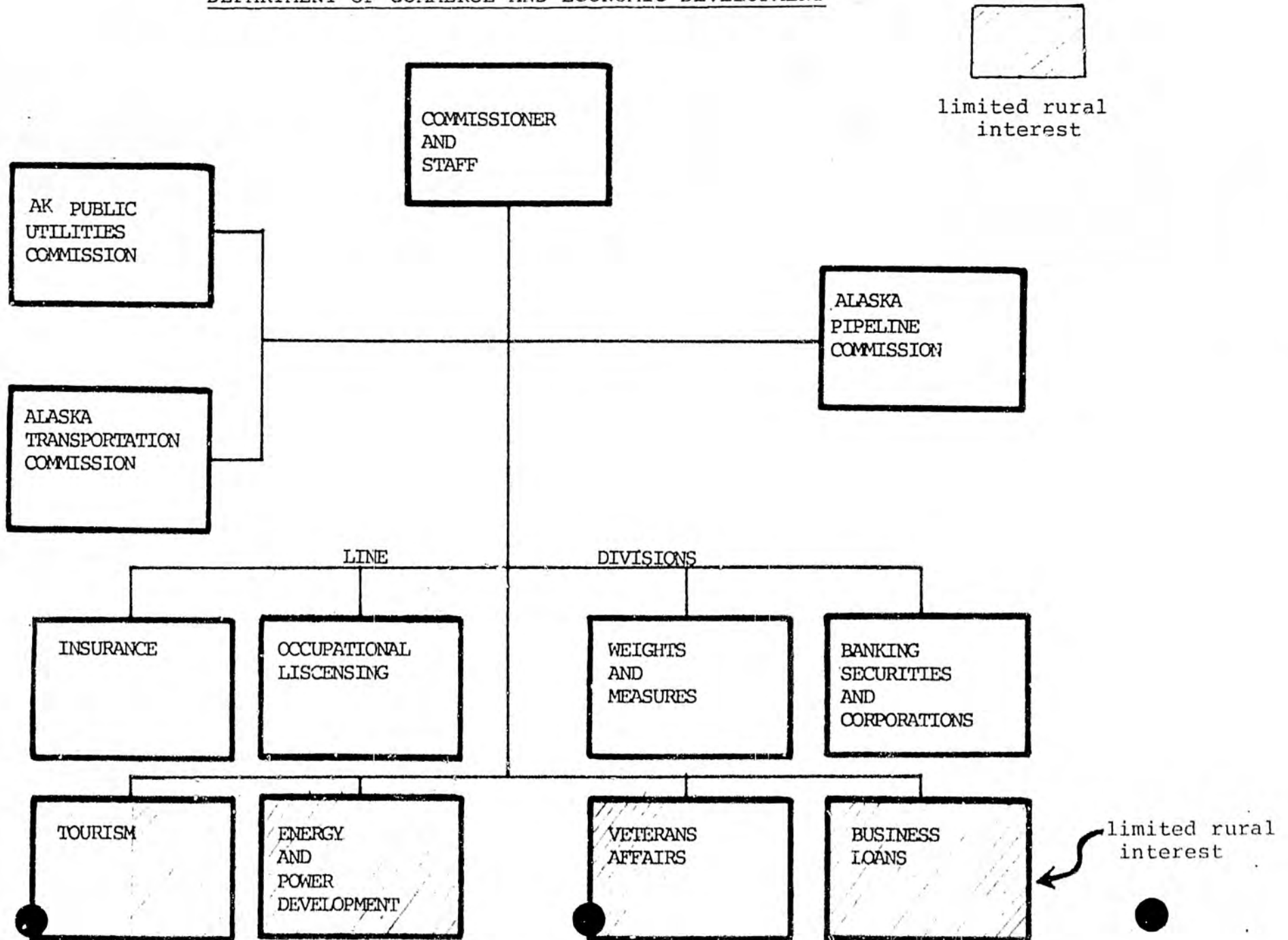
The Department is the State's smallest with 119 employees, with only 15 people located outside Juneau, Anchorage, and Fairbanks.

The Department is charged with such specialized responsibilities as TANKER SAFETY, PIPELINE LIAISON, and PUBLIC INFORMATION. The Department then has a Division of WATER PROGRAMS, and a Division of TERRESTRIAL PROGRAMS.

The best public contact with the Department is through regional offices maintained in Fairbanks, Anchorage, Juneau, Soldotna, and Valdez.

The Department is not particularly rurally oriented at this time, but rural projects (large or small) can become the subject of Department 'policing' as easily as an urban project. The chief relation with the Department may be to be sure a project conforms to Departmental requirements.

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT



Department of Commerce and Economic Development

The Department operates the State's primary regulatory functions, and provides services relating to business and commerce.

1) REGULATORY COMMISSIONS: Independent quasi-judicial commissions with rural impact are the ALASKA PUBLIC UTILITY COMMISSION (setting utility rates), and THE ALASKA TRANSPORTATION COMMISSION, setting freight and passenger tariffs. The Alaska Pipeline Commission is also part of the Department.

The Department has eight Divisions with about three and one-half of them having some rural, or potential rural, impact.

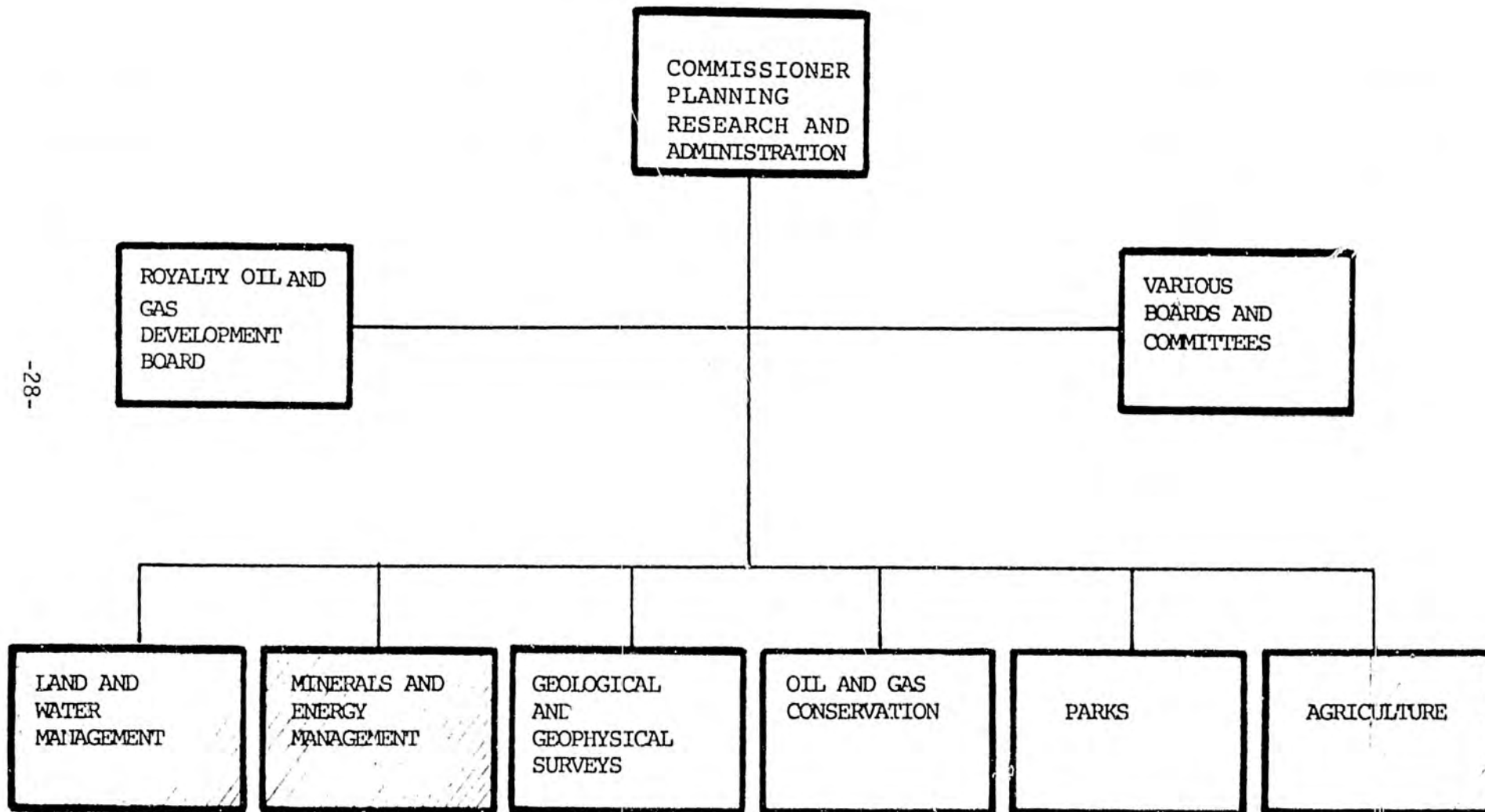
2) DIVISIONS OF BUSINESS LOANS & VETERANS LOANS: Both programs may offer loans in rural areas. Additionally, national guardsmen can receive loans under certain conditions.

3) ASHA & ALASKA HOUSING FINANCE: The Alaska State Housing Authority provides loan assistance to individuals in certain income brackets. The AHFC operates its low and moderate income housing loan programs through local banks.

4) DIVISION OF ENERGY AND DIVISION OF TOURISM: Both of these Divisions may become more involved with rural areas. The Division of Energy is the states energy planning agency. The Division of Tourism could prove a valuable ally in promotion of rural tourism enterprises.

The Department of Commerce is now predominantly located in Anchorage and Juneau, having three employees outside urban centers. However, with village corporation development the Department may be called upon to assist rural Native Corporations to a greater and greater extent.

DEPARTMENT OF NATURAL RESOURCES



-28-

↖ limited rural interest

Department of Natural Resources

Primarily, the Department is the manager of the State's land and resource assets, and as such is fundamentally a planning and management agency.

The Department has six Divisions, of which only two have rural impact. They are the Divisions of:

- 1) AGRICULTURE
- 2) PARKS
- 3) OIL AND GAS CONSERVATION
- 4) GEOLOGICAL SURVEY
- 5) MINERALS AND ENERGY DEVELOPMENT
- 6) LAND AND WATER MANAGEMENT.

Only the Division of Land and Water Management has an existing relationship to rural needs; the Division of Energy Management has a strong probability of rural relationship; and the Division of Agriculture has a potential for rural service.

Presently, only the Division of Land and Water Management's forestry unit has a broad geographical spread, with employees located mostly in the Southeastern and Southcentral parts of the State.

The Commissioner's office is located in Juneau, and all other Divisions are located in Anchorage or Southcentral Alaska. The Department has 504 employees, with 38 in Juneau, 271 in Anchorage, and 144 in other areas.

DEPARTMENT OF EDUCATION

STATE BOARD

COMMISSIONER
AND
STAFF

rural interest

PLANNING
AND
RESEARCH

COMMISSION ON
POST SECONDARY
EDUCATION

-30-

rural interest

PUBLIC
BROADCASTING

PROFESSIONAL
TEACHING
PRACTICES
COMMISSION

AK. RURAL
TRAINING
CORPS

SCHOOL
DISTRICT
RELATIONS

PERSONNEL

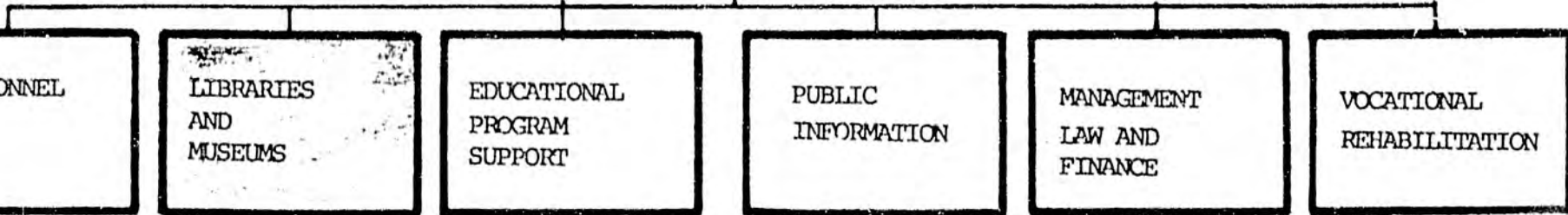
LIBRARIES
AND
MUSEUMS

EDUCATIONAL
PROGRAM
SUPPORT

PUBLIC
INFORMATION

MANAGEMENT
LAW AND
FINANCE

VOCATIONAL
REHABILITATION



Department of Education

The Department of Education has statutory responsibility for the funding, auditing, and supervision of borough and regional schools.

The Department does not deliver a service directly to the citizen, but rather functions through its relationship to urban and REAA Schools.

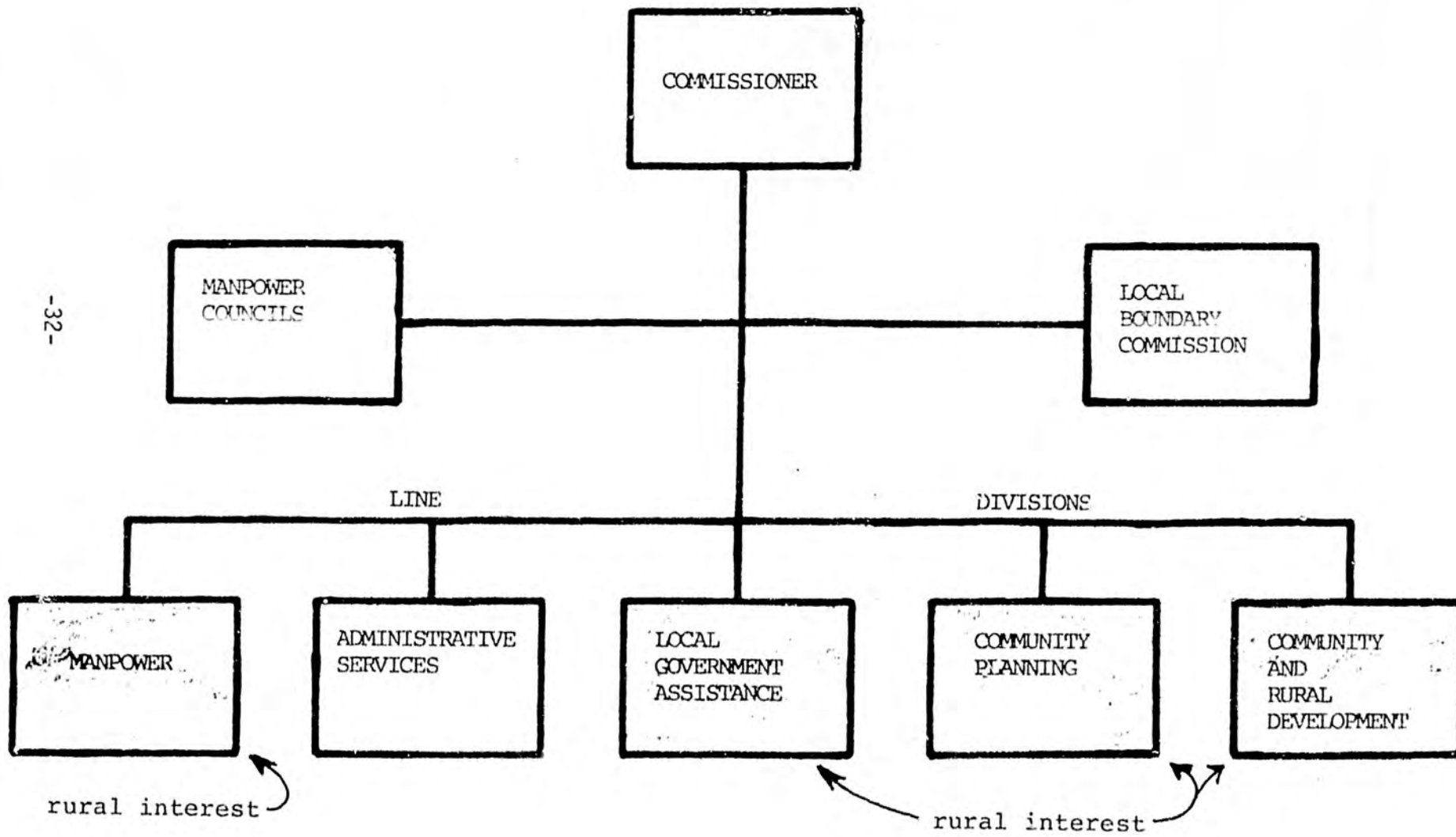
The Department has 435 employees, most located in Juneau and Anchorage.

Divisions of rural interest are:

- 1) PLANNING AND RESEARCH: A resource to be used for seeking solutions to the unique problems small communities have with their education systems.
- 2) PUBLIC BROADCASTING: Operated by the Public Broadcasting Commission. The Division apportions funds to stations for public broadcast operation and construction.
- 3) LIBRARIES AND MUSEUM: The State Library provides services and assistance to rural libraries, both through the central facility, and through regional centers.
- 4) X-CEED: A special unit charged with the development of rural instructional teaching capability.

The Department must also approve district school construction plans, and may prove more active in rural issues since creation of the new REAAs and dissolution of the old A.S.O.S. (Alaska State Operated Schools) system.

DEPARTMENT OF COMMUNITY AND REGIONAL AFFAIRS



Department of Community & Regional Affairs

The Department is a small organization of 159 employees, with 14 employees located outside Fairbanks, Anchorage, and Juneau. The purpose of the Department is to provide maximum assistance to communities at the regional level.

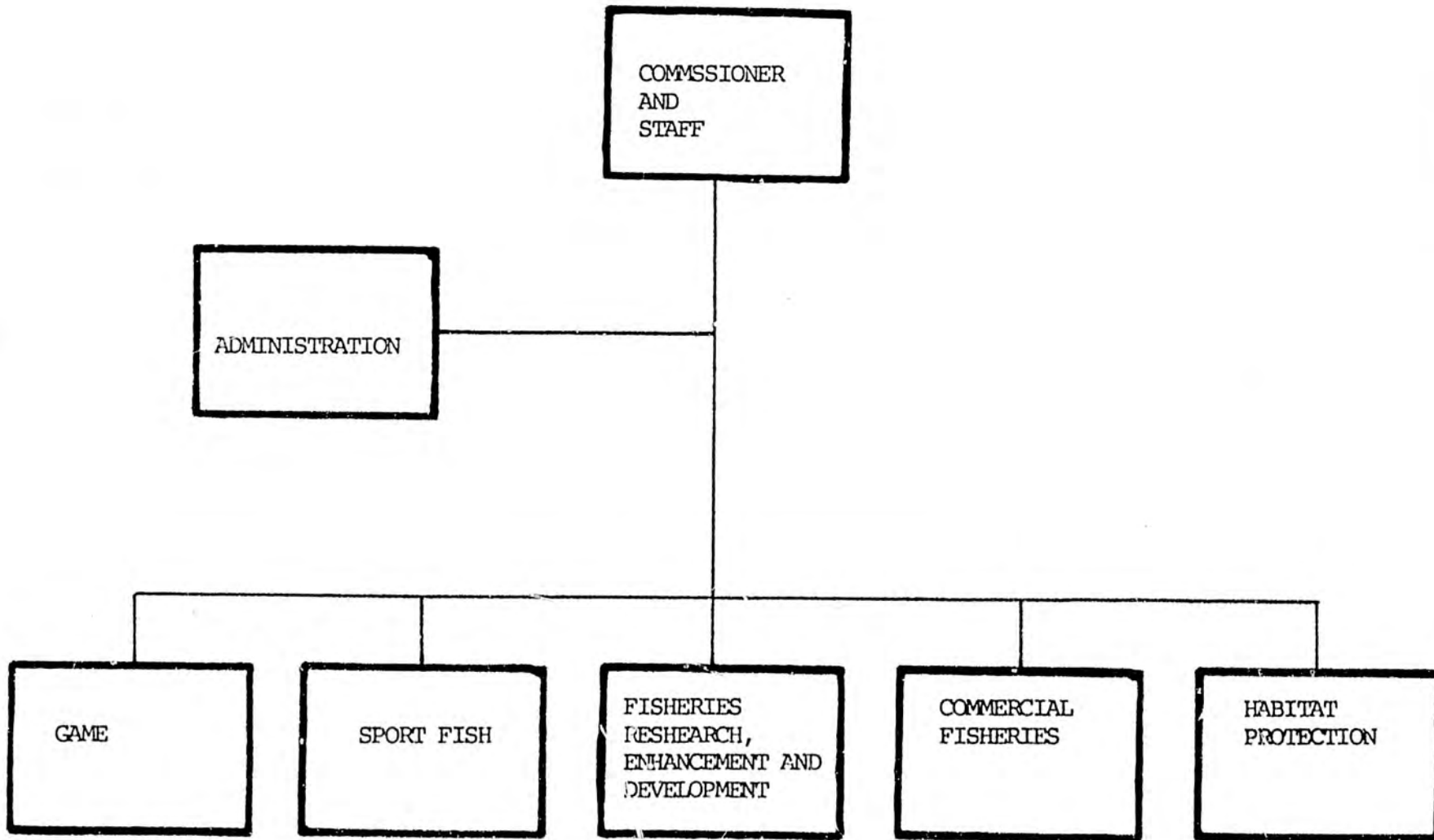
The Department is small but, of all the State agencies, Community and Regional Affairs is the number one service agent in the rural areas. The Department consists of:

- 1) COMMUNITY & RURAL DEVELOPMENT DIVISION: Operates a rural assistance program for small projects. One of the State's oldest rural programs.
- 2) COMMUNITY PLANNING DIVISION: Provides assistance to small governments in planning and development. Provides technical assistance on request.
- 3) LOCAL GOVERNMENT ASSISTANCE DIVISION: Carries out certain statutory obligations of the Department in regard to local government, assists in governmental formation, collects and provides local government data.
- 4) MANPOWER DIVISION: The Department is now responsible for federally related manpower training and employment programs.

The Department operates field offices in Juneau, Fairbanks, Anchorage, Nome, and Bethel. The Department is also the trustee under the Alaska Native Claims Settlement Act for municipal lands located in unincorporated villages.

The Department has an 'active' reputation, and can assist in coordinating rural community, or corporation, needs with other departments of the State government.

FISH AND GAME DEPARTMENT



Fish and Game Department

The Department is responsible for managing the State's fish and game resources. The Department has 875 employees, with 364 employees working outside the three large urban communities.

The Department is regionalized in large Fairbanks, Anchorage, and Juneau offices. The Department has six basic divisions: 1) Game, 2) Sport Fish, 3) Research, Enhancement, Development, 4) Commercial Fisheries, and 5) Habitat Protection.

The Department previously was under the policy direction of one 'Fish and Game Board', but was recently segmented into a Board of Fisheries and a Board of Game. The Department has been under steady pressure for further reorganization into regional game boards. Presently, the Department operates a series of advisory boards in small communities.

The Department is heavily rural-related due to management decisions which may impact subsistence needs of rural communities.

The best way to make contact with the Department is through regional Directors in Fairbanks and Anchorage, or through the Office of the Commissioner in Juneau.

