

ALASKA LEGISLATURE COMMITTEE FILES 1991-1992 8672
7028 HOUSE LABOR & COMMERCE

277

certain qualifications (the Attorney General has apparently accepted that such qualifications may be legal, see e.g., April 23, 1981, opinion from R. Pegues to Helen Beirne; August 13, 1979, opinion from R. Pegues to Governor Hammond; May 24, 1988, opinion from G. B. Schaible to Governor Cowper), the appointment of an individual to that seat, including the switching of seats, requires the removal of a member from one seat in accordance with law and the confirmation of that member in a new seat by the legislature. In the current situation, the legislature confirmed Mr. Foster's appointment to a consumer seat four years ago. His qualifications to hold the engineering seat have never been reviewed or passed upon by the legislature. To allow the switching of seats without confirmation by the legislature when appointees are required to have different qualifications for different seats would, arguably, prevent the legislature from exercising its constitutional duty to review the appointments of the governor to ensure that qualified people are being placed in control of important state government functions. Therefore, assuming the legislature has the authority to prescribe qualifications for appointments to particular seats of the APUC, we conclude that the switching of seats by the governor requires confirmation by the legislature.

However, if the legislature is found to lack the authority to interfere with the governor's appointment power by prescribing qualifications for particular seats on the APUC, a court could conclude that the governor has the power to switch seats. If the legislature lacks the authority to prescribe qualifications and if the member who is moved continues to serve for the duration of the term he was originally appointed to, and confirmed for, and does not commence a new or different term, no removal or reappointment has occurred. In that situation a court might conclude that the member's service to the state has not been interrupted - no break in service has occurred - so as to require a new appointment by the governor and confirmation by the legislature.

Regardless of whether a seat requires particular qualifications, if the board member commences a new term, that is, if he assumes the term that belongs to the new seat he is taking or the governor appoints him to some wholly new term (regardless of whether his old term has expired), the effect is that of a new appointment or a reappointment, requiring confirmation by the legislature. If the member whose seat is switched retains his original term, that is, if the duration of the period he serves in office is not altered, we do not believe that confirmation would necessarily be required. Note, however, that if the period is shortened by the switch, the member may have a cause of action against the state based upon his or her property interest in the original term. Likewise, if the period is increased a confirmation requirement may be triggered. We have been unable to discover any authority that clearly addresses the question of whether the term is appurtenant to the seat or to the person occupying the seat. Though, it seems reasonable to assume that a term should be found to be appurtenant to the particular seat and not the individual who happens to be occupying it at any particular point in time.

Senator Pat Pourchot
February 6, 1991
Page 3

Regarding your questions as to when a term begins and when an appointee goes on the payroll and begins work, AS 39.05.080(4) provides:

(4) Pending confirmation or rejection of appointment by the legislature, persons appointed shall exercise the functions, and have the powers and be charged with the duties prescribed by law for the appointive positions or membership.

This language seems to provide that an appointment is effective when the person is appointed by the governor (subject of course to the legislature's authority to reject or fail to confirm the appointee). The Attorney General has so held in an opinion issued February 17, 1982 by Kenneth Vassar, attached. The Supreme Court has, also, held in a similar situation that an appointment is effective when made by the governor. Division of Elections v. Johnstone, 669 P.2d 537 (Alaska 1983). When the person goes on the payroll conceivably could be a different time than when the person is appointed. There are no statutes that set a date that an appointee is to begin receiving a paycheck, though, there are statutes that set out when the governor and lieutenant governor are to begin receiving their salaries. AS 39.20.020 and 39.20.040. These statutes provide that the governor and lieutenant governor begin receiving their salaries when they take the oath of office. At that time they have officially commenced upon the duties of their office. Using these provisions for guidance, we conclude that executive branch appointees should begin receiving their salaries when they take the oath of office and commence upon the duties of their office.

If you have further questions, please contact us at your convenience.

GPL:lmb:mi:gc
91-022.lmb

MEMORANDUM

State of Alaska

to Lori Svensson
Administrative Officer
AK Seafood Marketing Institute

DATE: February 17, 1982

FILE NO: J66-377-82

TELEPHONE NO: 465-3600

JM WILSON L. CONDON
ATTORNEY GENERAL

SUBJECT: Terms of office of officers of Alaska Seafood Marketing Inst.

By: 
Kenneth E. Vassar
Assistant Attorney General

You have asked whether the term of office of a member of the board of directors of the Alaska Seafood Marketing Institute who is also an officer of the institute may be construed to begin on the date of the first meeting of the board following the officer's appointment. It may not.

Under AS 16.51.020, the governor appoints members of the board of directors, and, under AS 16.51.030, the members of the board serve staggered three-year terms of office. Nothing in the statutes expressly states when a board member's term of office begins. In this situation, the general rule is that the term of office begins to run from the date of the appointment. 63 Am.Jur.2d, Public Officers and Employees, § 151. The power to determine when an appointee's term will begin is part of the appointing power which, under AS 16.51.020, is assigned to the governor. The suggested construction would make that power dependent upon the will of the board rather than that of the governor.

You have also asked whether the by-laws of the institute should be amended to address the situation in which the term of office of a board member who is an officer of the institute and who is not reappointed, expires leaving the institute with a vacancy in that office. Certainly, the by-laws could consider this contingency, and there are undoubtedly several methods of addressing the problem. However, the simplest method would seem to be for the staff of the institute to maintain a list of the board members who are officers and the expiration dates of their terms as board members. Then, a meeting of the board can be scheduled to follow shortly after the expiration date of a director's term so that any vacancy which arises can be filled without undue delay; or, at the last meeting before the expiration date, another director can be elected to take the office if the first director is not reappointed.

KEV/pjg

Olds

Confirma-

tion 1999

HOUSE LABOR AND COMMERCE COMMITTEE

ALASKA STATE LEGISLATURE

P.O. BOX Y, JUNEAU 99811



April 4, 1991

The House Labor and Commerce Committee gives the following recommendations on the appointment of Glenn Olds as Commissioner of the Department of Commerce and Economic Development.

Do Confirm

Do Not Confirm

Other Recommendations

E. Buchanan

Ken Miller

David Donley

Kevin Taylor

John Wagoner

David Holt

Kevin Pat Parnell

David Holt
Chairman

INTRODUCTORY MATERIAL
ON
GLENN OLDS, THE MAN

MAR 0 1991

Dr. Glenn A. Olds is President and Chief Executive Officer of the Better World Society, recently organized global strategy for bringing urgent messages of change or perish to the people and the planet. The Society's focus on reducing the threat of nuclear war and the arms race, care and tending of our environment, stabilizing our explosive population rate, finding new and wiser uses for our resources, and serving and empowering persons in life-threatening need, illustrates the agenda of his own life.

Dr. Olds illustrates in his personal and professional life, that integration of diversity is the clue to the global society now emerging. Born of a Catholic father, Mormon mother, Quaker upbringing and Methodist ministry, he worked his way through high school, college and three graduate schools with honors and distinction as a logger, ranch hand, park and forest ranger, professional boxer, dance band leader, dishwasher and country preacher. His work and travel has linked him with educational, governmental, and service functions, around the world.

He has been a pioneering leader as Chairman of the International Consortium on Energy Research, the International Design Science Institute, and initiator of the United Nations University, the International Volunteer Service Corps, and the Institute of Noetic Sciences. Dr. Olds has been guest editor of the Saturday Review, author or co-author of five books, over seventy-five articles, and has been a principal speaker at major national and international conferences and congresses.

He has served on the faculty of an ivy league college, a small Midwestern college, major Midwestern and Rocky Mountain universities, private and public; as Executive Dean of the largest university system in the world (SUNY) and President of one of its smallest colleges. He has been President of a New England college (Springfield) and a major Midwest State university (Kent State), and has built a new university on America's Last Frontier, Alaska. He has served four U.S. presidents. He was an early consultant for the Peace Corps, principal architect of VISTA in the war on poverty, and U.S. Ambassador to the United Nations Economic and Social Council. He has served as consultant to many nations including Liberia, Nigeria, Mexico, Singapore and Hong Kong.

Dr. Olds has kept close to the earth on his summer retreats to his Vermont rock farm; close to students as continuing teacher of philosophy; close to the needy of the world in his national and international service roles; close to his wife, daughter and son--all "doctored" (M.D. and Ph.D'd); and close to tomorrow as one of the authentic futurists of today. Equally resilient in fair weather or foul, his colleagues and trustees at Kent State described his constructive role through the healing of his years there in the phrase which describes his life as well, "He who is born in the fire, will not fade in the sun." Or, as a friend recently wrote, "He who does not follow where the path may lead, instead he goes where there is not path, and leaves a trail."

VITA

GLENN OLDS
President and Chief Executive Officer
The Better World Society
202-331-3770

PERSONAL DATA

Address: 6937 Birch Street
Falls Church, VA 22046
Birth: February 28, 1921, Sherwood, Oregon
Family: **Wife:** Dr. Eva B. Spelts Olds
Children: Dr. Linda E. Olds, Dr. G. Richard Olds

EDUCATION

A.B. (Magna Cum Laude) Willamette University, 1942
B.D. (With Highest Distinction) Garrett Theological Seminary, 1944
M.A. In Philosophy (with honors) Northwestern University, 1945
Ph.D. In Philosophy, Yale University, 1948

PROFESSIONAL

October,
1989 President and Chief Executive Officer, Better World Society

Responsible for comprehensive leadership and management of the affairs of the Society, under policy direction of its international Board.

October,
1987-1989 President and Chief Executive Officer, The John E. Fetzer Foundation

Responsible for comprehensive leadership and management of Michigan's fifth largest foundation with assets over \$200 million. The Foundation encourages and supports research, education, and action concerned to improve human and cosmic well being through enhancing the integral and optimal relationship of the physical, emotional, intellectual, and spiritual dimensions of experience.

From the Foundation's unique headquarters in Kalamazoo, Michigan, it supports programs of research at major universities and institutes, clinical and service programs throughout the world, and discovery and encouragement of solitary thinkers/inventors/discoverers wherever found bent on helping heal the whole person and the whole world. Special attention is given to encouraging the wedding of the spiritual and scientific strategies for understanding and improving our human condition.

- January, 1988 - Adjunct Professor of Philosophy
Western Michigan University, Kalamazoo, Michigan
- June, 1989 - Adjunct Professor of Medical Sciences
The College of Human Medicine, Michigan State University,
East Lansing, Michigan
- December 1987 - President and Professor of Philosophy Emeritus,
Alaska Pacific University
- May, 1986 - Candidate United States Senate from Alaska
Nov. 1986
- July, 1977 - President and Professor of Philosophy, Alaska Pacific University
Jan. 1988
- Responsible for reopening and redirecting the only private university in Alaska, linking it to the Pacific Rim, wedding American and Asian cultures, liberal arts and the profession of a new country and the emerging 21st century; established undergraduate and graduate programs with institutional relationships with Japan, Korea, People's Republic of China, Southern Methodist University, and Boston University.
- September, 1971-July 1977 President and Professor of Philosophy, Kent State University
- Responsible for one of the largest state universities in Ohio with 20,000 students on an 800-acre campus with a physical plant worth \$200 million. Also responsible for seven additional regional campuses with an enrollment of 8,000 students. All graduate and undergraduate programs have institutional accreditation; 13 departments offer doctoral programs, 26 departments offer masters degrees and the university offers continuing education programs and international studies programs.
- March, 1969 - U.S. Ambassador - Representative, United Nations Economic and Social Council
March, 1971
- Responsible for United States Representation on the United Nations Economic and Social Council, its major agency for considering and coordinating all matters concerning economic and social affairs which includes above 85 percent of the work on the U.N. This includes the functional commissions of human rights, population, social development, the status of women, statistics, and drugs and narcotics; the regional economic commission for Africa, Asia, and the Far East, Europe, and Latin America; coordination of the thirteen specialized agencies, including UNESCO, UNICEF, World Bank, FAO, ILO, WHO, and the range of United Nations Development Agencies in the economic and social field.

May, 1968 -
Feb. 1969

Special Assistant for Policy and Manpower Development to
President Richard M. Nixon

Responsible through campaign, election and transition for cultivation, analysis, and recommendation of major policy personnel responsibilities in foreign affairs; domestic affairs; health, education, welfare; economic and fiscal affairs; justice, law and order; and administration.