DEPARTMENT OF PUBLIC SAFETY

COMMISSIONER

ADMINISTRATION

OPERATIONS

ADMIN
SERVICES

SECURITY

TRAINING

HIGHWAY
SAFETY
PLANNING

COMMUN-
CATIONS

FIRE
PREVEN-

WILDLIFE
PROTEC-
TION

STATE
TROOPERS

AIRCRAFT
SERVICES

MOTOR
VEHICLES

rural interest

Department of Public Safety

The Department is heavily involved in rural areas, and will likely become more so as the urban areas expand and take over police functions, leaving this Department to serve unorganized rural areas.

The Department operates 10-divisions, most of which are quite small (training, communications, fire prevention). The two large, and rurally-oriented divisions, are the Divisions of State Troopers and Wildlife Protection.

The Department is predominantly centralized in Anchorage, except for the Commissioner's Office, which is in Juneau. The best initial contact with the Department is through the Division offices in Anchorage, or the regional offices in Anchorage, Fairbanks, and Juneau.

DEPARTMENT OF HEALTH AND SOCIAL SERVICES



rural interest

COMMISSIONER
AND
ADMINISTRATION

PUBLIC
ASSISTANCE

PUBLIC
HEALTH

SOCIAL
SERVICES

MENTAL
HEALTH AND
DEVELOPMENTAL
DISABILITIES

CORRECTIONS

ALCOHOLISM,
DRUG
ABUSE

QUALITY
CONTROL/
COLLECTIONS
AGENCY

AGING

PLANNING
AND
RESEARCH

VIOLENT
CRIMES
COMPENSATION

PAROLE
BOARD

Department Health & Social Services

One of the State's largest departments at 1,801 employees, with 461 employees located outside of Juneau, Anchorage, and Fairbanks.

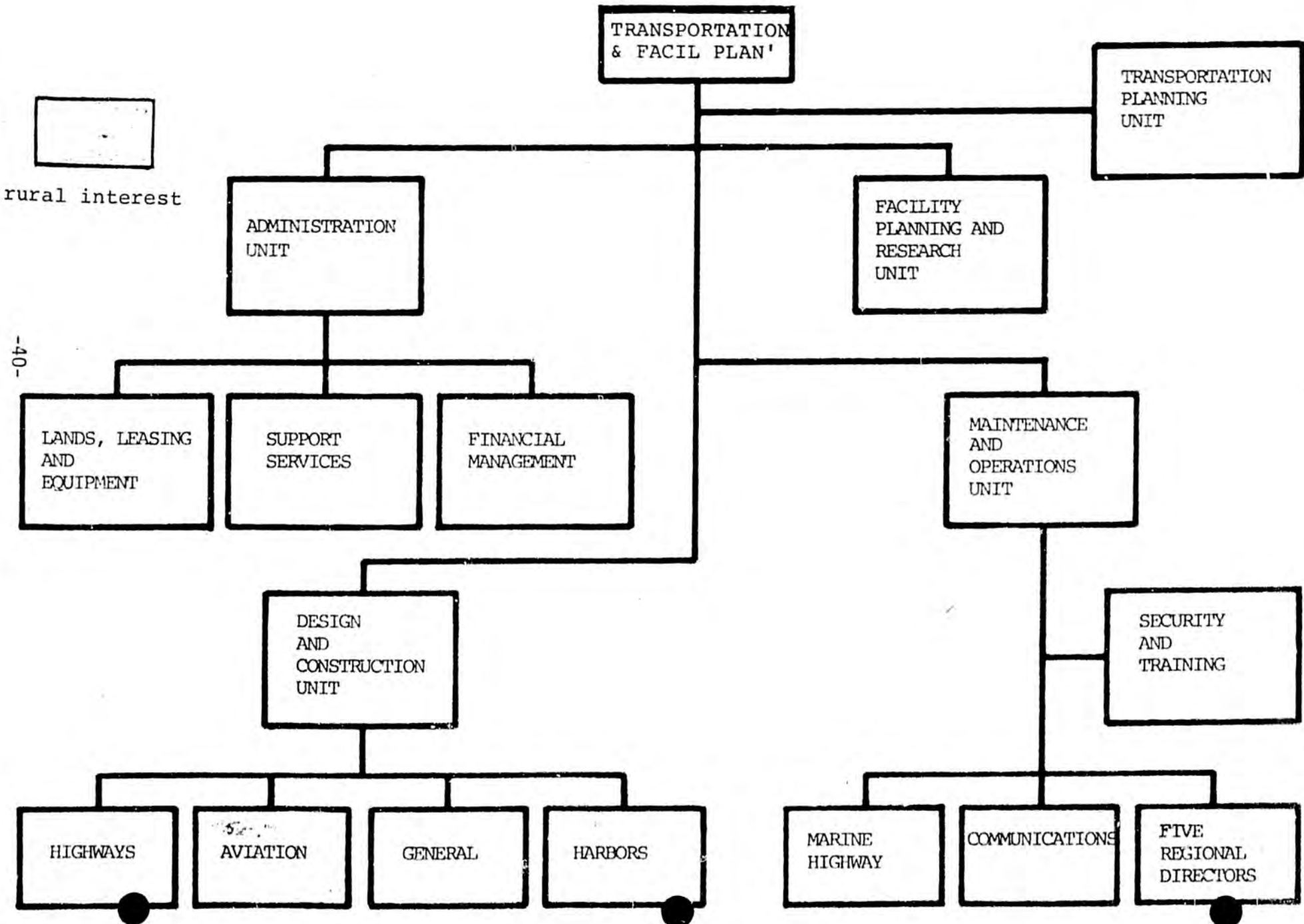
The Department has a wide distribution over the State with regional offices in Fairbanks, Anchorage, and Juneau, and 24 district offices across the State. The Department has six basic divisions, and a number of special offices (aging, alcohol and drug abuse, etc.).

Key divisions and offices from a rural point of view are:

- Division of Public Assistance.
- Division of Public Health.
- Division of Social Services.
- Division of Planning and Research.
- Office of Aging.
- Office of Alcoholism and Drug Abuse.

The Department is unique in that it does not deliver what might be called collective services to the public, like the Department of Transportation provides road services to all Alaskan residents as a group. Rather, the Department of Health and Social Services delivers direct services to individuals in need of some specialized assistance.

DEPARTMENT OF TRANSPORTATION & FACILITIES PLANNING



rural interest

-40-

Department of Transportation & Facilities Planning

The Department plans, constructs, and maintains the State's transportation systems and public facilities (buildings). It is the State's largest department at 3,195 employees, with 1,117 employees outside of Juneau, Fairbanks, and Anchorage.

The Department has a high rural importance. It constructs and maintains airfields, and airfield roads, it operates the marine ferry system in coastal areas, and it plans, and maintains State buildings. Additionally, the agency acts as the primary planning and construction advisory unit for REAA schools.

However, the Department requires a lot of planning time to initiate projects, especially in highways, roads, and harbors, which may require federal participation and approval. Priority lists range between three and five years.

The key divisions of rural interest are the Division of Aviation (Anchorage), the Division of Harbors (Juneau), the five regional highway division Directors, and the Division of Facility Planning and Research (Juneau).

Generally in tackling new projects in the area of Transportation and Facilities, the assistance of area Legislators is likely to be required. However, the Department can also advise on rural building problems and aid in estimating long range costs of facilities.

COURTS

SUPREME COURT



SUPERIOR COURT



DISTRICT COURT



RURAL MAGISTRATES COURTS

over policy, and often interpretations

Courts resolve disputes make 'new-law' by their

GOVERNOR

EXECUTIVE BRANCH

GOVERNOR
Implements Policy

Assistants

DEPARTMENT COMMISSIONER

DIVISION HEAD

REGIONAL OFFICER

FIELD OFFICE

FIELD WORKER

CITIZEN

NEEDS GO UP

PROBLEMS AND

SPECIAL RESPONSES DOWN SERVICES AND

LEGISLATURE

Senate

20-members
(lay persons)

MAKES BROAD POLICY

BUDGET

CAPITAL PROJECTS

Resolves House OMBUDSMAN
Senate Difference

free conference Assistance
with citizen
in executive
request

House

40-members
(lay persons)

Assistance in
obtaining
Tech Assist.

Assist. in
Getting Proj
Planning

Assist. in
State Loans

Assist in
investigating
problems

POLICY AS
LAW

PERSONAL ASSISTANCE OF LEGISLATOR
IN CITIZEN CONTACT AT
ANY POINT

Ideas/Concerns to
individual Senators
& House Members

A GUIDE TO SOURCES OF PRIVATE AND
PUBLIC FUNDS FOR VILLAGE CORPORATION USE

Village Corporation Activity Area No. 4
Village Corporation Finances
Village Management Assistance
Alaska Native Foundation

STATEMENT OF PURPOSE

This publication details sources of funding for village corporations in addition to those received through ANCSA. These range from loans from private banking institutions to Federal grants or technical assistance and enable a village corporation to leverage out its limited ANCSA capital. Analysis includes where the money is, how much of it is available, and how complicated the process is of applying for funds. There is a step-by-step detailing of the procedures and paperwork required to obtain a bank loan.

NOTE:

There is a section, starting on page 124, called MONEY LANGUAGE, which is a glossary of terms used in the text of the handbook.

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INTRODUCTION TO FINANCIAL ASSISTANCE

FIXED CAPITAL

Fixed capital is money which is invested in assets like land, machinery, buildings, and furniture. These assets include any kind of property which a corporation needs to do business, and which it usually keeps. In other words, fixed capital is the money used to buy the kinds of things (equipment, etc.) which the corporation needs for its operation. Such things are called "fixed assets", and should not be confused with what the corporation sells or trades in the normal everyday course of its business.

Reasons for Assistance in Fixed Capital

There are three basic reasons why a corporation may need outside money for fixed capital expenses.

1. First, and probably the most common reason is that the corporation does not have enough cash to buy the things it needs to start the business.
2. The second reason concerns everyday operating expenses, such as salaries or wages, rent, heating bills, etc. Suppose a new corporation has enough money to make the large purchases necessary for beginning its operations. It may still, however,

need to use outside money for such purchases, in order to meet both short term expenses, and those everyday expenses just mentioned.

3. The third reason arises when there is a desire to spread the risk involved in setting up and operating a new business. Consider the investor in a new business. If he puts up all the money to start the business, then he will not only get all the profits (if there is any profit), but he will also take all the risks. However, as is commonly the case, he may decide that the advantages in taking all the profits is out-weighted by the disadvantages involved in his being solely responsible for any losses. In that case, if the business idea is generally attractive, other people or corporations may want to invest in it. If they do, the risks will be spread in proportion to their share in the equity (ownership) in the business. In this way, although the initial investor's profits will be lower (since his equity in the business will be proportionately smaller), his risks will not be so large. He can thus get the money he needs to start the business without taking all of the risk himself.

If, on the basis of these reasons, you decide that you want to seek outside money for your fixed capital expenses, there is one very important point to remember: some people or institutions which make loans are willing to accept more risk on their money than others. But naturally, those who are so willing will want a greater return on their investment.

Banks and similar institutions, for example, will take almost no risk at all. If you go to a bank for financial assistance, the banker will want to make sure you can repay him even if your business fails. He will ask for guarantees from you and your village corporation, and for some kind of security, such as title to property or other things that your corporation owns.

On the other hand, those who buy shares or go into the business with you as partners, or those who will loan you money in exchange for a note promising that the business will pay them back, and others who are willing to accept more risk than banks, will usually demand a higher return on their investment.

To repeat: the greater the risk you ask investors to take, the greater the return they have a right to expect.

WORKING CAPITAL

Working capital is that which keeps the business running. It is both the money used to buy the inventory or materials, as well as the inventory and materials themselves when already bought. It also includes accounts receivable, collections (money actually paid back to the business), and money for wages, rent, insurance, etc. In a sense, fixed capital is like the business' engine, and working capital is like the gasoline or oil.

There are times in the life of most businesses when more working capital is needed than the business has on hand. The reason for this involves the business cycle, also called "the cash generation cycle" -- an important characteristic of almost every business.

The Business Cycle

Basic to an understanding of the business cycle is the fact that a business will not return all the money put into it at one single time. Money is invested (paid out for inventory, equipment, rent, etc.) and returns to the business, as cash, in different amounts and at different times.

Take as an example a village grocery store. Before you open the store you might order as much as \$10,000 worth of groceries to sell. Some suppliers will give you 30 days to pay this bill. But first, suppose the groceries come by barge. You may get them within a month (if you are lucky). Secondly, it will take time to sell the groceries -- maybe two months. The problem is obvious: it will take at least three months to get most of the money back, but you have to pay the supplier within 30 days of the time you ordered the groceries. So immediately you are two months behind, unless you can borrow some money to pay the supplier.

This example is simple -- in real business life there would be complications. You might give many of your customers credit, most of whom will take at least a month to repay you. This makes it at least four months since you ordered from the supplier. If your business is responsive to the seasonal nature of the income of village people, you will probably have to offer some of your customers long-term credit, and they may not be able to pay you back for months. In the meantime, of course, you will have had to order more groceries to keep from running out, for which, again, you will have to pay within 30 days. Even in the smallest village grocery store, you have several of these business

cycles overlapping at any one time. In addition, you will have fixed expenses like rent, utilities, and salaries, which you must continue to pay regularly.

At times in these cycles when your grocery store is short on cash -- when money has gone out but will not be returned for some time -- you will need additional money from outside of the business. You will need it to meet both your fixed expenses, and to pay your suppliers on time so that you can take advantage of the discount (between two and five percent) which most suppliers offer to prompt payment. (A payment is considered prompt if it is made within 10 to 30 days.) Even more important is the fact that your suppliers must know they can count on you for payment. Otherwise, they will not continue to send you groceries without you paying in advance.

MONEY FOR EXPANSION

Another time when a business often needs outside money is when it seems like a good idea to expand the business, or to branch out into some other profit-making areas. For instance, suppose again that you are running a village grocery store and you find out that the State fish and game laws have been changed allowing the sale of whale meat. You might do some

research, and learn that for only, say, \$15,000 you can get the necessary processing equipment, that you have the money to buy the meat from the hunters and that in only one season can pay for all the equipment. All the indications are that this would be a good time to seek money for expansion.

In these introductory pages we have discussed generally, the basic types of money needed in most businesses. Before we go on to consider the special situation of village corporations in the business world, we will look briefly at various sources of money.

LOANS

There are three basic types of loans:

- o commercial loans
- o real estate loans
- o consumer loans

Commercial loans include lines of credit, commercial real estate loans, and development loans. The second and third of these are self-explanatory, and deal with loans for commercial real estate ventures and for development loans. Lines of credit, however, include several different types;

- o flooring lines of credit are used by inventory dealers (businesses which have to keep a certain number of snow machines, autos, or mobile homes, etc., in stock). The dealer goes to his bank, explains his intent, and if the bank approves the dealer's proposal, the bank will deal directly with the manufacturer. Thus: 1) the manufacturer will send the invoices to the bank, 2) the bank will pay the manufacturer, and 3) the dealer will pay the bank when the merchandise has sold. Since this particular type of loan requires that a bank officer check the inventory once a month, it is difficult to get this kind of loan, unless there is a bank branch office in the community, or unless the loan is very heavily secured with real estate. Note that no government agencies give flooring loans.
- o inventory loans are similar to flooring lines in that they are used to buy inventory. However, they are made direct to the dealer, and do not involve the manufacturer. These loans do not require the monthly check required by flooring lines of credit, but the risk involved for the bank is high. Thus they always require equity greater than the value of the inventory itself. Some government agencies give inventory loans.

- o working capital lines of credit are designed to meet a business' need for working capital, obviously, and they are normally secured by equity in real estate or equipment.
- o payroll lines of credit are also obvious -- they are to meet an organization's payroll even if the organization does not have the capital on hand at the moment. These loans are secured by various means and you should check with your banker for the specifics.

Commercial loans can be obtained from commercial (or full-service) banks.

Real estate loans and mortgage loans are secured by the items being purchased, such as land, heavy equipment, fishing boats, etc., and are available from commercial banks, savings and loan associations, mutual savings banks, credit unions, and mortgage institutions. We mentioned commercial real estate loans above. These loans are for commercial properties or residential properties of more than six to ten units. If you are building a new structure, you must get your loan based on your financial statement, a letter giving an explanation of what you intend to build, blueprints, and an appraisal based on the blueprints. If

you are working with a savings and loan association or a mutual savings bank, they will probably arrange interim financing for you too. Other lending institutions, on the other hand, are reluctant to do both. Since, in many cases, the contractor himself can get the necessary interim financing if he has a good working relationship with a bank, this is something to consider when selecting a contractor.

Consumer loans are available from commercial banks, credit unions, and finance companies. This type of loan is secured by the item being purchased. These loans are for such consumer goods as automobiles, televisions, appliances, etc.

SPECIAL SITUATIONS OF VILLAGE CORPORATIONS

While ANCSA village corporations share many of the attributes of other typical American small businesses, they differ in several significant ways, some favorable, some not.

Advantages: the major advantage, and the major difference, is that most village corporations have much greater assets than do other small businesses just starting out. Some of these assets are:

Cash: The Act distributed approximately \$6050 per person to village corporations, about 35% of which is in hand, and the rest is yet to be paid. This money is mostly untouched. (In fact, many village corporations are still keeping it in trust at their regional corporation.) It may be used to invest in a business, or to help secure loans. There is a possibility that money may be borrowed now against the remaining 75% to come. Calista got special permission to borrow against this future income, and regulatory changes have been proposed in Washington for Regional Corporations. However, there has been a request that village corporations be included. This would immediately make more money available to your village corporation.

Surface Estate of Your Land: While little of the land selected under ANCSA has been conveyed to the village corporations by the Government, all village corporations will soon get title to the surface estate of their land. This land may be used (after conveyance) as security for loans, or it may be sold or exchanged to raise money for a corporate enterprise.

Programs: As pointed out throughout this document, there are a number of programs (BIA loans and grants, for example) which are available only to native organizations.

Disadvantages:

Location: Most village corporations are located in rural areas. Either the majority of their investments will have to be in businesses in the village and will have to contend with a limited market, lack of facilities, and expensive and infrequent transportation; or the investments will have to go outside of the village and contend with an investment situation which is difficult to oversee or manage because of the distance involved.

Management Skills: The shortage of experienced managers in village corporations has been identified by many of the financial institutions in Alaska as the single most important problem facing village corporations today.

Business Record: Unfortunately, for many different reasons, the brief history of native corporation businesses in the state has had more than its share of problems and failures. This may tend to make lending institutions extremely wary of loans to native organizations, and will almost certainly result in most lenders requiring more and better security than they otherwise might.

A B S T R A C T

COMMERCIAL BANKS

Commercial banks, often called "service banks," are owned by stockholders to whom the boards of directors of the banks are responsible. They offer a wide variety of banking services to the public. These include: checking and savings accounts; home, automobile, personal, and business loans; safe deposit boxes; foreign currency exchange; trust services; and transfers of money from bank to bank. These banks are chartered by State or Federal regulatory agencies, and must obey a complex set of rules governing operations, interest rates, and security.

MUTUAL SAVINGS BANKS

Mutual savings banks are owned by their depositors. These institutions offer savings accounts and loans only for houses and building.

SAVINGS AND LOAN ASSOCIATIONS

Savings and loan associations take in money from savings depositors and make loans on improved real estate (land on which buildings have been constructed). Federally established regulations allow these institutions to loan up to 20% of their assets for commercial real estate loans. They are owned by stockholders.

CREDIT UNIONS

Credit unions are private financial institutions offering a variety of services to people who pay a small fee to become members. They accept savings deposits, pay a high, competitive rate of interest, and make loans to members for automobiles, land, homes, and personal need. Credit unions are owned by their members.

MORTGAGE INSTITUTIONS

Mortgage institutions are owned by larger corporations, often insurance companies. They offer loans on a variety of things such as heavy equipment, fishing boats, and processing equipment. However, because of their flexibility, willingness to loan on higher risk ventures, and their necessity sometimes to borrow money first from a bank, they usually charge a high rate of interest.

ALASKA DIVISION OF AGRICULTURE

The Division of Agriculture is a part of the Alaska Department of Natural Resources. It offers long-term, low interest loans for the purpose of providing the rapid development of agriculture as an industry in the state. The following types of loans are available: farm development loans; chattel loans; short-term operating capital loans; and irrigation loans. Alaskan corporations and individuals are eligible for these loans, and the application/review process takes from two weeks to six months.

ALASKA DIVISION OF BUSINESS LOANS

The Division of Business Loans is a part of the Alaska Department of Commerce and Economic Development. The Division administers several loan program which offer long terms and low interest rates. Village Corporations are eligible for participation in two of the Division's programs: tourism loans; and small business loans.

Tourism Loans

Any business directly involved in the tourist industry in Alaska is eligible to apply under this program. Loans of up to \$3,000,000 may be made for 20 year terms at 8% interest. The borrower must be able to secure bank participation in at least 20% of the total loan requested.

Small Business Loans

This program was established to aid Alaskans in acquiring, refinancing, or equipping small businesses in the State. Loans of up to \$300,000 are available to individuals, partnerships or corporations, for terms of up to 15 years at 8% interest. A small business is defined by law as a commercial enterprise with no more than 200 employees and not more than \$10,000,000 in annual gross sales.

ALASKA DIVISION OF ECONOMIC ENTERPRISE

The Division of Economic Enterprise is a part of the Alaska Department of Commerce and Economic Development. The Division offers no financial assistance, but does give limited technical and management counseling to any Alaskan business. Only one person is available for such counseling, and he is headquartered in Fairbanks.

BUREAU OF INDIAN AFFAIRS

The Bureau of Indian Affairs is a part of the United States Department of the Interior, and provides a variety of services to Native Americans. The Bureau offers Loan Guarantees, including Interest Subsidies, and Direct Loans to Indians and Alaska Natives who are unable to obtain financing for business enterprises from other sources on reasonable terms. Funds for loans and guarantees are limited, and the application/approval process may take up to one year to complete.

Loan Guarantees and Interest Subsidies

Up to 90% of a loan made to an eligible person or organization by a lender who regularly makes loans will be guaranteed by the BIA. This would render a potential loan more attractive to a lending institution. Interest subsidies may be granted in cases where a loan guaranteed by the BIA requires payment of, say, 8% interest, while the interest rate which the business would have paid for a direct BIA loan is 6½%; here, the BIA will pay

the difference (1½%).

Direct Loans - The BIA Revolving Loan Fund

A loan fund of \$85,000,000 (national total) has been established for direct loans to those eligible borrowers who have exhausted all other possibilities for securing funds for a small business. The maximum term of these loans is 30 years. Interest rates, while very low, vary, and are determined by the secretary of the Treasury. This program was not funded for fiscal year 1978, but should be for fiscal year 1979.

COMMUNITY ENTERPRISE DEVELOPMENT CORPORATION OF ALASKA (CEDC)

CEDC is a private, non-profit corporation funded by the Federal Office of Economic Development, Community Services Administration (CSA), an agency of the President's Office. CEDC offers a variety of loans for long and short term, in the areas of fishing and general small business development/financing. Technical assistance is also offered by the agency, whose personnel frequently visit the rural areas of Alaska to provide these services to clients.

CEDC Loan Program

CEDC offers a single program of rural enterprise development. This includes a large amount of

specialized technical assistance and financing available from a number of different sources within the agency. To participate, a village must present to the agency a Village Board Resolution outlining the assistance requested, and provide a description of the venture, ownership structure, request for funding and other information on the business. Decisions on loan requests are made by CSA in Washington, D.C.

COMPREHENSIVE EMPLOYMENT AND TRAINING ACT (CETA)

This Federally mandated program is administered in Alaska by the Department of Community and Regional Affairs. It offers payment of business' employees while they train on the job, and also provides basic job skill training. CETA will pay for-profit business up to 50% of a CETA employee's salary, excluding fringe benefits, while that employee is on the job. An employer must guarantee the CETA employee a job after the training period is over. CETA also offers classroom training in some job areas outside of the villages, paying expenses, room, board, and a stipend during the course.

ECONOMIC DEVELOPMENT ADMINISTRATION

The Economic Development Administration is a division of the U.S. Department of Commerce. The agency offers business

development assistance through direct loans and loan guarantees. The agency will not consider a loan or guarantee request that is eligible for SBA approval and thus will not consider loan requests for \$500,000 or less.

FARMERS HOME ADMINISTRATION

The Farmers Home Administration is a division of the U.S. Department of Agriculture, established to "provide assistance to rural Americans". The FHA offers a number of direct loan programs, loan guarantees, and grants. Two of these programs should be of interest to Village Corporations.

Rural Rental and Cooperative Housing Loans

This is an extremely limited program which allows for-profit corporations (and other types of businesses) to construct rental housing in rural areas. A recipient of FHA funds under this program is restricted heavily: occupants must be FHA eligible to rent those houses constructed with FHA assistance (low or moderate income, or senior citizens); rent charges must be within limits set by FHA, based on "what occupants are able to pay"; and borrowers are required to deposit rental income in special accounts, so as to establish reserves for long-term capital replacement needs. Under FHA programs, profits are limited, and numerous regulatory requirements must be met both during the application process and after a loan, grant or guarantee has been made.

Business and Industrial Loans

This is a loan guarantee program, where the borrower is required to supply a 10% share of the total amount borrowed as equity. A borrower's application process begins with his bank, and the bank may suggest applying for an FHA guarantee. Guaranteed funds may be used for facility construction or purchase, land, equipment or inventory, pollution control, or working capital. Collateral is required for all guarantees.

NATIONAL MARINE FISHERIES SERVICES (NMFS)

NMFS is a division of the National Oceanographic and Atmospheric Administration, U.S. Department of Commerce. This agency offers guarantees for major capital investments in fishing boats or fishing facilities, and administers a tax credit program under which certain fishing costs may be written off tax bills.

Obligation Guarantees

NMFS will guarantee up to 75% of the cost of building, re-building, or re-conditioning U.S. commercial fishing boats of at least five tons. Under this program it is possible to re-finance a used vessel and use the guaranteed money to buy facilities or equipment for commercial fishing. NMFS will assist a borrower in preparing feasibility studies, closing documents, and collateral arrangements, and will help in closing the loan from the lending institution.

Capital Construction Tax Credit

This program allows owners of fishing boats over two tons to keep some or all of the money which would have been paid for federal income tax, and use that money to construct, reconstruct, or (under limited circumstances) acquire a new fishing boat. This program is entered into by agreement between the fisherman and the government, and application should be made to the regional NMFS officer, or to the Alaska representative, Merrill, Lynch, et al, in Anchorage.

SMALL BUSINESS ADMINISTRATION (SBA)

The SBA is an independent Federal agency created by Congress in 1953 to give assistance and advice to American small businesses. The SBA administers 19 different types of financial assistance programs (most of which are inactive at any given time), as well as technical assistance, training, and counseling. Most small businesses, except speculative firms, newspapers, radio and television stations, other forms of the media, and gambling enterprises, are eligible for SBA assistance.

Loan Guarantees

The SBA will guarantee both long term loans and lines of credit (up to 18 months). These guarantees are available for up to 90% of the total amount

needed by a small business, but are limited to \$500,000. The application process for an SBA guarantee begins at the bank where a borrower files the normal bank loan applications and business package information. Frequently, the bank will then refer the borrower to the SBA for a guarantee as a condition for granting the loan requested.

Direct Loans

The SBA will make direct business loans of up to \$150,000. The proposed business must be legal, and cannot be an investment company which depends for its profit upon real estate, buildings, rental property, etc. Fixed capital and working capital loans are available for up to 20 years and 6 years, respectively, at interest rates of 6% - 7%.

Technical Assistance

The SBA's Management and Technical Assistance programs give free individual counseling through retired and active business executives, university students, and other professionals. The agency also provides business courses, workshops, problem clinics, and a wide range of publications.

WHAT IS A BANK?

Even to people and businesses who deal with them every day, banks sometimes seem very complicated. Yet, on the most basic level, a bank is nothing more than a department store for money:

- o it buys money from its depositors -- we put money into a savings account, for instance, and the bank pays us rent on this money in the form of interest, so that it can use our money to make loans;
- o it sells this money to borrowers -- it loans the money out and charges the borrower interest on the money.

Another way to take the mystery out of banks in this latter role of lending is to compare them with car rental agencies. In both cases the customer comes in and asks to borrow something valuable. He has to show that he knows how to use it, that he is not reckless or risky. The customer then pays rent or interest for the right to use the car or the money. In addition, since it is possible that the customer might not bring the car or the money back, the customer has to do something to assure the lender that he or she (the lender) will get paid back: this is usually insurance in the case of a car, or security for a loan.

Most village corporations already have accounts of one kind or another at a commercial bank. Since these banks can make almost any kind of loan a business might need, and since your village corporation's own bank knows you, this is the best place to start your search for money. If the corporation plans to invest in properties like buildings or homes, you might also talk to a Mutual Savings Bank or a Savings and Loan Association, especially if the property you are considering is in an area served by one of these institutions.

TYPES OF DEPOSITS

There are a number of different kinds of money put into a bank, not all of which can be used for loans. Because the money that you put into your checking account must be available at any time, banks pay no interest on checking accounts. Savings accounts, on the other hand, are rarely drawn out all at once, or upon frequently. Since banks can put out some or all of this money for loans, they pay between 5 - 7½% interest, depending on how much they have to keep on hand for customers to withdraw. Certificates of Deposit (CDs) or other term deposit agreements represent money that people have put into the bank and which they have agreed not to take out for a set period. The bank can then loan out all of this money, and they pay the highest interest (for example, 7½% for over \$1,000.00 for six years) on such deposits.

What this means to you, when you go into your bank looking for a loan, is that the amount of money that your bank has available to borrowers is limited by the amount and kinds of deposits it has. If the bank doesn't have any money to loan, you obviously won't be able to get the money you need. Be prepared for the fact that, if the banks don't have much money to lend, they are less likely to lend it to small new businesses which have not already proven successful.

There has traditionally been a shortage of loan money in Alaska. Bankers have had many more applications for loans than they could grant, and they have been very particular as to who got the loans. This is still largely the situation today, and perhaps explains why new small businesses sometimes have trouble getting bank loans.

WORKING WITH BANKS

The following suggestions will help in developing good business and personal relationships with banks:

1. Most loans are made to people and companies which have done business with the bank in the past. Accordingly, a potential borrower should also be a depositor in the bank. Some banks insist on this as a condition for making a loan to a new borrower and, moreover, will want the borrower to agree to deposit money in the bank after receiving a loan.

2. It is important to take the time to learn about a bank and its officers. If you have more than one bank to choose from, or even if you have only one, it is a good idea to ask a lot of questions about the bank, its history, and its goals in the community. A bank becomes your financial partner when you deposit or borrow money, and both you and the bank should learn as much as possible about each other before making agreements.

3. Consider your banker as a prospective partner. As soon as you receive borrowed money, your concerns become his, and the bank is genuinely interested in doing whatever it can to insure your success. If your business fails, the bank will sometimes lose its money. If your banker offers you advice, you should consider it carefully (though you are in no way obligated to follow it).

4. Banks are very interested in the communities in which they operate. This is simply good business: if its community grows and prospers, so will the bank. Therefore, a bank in the community where your business will be located is more likely to loan money for that business than is a bank in a distant community.

5. Extend to bankers the same courtesies you would to any business associate. Make appointments, so you will be sure to have enough time to complete your business. Be totally honest with your banker; let him know both the good and bad, and don't make promises that you cannot keep. Make sure your banker is aware of progress or changes in your business situation.

WHAT BANKS DO WITH A LOAN APPLICATION

After a borrower submits an application, a bank loan officer will review it to be sure that all the information the bank needs is included. If the application is incomplete, your banker will suggest things a borrower can do to complete the application. Loan officers usually cannot make the decision to give or deny a large business loan. A loan officer has a limit on the amount of money he can personally approve for lending. If the amount is higher than that limit, the application must be reviewed and approved by either a bank officer with a higher approval limit or a loan committee. Some very large loans must be considered by the senior officers and loan committee of the entire bank, so your application will leave the branch and go to the main office for approval. Depending upon the amount of the loan and the lending limits of the officers and branches, it takes from

an hour to four weeks for a bank to approve or deny a loan.

(Most bank loan committees meet at least once a week.)

After reviewing a loan application, a bank may choose either to: 1) lend the full amount requested by the borrower; 2) deny the loan and refuse to participate in the financing of the business; or 3) agree to finance a portion of the business and suggest that the borrower apply for direct loans from government agencies, seek government or co-signer guarantees, or apply for a government grant. A bank may also solicit the participation of other banks or other lending institutions for money to finance portions of a large project.

COMMERCIAL BANKS

Commercial banks are similar to many other business corporations in the fact that they are owned by stockholders. Directors are appointed to Boards in the usual way (by vote), and are responsible to stockholders for the general management of the business.

Such banks deal in many commercial money transactions, and, because of the wide variety of services they offer, are often referred to as "full-service banks."

Both checking and savings accounts are available. Although there is, of course, no interest on the former, rates can go as high as 7½% on savings accounts, depending on the terms of deposit agreed upon. Other services include safe deposit boxes, foreign currency exchange, trust services, and transfers of money from bank to bank. Loans are available for many different projects, both personal and business related, such as the purchase of a home or automobile, or the expansion of a company's operations.

Although commercial banks must obey a complex set of State and Federal rules governing operations, security, and interest rates, they can be flexible in their loan arrangements. It is worth checking exactly what services they do offer. Several of them have had dealings in rural areas, for instance. However, flexibility does not mean casualness or informality: in all loan application cases, officers of these banks stress the

importance of a neat, full, and thorough business package.

MUTUAL SAVINGS BANKS

A mutual savings bank differs substantially from commercial banks, both in their ownership and the services they offer.

First, these banks are owned by those people who deposit money in them. Therefore, there is no stock. Instead, depositors elect a group of up to 100 "corporators," who are, in turn, responsible for electing an eighteen person Board of Trustees. The Board then elects the officers of the bank, who are appointed for a one year term.

The second difference concerns the kind of deposits and loans available. Mutual savings banks only take in savings deposits. This means that all the money which these banks get from depositors can be loaned, since such money does not have to be available at any and all times for withdrawal (as is the case with checking accounts.) It also means that, in some cases, these banks will offer a higher interest rate than commercial banks on savings accounts. As for loans, these are strictly limited to first mortgages on houses and buildings. Because of this, and the consequent necessity for appraisals, the application/review process may be somewhat slower than it is with other types of banks

SAVINGS AND LOAN ASSOCIATIONS

Savings and Loan Associations are financial institutions which take in money in the form of savings deposits, and make loans only on improved real estate (mostly homes).

Village corporations will find these institutions to be possible sources of financial assistance in limited situations. To get financing from a savings and loan:

- o It must be for improved real estate: houses, multi-family dwellings or commercial buildings; and
- o The real estate should be within the area served by the Savings and Loan. This limits the location, in most cases, to the community where the Savings and Loan office is located.

Savings and Loan regulations demand that the borrower put up 10% of the equity, and the Associations are limited to 20% of their assets in commercial real estate loans.

There are four chartered Savings and Loan Associations in Alaska.

MORTGAGE INSTITUTIONS

There are a number of mortgage institutions in Alaska. These are, in some ways, similar to private financing in that these institutions are owned by larger corporations, such as insurance companies.

A mortgage institution can be fairly flexible in its loaning. Generally, in Alaska, they will loan money on such things as heavy equipment, fishing boats, processing equipment and the like.

Mortgage institutions usually charge a higher interest rate than do banks. This is because they are more flexible, are willing to loan on higher risk ventures, and because they sometimes must first borrow their money from a bank.

Mortgage institutions can be approached directly by the borrower, or, more usually, through the dealer who is selling the equipment, etc. As in private financing, you must shop around to find a mortgage institution who will finance your project.

CREDIT UNIONS

Credit unions are private financial firms which provide a wide range of financial services to their members. They take in money in savings, on which they pay 7% passbook interest, and make many different kinds of loans, primarily consumer and real estate loans.

The primary restriction is that a borrower must be a member of the credit union. In the case of corporations, all stockholders must be eligible for membership in the credit union in order for the corporation to borrow money.

There are three credit unions in the state which may be useful to village corporations. Both Tlingit-Haida and Bering Straits have their own credit unions, and village corporations should check with them directly.

THE SALE OF STOCK

When a company borrows from banks or agencies to raise money for a business venture, it goes into debt -- the company promises to repay the money, with interest, and backs up this promise with collateral and a sound plan to make a profit. As long as payments are made on time, the lender has nothing to say about the management of the company.

A different way to raise money is to sell portions of the ownership of the company -- shares of the corporation's stock. This is one of the most common means by which large corporations raise money for long-term use.

Under the terms of ANCSA, the stock in both village and regional corporations may not be sold until 1981. However, a distinction must be made between the stock of your ANCSA corporation and that of a subsidiary corporation. An ANCSA corporation has the legal right to start other corporations, called "subsidiaries", in which the village or regional corporation holds all or part of the stock. Since these new corporations are not bound by the no-sale provision of the Settlement Act, stock in them may be sold to raise capital.

Here is how it would work. Suppose your village corporation decides that it would be a good business opportunity to buy a riverboat and a barge, and to provide fuel and supplies from a larger town some way up river. After careful study, it appears that the venture needs \$250,000 to buy the equipment needed, build an addition to the town dock (after signing an agreement with the city government), and pay all of the expenses and costs until the business was able to pay its own way.

However, the board of directors of your corporation decides that it only wants to invest \$150,000, while at the same time neither losing control of the business, nor taking in a partner.

You now have the option of going to banks and agencies to look for a loan. It will probably be possible to raise the money this way, but, like all loans, it is going to have to be repaid with interest.

The alternative in this example is to incorporate the business and divide the new corporation into 2000 shares of common stock. Common stock has these characteristics:

1. Stockholders share dividends, on a per share basis, each share yielding equal dividends.

2. Stockholders have the right to vote on certain company management matters, including membership on the Board of Directors (as set out in the company by-laws).
3. Stockholders share, on a per share basis, in assets of the company if it fails and is liquidated, when all other creditors have been paid.
4. Stockholders have no liability for any debts of the corporation beyond the price which they paid for the stock.

Your village corporation may now invest the \$150,000 in 1200 shares of stock in the new subsidiary corporation. With a majority of the stock it will have effective control over who is on the board of directors. Because of this, it will also have effective control over who the officers of the new corporation are, and hence, in what manner the business is to be run.

The other 800 shares of the new corporation, at a starting price of \$125 per share, may now be offered for sale. If the venture appears generally attractive and profitable, the shares will be sold. But remember that the stock must be sold in order for outside money to come into the corporation.

Yet another thing that the corporation can do is not to offer the stock for sale until the business is established

and has demonstrated that the purchase of its stock will be a good investment. In a situation like this, the value of the stock may rise above its issue price, and even more money may be available. For example, suppose that there is a company which has a contract to bring all the oil up the river from large ocean-going tankers. After a successful summer of operation, it decides that it is no longer economical to keep its own riverboat in the river if the barge can be towed by your subsidiary's new riverboat at lower cost. The company gives your corporation a long-term contract, and the value of your business' stock rises.

The sale of additional stock is one way that a business which has been operating for a while may raise extra money without going into debt. Most corporations are legally organized so that they can issue additional shares of stock (but not your village corporation under ANCSA). So if there are 5000 shares of a subsidiary corporation which run a general store, and the village corporation owns all the stock, the corporation may issue, say, 2500 additional new shares. If someone can be found who wants to buy part of the ownership interest in the business, additional capital can be raised without the corporation going into debt. The cost of this additional money is a reduction in the ownership interest of the original stockholders, and a consequent reduction in the share of profits

Corporation law is complicated, and the tax consequences of issuing stock are even more complicated. If you consider raising money by this method, it should always be done with the help of experienced corporate lawyers and accountants.

PARTNERSHIPS & JOINT VENTURES

Many village corporations do not have the resources to finance a large project by themselves.

In order to raise enough money to start and run a major project it is frequently advantageous to join with other businesses. Not only does this union make more money available, but there are more people, with different experiences, to share the management work. Also, while the joined businesses share in any profits, they also spread the risk, and losses, if the business fails.

There are two common ways to join businesses: partnerships, and joint ventures.

Partners are usually individual businessmen who join together to make a profit. When corporations want to become partners things become a little more complicated: stock has to be exchanged and management coordinated. If two corporations want to start a business as partners they might establish a third corporation, and each own half of the stock.

A joint venture is different, in that it is a joining for the purpose of doing a single project, or business venture. The corporations do not merge, but by an agreement arrange a temporary partnership whereas technically, a partnership implies a more long-term union.

Joining with other businesses to finance and own a project is a common, and successful means of raising enough money to start a venture.

There are a number of complications, both legal and financial, so your lawyer and accountant should be consulted, if such a course is considered.

PRIVATE INVESTORS

There is nothing that says that all money for your business must come from either a bank or an agency. There are many private people, and other businesses, which have money that they want to invest.

They are looking for exactly what you would want if the situation were reversed: a place to invest their money, with a minimum of risk, and the best possible rate of return.

Because of the nature of private investing, it may be difficult to find out who has money that they want to invest. There are a number of companies, listed in the yellow pages in Anchorage, as "Financing Consultants." These people specialize in taking your venture, helping you prepare a complete business package, and then finding an investor for you. Since much of the information on where money is available travels by word-of-mouth within the investment community, you may encounter problems in locating someone suitable through a consultant. If you do choose to deal with a financing consultant, choose him as carefully as you would select a lawyer or accountant. Talk to him, find out what he has done in your field, and talk to your banker and others about his reputation. Financial consultants who want to be paid for their services before they start are to be avoided.

There are other ways to find private financiers. Talk to your banker, lawyer, and accountant. They can probably refer you

either directly to possible investors or to someone else who will know where private money is available.

There are a large number of possibilities for funding from private sources. To repeat, this money is found by hunting around, talking to everyone you know who is connected with the financial community, and spending what may be a lot of time taking your business proposal around to potential investors. However, there are not the kinds of controls and regulations in this area as there are for banks and agencies, so caution is advised. Get good counsel from your lawyer and your accountant, and find out, as far as possible, who you are dealing with.

REGIONAL CORPORATIONS

Regional corporations are among the first places where village corporation business persons might look for assistance with new ventures. Although they are much larger, regional corporations have faced most of the same problems, but, because of their size, often have excellent business advisers on their staff. They can offer advice on how to look for financing, and can suggest sources based on their own experience. Your regional corporation is also a good place to get advice on banks and bankers, and you might consider the advantages of dealing with the same bank as your regional corporation.

The help offered by the regional corporations to their villages varies widely. Here are comments from the officers of each region:

ALEUT CORPORATION: Offers the services of its professional staff to every village. However, the region does not back any village projects, nor does it make loans to village corporations, preferring them to be independent.

ARCTIC SLOPE REGIONAL CORPORATION: Has loaned money to village corporations in the past. They will assist and advise the villages as much as possible, but at present has no specific plans to offer further loans to village corporations.

AHTNA CORPORATION: Has entered joint ventures with some village corporations. It will give technical assistance if requested. It has not yet made loans to village corporations, but will consider requests.

BERING STRAITS NATIVE CORPORATION: Is not offering any assistance to its village corporations. It says that because of their own current problems it probably will not be offering any help in the near future.

BRISTOL BAY NATIVE CORPORATION: Gives help to village corporation businesses high priority, spending between \$150,000 and \$200,000 a year on assistance. It has aided villages in joint ventures, is managing a village corporation subsidiary, and also provide legal and accounting services. It gives training in technical skills such as accounting. The corporation offers no direct loans, preferring to channel these requests through United Bank of Alaska, of which BBNC owns 24%.

CHUGACH NATIVES: Offers neither loans or technical help to village corporations. It has been offering contract accounting services, but these ended on April 15, 1978.

CALISTA CORPORATION: Has made some loans to villages in the past, but due to its current situation cannot consider any loans now. It offered contract accounting services, but most client villages have pulled out of this program. Through Esca-tech, a subsidiary, it offers land services, and will

CALISTA (continued) be offering training in some business skills.

COOK INLET REGION Offers no financial assistance to its villages. It does not have a business development fund. The region will informally discuss and advise on possible ventures, but it does not want the village businesses to rely on their advice, preferring them to retain their own advisors.

DOYON Some of Doyon's villages are still under the five-year regional supervision of the Settlement Act, so all of those ventures are reviewed by the Doyon Board. The Interior Village Association works with village corporations on lands and some legal issues. The region has not made loans to any village corporations.

KONIAG REGIONAL NATIVE CORPORATION Has in the past made one loan and guaranteed another to village corporations. It now feels that it does not want to continue this practice, preferring to help village corporations work through a bank. It will informally discuss and counsel villages on potential ventures.

NANA REGIONAL CORPORATION Since the merger of the village corporations with the region, there is only one village corporation left. Kotzebue Village Corporation, says the region, is large enough not to need any help.

SEALASKA CORPORATION Shares accounting and auditing services with villages, making no profit on these services.

SEALASKA (continued)

It does not offer counseling, saying that it expects each village to discharge its own obligations and responsibilities.

THIRTEENTH REGIONAL CORPORATION

Has no village corporations to assist, but has a comprehensive loan program for its stockholders. These loans range from \$300, 90-day signature loans to \$50,000 business loans. It gets 12% interest on these loans. The non-profit arm, AL-IND-ESKA, provides other counseling services to shareholders.

FINANCIAL ASSISTANCE FROM SUPPLIERS & CUSTOMERS

Suppliers of goods are the largest source of short-term credit to purchasers, because almost every supplier gives its customers a period of time to pay for the goods after they arrive.

Thirty days is the usual length of time for credit, which, while given freely, is not free. Suppliers usually offer some kind of discount to the customer who pays his bill at once, and the difference between the discount and the full price is the true cost of this short-term loan.

For example, a common discount is 2%, if the bill is paid within ten days and the whole bill being due in thirty days. This is usually written (often at the bottom of the invoice) as "2/10, net/30."

To figure out what this loan costs take the discount percent (2% here) against the total bill. For instance, if you order \$60,000 worth of merchandise with terms of 2/10, net 30, you may take a \$1,200 discount if you pay the bill within ten days. Or, to look at it from the other direction, if you wait the full thirty days, you are paying \$1,200 for the use of the supplier's money.

In many cases it saves costs to go to your bank, or use company reserves to pay bills when they come due. In our example, if you assume a bank loan of \$58,800 (the total price less the discount) at a very inexpensive 6% interest for twenty days,

it would cost you \$196. That is a lot less than the \$1200 cost of the same credit from the supplier.