1965 -
1968

University Dean for International Studies and World Affairs, State
University of New York System

First university-wide dean for initiating, coordinating, and administering comprehensive international studies, programs, and services on 62 campuses, involving 16,000 faculty, 142,000 students, and an annual budget of \$340,000,000. Initiated 88 overseas programs on every major continent, over 1900 courses, and coordinated programs in overseas technical assistance, library and learning resource development, foreign faculty and student exchange, and international conferences and seminars.

1958 -
1965

President, Springfield College, Springfield, Massachusetts

Headed unique educational institution for international youth and community service leaders (90% of graduates go into these fields); pioneered in international youth leadership programs in Africa, Asia, and Latin America; developed first pre-release guidance center for federal youth offenders; community tensions center, Urban Affairs Center; new curriculum in the liberal arts, strengthened doctoral program in health and community recreation; doubled faculty salaries, endowment, and built ten new buildings.

1954 -
1958

Director, Cornell University United Religious Work,
Cornell University, Ithaca, New York

The first University appointee to one of the oldest and most unique programs of interreligious cooperation, involving 17 full-time chaplains of all faiths. Comprehensive services to all students irrespective of denomination, responsible for developing curricula and course options for the major colleges in the University, comprehensive counseling, campus and international summer services in Latin America, the Middle East, Africa, and Europe.

1951 -
1954

University Chaplain and Professor, University of Denver,
Denver, Colorado

Comprehensive coordination of all University religious activities, courses in ethics and philosophy of religion, university sponsored television program on "Ideas and Men," administrative responsibility for liaison with all religious publics.

1948 -
1951

Associate Professor of Philosophy and Ethics
Garrett Theological Seminary: Visiting Professor of
Philosophy, Northwestern University

Responsible for developing a new curriculum in philosophy aimed at broadening religious leadership training to include philosophy of science, culture, political and critical contemporary issues in ethics.

1948

Assistant Professor of Philosophy, Depauw University,
Greencastle, Indiana

Courses in Logic, Philosophy of Science, Ethics, History and Religion.

1947

Assistant in Instruction, Yale University, New Haven, Connecticut

Courses in Introduction to Philosophy.

**PROFESSIONAL
(part-time)**

U.S. Delegate, International Conference on Nuclear War:
Its Consequences and Prevention, Bellagio, Italy, 1984.

Consultant, Oregon State International Trade Fair and
Development Center, 1983.

U. S. Representative, Kyoto Conference on U.S.-
Japan Relations, Kyoto, Japan, 1969.

U. S. Representative, Conference on the Future of the U.N.,
Dubrovnik, Yugoslavia, 1968.

U. S. Representative, Conference on Latin America in the last
quarter of the twentieth century, Mexico City, Mexico, 1968.

Consultant, Universidad de Oriente, Venezuela, 1968.

U. S. Representative, Convening Committee, Universities
Convenor and host, North American Conference on
Universities Role in the Quest for Peace, International Center,
L.I., 1967.

Adviser, National Association of International Relations
Clubs, 1967-68.

Leader, American Seminar to the USSR, 1967.

Chairman, Seminar, Educational and Cultural Exchange,
White House Conference On International Education,
1965.

Executive Committee, Alliance for Progress,
Massachusetts-Columbia, 1964-65.

Special Assistant to Sargent Schriver in War on
Poverty (architect of VISTA), 1964.

Consultant, Ministry of Education, Nigeria, 1962.

Consultant, Government of Liberia, 1962.

Consultant, Peace Corps, 1961.

Consultant, Disarmament and Arms Control commission.

Consultant, President's Council on Juvenile Delinquency,
1961-62.

Consultant, President's Council on Youth and Physical
Fitness, 1961-63.

Consultant, President Eisenhower, Stockholm, Conference on
Education, 1960.

HONORS

William G. Anderson Award by the American Alliance for Health,
Physical Education, Recreation and Dance, 1986.

Outstanding Alumnus, Northwestern University, 1981.

Honorary Doctor of Humane Letters, Chung Ang University,
Seoul, Korea, 1978.

Honorary Doctor of Science, Central Michigan University,
December, 1976.

Honorary Doctor of Laws, St. Lawrence University,
Canton, New York, 1975.

Area Winner of the 4-H Alumni Award, 1974.

Honorary Doctor of Literature, University of Redlands,
Redlands, California, June, 1974.

Honorary Doctor of Humane Letters, Muhlenberg College,
Pennsylvania, 1972.

Honorary Doctor of Humane Letters, Lakeland College,
Wisconsin, 1971.

Honorary Doctor of Law, University of Akron, Akron, Ohio, 1971.

Honorary Doctor of Humane Letters, Inter-American University,
Puerto Rico, 1968.

Honorary Academician, China Academy, Taiwan, 1967.

Academico Honoris Causa, Mexican Academy of
International Law, 1967.

Outstanding Citizen Award, City of Springfield,
Massachusetts, 1965.

Honorary Doctor of Humanics, Springfield College,
Springfield, Massachusetts, 1965.

Honorary Doctor of Divinity, Willamette University,
Salem, Oregon, 1955.

Outstanding Teacher Award, University of Denver,
Denver, Colorado, 1953.

Robinson Fellowship, Yale University, 1945-46.

Swift Traveling Fellowship, Northwestern University,
1944-45.

Tau Kappa Alpha (National Forensic Honorary), 1942.

Omicron Delta Sigman (National Scholastic Honorary), 1941.

Blue Key (National Service Honorary), 1941.

PUBLICATIONS

Author or co-author of five books, over seventy-five articles, guest editor, Saturday Review, frequent contributor to major professional and international journals.

ASSOCIATIONS

Advisor, St. George Bicentennial Committee 1985-1986.

Honorary Member, Rotary International, Anchorage Chapter.

Member, Alaska State Chamber of Commerce.

Member, Alaska Geographic Society.

Member, Executive Committee of the American Council for the
United Nations University.

Member, Washington Athletic Club (Seattle, WA).

Member, National Association of Independent Colleges and
Universities and National Institute of Independent
Colleges and Universities.

Member, Tower Club (Anchorage, AK).

Member, The Yale Club (New York, NY).

Member, Alaska Resource Council, 1985.

Member, National Advisory Committee, National Peace
Academy, 1981.

Member, International Advisory Council of Interfutures, 1981.

Member, National Advisory Committee, Future's Studies Academy, (U. of Mass.), 1980.

Member, National Advisory Committee for International Graduate Christian University.

Member, Commonwealth North, 1979-
Vice President, 1979-1982.
Energy Committee

Member, American Security Council Foundation.

Member, Economic Education Committee for Alaska.

Member, Anchorage Chamber of Commerce.
Education Committee

Member, Alaska Heritage Review Board.

Member, Board of Directors, YMCA, Anchorage.

Member, American Council on Education.

Member, Association of Governing Boards of Universities and Colleges.

Member, Council of Independent Colleges.

Member, Cosmos Club, (Washington, D.C.).

Trustee, Interfaith Campus Ministry, 1973-.

Trustee, N.C. Ohio College of Medicine, 1974-.

Chairman, Consortium for International Energy Research.

Ex-officio Trustee, Akron Art Institute, 1974-.

Member, Institute of Noetic Sciences, 1974-.

Member, American Philosophical Association.

Member, Coalition for Peace through Strength.

Member, International Association of University Presidents.

Member, Center for Strategic and International Studies.

Member, International Cultural Foundation.

Member, International Symposium on Circumpolar Health.

Member, National Association of Schools and Colleges of the United Methodist Church.

Member, Northwest Association of Schools and Colleges.

Member, Oceanic Educational Foundation.

Member, U. S. Chinese Institute.

Advisory Council Member, Global Water, Washington, D.C.

Commission on Honest Elections, Alaska, 1978.

Akron Regional Development Board Member, 1975.

The National Committee to Develop an American University Consortium on Energy and the Natural Resources...
A Regional Center of the United Nations University, 1974.

Charter Member, Oceanic Society, San Francisco,
 California, 1974.
 Chairman, Governor's Commission on the U.N. for Ohio;
 1973-74.
 Sponsor for the Near east Foundation Africa Fund, 1973-
 A Founding Member, United States Committee United
 Nations University.
 Interfaith Campus Ministry, Board of Trustees, 1973.
 Board of Governors, Blossom Festival Society, (Ohio),
 1972-.
 Member at Large, Boy Scouts of America, 1972-.
 President, Board of Directors, Design Science
 Institute, 1972-.
 Governor's Advisory Council on Malabar (Ohio), 1972-.
 Board of Directors, Eager Mitchell Associates, 1972-.
 Committee on Educational Opportunities for Minority Groups
 of the National Association of State Universities and
 Land-Grant Colleges, 1971-.
 Board of Directors, Council for the Study of Mankind,
 1971-.
 Trustee, Dag Hammarskjold College, 1968-.
 Vice Chairman, Education and World Affairs, Council on
 University International Programs, 1968.
 Vice President, The Metropolitan Area Council for
 International Recreation, Culture, and Life-long
 Education, (NYC), 1968.
 Advisory Board, International Training, American Society of
 Public Administration, 1967-68.
 Executive Committee, International Education, National Association
 of State University and Land-Grant Colleges, 1966-68.
 Advisory Board, U.S.-France Institute of American Studies,
 Paris, France, 1966-68.
 Executive Committee, National Survey of Community Health
 Services, 1964-65.
 Trustee, Albert Schweitzer Foundation, 1962-65.
 National Citizen's Advisory Committee on Community
 Campaigns and Welfare, 1962.
 Program Committee, National Council of YMCA, 1959-65.
 Trustee, World Literacy Foundation, 1960-62.
 Advisory Council, National Council of Boy Scouts of America, 1960.
 Commission on the Arts, American Association of Colleges,
 1960-62.
 Council Member, Center for Integrative Education, 1958-.
 Commission on Student Personnel - American Council on
 Education, 1956-58.
 President, Alpha Psi Zeta Foundation, 1954.

REFERENCES

Who's Who in America, 43rd ed. (1984-85). Chicago: Marquis Who's Who, Inc. 1984.

Directory of American Scholars, 6th ed. Tempe, Arizona: The Jacques Cattell Press.

Community Leaders and Noteworthy Americans, Raleigh, North Carolina: American Biographical Institute.

Leaders in Education, 5th ed. Tempe, Arizona: The Jaques Cattell Press.

Who's Who in the Midwest, 13th ed. Chicago: Marquis Who's Who, Inc.

Who's Who in American Politics, 4th ed. (1973-74). Tempe, Arizona.

The World Book Encyclopedia. New York, New York.

Directory of International Biography. 1973-74 ed. London: 1973.

International Who's Who in Community Service. London.

Who's Who in Government. Chicago: Marquis Who's Who, Inc.

Who's Who Among Authors and Journalists. New York.

DCED

1990 TRANSITION REPORT

October 1990



Produced by
Office of the Governor

MEMORANDUM

State of Alaska

TO: Honorable Steve Cowper
Governor

DATE: August 27, 1990

FILE NO:

TELEPHONE NO: 465-2500

FROM: Larry Mercurieff, Commissioner
Department of Commerce and
Economic Development

SUBJECT: 1990 Transition Report

I am pleased to submit the 1990 Transition Report for the Department of Commerce and Economic Development (DCED).

The primary goal of the department is to promote an active, healthy and expanding business community. It accomplishes this goal through two main tasks: consumer protection through regulation of business; and economic development, through the formulation and implementation of policies and programs which develop, strengthen, and diversify Alaska's economic base, increase employment opportunities and stimulate private enterprise.

The department comprises eight line divisions and nine independent agencies governed by boards and commissions. In addition, the Commissioner sits on 12 boards and councils. For FY 91, the department has 437 full-time permanent employees and a total budget of approximately \$80 million, including all funding sources.

The number of boards and commissions with which the department is involved and the diversity of the department itself give DCED a sizable responsibility in the area of economic development. This "big picture" viewpoint allows the commissioner a unique opportunity to see the Alaskan economy overall and to ensure that economic development considerations are an integral component of public policy issues, to be considered on a par with environmental safeguards.

The single most important issue facing the department as a whole is the development of interdepartmental coordination on economic development activities. Achieving this cooperation is critical for the long-term effectiveness of the state's economic development efforts. Decisions must not be made on an ad hoc basis, but rather there must be close communication among the members of the Resources Cabinet; among those agencies involved in rural, regional and statewide economic development efforts, including tourism; and among agencies which have developed economic development data bases and other research tools. Strategic plans must be developed, based on sound analysis of data and economic information.

Within the main issue of interdepartmental coordination, there are a number of economic development issues which I feel must be addressed:

- o Support adequate funding of tourism programs and the Five-Year Strategic Plan for Tourism.

- o Provide for a strong state banking system by ensuring that the Division of Banking, Securities and Corporations has adequate regulatory tools and staff resources available.
- o Establish the framework for a competitive in-state long distance telephone market through regulations to be adopted by the Alaska Public Utilities Commission.
- o Shepherd "sunset" legislation for seven professional boards through the Legislature in 1991, including two likely to be controversial.
- o Hire an actuary and staff and an additional financial examiner for the Division of Insurance.

This report discusses key policy and legislative issues facing both the line divisions and the independent agencies administratively located within the department. In addition, it includes an important section discussing the department's perspective on rural economic development. The appendix contains a listing of further information available through the department.

LM/LW/dg17719D
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CORRECTION

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

MEMORANDUM

State of Alaska

TO: Honorable Steve Cowper
Governor

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TELEPHONE NO: 465-2500

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Department of Commerce and
Economic Development

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Within the main issue of interdepartmental coordination, there are a number of economic development issues which I feel must be addressed:

- o Support adequate funding of tourism programs and the Five-Year Strategic Plan for Tourism.

- o Build unification of economic development agencies and develop a process for identification and implementation of economic development priorities throughout the state system.
- o Maintain the value of Alaska's salmon fishing industry, and maintain and enhance Alaska's market share in a time of increasing competition.
- o Establish policies for the development of all our basic resources, based on public and private recommendations. The State has no policies for fisheries or mineral development; and although there is a timber policy, it has not been implemented.
- o Continue work with the Alaska Regional Development Organizations (ARDOR) program, which has been so successful in formalizing linkages within the various regions of the state.
- o Develop a statewide capability to generate and analyze information to analyze economic development information, such as the work now underway with ISER. We must make decisions and policies based on solid data concerning state, national and worldwide markets and trends.
- o Continue DCED's active participation in the Governor's Resource Cabinet.
- o Participate in efforts to analyze and halt the decline of pollock and other species in the Bering Sea. A "crash" in these species would have a devastating effect on Alaska fisheries.
- o Develop strategic plans for dealing with the federal government because it controls and/or manages much of the resources the state is dependent upon.

Key issues for the regulatory agencies within the department include:

- o Continue reform efforts in the gaming program through the regulatory process, support for additional staff, statutory changes, and program support from the department and Governor's Office.
- o Monitor action in Congress which would establish federal regulation of most aspects of Alaska's insurance industry.
- o Assist the Big Game Commercial Services Board in developing regulations for guide-outfitter use areas.

- o Provide for a strong state banking system by ensuring that the Division of Banking, Securities and Corporations has adequate regulatory tools and staff resources available.
- o Establish the framework for a competitive in-state long distance telephone market through regulations to be adopted by the Alaska Public Utilities Commission.
- o Shepherd "sunset" legislation for seven professional boards through the Legislature in 1991, including two likely to be controversial.
- o Hire an actuary and staff and an additional financial examiner for the Division of Insurance.

This report discusses key policy and legislative issues facing both the line divisions and the independent agencies administratively located within the department. In addition, it includes an important section discussing the department's perspective on rural economic development. The appendix contains a listing of further information available through the department.

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082790b

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
1990 TRANSITION REPORT

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DIVISION OF ADMINISTRATIVE SERVICES

HISTORY:

The Division of Administrative Services has been in existence since the formation of the Department of Commerce and Economic Development. The division provides management support and direction for the accounting, budgeting, purchasing, property control, data and word processing, and personnel functions of the department. It has a staff of 28 positions and is organized into the following five sections:

Fiscal - The fiscal section ensures departmental compliance with the procurement law, state and federal requirements for issuing grants, and state accounting procedures. The section ensures that vendors are paid promptly, that property purchased by the department is accounted for accurately, and that expenditures are monitored to guarantee appropriations are not overspent.

Budget - The budget section coordinates the preparation and presentation of the department's budget, and monitors transfers of funds throughout the year.

Personnel - This section ensures personnel rules and procedures are followed, develops and implements affirmative action goals, ensures accurate and timely payroll processing, and assists the department in developing a high quality work force.

Word Processing - The Word Processing Center provides word processing and typesetting services for all Juneau and many Anchorage employees of the department.

Data Processing - This section assesses the data processing needs of the department; purchases, installs and maintains computer equipment; provides programming applications; and trains users in software and hardware usage.

KEY POLICY ISSUES:

None

LEGISLATIVE ISSUES:

None

DIVISION OF BANKING, SECURITIES AND CORPORATIONS

HISTORY:

The Division of Banking, Securities and Corporations administers and enforces laws dealing with the basic foundation of our capitalistic form of democracy, i.e., corporate structure, generation of capital through investment instruments, and the availability of credit and the orderly flow of funds vis a vis the state chartering of financial institutions. The division also is responsible for assuring the safety and protection of depositor and investor funds. Those areas not mandated by statute are the activity in consumer education and distribution of information used in business activities.

In providing for a sound, confident financial business structure, the division has an extensive constituency: every person who deposits or borrows money in a state-chartered financial institution, every person who obtains a loan from a small loan company or makes monthly payments on insurance premiums, every business person who is doing business under a corporate structure and those persons who belong to a nonprofit association, every person who invests funds with others with the intent of an investment return, and every Native Alaskan who owns stock in an Alaskan Native corporation.

Some of the recent changes in the operation of the division include:

1. Complete reliance on program receipts for the funding of the division's expenses.
2. Administration of the new Alaska Corporation Code (AS 10.06) and resulting conversion from the Business Corporation Code (AS 10.05).
3. Examination of fee structure of services provided by the division to assure that those who benefit by the service pay a fair measure of the cost.

KEY POLICY ISSUES:

Short Range

Banking (Financial Institution Section)

1. Build a strong state banking system. There has been a severe concentration of banking in Alaska due to multiple bank failures in recent years. The Alaska Banking Code requires and our economy needs a "sound and competitive banking system." The department achieves this goal by closely supervising the conditions and practices of existing banks and ensuring that new banks have strong management and adequate capital and reserves.
2. Provide for adequate capital in all financial institutions and assure an increase in capital in credit unions to provide a more appropriate base for protection against market fluctuation. This can be accomplished by insisting on careful control of expenses along with sound lending practices.
3. Establish a professional examination staff through training and education. Attrition will soon hit the senior examining staff at a time when there is a shortage of journeyman examiners nationwide.

Securities

1. Combat "penny stock" abuse and fraud. Regulations are being promulgated to address unethical and illegal practices in the offer and sale of certain designated securities with appropriate remedies in abusive situations.
2. Assess Congressional issues arising from ANCSA 1991 items as they relate to agencies' Native proxy regulations. It is expected that these issues will generate some controversy on various options expressed through the proxy process.
3. Increase investor education to stem losses through unethical practices. It will be necessary to expand public awareness through investor alerts.

Corporations

1. Educate corporations organized under the former Business Corporation Code of necessary action needed to comply with new Alaska Corporation Code (A.S. 10.06). This will be addressed by informational meetings and literature distributed in all mailings.
2. Address Information Management Systems. Biennial reports processed to microfilm roll are unacceptable for retrieval. It is labor intensive to retrieve information requested from previous years' reports. Systems analysis will be initiated in 1991 to determine the most cost effective and efficient system for the retrieval of copies of documents of file.

Long Range

Banking

1. New services and products must be given oversight to protect against undue risk. The character of banking and financial services is constantly changing due to new competitive pressures on traditional banking practices by institutions other than banks.
2. The advantages of the dual chartering system (state v. federal chartering) must be protected. To assure these advantages, the division must keep Alaska banking laws current to the needs of our constituents.

Securities

1. Consumer confidence in investments must be maintained. The state needs to monitor any move by the Securities Exchange Commission (SEC) toward a federal preemption of state rights under the guise of promoting international trade. The SEC has made no effort in the prevention of security scams falling upon many Alaska residents. Every effort will be made to continue a review of investments made to Alaskans to ensure that confidence in investment instruments is maintained.
2. "Small business incentives" for capital formation to accommodate relative ease and access to capital markets must be examined closely. This consideration must include minimal protection for investors' confidence in the system. Investors must understand the risk that they are being asked to take. "Form" types of registrations are being designed with enough basic information for a prospective investor to make an informed investment decision.

Corporations

1. Ways to reduce the bureaucratic barriers in qualifying to do business in Alaska as a corporation must be considered. Changes in laws and procedures must be implemented to ease the filing process.
2. A limitation of corporate and registered names must be reviewed. Most states have moved to a more permissive "distinguishable upon the record" provision rather than the troublesome and traditional "deceptively similar determination" that Alaska currently has.

LEGISLATIVE ISSUES:

There are no critical legislative issues before the division at this time. There is, however, some need for legislative consideration to provide not only for updating the laws that we administer but also for setting appropriate fees for the services that we render and increasing the ease in meeting filing requirements of those doing business in Alaska.

1. Banking Statutes. There are provisions under the Banking Code that are outdated and inappropriate in today's financial marketplace. Because of rapid change in the characteristics of banks, a constant review of banking laws must be made in order to keep current on the services and products and the risks they entail.
2. Securities Fees. The statutory fees set in the Alaska Securities Act need to be addressed. These fees have not been changed since the Alaska Securities Act was passed in 1959. Legislation is being proposed that will allow the division to set fees by regulation to maintain continuity and uniformity with the securities industry throughout the nation.
3. Corporations Code. Certain provisions of the recently enacted Alaska Corporation Code (AS 10.06) appear to make it difficult for new corporations to comply with the provisions of law. Some of the difficulty appears to be an overburden in requirements. As an example, the new Code provides that a new corporation must within six months file an initial biennial report setting out the names and addresses of officers and directors. The new code provides that if this report is not filed, the new corporation is subject to involuntary dissolution. In administering this new section of law, we find that there is a high percentage, up to 30%, of new corporations being involuntarily dissolved for failing to file this initial six-month biennial report.

DIVISION OF INSURANCE

HISTORY:

The Division of Insurance is the sole regulator of the Alaska insurance industry which generates nearly one billion dollars in premiums annually. The goal of the division is to protect Alaska consumers by ensuring the solvency of insurers and thus, their ability to pay claims, ensuring the availability of insurance at adequate but not excessive rates, and by regulating licensees to ensure compliance with Alaska law.

The division is responsible for licensing agents, brokers and insurance companies; analyzing and approving rates and forms; performing financial and market conduct examinations of licensees; collecting insurance premium taxes; investigating consumer complaints and allegations of fraud; and monitoring the activities of the nonadmitted market.

The division is unique in that much of the authority for regulating the industry is by statute vested in the office of the director rather than the commissioner's office. The insurance industry is exempt from federal regulation due to the passage of the McCarran-Ferguson Act in 1945.

The division collects almost \$23 million in premium taxes and is state government's third largest revenue source. The division's annual budget of \$2.6 million is completely funded by program receipts. Recently enacted legislation and staff enhancements have strengthened the division's ability to accomplish its goal: major statute changes have tightened the financial requirements of insurers; a life/health insurance guaranty fund was authorized to protect Alaska consumers in the event of a life/health insurance company insolvency; an actuary section was added to the division for rate review; and the division was given the ability to establish a continuing education program for agents and brokers.

The division is preparing a detailed issue book which will explore in-depth the goals and mission of the division and which will set forth in detail the substantive and organizational challenges which the division faces. This document will also provide analyses and options with the hope of providing the incoming administration with the necessary data to determine long range goals and policies.

KEY POLICY ISSUES:

Short Range Issues

1. Staff Development. The FY 91 budget authorized six new positions for the division bringing the total number of staff to 35. Discounting the six new positions, 15 (52%) of the remaining 29 positions have seen turnover since November 1989. If the six new positions (actuarial section and a financial examiner) are included in the calculation and assuming they will be filled by November 1990, 21 of 35 positions, or 60%, will have less than one year of experience in their current position. For an agency charged with regulating such a complex industry as insurance, well-trained, knowledgeable staff is extremely important.

2. Actuarial Section. Due to a nationwide change in the preparation and filing of insurance rates, the division must develop its own actuarial section. The FY 91 budget authorized the creation of a new five-position actuarial section and the recruitment process is underway.

3. Organization and Location of the Division. Currently 60% of the division's filled positions are located in Juneau and 40% in Anchorage. This creates logistical and management challenges for the division and is not an optimal situation for the licensees or the consumers.

4. Surplus Lines Taxation Issues - Insurance companies not admitted to do business in Alaska may insure Alaskan risks if the admitted insurance companies are unable or unwilling to provide coverage. This is called the surplus lines market and it accounts for a significant portion of the insurance business in the state.