Customers are also a potential source of credit. Perhaps the most common example in Alaska is the practice of the canneries giving fishermen credit. This can range from short-term credit for fuel and gear expenses to loans for long periods to purchase new fishing boats.

Customers may extend credit to businesses so that they can expand to supply them with a service that they need. For example, fish-egg buyers have supplied credit to village businesses to set up small egg processing facilities.

An additional benefit in dealing with both suppliers and customers is that they can help your business make important contacts, both for financial help and for technical assistance. The success of your business is important to both your suppliers and your customers, who can be of great help to you.

TRADE ASSOCIATIONS

Trade associations are groups of businesses which do the same kind of things. Examples are: shoe manufacturers, small grocery stores, gun dealers, engine rebuilders, etc.

Trade associations can be very useful to new businesses. You can get technical advice, find out about possible customers and suppliers, buy used equipment, and hear how your ideas have worked in other areas.

Many business areas have specific sources of financing that are unique to those businesses. The fishing business in Alaska is a good example, as we saw in the previous section, with money available from customers (canneries) and for the development of new fisheries (the foreign offer to develop the bottom-fish industry).

It is not possible to list all the possibilities for assistance in each industry, but a trade association will have this information available to its members.

To find out what trade associations are active in your business area see the book National Trade and Professional Associations of the United States. It can be requested from the library or ordered for \$15 from Columbia Books, Inc., Suite 300, 917 15th Street, Washington, DC.

INTRODUCTION TO GOVERNMENT AGENCIES

Government agencies offer four types of services which may help village corporation businesses: loans, loan guarantees, grants, and technical and management assistance.

LOANS

Agency loan programs differ from bank loans in two major ways. The interest which is charged on agency loans is, in some circumstances, significantly lower than the market or bank rate. The reason for this is that the state legislature (or Congress, if it is a federal agency) has decided that the goal of the loan program is important enough that the government should pay for part of the loan. This subsidy (as it is called) means that some loans (BIA Direct Loans, for example) are given at 6% interest -- a full 5% below the usual interest rate.

The other main difference is that agency loans are distributed according to the program goal, and the statute and regulations which control the program. Therefore, in order to get loan money, your venture must fit exactly into a category set up by the program rules.

However, in many respects, agency loans are similar to bank loans. Both agencies and banks insist on being paid back. Loan applications are carefully screened by the agency: it

must be convinced that the venture has a good chance of success. Also, many agency loans must be secured by collateral, and, if the borrower cannot repay the loan, agencies can frequently be as aggressive as banks in collecting on the collateral and any guarantees which were signed.

LOAN GUARANTEES

Loan guarantees are a means by which the government can make a small amount of money go a long way. Often, an agency will not have enough money to make a large number of direct loans. But since the credit of the government is very good, what the agency does is to tell the borrower that it (the government agency) will promise to pay all or most of the loan amount back to the lender if the borrower cannot pay.

From the bank's point of view this loan will have almost no risk attached to it, and that is the kind of loan banks prefer to make. With a government guarantee, your business has a great advantage in getting the loan from the bank.

An agency guarantee does not remove the risk from the business, however. Agencies will frequently try to collect against the failed business' security, just as a bank would.

GRANTS

A grant is a direct gift of money, with no obligation for repayment. In the area of small businesses, its major purpose is to enable groups without enough equity (start-up money) to go into business. Some grant programs insist that these funds be matched by borrowed money before they will be released. All of the banks in Alaska will allow the use of government grants as equity investment.

Grant program funds are in heavy demand, and their availability is usually limited.

TECHNICAL AND MANAGEMENT ASSISTANCE

Most agencies offer technical and management help to businesses. The main reason for this is that they want to do everything possible to insure the success of these new ventures.

This help can be very valuable for your business. First, it is free, and the agencies frequently have funds available to send experts out to your place of business. Secondly, many of the agency people have been involved with new small businesses for years, and their advice can be excellent.

Some of the services available are: accounting help, and training of your accounting people; management training and counseling; technical help, like scientific studies for fisheries or mineral development; and help in developing contacts with suppliers and customers.

STATUTES AND REGULATIONS

Agencies differ from banks primarily in that every agency is limited and controlled in what it can and cannot do by two levels of written instructions. First, there are the statutes which are passed by either Congress or the state legislature. These set up the program, give the agency the power to perform its function, and appropriate money, both for its operating expenses and for the loans, grants, or matching funds. Secondly, the agency must draft and have approved a set of internal regulations which describe in detail how they will do their job.

Banks are private businesses and, although they are regulated by dozens of federal and state laws, are much more flexible than any agency. The rules that control them have developed over the years with the goal of allowing the banks to make a fair profit, while protecting depositors and borrowers from bank actions that could risk their money or harm them. These rules leave much room for legal creativity, and if there is a legal way for a bank to use its money to make a fair profit, the rules will probably allow it.

Agencies, as parts of the government, are not allowed this kind of flexibility. After a program goal is defined and the ways that the goal is to be achieved are stated, the regulations of the program usually set a very narrow path which the agency personnel must follow.

For these reasons it is often useful to study the regulations and the statutes of a program you are interested in, especially if the agency seems reluctant to help you. You can usually get this information by writing to the agency and requesting it.

By reading the statutes and regulations you can find out exactly what the program is supposed to do, and how. Perhaps you will find that the help you are seeking is not available under that program, or, for some technical reason, your business is not eligible for the program. In that case you at least know why your request will not be granted. On the other hand, you may find that the program was supposed to do just what you requested, and then, if you have not gotten satisfaction, the regulations will frequently tell you about your rights to appeal the agency decision. It's a lot like playing basketball. If you have studied the rule book, you know when a foul was called correctly, or incorrectly, and, if you know that it wasn't, your argument with the referee can be firmly based on the rules.

ELIGIBILITY

The subject of eligibility, or who can be served by a program, is frequently the most important factor in dealing with a government agency. There are sometimes complicated rules about eligibility which can arise because the people who designed a program wanted it to affect only a specific group of people. For example, much of the government money available now is designed to create or save more jobs everywhere. The eligibility here is wide, and almost anyone who has a plan to produce more jobs may be eligible for help.

On the other hand, there are some programs which are much more narrow. There is money for example, from the Farmers Home Administration, available only to native villages which have been organized under the Indian Reorganization Act. Therefore, this program can serve only a handful of places in Alaska.

Moreover, village corporations may have trouble getting assistance because many loan programs are only for individual businessmen, as opposed to corporations. If you are turned down for this reason, it may help to check the regulations. You may also want to talk to your corporation's lawyer about the possibilities of setting up your new business in a way which will satisfy the regulations of a possible agency money source.

Another way to deal with eligibility problems is to work with either your village government (it usually will have to be a second-class city), or your corporation's or region's non-profit arm. For example, money is available from some federal agencies for communities to use in planning economic development. It may be possible for the community government to do the planning, and the village corporation to do the business venture which results from that planning. Another example is that the FHA offers money to communities to acquire and construct business sites (places for businesses to go). Should your corporation be planning a business that needs, within your village, a location and a building, it is possible that your village may get financial help from the government to buy the land and put up the building. It can then rent it to the village corporation. Again, these restrictions are found in the agency statute and regulations, and that is the place to look when you need to know why an agency is doing things in a certain way.

PRESENTING YOUR PROPOSAL

Both agencies and banks need considerable information about your business before they can make a loan to you. Agencies are in a much more difficult position here, because they have to start from scratch. In the case of a bank, you would usually be taking your loan application to the place where you have done business in the past, and it is likely

that someone in your corporation has a personal relationship with that bank. Your banker knows what your corporation has been doing, and how. He knows the people you have working in the business, and he probably has a pretty fair sense about the economic conditions in your area.

An agency, on the other hand has none of this information. This makes it even more important to get your business loan package together in the best possible form before you ask an agency for assistance. In fact, if you are going to go to an agency for financial assistance, the parts of the business package which describe you as a corporation should be much more detailed than if you were going to your own banker.

The biggest problem that most agencies have in considering loans is a lack of information. Frequently an agency will not be able to consider an application until all of the necessary information has been gathered. Several agency employees said that getting information about businesses by "tooth pulling" was the hardest part of their jobs, and that having all of the necessary information together from the start is the single best thing that an applicant can do to insure that their request is handled quickly and favorably.

Some agencies have specific technical requirements which must be met in the application process (for example, certifying

that you have workman's compensation insurance, or that you are complying with some particular law). If you find out about these requirements early, you can make sure that they are included in your business package.

ADVANTAGES OF AGENCIES OVER BANKS

There are some things that agencies can do which banks cannot. Most importantly, agencies can make loans at interest rates far below the market rate, and to people or businesses who could not normally get a loan from a bank. Banks, for example, are reluctant to make loans for small fishing boats, and when they do, they charge the normal 11% interest. The state loan program for fishing boats is very good about providing money for small fishermen, and the interest charged is a very low 7½%. But, there is an eligibility problem here: only individuals are eligible for state fishing loans, so if your village corporation wants to get into the fishing business, it will have to go either to a bank or to the National Marine Fisheries Service, and in both cases will pay market-rate interest of around 11%.

DISADVANTAGES OF DEALING WITH AGENCIES

There are three disadvantages of dealing with agencies: costs, time, and inflexibility.

Agency interest rates are never higher than commercial rates, so the costs that we are discussing are not strictly financial. Some programs require frequent reports, or ask for figures which will take extra trouble to collect. The process of applying for an agency loan may be more complicated than the process a bank requires, and studies or special information may have to be developed. Another potential cost is that you may have to structure your business in a particular way to meet eligibility or program requirements.

While many of these possibilities only occur rarely, it is important that a businessman know what, if any, special restrictions or costs are attached to a particular program, and then decide whether the benefits are still worthwhile.

Time is perhaps the biggest problem in dealing with agencies. Because of the regulatory requirements of most programs there are many levels of approval required for major loan decisions. Many bank loan officers have the personal authority to approve on the spot most of the loan requests which come before them, without having to get additional approval. All agencies, on the other hand, have at least one extra level of approval and some have more. CEDC for example, has up to four levels of review (ending up in Washington, D.C.) for major loan investments.

Another factor slowing agencies is the lack of people to process applications. Agencies are concerned with having loans repaid, so most will spend the necessary time on an application even if they do not have enough help. The State Loan Program, for example, is now backed up three or four months, but says that it is not cutting corners on application processing.

The last disadvantage is the relative lack of flexibility of government agencies. Having to comply with strict statutes and regulations, and not being able to make exceptions to these standards, agencies are forced into a position where they cannot deal with applicants whose proposals are unique, or do not fit exactly into the concept of their program. In some cases it will be possible to re-structure your proposal to fit within an agency's framework, and in rare cases it might be possible to get an agency director or legislative body to approve an exception. Generally, however, if your venture is substantially different from those that the program was designed to serve, you will have to go to a bank or other private source for financial assistance.

ALASKA DIVISION OF AGRICULTURE

IS A division of the Alaska Department of Natural Resources. By statute its goal is "to promote the more rapid development of agriculture as an industry throughout the State by means of long-term, low interest loans."

OFFERS

- o Farm development loans
- o Chattel loans
- o Short-term loans
- o Irrigation loans

TO Alaska residents, including corporations or partnerships. The chief consideration is that the operation is feasible and that the operators are capable of successful farming under all circumstances.

PROGRAM The Agricultural Revolving Loan Fund has a fixed maximum capitalization of \$5,000,000. An effort is being made to increase this capitalization. Unlike other state programs, which sell their loans to the State Department of Revenue with no guarantee, the agricultural loans are guaranteed by the agency. Thus any default must be paid for

out of the agency budget. Interest paid into the loan fund is kept by the agency as a method of increasing the capital available. However, the four employees who administer the loan program must be paid for out of interest income, There are four types of loans granted:

1. Farm Development Loan: money for the purchase of land, buildings and plants. \$200,000 maximum for thirty year term.
2. Chattel Loans: purchase of equipment and livestock, \$100,000 maximum for seven year (or useful life of chattel) term.
3. Short-term Loans: up to \$25,000 at 6% interest for one year to pay for seed, fertilizer, feed, harvesting, or other operational expenses.
4. Irrigation Loans: for irrigation equipment, at 6% interest for ten years, or longer if secured by real estate.

The division will recommend alternatives and advise an applicant as much as possible, but program personnel lack the funds to travel to meet with applicants. Much technical assistance in the area of agriculture is supplied without charge by the University of Alaska Extension Service.

There are no limitations on applicants. Residency is encouraged for familiarity with special situations in Alaska, but the overriding consideration is the viability of the proposal. This agency is charged with promoting agriculture. Allan Linn, the director, says he is optimistic about the chances for successful agricultural ventures in many of the native community areas, and is extremely willing to discuss agricultural possibilities with village corporation managers.

Applications take from two weeks to, more typically, three to six months to process to completion. No special reports or costs, beside the nominal interest, are required.

ALASKA DIVISION OF BUSINESS LOANS

IS A Division of the Alaska Department of Commerce and Economic Development. The goal of the Division is to provide Alaskans with the goods and services necessary to maintain a reasonable standard of living through long-term, low interest loans. Loans granted total about \$80 million per year.

OFFERS o Tourism Loans
 o Small business Loans

NOTE: The Division administers five other loan funds, but those loans are granted only to individuals and, therefore, are not available to village corporations.

TO Any Alaskan resident. Tourism loans may be made to non-residents establishing a business in Alaska. All loans must be collateralized.

There is no application fee for participation in this program. Any direct costs such as credit reports incurred by the Division in processing the loan are charged back to the loan proceeds, if the loan is granted. If the loan is not granted, the Division absorbs the costs. A possibility

exists that an application fee will be required in the future. The application and approval process takes from three weeks to four months.

TOURISM LOANS

The intent of this program is to aid the visitor industry and to: 1) extend the tourist season; 2) provide needed facilities such as hotels; and 3) provide employment opportunities and stimulate business expansion. Any business directly involved in the tourist industry is eligible to apply. The maximum loan available is \$3,000,000. Bank participation of at least 20% of the total amount is required on loans over \$150,000.

Terms of Loans - 20 years

Interest Rate - 8%

Applications are available by calling or writing either the Juneau or Anchorage office of the Division.

Technical and management assistance in filling out applications and statements will be provided by the Division or by a participating bank. Annual reports, proof of maintenance of insurance, and agreement to periodic audits are conditions to which a borrower must agree when receiving a loan.

When examining a loan application, the Division and the Loan Committee consider:

- 1) The statutory requirements (see application form);

- 2) Collateral offered (must be at least 75% of amount requested);
- 3) Participation by other sources of money;
- 4) Credit;
- 5) Management capability and/or personal recommendations;
- 6) Potential that business will generate new jobs.

There is no application fee for participation in this program. However, the costs of preparation of feasibility studies, financial statements and projections, etc. for large loans can be substantial. These costs must be borne by the borrower. The number and complexity of these reports increase when a bank participates in the loan, since the bank, as well as the Division, must be satisfied that its portion of the loan is secure.

The application and approval process now takes from three weeks to four months.

SMALL BUSINESS LOANS

The intent of this program is to aid Alaskans in acquiring, refinancing or equipping small businesses in the State. Loans of up to \$300,000 are available to individuals, partnerships, or corporations. A small business is defined by law as a commercial enterprise with no more than 200

employees and not more than \$10,000,000 in annual gross sales.

Term of Loans - 15 years

Interest Rate - 8%

Applications are available by calling or writing either the Juneau or Anchorage offices of the Division.

Technical and management assistance in filling out applications and statements will be provided by a loan examiner, or by referral to the State Division of Economic Enterprise. No reports or audits are required of a business after a loan has been granted, unless payments are missed or if other problems are apparent.

When examining a loan application, the Division and the Loan Committee consider:

- 1) The statutory requirements (see application form);
- 2) Collateral offered, (must be at least 75% of amount requested).
- 3) Feasibility of the business;
- 4) Credit;
- 5) Management capability and/or personal recommendations.

REMARKS AND SUGGESTIONS

The Division of Business Loans will probably expand its operation and availability of loans in the future. When the staff increases, the Division will publicize its services more heavily. In 1975 and 1977, the Division had a "circuit rider" program which sent loan examiners out into selected villages and towns (most on the Kenai Peninsula). This program was successful, bringing more applicants into the program, and may be repeated in the future. The State encourages these loan programs, since they pay their own way and stimulate hiring as well.

Legislation proposed for the permanent fund will put huge amounts of money into state loans for small businesses. If this legislation becomes law, there will be much more money available in all categories.

OTHER SERVICES AND PROGRAMS

The Division offers loans to individuals in the following categories: Commercial Fishing; Child Care; Historical Sites (currently not funded); Hatcheries; and Water Resources (fund currently exhausted). Village corporations are not eligible to borrow from these funds, but may encourage

individual members to use the services and apply for loans from the programs.

The Division also participates in and administers two development corporations. The Alaska State Development Corporation is now limited to portfolio maintenance and no funds are now being loaned. The Small Business Development Corporation grants loans in participation with the Federal Small Business Administration under the "504" program. The SBA has no 502 funds available, and cannot predict when, or if, they will appear. If these funds again become available, the state is funded to contribute their share. The Small Business Development Corporation participates in 5% of the total loans granted under this program. Local Development Corporations also contribute 5% to an SBA 502 package.

DIVISION OF ECONOMIC ENTERPRISE

IS a division of the State Department of Commerce and
Economic Development

OFFERS o No financial assistance
 o Extremely limited technical and management
 counseling

TO Any Alaskan Business

COMMENT The function of this agency is to offer small
businesses a source of advice, technical assistance,
and financial counseling. Unfortunately, there
is, for the whole state, only one position for
this function. The job was located in Juneau up
until March of 1978, when it was moved to Fairbanks.

The amount of help that any one person might be
able to give is limited but if your business is
near Fairbanks, there is a possibility that some
help may be available.

BUREAU OF INDIAN AFFAIRS

IS A part of the United States Department of the Interior which provides educational, financial and other services to Native Americans. Offices, called agencies, are located in towns, villages, and on reservations, and are managed by superintendents. The office of the Alaska Area Director is in Juneau.

- OFFERS o Loan Guarantees and Interest Subsidies
- o Indian Business Development Grants
 (currently inactive)
- o Direct Loans (currently limited)

TO Indians and Alaska Natives who are unable to obtain financing for business enterprises from other sources on reasonable terms. Any person recognized as an Indian by the BIA or as a Native under the Alaska Native Claims Settlement Act is eligible. Any organization in which at least 51% of the owners are Indians or Natives is also considered to be eligible for assistance. (see Definitions, Indian Financing Act of 1974, 25 USC at 1452)

PROGRAMS

LOAN GUARANTEES AND INTEREST SUBSIDIES

The BIA will guarantee up to 90% of a loan made to an eligible person or organization by any lender regularly making loans.

This guarantee makes a loan more attractive to a lender.

In some cases, an interest subsidy may also be granted. If, for instance, a loan guaranteed by the BIA requires payment of 8% interest, and the interest rate which the business would have paid for a direct government loan is $6\frac{1}{2}\%$, the BIA will pay the difference, or $1\frac{1}{2}\%$.

Applications for eligibility certificates are available at any Agency Office or by writing any Agency or the Area Office in Juneau.

To participate in this program, a business should first contact their bank as it would in applying for any loan. If the bank suggests a guarantee as a condition of the loan, the borrower may then go to the Agency or Area Office for a Certificate of Eligibility. The borrower complete all applications and financial statements required by the bank, and the bank then sends these statements to the BIA for a certificate of guarantee. A bank will usually provide the borrower with any assistance he needs in filling out the loan application and financial statements.

Generally, if a bank is willing to loan money for a business, the BIA will approve a guarantee. The borrower must have collateral for the loan. Final approval on guarantees and interest subsidies is made in Washington, D.C.

The application and approval process takes from 30 days to over a year.

The lending bank is responsible for servicing the loan, and after closing, the borrower has little or no further contact with the BIA.

INDIAN BUSINESS DEVELOPMENT GRANTS (Inactive)

The BIA may make grants of up to \$50,000 for profit-making ventures, including co-ops. The grant can be for no more than 40% of the amount needed for the business. Many banks and other lending institutions will accept the promise of a grant as all or part of the borrower's portion (equity) of the total financing. If the business fails, or is sold within three years after it receives a grant, the money must be repaid to the BIA.

Applications are available at any Agency Office or by writing any Agency or the Area Office in Juneau.

The credit officer at the Agency Office, or a representative of the BIA from the Area Office will assist in preparing the required forms and financial statements, if requested by the borrower. He will also advise an applicant on other possible sources of money.

When examining a grant application at the Area Office, the BIA considers:

- 1) the feasibility of the business (may request a feasibility study);
- 2) the background and experience of the managers of the business;
- 3) the amount of money currently available for grants.

Final approval of a grant is made at the Area Office.

The application and approval process takes from 30 days to over a year.

After receiving a grant, the business must submit semi-annual reports for the first two years of operation, and annual reports for the next three years to the BIA Area Office.

The BIA will provide accounting and other technical assistance to a business which has received a BIA grant if the business requests such assistance or is in financial trouble.

NOTE: DUE TO AN ERROR IN THE BIA APPROPRIATION FOR FISCAL YEAR 1978, THIS GRANT PROGRAM WAS NOT FUNDED. THE AREA CREDIT MANAGER SAID THAT A SUPPLEMENTAL APPROPRIATION FOR FY 1978 MAY REMEDY THE PROBLEM. FUNDING IS NOW BEING SOUGHT FOR FY 1979.

DIRECT LOANS - THE BIA REVOLVING LOAN FUND (currently limited) An \$85 million loan fund has been established for direct loans to eligible borrowers who have exhausted all other possibilities for securing funds. The maximum term of these loans is thirty years.

Interest rates are low, (approximately 6%) and are set by the Secretary of the Treasury. For permission to apply (see note), contact the nearest Agency Office or write the Area Office in Juneau.

When examining an application for a direct loan, the BIA considers:

- 1) the feasibility of the business;
- 2) collateral offered by the owners or the company;
- 3) the background and experience of the managers of the business;
- 4) the availability of money in the loan fund.

Final approval of a direct loan is made in Washington, D.C.

The application and approval process takes from 30 days to over a year.

During the application process and after a loan has been granted, the BIA will provide management and financial assistance to the borrower. Businesses will be required to file reports after receiving a BIA loan, as requested by the BIA (quarterly, annually, etc.)

NOTE: BECAUSE OF A CURRENT SHORTAGE IN DISBURSABLE FUNDS UNDER THIS PROGRAM, PERMISSION TO APPLY MUST BE GRANTED BY THE BIA IN WASHINGTON, D.C., BEFORE A POTENTIAL BORROWER MAY FILE A FORMAL APPLICATION FOR A LOAN.

OTHER SERVICES OFFERED

Federal Domestic Assistance Program Retrieval Systems (FAPRS): this computer system, now in use by the BIA, can tell an applicant which of the over 1000 federal grant and loan programs he is eligible for. This listing includes both business and personal types of assistance. An applicant may fill out an information sheet for this service (free) at any Agency or Area Office of the BIA.

REMARKS AND SUGGESTIONS

The most useful program for village corporation businesses appears to be the Loan Guarantee -- Interest Subsidy program.

Loan, Grant, and Guarantee applicants should be aware that the application and approval process is long, and should not expect quick approval or denial of a request.