There has not been an adequate system of 1) identifying how much surplus lines business is being written, 2) assuring that the premium tax is being paid, or 3) allocating the premium tax among states where either ownership or risk crosses state lines; e.g., a fishing boat owned and insured in Seattle but operating in Alaskan waters.

The division is working with the National Association of Insurance Commissioners (NAIC) to develop model legislation to solve this problem and the division chairs the subcommittee on multi-state taxation. An equitable solution to the problem will result in recovery of millions of dollars of unpaid taxes.

Long Range Issues

1. Federal Regulation of Insurance. The insurance industry is exempt from federal regulation due to the passage of the McCarran-Ferguson Act in 1945. This exemption is under scrutiny by Congress in light of insurer insolvencies and the restructuring of international markets. There is currently legislation before Congress which would repeal most of the provision of McCarran-Ferguson and establish federal regulation of most aspects of Alaska's insurance industry. The NAIC and the division do not support the legislation in its current form. The legislation will be before the House of Representatives this fall. Passage by the House seems likely but support in the Senate appears weak.

2. International Insurance. The U. S. Government is currently negotiating a Generally Agreed Terms of Trade (GATT) Treaty covering banking, securities, and insurance with the European Community, Japan, Mexico, and the Southeast Asian countries. In its current form, the agreement would allow international insurance subject to regulations developed and agreed to by the nations signatory to the GATT. The terms of the GATT and the development of the regulations are of paramount importance to the insurance industry and the consumers of Alaska. The division is involved in the issue through the NAIC and should continue to participate as the GATT is finalized and the regulations prepared. Implementation of the GATT will take at least three years.

LEGISLATIVE ISSUES:

1. Revise AS 21.39 to incorporate prospective loss cost rating.
2. Revise tax rates to make them more uniform. Give the director the authority to require tax payments on other than an annual basis. The state would generate more interest income if premium taxes were collected on, say, a quarterly basis. This change has been recommended by the Department of Revenue. Several states collect taxes quarterly and Hawaii collects on a monthly basis.
3. Revise AS 21.36 to give the division Federal Trade Commission-style authority to establish prohibited activities by regulation. Expand applicability of AS 21.36 to incorporate not only the insured but others that are impacted by the insurance transaction.
4. Revise AS 21.42 in order to separate provisions that apply to just admitted insurers from those that apply to both admitted and nonadmitted insurers. Specifically define what sections of AS 21 apply to nonadmitted companies.
5. Revise AS 21.39.150 and AS 21.39.155 which deal with the automobile liability assigned risk plan and the workers compensation assigned risk pool, respectively. AS 21.39.150 needs to be amended to allow the director to mandate that an assigned risk plan be formed if the need exists; current language makes it voluntary on the part of the insurers to establish one. Both sections need to be changed so that the plan or pool is established by insurers as an independent nonprofit entity. This will avoid the potential for an insurer's conflict of interest between its voluntary business and its assigned or allocated business. It will also eliminate the middle man in the current configuration.
6. Update the kinds of insurance definitions in AS 21.12 to bring them more in line with NAIC model language.
7. Revise AS 21.06 and AS 21.36 to give the division the power to issue temporary restraining orders (TROs), or to require the courts to issue TROs, before a formal hearing to stop illegal activity and allow 10 days to seek a permanent injunction of activities. Establish primacy of consumer protection as standard for granting TROs.
8. Revise holding company statutes (primarily AS 21.22) to create fiduciary responsibility of holding company and its officers and directors and to void corporate veil defense to financial and legal responsibility of affiliated groups of insurance companies, especially to avoid liabilities to guaranty funds and to prevent misuse of surplus lines market.
9. Revise AS 21.42.345 which was designed to protect health insurance group members if the child of such a member experienced congenital defects or abnormalities at birth. The intent of the statute is to mandate coverage for the child. However, the way the statute is written it ties the coverage of the newborn to the coverage of the "family member" of the insured. Insurance companies have interpreted this to mean that if the insured is single or if the insured's spouse is not covered by the group policy, then the child is not covered.

10. Revise AS 21.88 relating to the Medical Indemnity Corporation of Alaska in order to clarify its status as either a state entity or an insurance company. The Internal Revenue Service has questioned its tax status.

DIVISION OF MEASUREMENT STANDARDS

HISTORY:

When Alaska became a state in 1959, weights and measures activities were included under the Alaska Public Services Commission (APSC), with one weights and measures inspector in Juneau. The Weights and Measures Act (AS 45.75) was enacted in 1961 and implementing regulations (3 AAC 33 and 34) were adopted in 1964.

In 1966, the APSC was divided into several agencies, including Weights and Measures. At this time, Weights and Measures inherited the operation of six state weigh stations, mobile patrol units, and 12 additional employees responsible for enforcing commercial vehicle weight and safety regulations. In 1970, a metrology laboratory certified by the National Bureau of Standards (now the National Institute of Standards and Technology) was established and an office for weights and measures was opened in Fairbanks.

Legislation was enacted for an Alaska mobile home standard code in 1971 and responsibility for this program was given to Weights and Measures. Regulations were adopted in 1972. In 1976 the responsibility for motor vehicle and weigh station operation was transferred from Weights and Measures to the Department of Public Safety. In 1982, the Division of Measurement Standards was formed and the operation of the state weigh stations again became the responsibility of this division.

The division's goal is to utilize the regulatory process to enhance commerce and assure equity and safety in the exchange and transportation of goods and services in Alaska. The division's programs include: weights and measures, oversize/overweight permits, weigh stations, and air carrier financial responsibility.

KEY POLICY ISSUES:

Short Range

1. Device Registration Program. With the passage of HB 85 (Ch 36 SLA 90) during the 1990 legislative session, the division is required to implement a system for collecting fees in support of the weights and measures program. The initial implementation phase is underway at this time and a data base linking all commercial device owners has been completed. Proposed regulations were submitted to the Attorney General's office in early July, and fee schedules and device registration forms are being developed.

The device registration program has the potential of generating substantial revenue for the state, particularly if all known commercial devices are registered.

2. Registered Service Agency Program. The division will propose changes to require notification whenever a new, replacement or repaired device is put into service, through a voluntary registered service agency program. This program will allow qualified and registered service agencies to restore rejected devices to service and to place new or used devices into service. Reports of such individual action will be forwarded immediately to the division office for follow-up and official testing as time permits. This requirement will assist in ensuring that all devices subject to registration are registered.

3. Weigh Station Program. The division has been working with the Department of Transportation on a proposal to upgrade the weigh station, permit and support computer system. The upgrade will consist of a local area network capable of improving size and weight enforcement and information exchange between agencies utilizing vehicle data. The proposal includes four phases, with implementation beginning in the ten statewide weigh stations and continuing in the division's central office. The final phases will provide for electronic integration between the vehicle scales and the computers, and for the use of automatic vehicle identification technology. The computers should be in place in late 1990.

4. Permit Program. Phase II of the computer proposal will provide sufficient computer capability to allow the division to issue all oversize and overweight permits on the computer. This will allow for a high level of quality control and uniformity in the permit program. It will also provide for better enforcement through communication with the weigh station computers and other agency computers. Information will be readily available for an enforcement officer. We will be able to electronically transfer bridge and weight information to the Department of Transportation and Public Facilities.

Long Range

1. Motor Fuel Quality Testing Program. The division is investigating the feasibility of a motor fuel quality testing program. No fuel quality testing is performed by the state, and it appears that there are no motor fuel quality standards in state law. We propose to establish the inspection program in statute and the motor fuel standards and procedures in regulation. The statewide program could be funded by a fraction of a cent increase in the state motor fuel tax.

LEGISLATIVE ISSUES:

1. Citation Authority/Weights and Measures Program. The establishment of a device registration fee creates the need for amendment of AS 45.75 (identification of a failure to register as an offense and a penalty for failure to register a weighting or measuring device). The authority for weight and measures inspectors to issue citations was inadvertently eliminated when the law was changed in 1986, and should be reinstated.
2. Semi-annual Inspections. AS 45.75 requires semi-annual testing of all devices. Given current budget constraints and the very large geographical area of responsibility, the division proposes to change the semi-annual requirement to set the frequency of inspections at the discretion of the director.

The division currently performs inspections in the more densely populated areas and in those areas of high commercial fishing activity. The current travel budget of \$66,000 allows inspection activity in approximately 30 to 40 locations throughout the state on a once-yearly basis and some on a twice-yearly basis. If semi-annual inspections were performed in all locations the division currently travels to, the annual travel budget for the weights and measures program would exceed \$105,000. If all areas where commercial devices are located were to be included in a semi-annual inspection plan, preliminary figures place the total travel cost at over \$240,000 per year (161 additional locations). The grand total for travel costs associated with semi-annual inspections of all commercial devices in the state is estimated to be \$345,000.

DIVISION OF OCCUPATIONAL LICENSING

HISTORY:

The division has been in existence since shortly after statehood and was created to take responsibility for administrative and investigative support to the state's professional boards and commissions. It is also the administrator for additional trades and businesses without regulatory boards.

Alaska has adopted a "centralized" approach to professional licensing, as distinguished from a system of semi-independent regulatory licensing boards and commissions. Economies of scale and funding, and more rigorous administrative control, are often cited as reasons for preferring centralized licensing over a series of autonomous agencies.

Presently the division provides support to twenty boards, two commissions, and nine occupations or businesses without boards. A listing of those boards, commissions, and occupations found under the division is available as an appendix to this report.

Almost every year legislation is introduced to provide formal recognition to yet another profession or occupation through the establishment of statutorily mandated licensing criteria. In the last three years, the division has been given responsibility for four (4) new boards: Board of Electrical Examiners, Board of Mechanical Examiners, Board of Clinical Social Workers, and the Board of Real Estate Appraisers.

Two substantial licensing programs were transferred to the division from the Department of Revenue: business licensing in 1988 and games of chance and contests of skill in 1989.

The Alaska Real Estate Commission, which had been an independent commission, was again brought under the division's administrative umbrella in 1987 (it began out under centralized licensing, but was given autonomous status in 1980).

Further, the Governor transferred through administrative order responsibility for the registration of nurse aides from the Division of Medical Assistance (DHSS) to Occupational Licensing in 1989. Finally, the division has tentatively agreed to assume responsibility for the licensing of lay midwives once the Division of Public Health (DHSS) has adopted the required regulations (this is expected to be accomplished by the fall of 1990).

KEY POLICY ISSUES:

Short Range

1. Board of Marine Pilots. This board will undergo "sunset" review during the 1990 legislative session. The pilotage profession is experiencing both wanted and unwanted change, and it and the board are struggling to deal with recent, restrictive Attorney General opinions. At the division's request, OMB is working on an extensive evaluation of the issues at play and the options available to the Administration as it prepares for the sunset hearings. Draft legislation will be prepared, with assistance from the pilot profession, to address many of the problems facing regulators of state pilotage. The division requests that the Governor-elect introduce this legislation.

The Federal Trade Commission has begun an investigation into the practices of pilot associations. The investigation likely will focus increased attention on this state's system of marine pilotage.

The board recently adopted controversial regulations requiring ships to carry pilots when in the waters of the Chuckchi Sea and Kotzebue Sound. Debate over the need for a pilot in these waters and the specific provisions of the regulations will continue.

2. Board of Dental Examiners. Suit recently was filed against the dental board for its present refusal to grant applicants licensure by credential. The effect of this refusal is to require all dentists seeking to practice in Alaska, regardless of their level of experience in another jurisdiction, to take and pass the Western Regional (Dental) Examining Boards prior to licensure. The Sixteenth Alaska Legislature failed to pass a bill requiring the board to license by credential (the bill died in the Senate on a vote of 9 to 11).

The suit, filed by the law firm of Gross & Burke, is brought on behalf of some twenty-three (23) dentists, many of whom are dentists in military service in Alaska who seek to retire from the military and practice dentistry here. This matter is very controversial within and without the dental community, and failure to vigorously defend the board's position will be highly criticized in some quarters.

Long Range

1. Public Access to Investigatory Files and Discipline Records. There is increasing pressure on the division to open its investigatory files to the public. The division maintains such files are confidential in order to protect the privacy of complainants and witnesses, but pressure is especially mounting to make closed investigatory files open to review and inspection (the Attorney General's Office approves or denies these requests on a case-by-case basis). In addition, there is increasing interest in the disciplinary actions of the division, and pressure to better inform the public of board disciplinary actions. The division supports and seeks increasing public awareness of disciplinary activities but believes legislation is needed to protect the confidentiality of its investigatory files.

2. Games of Chance and Contests of Skill Program. This program has a significant impact on our resources and places the division in the public spotlight like few of its other programs. The gaming statutes are vague and poorly written, substantial unauthorized gaming activity occurs across the state, and charitable organizations granted gaming permits are not generating the kind of income which the level of gaming activity in this state would indicate they should. Additional investigators and licensing staff are needed, and more rigorous criteria for entrance into the gaming industry needs to be established. The division has asked for an Attorney General's opinion on whether the department has the authority to adopt regulations recognizing the use of vendors by permittees and operators.

3. Development of Guide-Outfitter Use Areas. Because the Sixteenth Alaska Legislature failed to pass legislation creating a guide-outfitter use area system for the purpose of allocating big game commercial hunting opportunities among licensed guide-outfitters, the Big Game Commercial Services Board is considering creating such a system through administrative regulation. While the board has specific statutory authority to create such a system by regulation, the Attorney General's Office has stated it will not approve a system that creates use areas available on permits extending beyond five years. The Attorney General's position is very controversial and the focus of much debate both within the Administration and the industry itself.

In addition, the board wants to establish a weighted point system in order to evaluate use area permit applications according to established general criteria, despite Attorney General concerns that a point system will favor guide-outfitters who previously held restricted areas under the system declared unconstitutional by the Alaska Supreme Court in its 1988 Owsichuk decision. The Attorney General prefers that the board establish a pool of persons qualified for use area permits, then simply hold a drawing for a permit when there is more than one guide-outfitter vying for a particular use area. This too is very controversial.

The entire subject of guide-outfitter use area is very complex, made more so by unresolved subsistence issues. The federal land agencies wish to leave the regulation of guide-outfitters to the board, but failure to establish a system to replace the former system by early 1991 will force the federal land managers into independent action. The state would lose regulatory authority over big game commercial hunting services across all Alaska and would be limited to managing commercial services on state-owned lands only.

LEGISLATIVE ISSUES:

1. Legislative "Sunset" Performance Audits and Continuation Bills. Seven (7) boards or commissions are up for sunset review in 1990: Nursing, Dental Examiners, Psychologists and Psychological Associate Examiners, Marine Pilots, Medical, Real Estate Commission, and Electrical Examiners. In the past, governors have introduced bills extending the life of the boards in order to avoid the identification of a continuation bill with a particular legislative committee or legislator. We would ask that the Governor-Elect undertake introduction of the continuation bills, recognizing that both the dental and marine pilots bills will be controversial (see part II of this report).

2. Gaming. The division is contemplating proposed revisions to the current Gaming Reform Act of 1988 and seeks the Governor-Elect's support of additional changes to the Act. Of prime importance is the need for a) controls on the activities of vendor locations (assuming the Attorney General's Office determines the division may recognize a vendor class in regulation); b) an increase in the percentage of net proceeds that must be paid to those organizations with charitable gaming permits; c) significant tightening of the restrictions on persons who may be involved in the gaming industry, whether as an operator or as the employee of an operator or a permittee; and d) clarifying the kinds of games that are included in the definition of games of chance and contests of skill.

3. Revisions to Title 8. Title 8 of the Alaska Statutes, the title containing the centralized licensing chapters as well as the chapters dealing with each specific profession or occupation, is in need of serious revision. The Legislature's Code Revision Commission has identified revisions to the centralized licensing statute as a major project. The division is committed to seeing such revision accomplished and, if a draft bill is forthcoming by early 1991, the division would urge the Governor-Elect to consider introduction of the legislation.

The revisions will have considerable support from the various professions subject to the statutes, as both the boards and the members of those professions have sought significant changes for sometime now. The division intends to contract with an attorney to draft proposed changes to Title 8.

4. An Executive Order Transferring Responsibility for Certification of Storage Tank Workers to DEC. HB 220 (Ch. 96, SLA 90), which created the Board of Storage Tank Assistance within the Department of Environmental Conservation, gave this division responsibility for certification of workers who install, test, close, repair, or significantly change the configuration of underground petroleum storage tanks. Given that the standards for such work must be established by the new board and DEC, and the certification program requires significant consultation and coordination between this division and DEC, the department believes that this program more properly belongs within DEC.

The Governor's Office has agreed to support an executive order transferring the very limited certification responsibilities to DEC, and both DCED and DEC support this idea. The Governor-Elect's agreement to present an executive order accomplishing this transfer is requested.

DIVISION OF BUSINESS DEVELOPMENT

HISTORY:

The Division of Business Development promotes stable economic growth by:

o
Focusing on expansion of the basic resource sectors - seafood, forest products and minerals.

o
Supporting regional economic development.

o
Assisting the support service and small business sectors.

The composition of our constituencies reflects the diversity of our role - Alaska's small business community, corporate land and resource owners and developers, miners, loggers, fishers, and resource processors. These constituents are the economic engine that drives the state's economy and that holds the key to steady economic development.

The budget cuts since 1986 have reshaped our organization into one which concentrates on regional planning assistance, participation in the state's major resource policy and allocation forums, and limited information dissemination and technical assistance.

Regional Development Assistance. The Alaska Regional Development Organizations (ARDOR) Program was established by the Legislature in 1988. The ARDOR Program, administered by the division, fosters regional economic development planning, business assistance, state/local coordination, data collection and dissemination.

Resource Policy Issues. The division participates in numerous forums which affect business and resource development policy to improve the business climate and encourage establishment of competitive and economically viable industries. DBD has contributed to resolution of issues such as the Forest Practices Act revisions, the state's "no net loss" of wetlands position paper, Tongass National Forest revisions and other legislation affecting economic development, and has provided key staff support for the Governor's Fisheries Cabinet, particularly on consideration of tax structure, priorities for infrastructure development and seafood/development industry.

Small Business Assistance/Information. The division develops and maintains entrepreneur and business assistance programs that enhance and assist existing business and industry as well as promote the establishment of new business and industry in Alaska. Programs include:

1. Business Assistance - the Business Development Information Network (BDIN), Small Business Development Centers (SBDC's) and Small Business Counseling Centers (SBCC's), Governor's Conference on Small Business.

2. Import Substitution - Alaska Product Preference and Forest Product Preference, and Buy Alaska Campaign.
3. Business Directories - Alaska Products Directory, Directory of Alaska Forest Products Manufacturers, Buy Alaska Brochure.
4. Development Capital - Small Business Revolving Loan Fund, venture capital fund development.

KEY POLICY ISSUES:

Short Range

1. Maintain Interdepartmental Approach to Resources Policy. Resource development decisions are not under the sole purview of any one state agency. Effective administration of the state's resource policy and regulation will occur with the continuation of the interdepartmental approach to resource policy issues. Economic development is a public interest issue to be considered on par with environmental safeguards. DCED's participation in the resources policy forum ensures consideration of the economic effects and industry perspective of key resource policies. Near-term resource policy issues include:

- o Access to EEZ resources.
- o No net loss of wetlands.
- o Quartz Hill mine development.
- o Health of North Pacific ecosystem.
- o Utilization of beetle infested timber.
- o Natural resource taxation policy.

2. Alaska Regional Development Organizations. The ARDOR Program (AS 44.33.026) promotes regional economic development strategies through the establishment of a network of regional organizations. One-to-one matching grants for start-up of up to \$50,000 per year for three years will be provided to each region that qualifies. Eleven ARDOR's are or soon will be organized, covering over 75% of the land area and encompassing 95% of the state's population. The program has received broad-based support. Two additional ARDOR's are expected to be established in FY 91. An additional \$350,000 (for a total budget of \$650,000) will be necessary in FY 92 to sustain the ARDOR's in this developmental state of the program.

Long Range

1. State Economic Development Policy. The number one concern of the Governor's Conference on Small Business was the lack of a long-term state economic development policy. There are currently eight departments and 16 agencies engaged in economic development activities. Each agency targets priorities based upon:

- o departmental purview lacking overall state objectives; or
- o need for quick reaction to events and circumstances.

This results in inefficient use of state resources, turf battles, duplication of efforts, and an inability to target resources for maximum economic benefit to the state and its citizens.

The next logical step in the state's economic development, especially in anticipation of fiscal austerity, would be to consolidate functions and retain the concept of an economic development lead agency. This would also enhance coordination of the state economic planning process.

2. State Rights to Corridors Across Federal Lands. Restrictive federal land use designations have severely limited access to valuable mineral properties. Under Revised Statute (RS) 2477, Congress granted states the right of access along traditionally used corridors on federal land. The state must establish a policy to expeditiously assert our rights to these inventoried routes and develop a Memorandum of Understanding with the Bureau of Land Management to formalize the plats acknowledging the access routes, especially across otherwise inaccessible areas.

3. Infrastructure Development. The state's economy is built on natural resource development. Infrastructure is required to extract these resources. In the current revenue climate, the state must spend its capital dollars wisely. Economic considerations must be factored into development of the capital budget, and a multi-year set of priorities needs to be established for smooth economic expansion. Of particular concern are ports and harbors, many of which are in need of repair. Further expansion of ports and harbors is also needed to fully capitalize on expansion of the ground fish industry.

LEGISLATIVE ISSUES:

Geophysical Mapping of Alaska's Mineral Resource. Multi-national mining company investment decisions are increasingly based on information gathered from government-produced geophysical maps which detail the geology of mineralized countries of the world. State investment in a \$50 million, decade-long geophysical mapping program would advertise Alaska's mineral wealth and our commitment to its exploration and development. If a subsurface "find" the size of Red Dog resulted from this program, it would generate a \$5 billion "return" of new money in the form of Alaskan wages, taxes and royalties.

DIVISION OF INVESTMENTS

HISTORY:

The Division of Investments (DOI) has been providing loans to Alaskans since before statehood under various division names. Legislation creating the Alaska World War II Veterans Revolving Fund was approved in April 1946, administered by the Commissioner of Veterans Affairs. From 1959 to 1982, the Division of Veterans' Affairs provided Alaska veterans with home, farm and personal loans. The Division of Business Loans was created in 1972 and merged with Veterans' Affairs in 1982. In 1983, the Division of Business Loans and Veterans' Affairs was split into the Division of Investments and the Division of Accounting and Collections. In 1987, the Division of Accounting and Collections was combined with the Division of Investments.

In addition to veterans' loans and business loans, DOI has administered a number of other loan programs designed to promote economic development, including Alternative Energy, Bulk Fuel, Child Care, Commercial Fishing, Fisheries Enhancement, Historical District, Mining, Power Development, Residential Energy Conservation, Tourism and Water Resources. Due to budgetary constraints, funding was suspended in FY 87 for all but the Commercial Fishing, Fisheries Enhancement, and Bulk Fuel loan programs. The Bulk Fuel and Power Development loan programs were transferred by executive order to the Alaska Energy Authority in 1989.

The closures of Alaska Statebank and Alliance Bank in 1989 had a major impact on the division. Both banks serviced loans held by the Department of Revenue, Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS). At the request of the Department of Revenue, Treasury Division, DOI agreed to take over servicing of about 450 PERS and TRS loans with a combined value of approximately \$50 million. These loans are generally larger and more complex than those in the other loan programs, involving commercial real estate, participating banks, FDIC and a number of private mortgage insurance companies.

In 1989, DOI unveiled the Small Business Economic Development Revolving Loan Fund (AS 44.88.400-.430), designed to provide private sector employment in conjunction with the U.S. Department of Commerce, Economic Development Administration (EDA). EDA approved a \$350.0 grant which was combined with a \$250.0 match from the state for loans to support the origination and expansion of businesses that will create significant long-term employment in EDA-designated rural areas.

In addition to the DOI's lending activity (\$19.6 million in FY 90, \$25.8 million in FY 89 and \$17.7 million in FY 88), our main function is the servicing and collection of state loans.

As of June 30, 1990, DOI was providing servicing for almost 5,700 loans with a total outstanding principal balance of nearly \$270.4 million. Of these, over 2,000 of the loans totaling \$116.7 million were being serviced for three investors, the Alaska Industrial Development and Export Authority, the Department of Revenue, and the Department of Military and Veterans Affairs.