COMMUNITY ENTERPRISE DEVELOPMENT CORPORATION OF ALASKA

IS A private non-profit corporation funded by the Federal Office of Economic Development, Community Services Administration (CSA), which is an agency of the President's Office.

- OFFERS o long term loans
- o special short-term loans
- o loans from revolving fund
- o loans from fishery loan fund
- o technical and training assistance
 for managers and board, from application
 until the venture has become fully
 self-sufficient
- o accounting assistance and training as
 needed
- o expediting and ordering service
- o specialized development counseling
- o frequent visits by CEDC personnel
 to rural business locations

TO Rural communities. Both the community where the venture is to be located, and the owners of the proposed venture must meet CEDC standards:

Community: Must be rural, defined as outside of Anchorage, Fairbanks, Ketchikan, or Juneau.

Venture: Must be broadly owned with minimum of 15 members. (ANCSA village corporations are eligible.) Majority of owners (stockholders) must be below CSA defined poverty level.

Enterprise must "further the permanent economic and social benefits in the area. It must provide a needed service or product, employment and ownership opportunities, and management skill development."

The applicant must have attempted to obtain financing from other sources before CEDC may participate.

PROGRAM

CEDC offers a single program of rural enterprise development, including a large amount of specialized technical assistance, and financing available from a number of sources within the agency. Application is by an informal letter from the village enterprise to the director of CEDC. The letter is

referred to CEDC's development department, which requests that the following information be provided:

Village Board Resolution: stating what assistance the village wants CEDC to provide (financing and/or a feasibility study). The resolution must be signed by both the president and the secretary of the board of directors.

Project Information: type of venture; ownership; location of business; management and operation; and estimated funding.

Following the initial findings of the CEDC staff, the project is reviewed by the CEDC grant and loan review committee. This decision is examined by the CEDC executive committee. The final decision is made, based on CEDC recommendations and findings, by the Community Services Organization in Washington, D.C.

CEDC has four internal loan funds:

1. Long Term loans: term to 15 years, 7.5% simple interest, final approval by CSA in Washington.
2. Special Short Term Loan Fund: term to 6 months; for businesses with established relationship with CEDC; maximum of \$15,000 for each venture; approval by CEDC director; maximum total amount of loans from fund is \$90,000.

3. Revolving Fund: made up of money repaid on Long Term Loans. Conditions dependent on availability of these funds; decision may be made by Executive Committee or Board of Directors of CEDC.

4. Fishery Loan Fund: term to end of fishing season; 7½% simple interest rate; \$250,000 limit per venture per season; approval by CEDC Executive Committee or Board; total loans from fund to \$600,000.

CEDC offers an extensive program of technical assistance and training for all of its ventures. Depending on the management abilities of the venture's owners, the CEDC is prepared to provide: bookkeeping services; training for bookkeepers; retail specialists; training for managers; and an expediting service located in Anchorage to reduce costs and delays in getting merchandise into remote stores.

COMPREHENSIVE EMPLOYMENT AND TRAINING ACT (CETA)

IS Federal legislation designed to provide job training and employment opportunities to economically disadvantaged unemployed and under-employed persons. It is administered in Alaska by the State Division of Community & Regional Affairs.

OFFERS o payment of salary of employees while training on the job

 o job skill training

TO For-profit businesses

CETA offers to for-profit corporations the opportunity to have up to half of an employee's salary (but not benefits) paid while he is in "on the job training."

Depending on the job classification, CETA determines what percentage of the employee's time will be spent "training," and how long the training period should take. The employer must guarantee a job to the trained employee at the end of this period.

Another CETA benefit available to village for-profit corporations is classroom training outside of the village. If a potential or present employee is CETA eligible (this depends on how long he or she has been out of work) then the program can pay to have the person sent to a training center where up to six months of intensive training is given. All travel expenses, room, board and a stipend are paid.

ECONOMIC DEVELOPMENT ADMINISTRATION

The Economic Development Administration (EDA)
IS a division of the U. S. Department of Commerce.
This agency was established to aid areas with high
unemployment and low income families.

- OFFERS
- o Business Development Assistance (BDA)
 - o Grants or loans for Public Works and
Development Facilities
 - o Planning Grants for Economic Development
 - o Technical Assistance Services and Grants

1. Business Development Administration

The BDA offers direct loans and loan guarantees for both fixed and working capital expenses, as well as guarantees on rental payments for leases on equipment and buildings. BDA has been leaning more towards loan guarantees than direct loans, and prefers to fund expansions of existing businesses, or co-ventures, since success here is more certain.

Eligibility requirements for the above state that the business must be located within an EDA re-development area. This is automatically met by a village corporation because the whole state of Alaska has been designated as such an area.

BDA will not be granted if financial assistance is available from another source. In particular, this entails that a project to be considered at all by the EDA under this program must exceed \$500,000, since any figure below this may be taken up with the SBA.

As briefly noted above, one of the main criteria for EDA financial assistance is jobs. Such assistance is generally limited, however, to \$10,000 per job created or saved. Other limitations on money include the following. Fixed asset loans may not exceed 65% of the total costs. This, combined with SBA considerations, means that any project which needs loans for fixed capital must be above the one million dollar mark. In addition, BDA requires that the owner put in 15% equity, and will offer a bank or other lender first lien position on a loan for the additional 35%. (In other words, banks can get their money first, if the business fails.) But working capital loans and guarantees may be made up to 100% and 90% of total costs, respectively.

In all cases, it should be noted that loans are strictly limited by money available to BDA. At the present time, there is no direct loan money available nationally. Loan guarantee applications are also not being accepted. Moreover, program money is usually available only for three months after the beginning of the October 1st fiscal year.

2. Public Works

Projects eligible for grants or loans for public works must be consistent with the Overall Economic Development Program (OEDP). Applicants cannot be for-profit organizations. However, a village municipality may be eligible for a grant of this type for the construction of, say, a fire station. Since a fire station would make insurance on your village store reasonable, this would be a great help to your village corporation. Other examples are: dock and airport improvements, salmon hatcheries, water/sewage extensions, road construction, cultural centers, and snow machine garages. Note that grants or loans under this program cannot be provided for projects concerned with electric or gas energy, or for the relocation of industries or jobs.

3. Planning Grants

These are available, as funds permit, to non-profit development organizations and to local governments. Since most EDA program must be consistent with OEDP, and must have full information on an applicant before consideration for any grant or loan, this particular program can be tremendously valuable for villages when they are making an application for a loan from a bank or under some other EDA program.

Suppose, for instance, your community government or the non-profit arm of your corporation receives a grant of this type. The subsequent planning may show that a new business or the expansion of an old one is possible. In this case, if it decides it wants to go into such a business, your village corporation will have some of the important information necessary for a successful loan application.

4. Technical Assistance

This program is designed to deal with specific problems such as the feasibility of a fish processing plant at a certain location. It can offer either grants, where the maximum assistance is 75% of costs, or services, whereby the work is done under Federal contracts, and where assistance may be in full.

To repeat: as in all EDA program, projects which will benefit groups suffering from low income and high unemployment will be more likely to win approval. Technical assistance may be given to private corporations (in addition to local governments), on the condition that they agree to pay back the Federal Government if the program is a success. No repayment is necessary, however, if the program fails. In the case of public organizations, no repayment at all is required.

The program is emphasized as being extremely versatile, and you are encouraged to contact the EDA area representative for further information on Technical Assistance.

FARMERS HOME ADMINISTRATION

IS A division of the United States Department of Agriculture. Its mission is "to provide assistance to rural Americans by:

- 1) encouraging and supporting family farm ownership and operation to provide an economic and social base;
 - 2) providing adequate housing;
 - 3) installing needed community facilities;
 - 4) providing economic support to farmers affected by disaster; and
 - 5) fostering economic development with loans for rural business and industrial enterprises."
- Supervision of the Alaska field office is by the regional office in Portland.

OFFERS A large number of direct loans, guaranteed or insured loans, and grants. The programs of interest to village coporations are:

- o Rural Rental and Cooperative Housing Loans
- o Business and Industrial Loans

There are a number of other loan programs (community facilities, land acquisitions, housing site development, self-help technical assistance, grazing associations, etc.) available to non-profit corporations, municipalities, cooperatives, or Indian groups organized under the Indian Reorganization Act. These programs will not be examined here, but more information may be had from the Alaska office.

TO for-profit corporations are eligible for the two programs noted above.

PROGRAMS

BUSINESS AND INDUSTRIAL LOANS

This is a loan guarantee program, with the borrower required to supply a 10% share as equity. The thrust of the program is to create or save jobs in rural areas, and the evaluation criteria for selection are the number of jobs affected and the soundness of the proposal. The Department of Labor evaluates each application, and the typical evaluation process takes from two to three months.

The initial contact is made with a bank which, after determining that it wishes to handle the loan, will contact FHA for a guarantee.

The guaranteed funds may be used for a broad range of commercial purposes. Examples include: facility construction or purchase, buying land, equipment or inventory, pollution control, or supplying working capital.

Collateral is required, at the discretion of the lending bank, and interest will be set by the bank at the normal market rate -- taking the guarantee into consideration. Terms may not exceed: 30 years for real estate, 15 years for machinery or equipment, or seven years for working capital.

There is a one-time 1% guarantee fee which must be paid to FHA. Any assistance given the borrower is done at the discretion of the lending bank. See the Bank section of this booklet for bank services available.

The FHA projects that the funds available for this program will rise from 1.8 million to 10-12 million dollars within three years.

RURAL RENTAL HOUSING

This is an extremely limited loan program which allows for-profit corporations (among others) to construct rental housing in rural areas.

The restrictions include:

- occupants must be "eligible", i.e., "low or moderate incomes, or senior citizens." Income levels are set by FHA.
- rent charges "must be within limits that eligible occupants can afford to pay."
- borrowers are required to deposit rental income in special accounts and establish reserve funds to meet long-term capital replacement needs.

In effect, profits are limited and the stringent regulations may limit the owners' options on building management.

This program may be of interest to village corporations interested in the construction business and may be especially appropriate should a village construction business need to fill a gap between contracts and wish to contribute to the village at the same time.

Note: There is an additional FHA grant program that village corporations should know about. There are grants available to public bodies, such as incorporated (second class) villages, to finance industrial sites that will result in the development of private business enterprise. This money may be used in conjunction with other funds to acquire land and construct buildings. Utility installation and equipment may

also be funded. This money may serve as equity for some other types of loans. The availability of this money may make possible the specific planning (no "comprehensive area type" planning is permitted) by your village government to allow your corporation to proceed with a business venture in the village.

NATIONAL MARINE FISHERIES SERVICE

IS A division of NOAA, the National Oceanographic and Atmospheric Administration, which is an agency of the United States Department of Commerce.

OFFERS

- o Obligation Guarantees for major capital investments in fishing boats or fishing facilities
- o Capital Construction Fund -- tax credit for fishing related boat construction

TO Any individual or corporation

OBLIGATION GUARANTEES

For Alaska fisherman, this program is actually being offered by a combination of two agencies, one government and one private.

The federal government, through the National Marine Fisheries Service, is offering to guarantee loans for financing or refinancing up to 75% of the cost of constructing, reconstructing, or reconditioning U.S. commercial fishing boats of at least five tons. Reconstructing and reconditioning mean major improvements to used vessels costing at least \$40,000 or 20% of the replacement value of the vessel.

Under this program it is possible to take a loan against a used vessel (re-finance) and use the guaranteed money to buy facilities or equipment for commercial fishing. Examples include: docks, processing facilities, and fishing gear.

The rates of interest on these loans will reflect the commercial market for no-risk loans. NMFS will also offer the following assistance: feasibility studies, preparation of closing documents, holding and servicing of collateral, and closing of the loan.

Processing time is between 30 and 60 days. There is a .75% annual guarantee fee to be paid on the unpaid principal balance. An application fee of .25% of the first \$300,000 (or portion thereof) must be paid upon application and is not refundable. If application is approved, a commitment fee equal to the investigation fee is due. There are additional restrictions on vessels for the Alaska salmon or king crab fleets.

This type of loan is very attractive to a lender: there is no risk and NMFS does much of the work.

In relation to this program, Merrill Lynch has become the NMFS "field office" for Alaska, and will not only help an applicant to apply for the Obligation Guarantee, but will

act as the direct lender and actually provide the money to the borrower. Thus it is not necessary to shop for a bank willing to provide the loan for this program.

The goals of this program closely match those of the State of Alaska Commerical Fishing loans. These state loans offer substantially lower interest rates and costs but, unfortunately, are not available to corporations. The NMFS Obligation Guarantee program is available to corporations, and village corporations may find it a good source of funding should a commerical fishing venture be contemplated.

CAPITAL CONSTRUCTION FUND

For owners or leasors of fishing boats rated at two net tons or over, this program allows keeping of all or portions of money which would have had to be paid for federal income taxes. This money may then be used to construct, reconstruct or (under limited circumstances) acquire a new fishing boat.

This program is entered into by agreement between the fisherman and the government, and application should be made to the regional NMFS office or the representative (Merrill Lynch) in Anchorage.

It is possible to combine the tax benefits of this program with a guaranteed loan from the Obligation Guarantee program for the construction of a new vessel.

THE SMALL BUSINESS ADMINISTRATION (SBA)

IS An independent Federal agency created by Congress in 1953 to assist and counsel American small businesses. The Agency provides prospective, new, and established members of the small business community with financial assistance, management training and counseling, and help in procuring government contracts.

The SBA administers 19 different types of financial assistance programs, but not all the programs are funded all of the time. Most are generally inactive.

OFFERS

- o Loan Guarantees
- o Direct Loans
- o Management and Technical Assistance

TO Most small businesses, except speculative firms, newspapers, radio and television stations, other forms of the media, and gambling enterprises. Generally, if a business can get a loan under reasonable terms from a bank, it is not eligible for a direct loan from the Small Business Administration.

PROGRAMS

LOAN GUARANTEES

The SBA will guarantee both long term loans and lines of credit (up to 18 months). These guarantees are available for up to 90% of the total amount needed by a small business, but are limited to loans of \$500,000.

The application process for an SBA loan guarantee begins at the bank where a borrower files the normal loan applications and business package information. Most frequently, the bank will recommend that a prospective borrower seek a guarantee from the SBA or other agency, sometimes as a condition of the loan agreement. A guarantee makes a loan proposal more attractive to the lending bank, and generally, if a bank is willing to make a loan to a borrower, the SBA will guarantee it. A guarantee reduces the bank's risk to 10% of the total amount borrowed for a business.

DIRECT LOANS

The Small Business Administration will make direct business loans of up to \$150,000 under several programs. The application process, eligibility requirements, and application evaluation criteria for all direct loan programs are the same, except as noted in the description of each program. The Small Business Administration emphasizes maximum private lender participation in each loan. A borrower may apply for a direct SBA loan at either the Anchorage or Fairbanks offices of the agency.

To be eligible for a direct loan, the business proposed must be legal, and cannot be an investment company which depends upon real estate, buildings, rental property, etc. for its profit. It must be a small business: for business loan purposes, SBA defines a small business as one that is independently owned and operated, not dominant in its field and meets employment or sales standards developed by the Agency. For most industries, these standards are as follows:

Manufacturing: Number of employees may range up to 1,500, depending on the industry in which the applicant is primarily engaged.

Wholesaling: Small if yearly sales are not over \$9.5 to \$22 million, depending on the industry.

Services: Annual receipts not exceeding \$2 million to \$8 million depending on the industry in which the applicant is primarily engaged.

Retailing: Small if annual sales or receipts are not over \$2 to \$7.5 million, depending on the industry.

Construction: General construction: average annual receipts not exceeding \$9.5 million for three most

recently completed fiscal years. Special trade construction: average annual receipts not exceeding \$1 to \$2 million for three most recently completed fiscal years, depending on the industry.

Agriculture: Annual receipts not exceeding \$275,000.

Ask the nearest SBA field office which standard applies to your type of business.

Loan requests will be evaluated on the following criteria:

- o eligibility
- o ability to repay loan
- o collateral offered, through the SBA may make direct loans without collateral for security. The SBA will not turn down a loan for lack of collateral.
- o feasibility of the planned business

(Note: Since one of the goals of the SBA is to encourage the development of small businesses, it recognizes that applicants may not be able to demonstrate a clear history of business success, or provide heavy equity in the business. Management and technical assistance are available to borrowers to offset deficiencies in those areas.)

After receiving a completed application, the SBA requires four to five days for internal action. Most loans can be

approved at the Anchorage Office. The time for review and approval or denial of an application increases significantly if the application is incomplete.

TERMS: Fixed capital loans - up to 20 years
Circulating capital loans - up to 6
years

Interest Rate - 6 5/8%

REGULAR BUSINESS LOANS (7a Program)

Interest rate: 5.5%

This program is open to any borrower eligible under the general standards of the SBA.

ECONOMIC OPPORTUNITY LOANS (maximum \$100,000)

Interest rate: 5%

The SBA grants these loans to help persons who are socially or economically disadvantaged and who own their own business. Both new and established firms are eligible for the program.

LOCAL DEVELOPMENT COMPANY (LC) LOANS (502 Program)

Interest rate: 5%

The SBA grants these loans to Local Development Companies made up of local citizens (25 or more) whose primary purpose is to improve their area's economy by assisting small businesses.

An LDC may apply for an SBA 502 loan to help buy land, build new factories, shopping centers, etc., acquire machinery and equipment, and expand or convert existing facilities, provided that the project will assist at least one small business. Local Development Companies must provide a reasonable share of the cost of the project. usually 20%.

The State of Alaska participates jointly in this program by loaning up to 5% of the total amount of the loan as a participating lender.

STATE DEVELOPMENT COMPANY LOANS

This program is essentially the same as the Local Development Company program, but applies to companies formed to assist state-wide businesses. The money earned by an SDC is used to supply small businesses within the state with long term loans and equity capital.

SPECIAL TYPES OF LOANS

Terms and interest are very reasonable but not fixed.

DISPLACED BUSINESS LOANS

Small businesses suffering economic injury if they are forced to move because of federally aided renewal or other construction projects are eligible to apply for these loans. The money may be used to help relocate or re-establish the business.

PHYSICAL DAMAGE NATURAL DISASTER RECOVERY LOANS

When the President or the Administrator of the SBA declares a specific geographical area a disaster area as a result of a natural disaster such as a hurricane, fire, flood, or earthquake, homeowners, renters, and the owners of small and large businesses within the disaster area may apply for these loans to repair or replace their damaged or destroyed property.

ECONOMIC INJURY/NATURAL DISASTER LOANS

When the President, the Secretary of Agriculture, or the Administrator of the SBA declares a specific geographical area a disaster area as a result of a natural disaster, the owners of small businesses which have suffered economic losses as a result of the disaster may apply for these loans. The money may be used for working or circulating capital and to pay financial obligations which the owners could have met had the disaster not occurred.

PRODUCT DISASTER LOANS

The SBA makes these loans to small firms that have suffered substantial economic injury because they cannot process or market a product for human consumption because of disease of toxicity resulting from either natural or undetermined causes.

BASE CLOSING ECONOMIC INJURY LOANS

The loans are made to small businesses which have suffered or will suffer substantial economic injury as a result of the closing of a major federal military installation or a severe reduction in the scope and size of operations of a major installation. The money may be used to help a small business continue in business at its existing location, re-establish its business, purchase a new business, or establish a new business.

STRATEGIC ARMS ECONOMIC INJURY LOAN

The SBA is authorized to make these loans to assist or refinance the existing indebtedness of any small business directly or indirectly affected by a significant reduction in scope or amount of federal support for any project as a result of any international agreement limiting the development of strategic arms or the installation of strategic arms facilities.

EMERGENCY ENERGY SHORTAGE LOANS

These loans may be made to a business suffering economic injury as a result of shortages of fuel, electrical energy, or energy producing resources, or shortages of raw or processed materials resulting from shortages of energy.

REGULATORY ECONOMIC INJURY LOANS

If the federal government passes new regulations which cause a small business to change their facilities, operations, or equipment, the business is eligible for a loan under this program.

SMALL BUSINESS INVESTMENT COMPANIES

Another way in which SBA helps finance small businesses is through privately owned and operated Small Business Investment Companies (SBIC's). SBIC's are licensed, regulated and in certain cases, financed by the SBA. The SBIC's supply venture capital and long term financing to small firms for expansion, modernization, and sound financing for their operations. Some SBIC's also provide management and technical assistance to small businesses. A special section of the law (301-d) established special SBIC's for minority enterprises. These are called Minority Enterprise Small Business Investment Companies (MESBIC's). The MESBIC's are dedicated solely to assisting small businesses owned by socially or economically disadvantaged people. This includes, but is not limited to, Black Americans, American Indians, Spanish-Americans, Asian Americans, Aleuts, and Eskimos.

MANAGEMENT AND TECHNICAL ASSISTANCE

Most business failures happen because of lack of good management. For this reason, the SBA places special emphasis

on improving the management ability of small business owners and managers. The agency's Management and Technical Assistance Program is extensive and diversified. It includes free individual counseling by retired and active business executives, university students, and other professionals; business courses, workshops, problem clinics, and a wide range of publications.

The SBA requires participation in the Management and Technical Assistance program by all recipients of direct loans. Any small business may, however, request these services.

To enroll or learn more about the Management and Technical Assistance Program, contact either the Anchorage or Fairbanks offices of the SBA.

REMARKS AND SUGGESTIONS

In the future, the SBA expects to increase its activities in the area of loan guarantees and decrease its direct loan and loan participation services. Currently, the SBA is loaning \$4 - \$5 million directly, and guaranteeing approximately \$15 million in bank loans in Alaska.

The SBA requires quarterly reports from small businesses using its loan or guarantee services. According to the

Alaska District Director, these reports are "tools which a business should be using regardless of their financing, so we don't feel like we're placing an additional burden on our clients."

The SBA is currently loaning or guaranteeing money to many village corporations and rural enterprises. The SBA considers this area of service to be of major importance, since economic stability and employment increases in under-served areas are critical.

Frank Cox, District Director of the SBA, said that he has visited every city and village in the state, and encourages his employees (32 SBA employees in Alaska) to become familiar with the special needs of rural and bush Alaska.

VARIABLES AFFECTING THE SUPPLY OF CREDIT

We have elsewhere studied the importance of preparing the business package; putting the "best foot forward" when applying for a loan. Now let's assume your application for the loan has been submitted to the bank and examine what factors will influence the ability of the bank to make the loan.

Commercial banks are "financial intermediaries". That is to say they are "in-between" those people and organizations which have more money than they need, and those people and organizations which has less money than they need. Commercial banks, in other words, seek to match the supply of investable funds flowing from savers with the demand for investable funds flowing to borrowers. Commercial banks, and other financial intermediaries, serve as "buffers" to help balance the supply of money and credit with the demand for money and credit. At some times these "buffers" may fill to capacity, having large amounts of funds available, perhaps more than is demanded by borrowers. At other times these "buffers" may be nearly depleted of funds, having more demand for loans than they have funds available. At all times their function is to make savings readily available for borrowers.