KEY POLICY ISSUES:

1. Wang Imaging System. DOI has begun the implementation of an imaging system to cut back on the constant flow of loan files and documents. Imaging would replace hard copies by transferring document images onto computer, allowing staff to review loan documents on their monitors without having to be in physical possession of a file. This imaging system will evolve over the next few years utilizing a modular approach that will allow the most active file areas to convert first.
2. Hazardous Waste. As a result of federal and state legislation over the past several years regarding liability associated with the ownership of contaminated property, DOE must take environmental concerns into account prior to foreclosing on real estate. This liability attaches to anyone who owns the property where the hazardous substance has been released, regardless of whether the owner of the property was responsible for the release of the substance or was even aware of it. If a lender forecloses on real property contaminated by a hazardous substance, the lender becomes the owner and therefore is responsible for the cleanup. The division is currently seeking a contractor to provide environmental services in the way of site investigations and contaminant testing to evaluate the possible environmental liability which could affect the value of property being considered for foreclosure.
3. Delinquency and Default Rates: DOI continues to focus on loan servicing and collections as its major functions. An intensified collection effort has resulted in a steady decrease in delinquency and default rates, which have dropped from 15.8% in FY 87 to 7.9% in FY 90. Much of this success can be attributed to the implementation of the "soft collections" program in which loans over one month delinquent are assigned back to the originating loan office for personalized contact by the loan examiner who made the loan. This early borrower contact system, coupled with specialized workout plans and a concentrated effort on high-delinquency portfolios such as mining, has yielded notable returns.

LEGISLATIVE ISSUES:

None.

DIVISION OF TOURISM

HISTORY:

The mission of the Division of Tourism is to stimulate statewide economic growth and diversification and increased employment opportunities for Alaskans by promoting Alaska as a visitor destination. The division provides a variety of services to meet the information needs of prospective travelers and visitors while in Alaska. To accomplish this mission, the division:

- o Operates an inquiry section which catalogs attractions and services statewide and responds annually to nearly 100,000 telephone and mail requests for information from potential visitors and others.
- o Participates with state and federal agencies in the operation of the Alaska Public Land Information Centers (APLICs) in Anchorage and Fairbanks, and fully funds and operates the Tok Visitor Center as an APLIC.
- o Creates consumer demand for and tour operator offerings of travel to Alaska by working domestic and international travel and trade shows and exhibits.
- o orchestrates familiarization tours for travel writers and tour wholesalers resulting in articles and products which lure travelers to Alaska.
- o Oversees the fiscal activities of the Alaska Tourism Marketing Council (ATMC) and co-sponsors research which profiles Alaskan visitors.
- o Implements and monitors an overseas marketing program in the primary developmental markets of German speaking Europe and Japan and in the second tier overseas markets in Korea, Taiwan and Australia.
- o Provides technical assistance and funding to communities to develop or upgrade visitor attractions.
- o Administers matching grant programs for convention and incentive travel and visitor information programs
- o Participates in feasibility analysis and design of new in-state tourism prospects and conducts research designed to identify new markets and analyze the visitor industry.
- o Assists in motion picture, commercial and television production and promotes the development of the production industry in Alaska through the division's film office.
- o Manages the Tourism Coordinating Committee which serves as a forum for interagency cooperation on tourism projects.

KEY POLICY ISSUES:

Short Range

1. ATMC/Division of Tourism Responsibilities. The separation of duties between the ATMC and the division is at times clumsy. This creates occasional duplication of effort and lost opportunities due to public confusion over the responsibilities of each entity. Both agencies are currently examining the allocation of responsibilities and the extent to which further revision of the enabling legislation could be necessary.
2. Tourism Coordinating Committee. The Tourism Coordinating Committee, established by statute in Sec. 44.33.122, is intended to serve as a forum to increase interagency approaches to tourism issues and to create communication links between the many agencies that dabble in tourism. The committee could live up to its potential with increased commitment by the member agencies and direction by the new Governor.
3. Overseas Air Routes. Visitation from overseas is becoming more difficult to stimulate as international airlines abandon technical stops on polar routes. Without adequate access and easy connections from overseas, the already difficult job of converting visitors from these markets will become more difficult. Incentives should be offered by the airport system and the division to attract new air routes that will benefit development of overseas markets.

Long Range

1. Tourism Infrastructure Development. Expansion of off-season tourism will create new year round jobs and improve prospects for increased capacity during peak season months. Such expansion will depend on the development of new attractions and activities. Since much of the land in Alaska is publicly owned and lacks the basic infrastructure normally available to private sector developers, the state can serve as a catalyst for developers by providing incentives such as land, financing, and infrastructure development. Funds should be established to provide access and utilities on public development land, and policies should be established to encourage such projects and clear obstacles from their paths.
2. Rural Tourism. The state must take a continued active role in stimulating travel to rural areas of the state which are interested in developing tourism businesses. There is an abundance of potential attractions and a significant land base outside the major corridors of visitation; however, limited accommodations and expensive access inhibit visitation.
3. Tourism Strategic Plan. Alaska must take deliberate steps to ensure continued growth and stability for tourism. By adopting the recently prepared Five Year Strategic Plan for Tourism, the state can move forward with an accepted and understandable tourism policy.

4. Small Tourism Businesses. The state must continue to expand programs that create opportunity for small tourism businesses. Increasing the demand for a broad spectrum of products and sustaining the excess demand in urban areas can create niches to be filled.

5. Alaska Hire. During the past five years, a number of factors have combined to increase the proportion of Alaskans employed in the tourism industry. The state should continue to encourage the private sector to hire Alaskans and should establish programs to train Alaskans for employment in the visitor industry.

6. Program Funding. Competition with other destinations requires a commitment to promote and develop Alaska. Our primary competitors, Europe, Hawaii and Canada, have significantly increased their market presence over the past five years. If the state is to remain competitive, Alaska will have to increase its commitment to promotion and provide continuity in the consumer marketplace. Failure to do so may result in long-term declines in visitation.

LEGISLATIVE ISSUES:

1. Program Funding. The Legislature must ensure a stable revenue source to fund tourism promotion. To build equity with our competitors, we need a promotional program which sustains itself year-to-year. An equal commitment to the development of facilities is also necessary to meet the needs of visitors.

2. Confidentiality of Data. The Division of Tourism conducts research using proprietary information from tourism businesses. Last year the Legislature amended the statutes creating the ATMC to specify that data and products generated by the ATMC were not public records under AS 09.25.110 and 120. The division's research data files contain information that needs similar protection. Businesses will not participate if they cannot be assured of the confidentiality of their information, thereby limiting the validity of the research.

Reference materials

Five Year Strategic Plan for Tourism

ALASKA AMATEUR SPORTS AUTHORITY

HISTORY:

The Alaska Amateur Sports Authority was created in 1989 to promote amateur sports so that the social and economic benefits of amateur athletics are maximized throughout the state. Alaska amateur athletics involve more than 600 sports organizations representing thousands of athletes of all ages and abilities.

The Act established the authority for (1) the promotion and development of amateur sports in the state; (2) the planning, managing and constructing of amateur sports training facilities; and (3) developing and promoting amateur sports events that will generate income in the state.

The Sports Authority early this summer completed a series of statewide public hearings designed to familiarize the public and amateur sports organizations with AASA and to determine how AASA might best assist the development of amateur sports in Alaska. Testimony indicated that the public would most like to see Sports Authority involvement in 1) statewide facility expansion; 2) education/clinics/training centers; 3) event funding/fund raising; and 4) state/local political support and coordination.

KEY POLICY ISSUES:

Short Range

1. Creation of Capital Fund. With the availability of state revenues to fund sports facilities, programs and events declining, AASA must be instrumental in coordinating a public/private package of funds committed to the development of amateur sports. To address the need to coordinate the development of capital facilities which will enhance Alaska as a site for national and international sports competition, the AASA board intends to request a capital fund of at least \$1 million to be used for the development of regional sports competition or training facilities.
2. Promotion of Events. In order to attract economic development through sports events and competitions, financial assistance is needed to promote Alaska as an international competition destination to the many regional, national and international sports groups. Current AASA funding will not cover sales, marketing and promotion costs necessary to attract events to Alaska. AASA plans to pursue a cooperative effort with groups such as convention and visitors bureaus, airlines, hotels, and other businesses to position Alaska as a host for international winter athletic events in the next three to five years.
3. Development of Educational Programs. In order to upgrade the level of amateur athletics and educational opportunities for athletes, trained coaches, officials, health professionals, and volunteers are continually needed. Working with university systems and private organizations, AASA plans to develop educational opportunities for athletes and coaches. AASA can be the catalyst for cooperative educational programs in law, medicine, and other areas relating to amateur sports.

Long Range

1. Facilities Development Plan. AASA plans to develop a five-year plan for statewide facility development working with municipal and borough organizations. Current funding does not allow for organizing a task of this nature.
2. Transportation and Insurance Costs. Transportation and insurance costs will continue to plague amateur programs. High costs will reduce the number of athletes able to participate in intra and interstate competitions. For some sports, the cost of liability insurance determines the success or failure of an event.

LEGISLATIVE ISSUES:

1. The funding issues discussed under the Key Policy Issues section, and defining the state's role and financial contributions in the social and economic development of Alaskans through amateur sports, will be under consideration by the Legislature as well as the administration.

Reference Materials

Summaries of statewide public hearings in May and June, 1990 are available from the Authority.

ALASKA ENERGY AUTHORITY

HISTORY:

The Alaska Energy Authority, as the state's primary energy agency, helps to provide the consumers of the state with dependable, least-cost energy. The Alaska State Legislature created the Energy Authority as a public corporation through Ch. 278, SLA 76 to promote, develop and advance the general prosperity and economic welfare of the people of Alaska by providing a means of constructing, acquiring, financing and operating power projects and facilities that recover and use waste energy." Since then, state energy policy has focused on assisting the communities and utilities in maximizing locally available generating options, improving system efficiencies and, most importantly, reducing the long-term costs of power for electrical consumers.

During the 1980's, the state invested in hydroelectric plants, diesel power plants, waste heat systems and numerous transmission and distribution lines. With the conclusion of much of the major capital construction under the energy program for Alaska, the Energy Authority has increasingly focused its attention on maintenance and operation responsibilities both for the larger systems it owns and for the numerous rural electrical utilities receiving state assistance through the Power Cost Equalization Program. Where capital improvements are needed, the Energy Authority looks to the availability of program revenues generated from its existing projects and of funds from the commercial market before requesting state General Fund appropriations. The Energy Authority's FY 91 operating and capital budgets are funded entirely by Authority project-generated revenues with the exception of the Power cost Equalization Program which is funded by the General Fund.

The Energy Authority oversees the commercial operations and maintenance of facilities it has constructed or acquired. Principally these are the hydroelectric facilities near Wrangell, Ketchikan, Kodiak and Valdez, collectively known as the Four Dam Pool, and the 170-mile long transmission line intertie between Anchorage and Fairbanks. Construction of the 90 megawatt Bradley Lake hydroelectric project near Homer is close to completion. The project is scheduled to become operational in September 1991. A decision is expected in early 1991 regarding the transfer of the federal Snettisham project south of Juneau to state ownership.

Alaska, more than any other state, has a large number of geographically isolated communities that are not connected by electric transmission systems. For the most part, these communities are dependent on stand-alone diesel powered generators for the production of electricity. There is a great disparity between the cost of power in these rural communities and the cost of power in communities in the Railbelt or those served by any of the state's major hydroelectric power plants.

In rural areas, electric generation and distribution systems are frequently antiquated, inefficient and hazardous. Electric service in much of rural Alaska resembles conditions and circumstances seen in many other states 60 years ago and found today in third-world nations. During recent years, the Energy Authority has placed increasing emphasis on programs that address the unique needs of Alaska's rural energy producers and consumers while reducing Power Cost Equalization costs to the state by promoting good operations and maintenance practices in rural utilities.