Commercial banks are businesses for profit. Essentially, banks borrow money (or attract deposit funds) which they in turn

lend to businesses or individuals in need of a loan. In order to make a profit, commercial banks must earn more on loans than they must pay for their deposits. In other words, the cost of funds to the bank must be less than the bank earns on its loans and investments. The interest rate spread (the difference between cost and return) is consequently the focal point of the banker's attention. Bankers will watch the interest rate spread closely because it determines their profit opportunity. For example, if the average cost of funds to a bank is 5.50% and the average yield on its loans and investments is 10.50%, the interest rate spread is 5.00%. From this difference in interest rates, the banker must pay his operating costs, set aside reserves for losses on loans, pay taxes, and so on, just like most other businesses. When credit is tight, commercial banks will be scrambling for funds just as prospective borrowers do. Banks will bid against each other for private deposits and the deposits of state and local governments (public funds). In periods of tight markets, the cost of these funds will tend to rise. The banker will naturally seek to "pass along" his increased cost to those individuals and businesses seeking loans at the bank. If he did not, he would endure a profit squeeze or loss. Thus, the cost of bank loans increases when the demand for funds exceeds the supply (i.e. when credit markets are tight.)

When there is slack in the credit market, bankers may have deposits in excess of loan demand. In such times, the banker will be out "beating the bushes" for loan customers and may grant concessionary terms in order to make loans.

There are limitations imposed upon commercial banks by federal and state regulatory agencies. Banks are limited in the rate of interest they can charge on loans and there are ceilings on the interest rates they can pay depositors. Also, commercial banks must maintain a certain ratio between deposits and loans. They cannot loan out all the funds on deposit at the bank. Finally, banks are required to set aside reserves for losses on loans.

There are also competitive forces which influence bankers' behavior. The banker cannot continually charge more for loans, or pay less for deposits, than do competitor banks without suffering eventually from slower growth and poor performance. An aggressive bank will be alert to new loan markets and attentive to the needs of loan customers.

It should be remembered that the terms under which business loans are made are negotiated. The bank may seek to require minimum deposits at the bank during the life of the loan and guarantees are frequently sought as well. These terms

effectively increase the cost of the loan to the borrower, should be carefully considered, and a relaxation sought through negotiation and shopping at competitor banks.

THE BUSINESS PACKAGE

You spend a lot of time, and a good deal of thought, in planning your business venture. In order to get help in financing the idea to turn it into a reality, it is absolutely essential that you do your very best to communicate both your idea and your qualifications to the lender you are approaching for help. Remember that there are three key elements in any potentially successful business:

- 1) the business idea,
- 2) your ability to carry the idea through and,
- 3) the financial feasibility.

All of the sources of financial assistance listed in this inventory are primarily interested in the success of your future business. In order that these sources commit their money to your venture, they will need to be convinced that it is not merely possible for the business to be successful, but that you are capable of managing the business under many different circumstances.

Because every institution which lends or gives money to a business makes a commitment to the success of the business, they may be considered, and should be dealt with, as partners in the venture. Therefore, it is necessary to present to your potential "partner" (any lender) all the information that you have about your business. This information should be presented in a clear manner so that a decision can be made in light of all the facts.

This presentation of information is one of the most important initial steps for a new business. Through many years of experience, bankers and other lenders know what information they need to make their decisions, and this information, put together in one document, is called a "business package". (It is also called a "loan proposal", or "loan package", but we will call it a "business package": the terms all refer to the same thing).

There are some agencies and banks which do not require a formal business package to begin processing your application. There are also banks and agencies which will help you to prepare this package of information. Nevertheless, wherever you are seeking financial help, it is strongly advisable that you come into the situation with a business package in the best possible form. If large or very important sums of money are needed you might consider working with a professional financial consultant to get your business package into such a condition.

A tight business package is especially important for the village corporation looking for financial assistance. For a number of reasons, much of the Alaska business community feels that many native businesses are not well managed. (It is only the problems that get into the newspaper.) No banker or agency director wants to lend money that will not be repaid. In order then, to get money for your business, the easiest way to prove that your business is or will be well managed is to present a tight business package. A business package is

like an X-ray of your proposed venture: it should show everything.

Here is what you have to do to prepare a professional business package.

First: plan. Your planning must cover four key business areas, and it makes sense to separate this work into four distinct working plans. They are:

- 1) a market study,
- 2) a sales plan,
- 3) a technical and operational plan
(to implement the sales plan), and
- 4) a financial plan (to organize and
analyze the sales estimates and
cost data developed in other plans.)

Next, you must develop the package, drawing from plans (1) - (4). Following is a checklist of the elements which make up a typically thorough business package:

1) BUSINESS DESCRIPTION AND PRODUCT DEFINITION

- A. Specific goods, merchandise and/or services to be produced or sold.
- B. Mix of goods, merchandise and/or services to be produced or sold.
- C. Pricing policy, prices planned, plus the method and reasons for determining policy and prices.

2) MARKET DESCRIPTION AND ANALYSIS OF MARKET CAPTURE STRATEGY

- A. Primary and secondary trade areas.
- B. Current and potential trade area sales volume plus evidence supporting estimates.
- C. Current and potential trade area customer categories and individuals including numbers and purchasing power plus evidence supporting estimates.
- D. Major competitors including location, products, customers, market share, competitive advantages, sales and market percentage, growth potential and analysis of how they compete.
- E. Market capture strategy including competitive advantages, advertising policy, advertising planned, method and rationale for determining policy and advertising plus customer conveniences.
- F. Potential customer categories and individuals including method and rationale for determining categories and individuals plus any written purchasing commitments.

3) INVENTORY LIST

- A. Type, quality and quantity inventory on hand (if any).

- B. Type, quality and quantity inventory required.
- C. Narrative including method and rationale for determining requirements, source of supply, supplier services, proposed business/supplier legal relationship, delivery time and projected turnover.
- D. Cost of purchase as a figure and percentage of annual projected sales plus minimum orders, credit terms and freight or delivery costs (if any).

4) LOCATION DESCRIPTION

- A. Address, area characteristics, notable features and zoning.
- B. Proximity to: customers, competitors, complementary businesses, inventory suppliers, labor and personnel supply. Transportation routes for: customers, inventory, labor, personnel, and distribution or delivery.
- C. Explanation of expansion potential.

5) PHYSICAL FACILITY DESCRIPTION

- A. Land lot and building size.
- B. Space and/or suitability for:
 - 1. customer and vehicle access and/or entry, parking and loading;
 - 2. inventory storage and movement;
 - 3. fixtures, furniture, machinery and equipment;
 - 4. utilities;
 - 5. production sales and/or service functions, labor and supervisors;
 - 6. management and administrative functions and personnel;
 - 7. merchandise display (if any);

8. compliance with federal, state and local laws and codes;
 9. security;
 10. insurance; and
 11. expansion potential.
- C. Cost of purchase for use as a figure and percentage of total annual capital costs plus renovation costs (if any).

6) FIXTURES, FURNITURE, MACHINERY AND EQUIPMENT LIST

- A. New or used fixtures, furniture, machinery and equipment on hand (if any),
- B. New or used fixtures, furniture, machinery and equipment required (if any),
- C. Narrative including function, method and rationale for determining requirements, source of supply, supplier services, delivery time and expansion potential.
- D. Cost of purchase or use as a figure and percentage of total capital or annual costs plus credit terms and installation costs (if any).

7) LEGAL DOCUMENTS FOR PHYSICAL FACILITY: FIXTURES, FURNITURE, MACHINERY AND EQUIPMENT

- A. Purchase and sale agreements (if any),
- B. Leases (if any),
- C. Lease/purchase agreements (if any),
- D. Renovations estimates, bids and contracts (if any),
- E. Installation estimates, bids and contracts (if any).

NOTE: Summarize key terms for lengthy documents.

8) LAYOUT AND FLOOR PLAN

- A. Layout and floor plan copy.
- B. Layout and floor plan narrative including method and rationale for determining design and expansion potential explanation.

9) LABOR AND SUPERVISORY FORCE PLAN

- A. Production, sale and/or service labor and supervisory force schedule including functions, numbers, training necessary and compensation type and rate.
- B. Schedule narrative including method and rationale for determining requirements, recruitment strategy, training program planned (if any) and expansion potential explanation.
- C. Cost of payroll, payroll taxes and fringe benefits (if any) as a figure and percentage of total annual costs plus training costs (if any).

10) MANAGEMENT AND ADMINISTRATIVE PERSONNEL PLAN

- A. Management and administrative personnel schedule including functions, numbers, training necessary and compensation type and rate. Include business history of potential managers.
- B. Schedule narrative including method and rationale for determining requirements, brief resumes for key personnel, recruitment strategy for remaining personnel, training program planned (if any) and expansion potential explanation.

- C. Cost of payroll, payroll taxes and fringe benefits (if any) as a figure and percentage of total annual costs plus training costs (if any).

11) PROFESSIONAL SERVICES AND TECHNICAL ASSISTANCE PLAN

- A. Professional services and technical assistance schedule including functions and compensation type and rate.
- B. Schedule narrative including method and rationale for determining requirements and identity of professionals and/or technical assistance resources.
- C. Cost of professional services and technical assistance as a figure and percentage of total annual costs.

12) ORGANIZATION AND OWNERSHIP DESCRIPTION

- A. Legal structure--sole proprietorship, partnership or corporation.
- B. Identity of partners or corporate officers, board members and major (10% or more ownership) stockholders (if any), brief resumes of partners or key officers plus categories, number and par value of stock (if any).

13) ACQUISITION OR FRANCHISE DOCUMENTS

- A. Purchase and sale agreement (if any).
- B. Previous owner financing agreement (if any).
- C. Franchise agreement (if any).

Note: Summarize key terms of lengthy documents.

14) FINANCIAL STATEMENTS AND ANALYSES

- A. Statement of financial requirements, monthly and annual first

year, plus annual, second, and third year projected income statements and cash flow analyses and an opening balance sheet.

- B. Document narrative including method and rationale for determining key projected figures.

STEPS TOWARD GETTING FINANCIAL ASSISTANCE

The banker and other potential funding sources can be valuable "sounding boards" from the very beginning of most projects. Confidential conversations with an alert and seasoned banker, who is aware of economic conditions in the industry under study, can begin at the idea stage and certainly should occur during the preliminary review of project potential. These early discussions serve not only to submit the idea to critical evaluation but also may serve to stimulate initial interest in funding the project. Getting the funding sources involved at an early stage saves time by insuring that the business package is properly prepared, and minimizes surprises along the way.

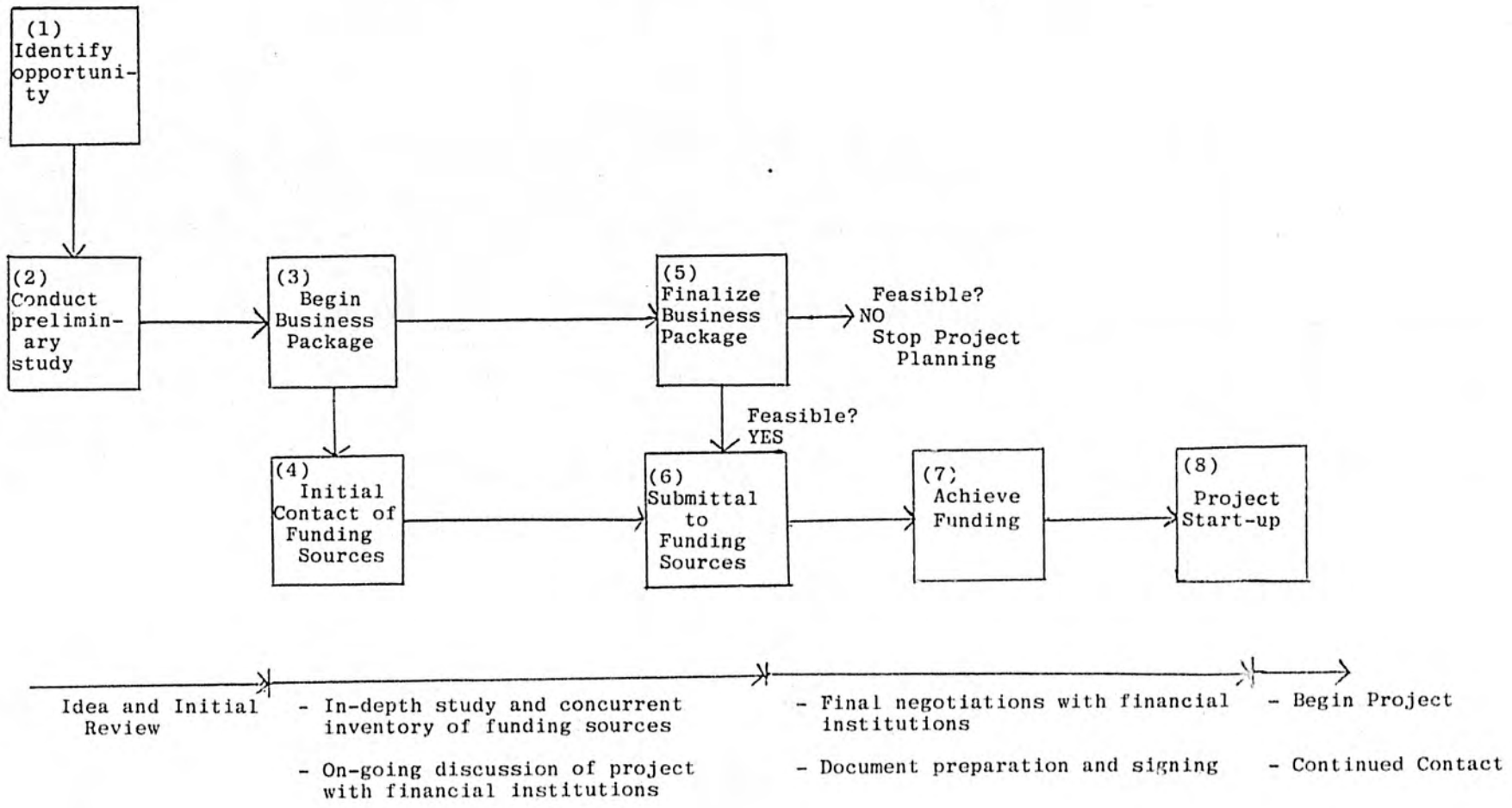
The chart below shows a simple eight step process which may help secure funding for a feasible project.

Steps

- (1) - (2) Feasibility studies are often time consuming and can be quite expensive. Before beginning the in-depth study, the "idea" should be tested on knowledgeable persons (banker, accountant, advisor) on a confidential basis. Existing studies of similar projects in similar environments can be reviewed and

persons involved in these projects can be interviewed as to their experiences.

- (3) - (4) If the idea survives the preliminary review, the feasibility study and business package should be commenced. At this point (if not before) make initial contact with potential funding sources. Contact should be kept current throughout the study phase.
- (5) - (6) If the project is feasible (if it meets the policy guidelines which govern investment decisions) the business package is submitted to the funding sources. Having kept these sources involved in the project since the beginning, the submittal should be the culmination of joint efforts.
- (7) - (8) If funded, the project begins. This does not mean that contact with the funding source is dropped. More probably such contact is more frequent and more organized. Progress reports, operations reports, newsletter, etc., should be furnished to funding sources and supplemented by personal contact. Future projects may be just around the corner.



MONEY LANGUAGE

Like any other profession or technical area, the field of lending or dealing with money has its own special words and language.

In order to talk with people involved with money whether they are bankers you are asking for a loan, or the bookkeeper of your own business, it is necessary to use and understand many of these special terms.

Here is a list of the technical words which appear in this text. We give an explanation of each term in everyday language, and give some examples typical of village corporation business.

GLOSSARY

AUDIT	A formal, financial examination of a company's books and records.
ASSETS	Property; all of the things, real property, chattels, inventory, material, accounts receivable, etc., belonging to a company or person.
CAPITALIZE	To supply capital (money).
CHATTEL	An item of property. Moveable; distinguished from real estate, or property which is attached to the ground and not moveable. A boat or a tool is chattel. A house, and its furnace, are not chattels but real property.
COLLATERAL	The things offered as security. See SECURITY.
CO-SIGNER	A person or corporation who joins the main borrower in signing a loan agreement. In effect a co-signer GUARANTEES the loan.
CREDIT	(1) An amount of money made available to a person or business by a bank or other financial institution; (2) financial or commercial trustworthiness.

DEFAULT	To fail to make payments on schedule on a loan. Can be used as a noun meaning such a failure.
DEPOSITOR	A person or business who places money (on deposit) in a financial institution.
DISCOUNT	A reduction in price. Usually expressed as a percentage.
ELIGIBILITY/ ELIGIBLE	Qualified to be chosen. Also refers to the conditions which must be met before one can be assisted by a program.
EQUITY	Ownership interest. For example, if you have borrowed \$1000 to buy a boat, and have paid back \$400, you have \$400 worth of equity, or a 40% equity in the boat. Also means the portion of the value of a business owned or to be owned. When a bank wants your corporation to put up 15% equity to start a new business, they mean that 15% of the cost must be paid from the corporation's own money.
GUARANTEE	To agree to pay for a loan if the borrower, for any reason, defaults or fails to pay. An example is when the SBA guarantees a loan. The lender (probably a bank) knows

that if the borrower cannot pay back the loan, the SBA will. It reduces the risk to the lender. Can also be used as a noun for such an agreement.

INTEREST

Money paid as rent for the use of other money. The amount of interest that you are going to have to pay depends on 1) the cost of the money to the lender; 2) who the customer is (how well trusted; how well it can afford to pay the loan back); 3) the type of loan; 4) how long the money is going to be borrowed for; 5) the amount of risk that the lender is taking; and 6) the amount and quality of the collateral offered.

INVENTORY

Items owned by a business for the purpose of sale. Inventory is different from MATERIAL. A business sells its inventory directly, but used its materials to make things, which then become inventory and are sold.

LIABILITY

A debt or responsibility which is owed or assumed. If you co-sign a loan for a friend, and he cannot pay, you are liable (responsible) in his place. Should you run over someone's sled with your truck through your own carelessness, you are legally

liable. Liability frequently refers to legal responsibility, as opposed to other kinds.

LOSS

To fail to make a profit on a business transaction, or series of transactions. The opposite of profit. Should your company order a boat for \$1000, then have to pay \$125 for shipping, and then only be able to sell it for \$1000, you will have lost \$125.

MORTGAGE INSURANCE

Usually a policy, sometimes insisted on by the bank concerned, which insures that in the event of the death of the person taking the mortgage, the mortgage will be paid off. As in any type of insurance contract, the terms may vary widely.

NET WORTH

The assets of an individual or a business less all of his or its liabilities.

POINTS

This term has various meanings in the financial community. In discussing shares of stock, an increase in price of a point is equal to an increase of one dollar, whereas if you were talking about bonds, a point would be ten dollars. It can also mean one percentage point (1.0%) in ownership contexts. Instead of saying that you own fifteen

percent of a company, you might say that you own "fifteen points." An additional definition involves extra costs associated with loans. You hear that getting a loan will cost you, say, "11% plus two points." This frequently refers to a one-time charge of either 2% or 0.2% for service fees. The meaning of the word in these situations varies from one business community to another, so it is wise to ask for it to be defined when you are seeking a loan.

PRIME RATE

The lowest possible interest rate that a business can pay when it borrows money. It is set by a combination of local conditions, and the cost of money at the main federal bank. A business must be very large to be able to borrow money at the prime rate. The main utility of the concept of prime rate to the businessman is to be able to gauge the loan market, or, in other words, to know the current cost of money. If your banker announces that the prime rate has gone up 0.2%, you know that any loan you get (which will be at a rate higher than the prime rate) will be that much more expensive.

REGULATIONS

The administrative rules of a government agency or program. They are written and approved according to law, and govern how an agency will act. They are published, and are always available for inspection at the agency. They must be found at many libraries.

REVOLVING FUND

This is a type of loan fund where a set amount of money is put in (CAPITALIZATION) and then loans are made out of the fund. As loans are repaid, the money goes back into the fund, and is loaned out again.

RISK

The possibility that a business will fail, and be unusable to repay either the loans that it has taken, or the investors who have put money into the business.

SECURITY

Something offered to a lender to pay back a loan if the borrower cannot pay it back as planned. For example, you want to buy a new truck. You borrow \$5000 from the bank, telling them that if you cannot pay back the loan first, they can take the truck back, and then, if that is not enough, they can take your boat and sell it to make up the difference. The bank does not want trucks or boats; what they want is

their money back. If you DEFAULT and cannot pay back the loan, they will take your COLLATERAL (the things put up as security) and have them sold to pay off the loan.

For a business, it is common to offer anything that the business owns as collateral for security. This can be CHATTELS like equipment, inventory or materials, or real property like land or buildings. Many banks will also accept the accounts receivable (debts owed to the company by other people or companies) as collateral.

Security is also called a "secondary source of repayment."

SERVICING A LOAN

After a bank makes a loan it must then service it. This means keeping track of whether loan payments are being made on schedule, (checking to be sure that the business is doing as well as it should so that it can repay the loan), and (working with the business if problems develop).

STATUTE

A law passed by a local government, a state government, or the federal government. To find statutes, the best place to start is your library. Alaska state laws are found

in the set of blue Alaska Statutes, which is available in almost every community. Local governments keep a set of local statutes in the government offices. Federal statutes are found in a large set of books called either the United States Code (USC) or the United States Code Annotated (USCA). You can find these in some libraries, and at some lawyer's offices.

An agency which is regulated by a specific statute will almost always have copies of the statute available.

SUBSIDIARY

A business or corporation which is formed and owned by another business or corporation.

Corporations formed under ANCSA frequently organize their business ventures as subsidiary corporations. This not only allows the stock of the new corporation to be sold, but often protects the main corporation from liability for acts of the new subsidiary corporation.

SUBSIDY

Money granted, usually in the form of reduced interest or reduced taxes, to a company which the government wants to support. The low interest rate charged by the State of

Alaska Fisheries Loan program is a subsidy for state fishermen.

TERM

The length of time agreed upon for a loan to be paid back.

USURY

Charging more than the legal interest rate on a loan. The usury rate is anything above the highest legal rate. This has recently changed from 11% to 11½% for loans under \$100,000. The practical effect of the usury law is to put an upper limit on the cost of loan money.

WORKING CAPITAL

That part of the ASSETS of a company which is not invested in fixed assets (machinery, buildings, etc.) but is kept liquid in order to care for day-to-day working needs. These needs can be things like buying new stock, paying salaries, or paying expenses.

ALASKA BANK OF COMMERCE

IS A full-service, commercial bank, established in Alaska in 1947. Its main offices are in Anchorage, with branches located in Anchorage and Homer. Branch offices are expected to be operating in Soldotna and Naknek in the near future. In addition the bank will soon begin operating a mobile bank to serve people from Wasilla to Talkeetna. Possible expansion plans of the bank include branches in the more remote areas of the state. The bank does not offer trust services.