KEY POLICY ISSUES:

Short Range

1. Power Cost Equalization (PCE) Program Shortfall - A \$1.4 million shortfall is currently estimated in funds available to fully fund the FY 91 PCE Program. In accordance with AS 44.83.162(J), the amount paid to each electric utility will be reduced on a pro rata basis effective in September 1990. The Energy Authority will have a better estimate of the shortfall in late 1990 after most fuel deliveries for next year have been made. Any adjustment to the proration can be made in February.
2. Reduction of Costs of Electricity and Heating in Rural Alaska - Emphasis on this program will not only benefit the communities and their residents but also will reduce state operating costs by stretching the available dollars in the Power Cost Equalization Program as well as in state required support for school system operation and the operation of state facilities. In addition, system efficiency improvements that lower the cost of electricity and heating of municipal buildings will reduce the operating costs of local governments and help them to better cope with decreased state revenue sharing dollars. Strategies to reduce such costs include system upgrades, system efficiency improvements, bulk fuel systems, metering, alternative energy development grid system development, rural utilities regionalization, conservation, waste heat systems and a wide range of assistance to rural communities and utilities. The Energy Authority plans to include projects in its FY 92 capital budget request to continue these strategies.
3. Rural Bulk Fuel System Assessments and Upgrades - In April 1990, the Bureau of Indian Affairs informed the state that fuel delivery contractors may refuse to deliver fuel to rural communities where fuel storage and handling facilities are inadequate. The Legislature appropriated \$1 million for a program designed to provide surveys, evaluations, designs, cost estimates and emergency repairs to rural fuel storage and handling facilities. The Energy Authority's FY 92 budget request will include additional funds to continue the assessment, emergency repair and upgrade of bulk fuel systems in rural communities not included in the FY 91 program.
4. Energy System Life, Health and Safety Improvements - The Energy Authority received \$750,000 for FY 91 to eliminate significant hazards to life, health and safety associated with rural electrical and fuel supply systems. Examples of such hazards include powerhouses that do not meet fire codes, absence of fire extinguishers and alarm systems in powerhouses, fuel storage tanks that are leaking and/or not diked, exposed and uninsulated wiring in and around powerhouses, unfenced distribution substations and fuel storage areas, inadequate grounding, sagging distribution conductors and inadequate clearance at service drops. Elimination of such hazards will have a direct and significant effect on the prevention of emergencies and disasters which could otherwise require future state investments of both time and money. The FY 92 capital budget request will include funds to continue this program.

Long Range

Most of the aforementioned short-term issues are also likely to confront the Alaska Energy Authority over the next two to five-year period.

LEGISLATIVE ISSUES:

1. Power Project Fund - Senate Bill 233 and House Bill 141, introduced during the 1989 legislative session, proposed changes to AS 44.83.170 relating to the Power Project Fund. The principal effects of the proposed changes to AS 44.83.170 were to eliminate the need for General Fund support of the Power Project Fund by: (a) converting the Power Project Fund (PPF) to a loan program funded by bond proceeds; and (b) allowing the Energy Authority to pledge PPF loan repayments, including interest earned, as security for a bond issuance. Additional proposed changes would have broadened the allowable uses of the PPF to include loans made for the acquisition of a power project by an eligible borrower; for the installation of energy conservation equipment; acquisition of bulk fuel or proven reserves of gas, oil, coal, geothermal, or other energy resources; and consumer end-use improvements. Other changes added regional educational areas, regional housing authorities and business enterprises as eligible borrowers for energy conservation projects.

SB 238 and HB 141 died in the House Labor and Commerce Committee at the end of the 1990 legislative session. The Energy Authority recommends that similar legislation be introduced during the 1991 legislative session so that the Authority can meet the considerable amount of statewide demand for Power Project Fund loans which has been spurred by the reduction of direct state grants and federal loan funds to communities and utilities for electrification purposes.

2. Waste Heat - SB 238 and HB 141 would have also amended AS 44.83.010 and AS 44.83.195 to clarify that the Authority may supply and sell waste heat directly to consumers operating commercial enterprises and public facilities. This clarification would have allowed the Authority to provide proper security and obtain a lower interest rate for revenue bonds sold to construct such facilities. This also should be included in the new legislation to be introduced in 1991.

3. Operations & Maintenance Revolving Fund - Legislation is needed to establish an Operations & Maintenance Revolving Fund to retain revenue collected over multiple fiscal years to cover recurring nonannual costs of operating facilities repair, renewal and replacement, and continuing Federal Energy Regulatory Commission (FERC) requirements. In accordance with standard utilities practices, operating revenues are leveled and paid to the Energy Authority based on unit of consumption. These revenues do not necessarily relate on a fiscal year basis to the cost of repair and maintenance and FERC requirements of the system that generates the revenue. Therefore, the Authority needs to reserve, over multiple fiscal years, a portion of the gradually collected revenues to cover those costs.

4. Railbelt Intertie Reserve - Ch 208, SLA 1990, Section 159 appropriated \$100,000,000 and the interest earned on that sum from the Railbelt Energy Fund to a "Railbelt Intertie Reserve." Funds may not be expended from the reserve until appropriated by the legislature. The reserve is for 138 kilovolt interties between Soldotna and Anchorage, and between Healy and Fairbanks. Authority staff plans to conduct a feasibility study in accordance with the statutory project approval process contained in AS 44.83.181-185 and present it to its board of directors and the Office of Management and Budget for review and action.

ALASKA INDUSTRIAL DEVELOPMENT & EXPORT AUTHORITY

HISTORY:

The Authority was created by the State Legislature in 1967 pursuant to the Industrial Development Act to finance industrial and business enterprises for the purpose of promoting the general prosperity and economic welfare of the people of the state and to relieve problems of unemployment. The authority did not become active until 1978, with its first financing for Alaska Airlines, and in 1980 many of the Authority's statutes were rewritten to make it more active. In 1984, an amendment to the Act was adopted by the Legislature authorizing the Authority to own and operate certain types of development projects, and the Authority became active in the Delong Mountain transportation project (Red Dog).

Legislation enacted this year (Ch 123, SLA 90) will assist the Authority in changing its emphasis from primarily financing commercial real estate to focusing on infrastructure and resource development projects. Although AIDEA retains its ability to act as a correspondent to Alaskan banks, the new law gives it greater flexibility in using its assets to function more like a development bank to promote, finance joint ventures and own primary sector development projects.

The legislation gives AIDEA the authority to issue bonds for the following projects:

- o up to \$50 million to finance a multi-bay aircraft maintenance facility located at the Anchorage International Airport;
- o up to \$25 million to finance a public use ore terminal in Skagway;
- o up to \$10 million to finance improvements to the Ballyhoo dock in Unalaska; and
- o up to \$85 million for the Healy cogeneration project.

The Authority is controlled by a five-member board of directors consisting of the Commissioners of Commerce and Economic Development, Revenue, and one other principal department appointed by the Governor (currently, the Commissioner of the Department of Community and Regional Affairs) and two public members.

KEY POLICY ISSUES:

Short Range

During the forthcoming year, the Authority's emphasis will be on four development projects authorized by the Legislature.

1. The Skagway project is underway and construction is in progress to provide building code upgrades, environmental enhancements and operation efficiencies to the structures. A user agreement is in place with Curragh Resources, Inc. and operational maintenance agreements are under negotiations. Phase I construction, which consists of site preparation, building code and electrical code upgrades, and environmental considerations, is scheduled for completion by November 1, 1990. The second phase, which includes a 100' building expansion, storm drains, asphaltting, and improvements to the ship loader, is programmed for the summer of 1991.
2. The Unalaska dock project is undergoing detailed design with construction scheduled for 1991. The essential agreements between the City of Unalaska, AIDEA, Sealand and Petro Marine are in place. The project is a joint development project of all of the above to increase capacity of the City of Unalaska harbor facilities.
3. The Healy coal project involves the Department of Energy, Golden Valley Electric Association, Alaska Energy Authority and Alaska Industrial Development and Export Authority. The project involves a proposed 50 MW coal-fired power plant at Healy, Alaska. Contract negotiations are currently underway with the Department of Energy, and submission to the Alaska Public Utilities Commission of the power sales contract between the Authority and Golden Valley Electric Association is planned for November 1990.
4. A major aircraft maintenance complex is being planned at Anchorage International Airport. Discussions are underway with various carriers and if a satisfactory commitment can be obtained, construction could begin in 1991.

Long Range

The major long-term issue is to maintain the financial stability of the Authority. The Authority obtains funds for all of its activities from the bond market and pledges its own assets to the repayment of these debt investments. The rating agencies have continually viewed the Authority with caution in light of budget shortfalls within the state, and the possibility of transfer or dilution of the Authority asset base by legislative action.

LEGISLATIVE ISSUES:

None

ALASKA OIL AND GAS CONSERVATION COMMISSION

HISTORY:

The Alaska Oil and Gas Conservation Act (1955) created the Alaska Oil and Gas Conservation Commission. It was composed of the Governor of the Territory of Alaska, the Territorial Commissioner of Mines and the Territorial Highway Engineer. Rules and regulations governing Commission activities became effective on October 1, 1958.

Under the State Organization Act of 1959, the Oil and Gas Conservation Commission was abolished, its function and authority transferred to the Department of Natural Resources, Division of Mines and Minerals. A group within the department was designated to hold hearings and issue decisions on oil and gas matters. This group was the Alaska Oil and Gas Conservation Committee which consisted of the Director of the Division of Mines and Minerals (Chairman), the State Petroleum Geologist, the State Petroleum Engineer and the Deputy Commissioner of the Department of Natural Resources.

In 1968, the Division of Oil and Gas was created within the Department of Natural Resources. The new division arose from the Petroleum Branch of the Division of Mines and Minerals. The Alaska Oil and Gas Conservation Committee was placed within the new division and consisted of the Director, Chief Petroleum Geologist and Chief Petroleum Engineer.

In 1976, the word "conservation" was added to the division's title and it became the Division of Oil and Gas Conservation.

With the advent of production from Prudhoe Bay in 1977, the Legislature became concerned that there was the appearance of the potential for a conflict of interest with the Department of Natural Resources, an owner of oil and gas rights, also acting as the regulator of other owners of oil and gas rights. To obviate its concern, the Legislature amended AS 31.05 by Chapter 158, SLA 1978 to restore the Commission, effective January 1, 1979, as an independent quasi-judicial agency within the executive branch of the state.

The Commission continues to function as the regulatory agency overseeing the underground operation of the Alaska oil industry on private and public lands and waters. Its responsibilities include regulating drilling and production of oil and gas to ensure that physical waste does not occur, protecting the correlative rights of mineral interest owners, and managing the Class II Underground Injection Control (UIC) program for oil and gas wells in Alaska as authorized by the U.S. Environmental Protection Agency on June 19, 1986.

The Commission compiles and maintains a data bank of drilling, production and reservoir statistics, including information on oil production, associated gas production, nonassociated gas production, and injection volumes on an individual well, pool and field basis. Other data includes drilling permits, well histories, well logs, and public hearings testimony. Recently, the Commission acquired a new computer system which will be used to monitor oil and gas reservoir depletion in Alaska. The reservoir surveillance computer system will also allow the Commission to provide other state agencies with detailed reservoir information, including production decline estimates.

KEY POLICY ISSUES:

Short Range

As a preliminary matter the Commission must stress that its role is regulatory, not policy setting. Issues facing the Commission for the most part are in response to events related to the exploration and development of the state's oil and gas resources.

1. New Commissioner/Chairman. On August 1, 1990, the Commission's long-time chairman retired. Appointment of a new commissioner and chairman will mean a period of transition for the Commission. The Commission will work closely with the new Administration to ensure positive results.

2. Underground Injection Control (UIC) Program. The Commission is involved in discussions with the U.S. Environmental Protection Agency (EPA) concerning the types of fluids that can be injected in a Class II well for either disposal or enhanced oil recovery purposes. Disagreement centers on the need for an extent of fluid sampling requirements and interpretation of the Safe Drinking Water Act (SDWA) and the Resource Conservation and Reclamation Act (RCRA). Resolution of the matter is anticipated during 1991.

3. Litigation. Possible litigation may arise over Conservation Order #254. The order established a 640-acre drilling unit for the Mike Pelch #1 well (formerly Cannery Loop #2). The owner of the Mike Pelch well objects to CO #254 because it did not force pool the interests of the mineral owners within the drilling unit. The Commission concluded that forced pooling was not yet appropriate because no evidence was presented at the hearing to show that voluntary efforts to reach an equitable agreement had failed. Production from the well may not occur until a voluntary agreement is reached or, if voluntary efforts fail, until the Commission holds a public hearing and issues an order involuntarily integrating the interests of the mineral owners.

Long Range

1. Surface Commingling of Production. As more new, marginal fields on the North Slope are brought closer to development, additional attention will be drawn to issues surrounding the surface commingling of production from separate reservoirs. The advantage of commingling is the sharing and full utilization of production facilities; the disadvantage is the possibility of less certainty for the state in determining if the separate reservoirs are being managed properly. The Departments of Revenue and Natural Resources will also be concerned because of royalty and revenue implications. Determining suitable well testing and allocation methods will be a key in resolving commingling issues.

2. Pooling Rules. The Commission anticipates establishing pooling rules for Pt. McIntyre, Niakuk and West Sak reservoirs during the next two to three years. Revisions to existing pooling orders also will likely occur for certain Cook Inlet fields.

3. Bonding: Possibly bonding problems may arise from bankruptcy proceedings of several small Alaska operators. The Commission will attempt to protect the bonds (Certificates of Deposit) from creditor distribution under the proceedings. It is likely that the Commission will be forced to use the bonds, along with additional funds, to plug and abandon wells drilled by these persons.