OFFICES

Main office
712 W. 4th Avenue
Anchorage
phone: 279-5641
R.W. Hoyet, Manager

Airport Office
Anchorage International Airport
Anchorage
phone: 279-5641
LaVerne B. Wilson, Supervisor

Boniface Office
Boniface Shopping Center
Anchorage
phone: 279-5641
Len Yutzy, Manager

C Street Office
3320 C Street
Anchorage
phone: 279-5641
Homer Mills, Manager

Eagle River Office
Eagle River
phone: 694-2021
Bob Culbreath, Manager

O'Malley Office
1000 O'Malley Road
Anchorage
phone: 279-5641
Carol Seedorf, Supervisor

Dimond Office
800 W. Dimond Blvd.
Anchorage
phone: 279-5641
James W. Bird, Manager

Homer Office
Lakeside Shopping Mall
Homer
phone: 235-8146
Paul K. Bowen, Manager

Palmer Office
Palmer
phone: 745-3281
James H. Reaves, Manager

7th and G Street Office
7th and G Streets
Anchorage
phone: 279-5641
Lois Barnhardt, Manager

Tudor Office
Tudor Road
Anchorage
phone: 279-5641
Perry Dowd, Manager

Wasilla Office
Wasilla
phone: 376-5338
L. Michael Kammermeyer, Manager

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Frank M. Reed, Sr.
Kenneth A. Sheppard
A.C. Swalling
Dale Teel
Walter Teeland

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Operations and Administration

Steven J. Johnson
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Loan Administration and Business Development

Frank M. Reed
Senior Vice President
Community Affairs

Jack C. Worledge
Senior Vice President
Branch Liaison

Mae Rene Bordwell
Community Affairs Officer

REMARKS AND SUGGESTIONS

A bank officer interviewed said: "If an initial request for a business loan is sound, we will suggest methods for preparing an application in the best form for the bank." The bank has demonstrated interest in loans to businesses in rural areas. It is currently servicing a major loan to the CEDC which helped

finance the acquisition of eleven bush grocery stores. A bank officer reports that this loan is "doing well." A bank officer said the major disadvantages village corporations have in borrowing for small businesses are a lack of management stability, and a history of high failure rates. The officer suggested that village corporations, "Obtain more (financial) counseling, learn more about the business world, and prepare their loan packages and business proposals more carefully before seeking the financial participation of a bank."

THE ALASKA NATIONAL BANK OF THE NORTH

IS A full-service, national bank, founded in 1940. The main offices of the bank are in Fairbanks, with branches in all other Alaskan communities. With the exception of the branch at the Fairbanks Airport, all banking services, including loans, are available at each location.

OFFICES

FAIRBANKS

Alaska National Bank Building Office
Fairbanks, 99701
phone: 452-6301
Ronald G. Robertson, Manager

Airport Road Office
620 Gaffney Road
Fairbanks, 99701
phone: 452-6301
Stephen W. Puryear, Manager

College Office
794 University Avenue
Fairbanks, 99701
phone: 479-2281
Nick J. Noel
Vice President and Manager

North Star Office
715 Old Richardson Highway
Fairbanks, 99701
phone: 452-6301
James H. Kirsch, Manager

International Airport Office
Fairbanks, 99701
phone: 452-6301
Debbie K. Kimmell, Manager

ANCHORAGE

Metropolitan Office
4th and "E", Pouch 7010
Anchorage, 99510
phone: 278-4581
Scott A. Santee,
Assistant Vice President, Manager

Captain Cook Office
P.O. Box 459
Anchorage, 99510
phone: 278-4581
Marianne Holliday,
Assistant Vice President and Manager

Calais Office
3301 "C" Street
Anchorage, 99503
phone: 278-4581
Alvin H. Fleetwood,
Executive Vice President
and Manager
William M. Vogt, Vice President
Carol L. Ferguson,
Assistant Vice President and
Assistant Manager

University Center Office
3901 Seward Highway
Anchorage, 99503
phone: 278-4581
Keith F. Welborn, Manager

OTHER CITIES

Juneau Office
One Sealaska Plaza
Juneau, 99801
phone: 596-2565
John R. Holmquist,
Vice President and Manager
Terry B. Fanning,
Assistant Vice President and Assistant
Manager

Barrow Office
Point Barrow, 99723
phone: 825-6200
Tom D. Oldefendt, Manager

Kotzebue Office
Kotzebue, 99752
phone: 442-3258
John W. Palmer, Manager

Deadhorse Office at Prudhoe Bay
c/o Administrative Center
P.O. Box 60730
Fairbanks, 99701
phone: 659-2417

Nenana Office
Nenana, 99760
phone: 832-5424
Patricia T. Cavaghan, Manager

Nome Office
Miners and Merchants Office
Nome, 99762
phone: 443-2223
John A. Tongen,
Assistant Vice President and Manager
Peggy A. Crawford, Assistant Manager

Eielson Facility
Baker Field House
Eielson Air Force Base, 99702
phone: 372-4166
Carol S. Duey, Manager

Delta Office
Delta Junction, 99737
phone: 895-4509
Mary K. Zachgo, Manager

Tok Office
Tok, 99730
phone: 883-2871
Harley G. Olberg, Manager

Valdez Office
Valdez, 99686
phone: 835-4721
Edward G. Pascu, Manager

BOARD OF DIRECTORS

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Executive Officer

George Bell, Vice President

Frank Chapados

John Contento, Jr.

Charles Fagerstrom

P.B. Haggland, M.D.

Vernon W. Hickel

Thomas E. Kelly

Langhorne A. Motley

Marion Nussbaumer

John Sackett

Leo Schlotfeldt

Richard Sykes

M. J. Burford, Sr. Vice President

OFFICERS

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794 University Avenue
P. O. Box 60730
Fairbanks, 99701
phone: 479-2281

Frank H. Murkowski, President and
Chief Executive Officer

M. J. Burford, Senior Vice President
and Cashier

William J. Green, Senior Vice President
and Comptroller

George E. Bell, Vice President
and Director, Native Affairs

John Contento, Jr., Vice President
and Director

Christopher A. Stephens, Vice President,
Director of Planning

Clifton E. Fodge, Vice President,
Operations

W. M. Cartwright, Executive Vice President,
Loan Administration

Donald L. Norton, Vice President,
Loan Administration

Ronald L. Ricketts, Senior Vice President
and Trust Officer

ADMINISTRATION -- SOUTHERN REGION
4th and "E"
Pouch 7010
Anchorage, 99510
phone: 278-4581

Harold C. Olson, Vice President,
So. Region Loan Administration

Gregory J. Lee, Assistant Vice President,
So. Region Operations

THE LOAN PROCESS

Loan applications are available and may be submitted at any branch of the Alaska National Bank of the North, with the exception of the Fairbanks Airport Branch.

REMARKS AND SUGGESTIONS

The Alaska Bank of the North is a rapidly growing bank with more branch offices in the rural areas of Alaska than any other bank. Because many people in rural areas are depositors, the bank is able to loan significant amounts of money in the rural areas of the state.

A bank officer interviewed suggested that the village corporations encourage their members to "take the time to learn and understand banking relationships. It is a disadvantage for a village corporation to throw all of its faith and trust in a small group or one or two people."

According to a bank officer, rural loans tend to present more problems and delinquencies in servicing. One reason for this may be the fact that areas with small populations are affected much more by slight variations in the overall economy.

The Alaska Bank of the North is currently servicing loans to regional and village corporations.

ALASKA PACIFIC BANK

IS A full-service, commercial bank. Alaska Pacific is the newest bank in Alaska, incorporated in 1974. The bank's primary interests lie in business and commercial services, although it has also expanded its consumer services. The bank currently operates one office in downtown Anchorage, with an office on Northern Lights Boulevard scheduled to open in July of 1978.

OFFICES

MAIN OFFICE
The Financial Plaza
601 West 5th Avenue
P.O. Box 420
Anchorage, 99510
phone: 276-3110

BOARD OF DIRECTORS

Ben W. Agee
Urgel G. Bell
Carl F. Brady
John O. Daly
Arnold G. Espe
James J. Flood
Robert J. Hickel
George A. Lagerquist
Herbert C. Lang
Brooke Marston
James F. Nordstrom
Vance W. Phillips
William P. Pargeter
Julian C. Rice
Robert R. Richards
Robert J. Shimek
Howard A. Slack
Leo A. Walsh
Ray M. Waters

OFFICERS

Arnold G. Espe, President
Robert R. Richards, Executive
Vice President
Frank L. Lentfer, Senior
Vice President
Thomas D. Allen, Vice President
Gregory S. Ball, Vice President
Thomas C. Behan, Vice President
John C. Bennett, Vice President
Grant F. Giesler, Vice President
Kenneth D. Hippe, Vice President
and Controller
Joseph C. Miller, Vice President
Sandra L. Ruppert, Vice President
John C. Shackelford, Vice President
Rosella Parks, Assistant Vice President
William A. Greene, Corporate Secretary and
Counsel

THE LOAN PROCESS

Loan applications are available at the Main Office of the Alaska Pacific Bank, or you can call the bank collect and they will mail you an application.

One of the officers with whom we spoke said that Alaska Pacific will help prospective loan applicants with cash flow projections, etc.

REMARKS AND SUGGESTIONS

Alaska Pacific Bank is the fastest growing bank in the state. Although in the past it has limited its area of operation to the Anchorage area, it has more than doubled its rural operations during the last year. Its rural

activities currently include loans, account servicing, and financial advice. According to one of its officers, these services will increase as the bank's new "bushbanking" program gains momentum.

THE B. M. BEHREND'S BANKS

IS A full-service, commercial bank. B. M. Behrends Bank was founded in 1891, and is the oldest bank in Alaska. The bank's main offices are in Juneau, with branches in two other southeastern communities. All banking services, including loans, are available at all locations.

OFFICES

Main Office
Seward Street
P.O. Box 1367
Juneau, 99802
phone: 586-6800

Mendenhall Branch:
R.R. 5, Box 5131
Juneau, Alaska 99803
phone: 789-0101
Jerry Wilson, Manager

Hoonah Branch P. O. Box 198 Hoonah, 99829
phone: 945-3297
Jackie Dick, Operations Manager

Yakutat Branch
P. O. Box 334
Yakutat, Alaska 99689
phone: 784-3204
Neva Ogle, Operations Manager

BOARD OF DIRECTORS

Remington Low, Chairman
William G. Brock
William A. Corbus
Beatrice M. Fox

Larry D. Cox
Elton Engstrom
Clarence E. Jacobsen
Byron Mallott

OFFICERS

William G. Brock, President
Craig Dahl, Assistant Vice President
Assistant Manager, Juneau Main Branch
Myrna McDougal, Vice President
Martyn McDowell, Loan Officer
Angela Mitchell, Loan Officer

THE LOAN PROCESS

Loan applications are available and may be submitted at any branch of B. M. Behrends Bank.

REMARKS AND SUGGESTIONS

B. M. Behrends Bank limits most of its activity at this time to Southeast Alaska. The bank has a demonstrated history of encouraging and servicing loans in the small communities surrounding Juneau and Ketchikan. The bank is not heavily loaned up as a matter of policy, though recently the percentage of loans to deposit dollars has increased. If approved, B. M. Behrends will open a branch office in Sitka before the end summer of 1978. Officers from the bank's main office travel to the branch offices and to other communities on banking business as a matter of bank policy. Officers have traveled to outlying communities to assist a prospective borrower in preparation of a loan package. The bank is currently servicing loans to Native corporations.

NATIONAL BANK OF ALASKA

IS Alaska's largest bank, offering full banking services from 34 branches throughout the state of Alaska. National Bank of Alaska was founded in Skagway 62 years ago.

OFFICES

Airport Branch
Box 6-168
Anchorage
phone: 243-3309
Billye, Durham, Manager
Anna Wood, Operations

Bentley Branch
Pouch 1200
Fairbanks, 99707
phone: 452-8218
Jim Ross, Manager
Gloria Craig, Operations

Cordova Branch
Box 1250
Cordova, 99674
phor . 424-3258
Jerry Siedschlag, Manager
Patricia Rohweder, Operations

Dimond Branch
Box 6127
Anchorage, 99502
phone: 344-9642
Bill Owings, Manager
Margaret Vaughn, Operations

Dillingham Branch
Box 206
Dillingham, 99576
phone: 842-5285
Jim McConnell, Manager
Olaf Brown, Operations

Fairbanks Branch
Pouch 1000
Fairbanks, 99701
phone: 452-4733
Terry Kipp, Manager
Sandra Burns, Operations

Fifth Avenue Branch
Box 3-3859
Anchorage, 99501
phone: 274-1621
John Carman, Manager
Doris Greenhaw, Operations

510 L Street Branch
510 L Street
Anchorage, 99501
phone: 278-4626
Samantha Delay, Manager

Ft. Richardson Facility
Box 5329
Ft. Richardson, 99505
phone: 863-7154, 862-3121. 862-3221
Edith Tedder, Manager
Doris Tucker, Operations

Glacier Valley Branch
RR#3, Box 3522
Juneau, 99801
phone: 789-9550
Pete Crandall, Manager
Deborah Cogswell, Operations

Glennallen Branch
Box 67
Glennallen, 99588
phone: 822-3215
Steve Taylor, Manager
Betty Wilson, Operations

Government Hill Branch
Box 6127
Anchorage, 99502
phone: 274-4525
Margurite Schaeffer, Manager

Homer Branch
Box 135
Homer, 99603
phone: 235-8151
Don Thornlow, Manager

Kenai Branch
Drawer H
Kenai, 99611
phone: 283-7581
Manager --
Norma Fox, Operations

Ketchikan Branch
Box 6538
Ketchikan, 99901
phone: 225-2184
Max Henry, Manager
Jacquelyn Robb, Operations

Kodiak Branch
Box 1067
Kodiak 99615
phone: 486-3126
Jim Payne, Manager
Shirley Monroe, Operations

4th and E Branch
Box 2540
Anchorage, 99510
phone: 276-1132
Jessie Thompson, Manager
Edith Burkevich, Operations

Mall Branch
Box 6127
Anchorage, 99502
phone: 272-8547
Darrel Jelsma, Manager
Karen Wonnell, Operations

Metlakatla Branch
Box 236
Metlakatla, 99926
phone: 886-6363
Bonnie Hayward, Manager

Nikiskka Branch
P.O. Box 7193
NRB, Kenai, 99611
phone: 776-8118
William Angvik, Manager

Petersburg Branch
P.O. Box 229
Petersburg, 99833
phone: 772-3833
Scott Roth, Manager
Owen Olson, Operations

Russian Jack Branch
P.O. Box 6127
Anchorage, 99502
phone: 333-6504
Walter Furnace, Manager
Pearl Martz, Operations

Sand Lake Branch
P.O. Box 6127
Anchorage, 99502
phone: 243-3336
Steve Fulton, Manager

Seward Branch
P.O. Box 517
Seward, 99664
phone: 224-5283
Manager --

Sitka Branch
Box 639
Sitka, 99835
phone: 747-3226
Jim McMilian, Manager

Skagway Branch
Box 516
Skagway, 99840
phone: 983-2264
Jim Gibbons, Manager

Soldotna Branch
Box 509
Soldotna, 99669
phone: 262-4435
Brent Ulmer, Manager
Colleen Denbrook, Operations

Spenard Branch
Box 4-J
Anchorage, 99503
phone: 274-1526
Ted Sullivan, Manager
Kathy Steger, Operations

Tongass Branch
2415 Tongass Avenue
Ketchikan, 99901
phone: 225-4141
Kyle Taylor, Manager
Nancy Kossman, Operations

Valdez Branch
P.O. Box 67
Valdez, 99686
phone: 835-4745
Brian Andrews, Manager
Carol Beaudion, Operations

Wrangell Branch
Box 261
Wrangell, 99929
phone: 874-3341
Hugh Hall, Manager
Gertrude Ronney, Operations

Wasilla Branch
Box 1930
Wasilla, 99687
phone 376-5355
Michael P. McCormack, Manager

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

Donald B. Abel, Jr.
Richard R. Borer
Alec W. Brindle
Jeams O. Campbell
J. A. Columbus
J. J. Conway
Robert O. Denny
Ted V. Grainge
John H. Hale
Gordon W. Hartlieb
Locke Jacobs
Donald L. Mellish
Emil R. Notti
Einar Ottesen
Martin R. Pihl
Peter Ramaglia
Edward B. Rasmuson
Elmer E. Rasmuson
Leo Rhode
William J. Sheffield
George S. Suddock
James G. Taylor
Richard A. Wien

OFFICERS

Donald L. Mellish, Chairman of the
Board
Edward B. Rasmuson, President

Senior Vice Presidents:

Michael O. Barry
Richard R. Borer
Steve Collins
Richard T. Hall
Max Henry
Peter D. Hocson
Terry Kipp
Michael L. Mauer
E. Thomas Pargeter
John Reekie, Jr.
Thomas C. Tierney

APPLICATIONS

Applications for a loan are available and may be submitted at any branch or at the main office.

REMARKS

National Bank of Alaska does approximately 51% of its loan business outside of the Anchorage area and about 47% of the bank's loan customers are in rural areas. The bank is open to any reasonable proposition for a rural based business. In particular, National Bank of Alaska has extensive experience in fisheries lending. It is one of the major banks in Alaska aggressively seeking fishing boat loans.

An interesting aspect of National Bank of Alaska's lending pattern in rural Alaska is that as loan money becomes short in supply, the bank becomes more selective in the urban areas, but does not become more restrictive in the rural market.

In addition, the bank has a very aggressive stance with regard to loan participations through a variety of state and federal programs which aid economic development in rural areas. That is to say, National Bank of Alaska can arrange for financing relatively large projects through joining forces with these financial assistance programs, e.g. SBA, FHA, etc.

National Bank of Alaska only requires personal financial information from directors of corporations that sign the loan documents. They are interested somewhat in whether the borrower has ownership, but are more concerned with a history of continuity and success in management.

R.A. Kennard,
President

R.W. Burgh,
Executive Vice President & Cashier

Gordon Catching
Senior Vice President and Loan Officer

George E. Diener
Vice President and Senior Operations Officer

Teri Bowersox
Assistant Loan Officer

Gordon S. Bowman
Auditor

Catherine Brush
Trust Officer

Ken R. Ferguson
Vice President and Branch Manager

J. T. Gardner
Vice President and Branch Manager

Lynn Manley
Assistant Vice President and
Mortgage Loan Officer

Betty Hickinbotham Mathews
Personnel Officer

Richard P. Null
Operations Officer

John J. Rocca
Assistant Vice President

John H. Rogers
Assistant Vice President and Branch
Manager

REMARKS AND SUGGESTIONS

One of the bank's officers suggested that the most useful services they could offer village corporations would be through their trust department. "We can't afford to travel to the villages," this officer said, "but we can help the corporations put their financial assets to work for them while they are planning for their future." The bank's trust department will guide corporations in their investments.

SECURITY NATIONAL BANK

IS A full-service commercial bank established in
1975, and currently serving primarily the Anch-
orage area.

OFFICE 880 H Street
Anchorage, 99501
phone: 276-6800

BOARD OF DIRECTORS

Wayne C. Littleton
Chairman of the Board and President

Charles A. Blomfield

William F. Coghill

George Dickson

Raymond J. Ellis

Charles F. Kennedy

Vern Padgett

James Pulver

Arlon Tussing

OFFICERS Wayne C. Littleton
President

Kaye Cornell
Vice President and Cashier

James Pulver
Vice President and Senior Loan Officer

A.R. Knighten
Assistant Vice President

Claude Millsap
Assistant Vice President

LOAN PROCESS

Loan applications are available at the bank office. Generally a decision on a loan is made within one to four weeks. Security National will assist an applicant in putting together a loan package; they will, for instance, tell an applicant how to develop cash flow projections, although the applicant must, of course, develop the actual projections himself.

If a loan request is denied, a loan officer will meet with the applicant to "discuss ways that might work and give suggestions as to what they might do to make it a 'bankable' request," according to the bank's president.

Security National does require resumes for the management personnel of a corporation; they do not require resumes or personal financial statements from directors and officers of the corporation unless those people are co-signing the loan.

REMARKS AND SUGGESTIONS

Security National Bank is Alaska's smallest bank. When their loan to deposit ratio permits, they actively seek loan business from rural areas. During the first two years of operation, the bank encouraged loan applications from the bush and consequently has a number of village corporations as clients. The president

of the bank estimates that currently between 10% and 20% of their business is in rural Alaska. "The kinds of rural businesses we are interested in are those which have potential for growth and prosperity," he said, "and which will provide a service to their own local community."

He went on to say that the most helpful thing an applicant can do "is to show us that they have analyzed their requirements: that they know where they are now, where they want to go, and how they expect to get there. This kind of analysis is usually expensive, but it is invaluable to us when we consider a loan." If a village corporation contacts the bank and gives them enough background, a bank officer will travel to the village to discuss the project and the feasibility of a loan.

One bank officer interviewed said, "We almost consider ourselves to be a minority bank; after all, we're the smallest in the state and a minority ourselves." Another officer said they are "not trying to hustle the Native business, the minority business, or the white business. We're hustling good business."

This bank considers a good loan package to be the responsibility of the borrower and places heavy weight on the quality of the application when considering a loan.

UNITED BANK ALASKA

IS A full-service bank, with two offices in Anchorage. UBA was founded in 1975 as a joint venture of five ANCSA regional corporations. The current owners are Bristol Bay Native Corporation, NANA Regional Corporation; Doyon, Limited; Calista Corporation; Cook Inlet Region; and AHTNA, Inc. As a native-owned bank, their orientation toward native business is strong, and the bank's officers and directors are well acquainted with the situation faced by village corporations.

OFFICES

Mailing address:

Box 59
Anchorage, 99510

Main office:

7th and G Streets (645 G Street)
Anchorage, 99501

Denali branch:

2600 Denali Street
Anchorage, 99503
Norman P. Petersen, Manager
Phone: 276-1911

UBA has no specific immediate expansion plans.

DIRECTORS AND OFFICERS

William L. Hensley, Chairman
Robert C. Bacon
John N. Colberg

Digby H. Cook
Eugene B. Erskine
B. J. Gottstein
Roy M. Huhndorf
Gerald H. Ivey
Frederick C. Jenner
Ruby John
Donald F. Nielsen
Fred Notti
John T. Shively
Dean F. Olson

OFFICERS

William L. Hensley
Chairman of the Board

Eugene B. Erskine
President and Chief Executive Officer

Robert C. LaTour
Vice President and Auditor

Jean B. Wiza
Vice President and Cashier

Wilfred Fernandez
Vice President and Controller

Ernest M. Kwiatkowski
Assistant Vice President and
Assistant Controller

COMMERCIAL AND INSTALLMENT LOANS

Bernard B. Angel
Vice President

Perry R. Eaton
Vice President

Jerry L. Sutton
Vice President

Jon D. Yeager
Vice President

Nancy A. Curtis
Assistant Vice President and
Manager Credit Department

Janice E. Smith
Loan Officer

REAL ESTATE LOANS

Norman P. Petersen
Vice President

Peggy L. Buslett
Assistant Vice President

Jody Nardini
Loan Officer

APPLYING FOR A LOAN

Initial contact may be made by mail, or in person at the office in Anchorage. United Bank of Alaska feels that they offer "substantially more counseling to loan applicants than other banks." They will not, for example, actually prepare difficult financial statements, but say that they will help with the application papers and refer applicants to professional help if necessary.

Should UBA have to reject a loan applicant they say that they "like to make positive turndowns," and try to do constructive counseling at this point.

United Bank of Alaska is extremely interested in rural business and in working with village corporations. Their aim for rural ventures is that they "lead to a sound and growing economy in bush areas."

Many of the directors and officers are Alaska Natives, and most have close knowledge of rural areas and opportunities.

In dealing with village corporations the bank rarely requires personal financial information from directors or managers.

The standard interest rate for commercial loans is presently 11%.

REMARKS AND SUGGESTIONS

Perry Eaton, Vice President of UBA comments:

"Probably the most important thing about getting a loan is matching personalities between the banker and the borrower. Getting the loan is only half of it... Paying it back and interfacing with the loan officer is also important. You need a comfortable feeling that you can resolve problems that are almost inevitable in the course of the loan. Some possible problems are natural disasters, theft, labor problems, or the loss of a prime contract. The options that the bank has under these circumstances may allow the business to recover. Besides foreclosing, and closing down the business, the bank may carry the loan on interest only, find a ready market to sell off inventory or equipment, and in a number of ways, string the business along and work with it. This is why it is important to talk about all potential problems before the loan is made."

Talking about leverage for village corporations Mr. Eaton said: "Leverage isn't political muscle; it's a combination of using all of your assets to assure that your participation (the investment of your own capital) is down to the minimum and that you have passed the risk as much as possible. It's tough for a village to get much leverage; a lot of it is reputation, and they (the village corporations) are mostly an unknown quantity."

ALASKA MUTUAL SAVINGS BANK

IS A mutual savings bank, owned by its depositors.
Takes in money on savings and makes only loans
on first mortgages of real property.

OFFICES

Main Branch
Financial Plaza
601 W. 5th Avenue
Anchorage
phone: 274-3561

Teamster Mall Branch
DeBarr and Airport Heights Road
Anchorage
phone: 274-5722

Eagle River Branch
Parkgate Building
Eagle River
phone: 694-9571

BOARD OF TRUSTEES Richard E. Anglemyer
 Dr. Michael Beirne
 Kenneth L. Brady
 General Joseph A. Cunningham

Trustees (Cont'd.) Lee E. Fisher
Allen A. Ford, Jr.
Dr. George Hale
Jalmar Kerttula
L. H. Landry
Keith M. Lesh
Earl M. Miller
H.W. Nagley
Richard W.J. Shimek
Richard L. Silberer
William J. Tobin
Robert M. Winslow
Ron L. Rettig, Chairman

OFFICERS

Ron L. Rettig
President

R. E. Anglemyer
Senior Vice President, Secretary

Earl M. Miller
Executive Vice President

David W. Robinson
Senior Vice President

Diane B. Aukamp
Vice President

David G. Martin
Vice President

Lorraine J. Cate
Vice President

George A. Morrison
Vice President, Controller

Eugene B. Erskine
Lee E. Fisher
Allen A. Ford, Jr.
Dr. George Hale
Jalmar M. Kerttula
L.H. Landry
Keith M. Lesh
Earl M. Miller
H.W. Nagley
Richard W.J. Shimek
Richard L. Silberer
William J. Tobin
Robert M. Winslow
Ron L. Rettig, Chairman

OFFICERS

Ron L. Rettig
President

Eugene B. Erskine
Executive Vice President

R.E. Anglemyer
Senior Vice President, Secretary

Earl M. Miller
Senior Vice President

David W. Robinson
Senior Vice President

Diane B. Aukamp
Vice President

David G. Martin
Vice President

Lorraine J. Cate
Vice President

George A. Morrison
Vice President, Controller

Kenneth L. Brady
Vice President, Buildings

Georgette D. Armstrong
Asst. Vice President

Mary E. Clarkson
Asst. Vice President

Betty C. Dayton
Asst. Vice President

Pam L. Martin
Asst. Vice President

Gregg Walker
Asst. Vice President

Charles F. Stiegele
Asst. Vice President

APPLYING FOR A LOAN

Applications may be made at all of the three branches. As the bank's loans are limited to first mortgages, the application process is slowed by the necessity for appraisals. The bank usually takes up to two weeks to process a loan application.

The bulk of the bank's mortgages are on property located in the Anchorage area, although they have made loans on property in Juneau, Kodiak, and Homer. They have also made loans in Bethel and Kotzebue, and have worked with Native corporations. They feel that the inability to closely supervise construction outside of the Anchorage area puts loans away from Anchorage in the high risk category.

REMARKS AND SUGGESTIONS

The bank, although concentrating on Anchorage, will consider loans in other parts of the state. These loans would of course be limited

to first mortgages on real estate. This bank's major consideration in making a loan is that they be able to sell the commercial paper to a secondary investor. If a loan in a rural area meets the standards which would make it salable on the secondary market, it would be well received by Alaska Mutual Savings.

For money management purposes, note that this bank offers $\frac{1}{4}\%$ more interest than commercial banks on straight savings accounts.

Mt. McKINLEY MUTUAL SAVINGS BANK

IS A mutual savings bank, owned by its depositors.
Takes in money on savings and makes only loans
on first mortgages of real property.

OFFICE

531 Third Avenue
Box 468
Fairbanks, 99707
phone: 452-1751

DIRECTORS & OFFICERS

Board of Trustees

Dr. Grover Ensley
Theodore Lowell
Francis Nimick
K.M. Rae
Dan Ramras
Julian C. Rice
Jack H. Richardson
Leslie I. Rogers
K.G. Thompson
Wilbur Walker
Ingeborg Wilson
Dale E. Yoder

Officers

K.G. Thompson
President

W.K. Simon
Senior Vice President

Samuel Woodke
Senior Vice President

APPLICATIONS

Applications are available at the single office.

REMARKS AND SUGGESTIONS

Mt. McKinley, like the other mutual savings bank in the state, is extremely limited in what type of loans it can make.

However, many village corporations are investing in buildings, and this is what a mutual savings bank specializes in.

This bank has, and will continue to make loans outside of the Fairbanks area. They have loaned money to individuals in rural areas, and have some deposits from native corporations, but they have not made any loans to village corporations to date.

They say that money is becoming tight, and they will probably have to be able to sell a note in a rural area before they grant a loan.

ALASKA FEDERAL SAVINGS & LOAN ASSOCIATION

Juneau	301 N. Franklin Street Juneau, 99801 phone: 586-1010
Juneau	Valley Branch Nugget Mall Center Box 2660 Juneau, 99803 phone: 789-2468
Palmer	Box 1028 Palmer, 99645 phone: 745-4233
Petersburg	Box 748 Petersburg, 99833 phone 772-3443
Ketchikan	Box 8300 Ketchikan, 99901 phone: 225-6146
Valdez	400 Mission Street Valdez, 99686 phone: 835-4703
Sitka	Box 1610 Sitka, 99835 phone: 747-8688
Wrangell	Box 1290 Wrangell, 99929 phone: 874-2356

ARCTIC FIRST FEDERAL SAVINGS & LOAN OF FAIRBANKS

Fairbanks	570 Gaffney Road Box 708 Fairbanks, 99707 phone: 452-4471
Anchorage	701 W. 4th Avenue Anchorage, 99501 phone: 278-9541
Fairbanks	400 Steese Highway Fairbanks, 99701 phone: 452-4471

FIRST FEDERAL SAVINGS AND LOAN OF ANCHORAGE

Anchorage	813 Northern Lights Anchorage, 99503 phone: 274-6561
Anchorage	Dimond Blvd. at Old Seward Anchorage, 99502 phone: 344-6111
Anchorage	305 W. 5th Avenue Anchorage, 99501 phone: 277-6602
Kenai	Kenai Shopping Center Kenai, 99611 phone: 283-4197
Kodiak	Kodiak Mall Kodiak, 99687 phone: 486-4128
Wasilla	Wasilla Airport Center Wasilla, 99687 phone: 376-5201

HOME FEDERAL SAVINGS & LOAN ASSOCIATION

Anchorage	535 D Street Pouch 7008 Anchorage, 99510 phone: 272-1451
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FIRST NATIONAL BANK OF ANCHORAGE

IS A full-service, national bank, founded in 1921.
Main offices are in Anchorage and branches in
communities throughout the state. All banking
services are available at all branches and at the
main office.

OFFICES

Anchorage, Main Office
4th and G Streets
Anchorage, 99510
phone: 276-6300

Cordova Branch
1st and Browning
Cordova, 99754
phone: 424-7521
P. Douglas Longacre, Manager

Eagle River Branch
Business Blvd. and Old Glenn Highway
Eagle River, 99577
phone: 694-2103
C.L. Hardenergh, Manager

Eastchester Branch
1821 Gambell Street
Anchorage, 99501
phone: 272-5491
R.W. Shamburger
Vice President and Manager

Elmendorf Branch
Building #3850
Elmendorf AFB 99506
phone: 753-1170
Sue C. Rodman, Manager

Haines Branch
Third at Main
Haines, 99827
phone: 766-2321
Richard J. Flegel, Manager

Interior City Branch,
Fairbanks
407 Eighth Avenue
Fairbanks, 99701
phone: 452-1871
W.W. Renfrew,
Vice President and Manager

Juneau Branch
238 Front Street
Juneau, 99801
phone: 586-2550
W.G. Logan
Vice President and Manager

Channel Branch, Juneau
840 Tenth Street
Juneau, 99801
phone: 586-3313
Harry I. Lucas, Manager

Kenai Branch
Mile 11, Kenai Spur Road
Kenai, 99611
phone: 283-3585
D.G. Savoie
Vice President and Manager

Kodiak Branch
218 Center Street
Kodiak, 99615
phone: 486-3251
V.R. Mulcahy
Vice President and Manager

Kuskokwim Branch,
Bethel
First at Main Street
Bethel, 99559
phone: 543-2601
Thomas M. Pierce-Bulger
Manager

Northern Lights Branch
1210 W. No. Lights Blvd.
Anchorage, 99503
phone: 2792433
Patrick J. Alvarez
Vice President and Manager

Palmer Branch, Palmer
101 Dogwood Street
Palmer, 99645
phone: 745-4848
Stephen S. Street, Manager

Parkway Branch
5305 E. No. Lights Blvd.
Anchorage, 99504
phone: 333-5558
Donald G. Farris
Vice President and Manager

Seward Branch
Fourth Avenue at Adams
Seward, 99664
phone: 224-5217
David A. Stringer, Manager

Sitka Branch
104 Lincoln Street
Sitka, 99835
phone: 747-3272
Raymond G. Mabey
Vice President and Manager

South Center Branch
35th and C Streets
Anchorage, 99503
phone: 274-1521
J.E. Johnson
Vice President and Manager

Valdez Branch
200 Chenega Street
Valdez, 99686
phone: 835-4381
Ada M. Williamson, Manager

BOARD OF DIRECTORS

Mrs. W.N. Cuddy, Chairman

D.H. Cuddy
Raymond J. Reeves
H.M. Blair
Loren Lounsbury
W.M. Murray
John T. Kelsey
Bud F. Meyeres

Margaret Hickman, Secretary

SENIOR OFFICERS

D.H. Cuddy, President

W.M. Murray, Executive Vice President

H.M. Blair, Senior Vice President and Cashier

J.P. Pfeifer, Senior Vice President

VICE PRESIDENTS

David R. Dahlke

David G. Freund

Dorothy Furbush

H.A. Hoffman

Loa A. Mueller

Ellen M. O'Shea

ASSISTANT VICE PRESIDENTS

Ann E. Burbank

Jodie M. Clarke

David W. Cuddy

Carolyn R. Farthing

Betty Jean Fesler

Willard B. Jordet

Betsy Lawer

David K. Milliman

James A. Murray

X. Carol Nagata

Mary Perry

J.C. Shackelford

Wayne A. Williams

THE LOAN PROCESS

Applications are available at all branches. The bank will lend up to \$3.5 million to any one borrower. Branch Managers generally have lending limits of \$50,000 to \$150,000, and may approve loans up to their limits at the branch banks.

REMARKS AND SUGGESTIONS

The First National Bank of Anchorage is Alaska's second largest bank. Several new branches are planned for the near future. According to Daniel Cuddy, President of the bank, the bank's "first obligation is to depositors. We must keep depositors' money safe and available. Our other obligations are to the communities we serve, our employees and our stockholders." The bank insists that a prospective borrower be a depositor, preferably with a past deposit history with the bank. According to Mr. Cuddy, the key to any business loan application is that the business "have a reasonable chance for success. We will look at anything and will help a prospective borrower put together whatever documentation is necessary." Mr. Cuddy said, "the village corporations should begin to use banks more, rather than to suspect them."

FIRST NATIONAL BANK OF FAIRBANKS

IS A full service bank

OFFICES

First National Bank of Fairbanks
Main Office
112 Cushman St.
P.O. Box 1230
Fairbanks, 99707
phone: 452-2146

Clear Branch
Administration Bldg., Rm. 201
Clear, 99704
phone: Fairbanks operator, Clear ext. 418
Jean Smith, Manager

College Office
University Avenue at College Rd.
P.O. Box 90
College, 99706
phone: 479-3203
Janie Code, Manager

Fort Greely Office
Fort Greely Army Base
Box 750
Delta Junction, 99733
phone: 872-4246
Theresia Santora, Manager

Cushman and Gaffney Office
Cushman at Gaffney Street
P.O. Box 1230
Fairbanks, 99707
Samye Pendry, Manager

Fort Wainwright Office
Bldg. 3700, P.O. Box 3526
Fort Wainwright Army Base 99703
phone: 353-4142
Sandy Close, Manager

Gavora Mall Branch
Steese Highway at 3rd Ave.
Fairbanks 99701
phone: 492-9647
Carol Kannenberg, Manager

Shoppers Forum Branch
Airport Way and Cowells Street
Shoppers Forum Shopping Center
Fairbanks 99701
phone: 456-8971
Michele Hansen, Assistant Manager

North Pole Branch
Badger Road and Richardson Hwy.
Fairbanks 99705
phone: 488-2263
Rita Mucha, Manager

BOARD OF DIRECTORS

William Stroecker

Arnold Espe

Mark Langland

Ron Nerland

C.L. Lindberg

James Murray

Dwayne Hall

OFFICERS

William Stroecker
President

Mark Langland
Executive Vice President

George Whyel
Executive Vice President

Donald Braden
Senior Vice President

LOAN PROCESS

The bank does not make loans outside of its main office. The branch offices will forward applications to the loan department, but there are no loan officers in the outlying banks. The loan department can be reached either by telephone or by mail. Pro-

cessing may take up to two weeks for a client who is not known to the bank.

REMARKS AND SUGGESTIONS

The bank has a large number of rural depositors, and says that it tries to accomodate them with loans, but that it is not now actively seeking loans in the bush. The bank officer we talked with said that the bank does not have many loans out to village businesses currently, but that they would encourage applications. Bank policy is to request personal financial information from people in direct authority in small corporations.

FIRST NATIONAL BANK OF KETCHIKAN

IS A full service national bank, based in Ketchikan, and
specializing in the fishing and timber industries.
The bank is 53 years old.

OFFICES

Main Office
Box 7920
Ketchikan 99901
phone: 225-6101

Totem Branch
P.O. Box 5106
Ketchikan 99901
phone: 225-5128
Virginia R. Gisse, Asst. Cashier

Prince of Wales Branch
Box 74
Craig 99921
phone: 826-3254
Henry E. Weller, Asst. Vice President, Manager

LeConte Branch
P.O. Box 1109
Petersburg 99833
phone: 772-4277
Paul Merrifield, Vice President, Manager

35th and Old Seward Financial Center
811 East 36th Avenue
Anchorage 99503
phone: 276-6911
Robert Buchanan, Senior Vice President, Manager

BOARD OF DIRECTORS

William G. Moran, President
E.J. Anderes
E.J. Cessnun
E.R. Ellis

R.D. Jensen
Frank Murkowski
Clifford R. Phillips
Harold Brindle

OFFICERS

William G. Moran
President

William G. Moran, Jr.
Vice President and Comptroller

Ruth L. Morgan
Vice President

Bruce Penoske
Vice President

Charles Ruddell
Vice President

Laura Mattson
Cashier

Michael Wood
Asst. Vice President

Marjorie Thorson
Asst. Vice President

APPLYING FOR A LOAN

There is a loan officer at all of the branches of the bank. Large loans are referred to the main office, and a new central mortgage office at the main office speeds the handling of real estate loan documents.

REMARKS AND COMMENTS

The bank is heavily involved in loans in rural S.E. Alaska, and says that they are willing to travel to rural areas to discuss possible venture financing. They also offer an aggressive money

management program, saying that they will match the interest paid by any other bank, and that if a corporation has money available to invest the bank will offer 1% or more over Seattle interest rates with 100% security.

If a loan must be refused they will tell the applicant exactly why the loan was not granted. "We're not in business to put people out of business; we're in business to make them make lots of money so they put that much more money in the bank."

This bank is interested in a good deal of financial information about the owners of a business applying for a loan, and about its directors and managers.

ALASKA USA FEDERAL CREDIT UNION

CONTACT Alaska USA Federal Credit Union
777 Juneau Street
Anchorage, 99503
phone: 278-4511

The Alaska USA Federal Credit Union has, as members, ten of the twelve regional corporations, and many of the village corporations. They have made multi-million dollar loans to native corporations, and are ready to consider various types of business loans to member village corporations.

Alaska USA has offices in the regional corporation offices in Kotzebue, Copper Center, Barrow and Kodiak, and numerous other offices through the state. They feel that they have contributed a great deal of financial assistance to the Native business community, and are interested in continuing this relationship.

ALASKA DIVISION OF AGRICULTURE

CONTACT

Doug Jacobsen
Loan Administrator
Department of Natural Resources
Division of Agriculture
Box 1088
Palmer, Alaska 99645
phone: 745-3236

STATUTE: AS 03.10

REGULATIONS: 11 AAC 39

ALASKA DIVISION BUSINESS LOANS

CONTACT

Division of Business Loans
Pete Jeans, Director
9th Floor, State Office Building
Pouch D
Juneau, 99811
phone: 465-2510

Division of Business Loans
Al Baranhof, Loan Examiner
7th Floor, MacKay Building
338 Denali Street
Anchorage, 99501
phone: 272-9571

STATUTE: AS 45.95.020.

STATUTE: AS 45.90.010

DIVISION OF ECONOMIC ENTERPRISE

CONTACT Address in Fairbanks unknown at this time. Check
with:

Richard Eakens
Director
Pouch D
Juneau, 99810
phone: 465-2020

BUREAU OF INDIAN AFFAIRS

CONTACT

AREA DIRECTOR

Clarence Antioquia
Box 3-8000
Juneau, 99802
phone: 586-7177

CREDIT AND FINANCING BRANCH
Edward Halverson, Credit Officer
(Roger Fitzjarrald, Acting)
Box 3-8000
Juneau, 99802
phone: 586-7177

BIA AGENCIES - ALL CREDIT SERVICES
AVAILABLE

George Smith, Jr.
Credit Officer
1675 C Street
P. O. Box 120
Anchorage, 99510
phone: 265-5248

Leo Fernandes
Credit Officer
Kuskokwim Annex
P. O. Box 347
Bethel, 99559
phone: 543-2125

Leonard Kenneth
Credit Officer
P. O. Box 1108
Nome, 99762
phone: 443-2284

Mauneluk Association (contract agent)
Dennis Tiepelman
Credit Officer
P.O. Box 256
Kotzebue, 99752

Tanana Chiefs Conference
(contract agent)
Tony Ellwood
Credit Officer
Doyon Bldg., First and Hall Streets
Fairbanks, 99701
phone: 452-8251

North Slope Borough
(Contract Agent)
Jay Letski
Credit Officer
P.O. Box 129
Barrow, Alaska 99723
phone: 852-6880

Captain Elizabeth Autrey
Credit Officer
Federal Building
Box 3-8000
Juneau, Alaska 99802
phone: 586-7453

STATUTE Indian Financing Act of 1974, 25 USC 1451
REGULATIONS: 25 USA 1451, 1481-1498, 1511-1512, and
1542-1543

STATUTE: Indian Financing Act of 1974, 25 USC 1451
REGULATIONS: 25 USC 1521-1522, 1451, 1542-1543

STATUTE: Indian Financing Act of 1974, 25 USC 1451
REGULATIONS: 25 USC 1442-1443, 1451, 1461-1470, 1506, 1634

COMMUNITY ENTERPRISE DEVELOPMENT CORPORATION OF ALASKA

CONTACT

Al Ketzler,
President
Community Enterprise Development
Corporation
1011 E. Tudor Road, Suite 210
Anchorage, Alaska 99503
phone: 279-4551

STATUTE: Title VII, Economic Opportunity Act

REGULATION: Internal, Available for CEDC or Rural CAP

COMPREHENSIVE EMPLOYMENT AND TRAINING ACT (CETA)

CONTACT Manpower Division, Department of Community &
Regional Affairs, at the following places:

Pouch BC
Juneau, 99811
phone: 465-4814

Box 1068
Nome, 99762
phone: 443-2274

1514 Cushman - Room 211
Fairbanks, 99701
phone: 456-1504

Box 348
Bethel, 99559
phone: 543-2885

619 Warehouse, Suite 243
Anchorage, 99501
phone: 276-5161

Alaska Skill Center
Box 615
Seward, 99664
phone: 224-5246

STATUTE: Comprehensive Employment Training Act

REGULATIONS: 42 FR 92790

ECONOMIC DEVELOPMENT ADMINISTRATION

CONTACT Clyde Courtnage
 Economic Development Administration
 Suite 455
 632 Sixth Avenue
 Anchorage, Alaska 99501
 phone: 265-5317

OR

 Western Regional Office
 Economic Development Administration
 1700 Westlake North
 Seattle, Washington 98109
 phone: (206) 442-4740

(NOTE: there are two people in the Anchorage office, and
fifty in the Western Regional Office.)

STATUTE: 42 USC § 121 et. seq.

REGULATIONS: 13 CFR Chapter 3

FARMERS HOME ADMINISTRATION

CONTACT:

Main Office:

Darwin R. Betts
District Director
Farmers Home Administration
District Office for Alaska
Suite 127
2221 E. Northern Lights
Anchorage, Alaska 99504
phone: 274-7738

Fairbanks:

Albert Brundage
101 12th Avenue
Box 18 Fairbanks, 99701
phone: 452-1951, ext. 234

Juneau:

Edward Mardock
Room 475
Federal Building
Box 969
Juneau, 99802
phone: 586-7140

Palmer:

Hillstrom Building
Box 819
Palmer, 99645
phone: 262-9131

Homer: second Tuesday at County Agent's Office,
1-2 p.m.

Seward: third Thursday, FS Office, 11 a.m.- 12 p.m.

STATUTE: Housing Act of 1949, Rural Development Act of 1974
and others.

REGULATIONS: Internal

NATIONAL MARINE FISHERIES SERVICE

CONTACT

Jim Nickerson
Senior Financial Assistance Officer
Northwest Region
National Marine Fisheries Service, NOAA
Lake Union Building, Room 336
1700 Westlake North
Seattle, WA 98109
phone: (206) 442-5532

or:
David Bledsoe
Merrill, Lynch, Pierce, Fenner & Smith
Carr-Gottstein Building, Suite 306
310 K Street
Anchorage, 99501
phone: 276-4313
(you may call collect)

STATUTE: Merchant Marine Act of 1936, Title XI

REGULATION: 50 CFR, Part 255

THE SMALL BUSINESS ADMINISTRATION

CONTACT

Frank Cox, District Director
The Small Business Administration
1016 W. 6th Suite 200
Anchorage, 99501
phone: 265-4356

Sprague Carter, Jr.
The Small Business Administration
Branch Office Manager
Box 14
Federal Building
101 12th Avenue
Fairbanks, 99701
phone: 452-1951, ext. 112

STATUTE: The Small Business Act