LEGISLATIVE ISSUES:

Aside from confirmation proceedings, the Commission does not foresee the need for any near-term legislative action, nor does it anticipate any legislative issues arising during the immediate future that would directly involve it.

ALASKA PUBLIC UTILITIES COMMISSION

HISTORY:

The Alaska Public Utilities Commission (APUC or Commission) is a public protection agency with responsibility for regulating public utilities and pipeline carriers. The APUC was created by AS 42.05 in 1970. There have been numerous amendments to the Act since that time. In 1981, the Legislature amended AS 42.06 by eliminating the former Alaska Pipeline Commission and transferring its jurisdiction to the APUC.

The five commissioners who serve on the APUC are appointed by the Governor for six-year terms. Three of the five commissioners must have specific professional training and experience in law, engineering, and finance, accounting or business administration. The other two commissioners are consumers.

The APUC's duties include issuing certificates of public convenience and necessity for areas or routes to qualified service providers; establishing rates, terms, and conditions of service to the public, and overseeing the practices, services, and facilities of regulated utilities and pipeline carriers. In addition, the Commission is responsible for computing the power costs and resultant assistance amounts for electric utilities participating in the Power Cost Equalization (PCE) Program.

The Commission has partial or full jurisdiction over the operations of cable television; electric, gas, refuse, radio common carrier, sewer, steam, telephone (local exchange and in-state toll), and water utilities. The Commission also has responsibility for regulating the in-state transportation of oil and gas through pipelines.

Commission oversight for some types and sizes of utilities is limited under the law. In addition, there are statutory provisions which allow the customers of cooperatives and certain small utilities to elect to be economically deregulated and which allow electric cooperatives and telephone companies to adjust rates using a simplified rate filing procedure.

Certificates of public convenience and necessity are currently held by 327 utilities and pipeline carriers. Of these, 104 utilities and 15 pipeline carriers are regulated as to rates, service, practices, and facilities.

KEY POLICY ISSUES:

Short Range

1. Telecommunications. The Commission will establish the framework for a competitive in-state long distance telephone market, which will involve instituting changes in how long distance companies compensate local companies, acting on applications for new long distance companies, and examining the current rates of Alascom. With state and federal legislative mandates, the Commission will implement statewide services for the deaf and hearing impaired through a dual party relay system. The Commission also will develop simplified rate-making procedures for local telephone companies.
2. Electricity. The Commission will face a number of regional issues involving current and future capacity requirements, including appropriate ownership of the Soldotna #1 generator, the use of diesel vs. natural gas generators for service around Deadhorse, and wholesale power contracts from the new Healy coal plant.
3. Pipeline. The Commission is involved in a number of ongoing proceedings regarding tariffs and rates for the Trans-Alaska Pipeline System (TAPS) and the TAPS quality Bank used to compensate shippers for the quality of the oil purchased and received.

Long Range

1. Telecommunications. The Commission will monitor and modify as appropriate the regulations governing in-state long distance and local telephone services. A number of national initiatives regarding the cable TV business, regulation of local telephone companies and expansion of telecommunications services and providers may require consideration at the state level. In addition, the state's role in the provision of telephone services and its associated impact on regulated companies may be an issue.
2. Pipeline. Prior to construction, the Trans-Alaska Gas System (TAGS) will require a certificate from the Commission.
3. Refuse. Stricter rules governing treatment of garbage coupled with shrinking landfill capacity will put increased pressure on the costs of garbage collection and disposal. The Commission anticipates increased governmental interest in the provision and oversight of this service.

LEGISLATIVE ISSUES:

None

THE ALASKA RAILROAD CORPORATION

HISTORY:

The U.S. Congress authorized construction of the Alaska Railroad in 1914 and operations began in 1923. The federal government operated the railroad until its sale to the State of Alaska in January 1985. The sale of the railroad to the State was authorized under the Alaska Railroad Transfer Act of 1982 (ARTA) which was signed into law on January 14, 1983. The Alaska Railroad Corporation (ARRC) is a public corporation created by the Alaska State Legislature in 1984 to own and operate the railroad and manage the railroad's rail, industrial, port and other properties. The ARRC began operations on January 6, 1985. The Corporation has a legal existence independent of and separate from the state and is designed so that it would act as a separate, profit-making entity. It is exclusively responsible for the management of all its financial and legal obligations. To date, the Corporation has not sought any subsidies from the Legislature.

The powers of the Corporation are vested in a seven-member board of directors appointed by the Governor. The board oversees the railroad's operations. It has developed a five-year plan based on six major goals which include:

- o To improve, operate and maintain the railroad on a self-sustaining basis to assure ARRC presents itself as a viable investment to potential purchasers.
- o To develop the Alaska Railroad Corporation as an effective and efficient corporation servicing the transportation needs of Alaska.
- o To enhance and upgrade the railroad's facilities, property and equipment to an efficient and well-maintained condition.
- o To develop a highly motivated and productive work force.
- o To aggressively pursue profitable new market opportunities, especially those which involve new rail-dependent industrial development with emphasis on opportunities which promote Alaskan industries.
- o To develop and encourage input from communities which the railroad serves.

KEY POLICY ISSUES:

1. Profitability - The Corporation has earned an average of about \$4 million each year after expenses. This sum, coupled with depreciation set aside for replacement of equipment, has totaled about \$10 million each year that has been invested in capital improvements necessary to maintain the current level of service. Over the past five years, this amount has been leveraged to provide improvements valued at \$66.2 million. These include purchase of equipment, maintenance of track and roadbed, and replacement or improvement of structures. To continue to support the level of freight and passenger service the Corporation provides, it may be necessary to raise rates as operating costs increase.
2. Economic Development - There is a need for state involvement and support for economic development along the rail corridor, as well as programs that would develop noncontiguous rail access (for example, mineral developments in the Kobuk region). There was state support in the 1990 legislative session for the Wishbone Hill coal mine which will provide more than 200 jobs in the Matanuska Valley and export about one million tons of coal each year to Japan. A \$9 million grant for the development of that resource was included in the 1991 budget to purchase rebuilt locomotives and new hopper cars to haul the coal from Palmer to Seward.
3. Truckers Initiative - A group of independent truckers were successful in obtaining the required number of signatures to have an initiative placed on the primary ballot on August 28. The initiative, if passed, would restrict the operations of the railroad and violate the provisions contained in the Alaska Railroad Transfer Act (P.L 97-468).

LEGISLATIVE ISSUES:

1. Increasing Legislation - There has been an increase in the number of bills introduced in the past several years which has had an impact on the Corporation. The railroad, for example, was brought under the state's procurement code in 1986 over our objections. There was an attempt to obtain an exemption in the 1990 legislative session and return to the original intent included in the 1984 Corporation Act which states that the management of the Corporation "ensure that the procurement procedures of the corporation meet accepted railroad industry standards." Other legislative proposals were directed at the problem of moose kills along the rail corridor; highway/railroad grade crossing agreements; regulation of the railroad by the Alaska Public Utilities Commission; and employees health insurance plan.

The viability of the railroad as a profitable enterprise will be jeopardized if restrictions are placed on railroad operations that would make it more like a state agency.

2. Oil Spill - Due to the derailment and subsequent oil spill which the railroad had at Dunbar on May 28, 1990, it is anticipated that an attempt will be made to include the railroad in existing laws which govern future oil spills. The Corporation believes attempts to include the railroad in such legislation are inevitable. However, it is our opinion that any such proposed legislation should also include the trucking industry.

3. Moose Kills - In the last legislative session, a bill was introduced which would have imposed a monetary fine on the railroad and result in a Class A Misdemeanor for the train engineer for moose killed along the railroad right-of-way by the train. It is possible that similar legislation could be introduced in the next legislative session.

4. Procurement - The Corporation was originally exempted from many state rules and regulations to enable it to operate as a self-sustaining entity. The Corporation was included in the state's procurement code when a new code was created in 1986. During this process, there were no indications that the railroad had abused its authority granted it in the Alaska Railroad Corporation Act (ARCA), which mandates that the railroad conducts its purchasing activities in the same manner as the railroad industry standards.

The ARRC objects to being included in the new procurement code because the additional administrative burdens placed on it to be in compliance have increased the cost of purchasing goods and services for the railroad with no corresponding increase in the value of service provided. This only serves to drive up the cost of transportation of goods and services and therefore reducing the value of ARRC's economic impact on private enterprise.

ALASKA SEAFOOD MARKETING INSTITUTE

HISTORY:

The Alaska Seafood Marketing Institute (ASMI) was legislatively created in 1981 to generically promote Alaska seafood in domestic and world markets and to maintain and improve Alaska seafood quality. The institute is a partnership between the seafood industry and the State of Alaska.

ASMI is governed by an 18-member board of directors appointed by the Governor. By statute, the board of directors has 12 large and small processors, five commercial fishermen or women and a representative of the general public. There are three ex-officio members of the board--two legislators and the commissioner of DCED (or representative of the commissioner). All voting members of the board serve staggered three-year terms.

ASMI promotional efforts include advertising and public relations aimed at the seafood trade and seafood consumers. The promotions are handled by advertising agencies under contract to ASMI.

Quality enhancement efforts are aimed at fishermen, processors and downstream members of the seafood trade. ASMI works closely with the Department of Environmental Conservation and the Department of Fish and Game to assure safety and quality.

ASMI's constituency is Alaska's most pervasive industry. More than 30% of the state's employment base is directly or indirectly dependent upon the fishing industry. The seafood payroll topped \$1 billion in 1988--more than oil and gas, timber, mining and tourism combined. State revenues--taxes--from the seafood industry are exceeded only by revenues generated in the oil and gas sector.

KEY POLICY ISSUES:

Short Range

1. In the past decade, the world's salmon markets have changed dramatically. Ten years ago, salmon farming technology was in its nascent stage. Now, salmon produced on farms in 14 nations have captured nearly 25 percent of the world's salmon market. Within the next decade, production from salmon farms will outstrip production from Alaska's wild stocks--including Alaska's hatchery ranched salmon. Salmon farmers' organizations are now spending more marketing their products than ASMI spends on marketing wild salmon. **PROBLEM:** maintain the value of Alaska's salmon fishing industry.

2. As consumption of seafood increases and consumers become more sophisticated, there is a growing consumer awareness of seafood quality and safety. Rapid advances in seafood handling technology help all seafood producers deliver better products to the final consumer. **PROBLEM:** encourage fishing fleet utilization of up-to-date chilling technology and promote improved handling methods throughout the distribution chain to assure consumers that seafood from Alaska is top quality. Maintaining confidence in the quality of Alaska seafood is an ongoing goal of ASMI.

3. To maintain markets, Alaska must encourage a generic seafood identification in much the same manner that Florida promotes its citrus fruits, Washington its apples and Idaho its potatoes. **PROBLEM:** ensure that consumers are aware of Alaska as a source of quality seafood.

Long Range

1. As consumers recognize the benefits of seafood in their diet and as consumption of seafood rises, there is more and more competition from other seafood suppliers. Some suppliers are new--trout and catfish farms supply fish protein, Thai-farmed shrimp supply seafood protein, and salmon farmers supply more fish protein. Other suppliers have been around for years and include the fishing fleets of many foreign nations. Many of these alternatives to Alaska seafood are subsidized by governments or trade organizations. **PROBLEM:** maintain and enhance Alaska's markets in an era of increasing competition.

2. Seafood markets are constantly changing. Changes in the European Economic Community, new markets in Eastern Europe, changing consumption patterns in Japan, aquaculture-induced market changes, and other market forces create impediments or opportunities for Alaska's fishing industry. **PROBLEM:** recognize and react to changes in the marketplace.

3. Other protein sources spend millions of dollars annually to promote their food. Beef's "real food for real people" campaign is budgeted at \$75 million annually. Pork's "other white meat" campaign spent \$28 million last year in domestic markets. ASMI's domestic promotion budget for all Alaska seafood for fiscal year 1990 totaled \$3.9 million. **PROBLEM:** maximize the impact of Alaska's relatively small promotion budget.

LEGISLATIVE ISSUES:

The Governor-Elect will be presented with two major legislative issues involving ASMI, both related to funding levels.

1. Continued TEA Program Funding. Since 1987, ASMI has received over \$13 million from the federal government to market salmon in three overseas markets--the United Kingdom, France and Japan. These funds are awarded through the Targeted Export Assistance (TEA) program in the U.S. Department of Agriculture. To be eligible for TEA funds, U.S. commodity marketers must demonstrate unfair overseas competition. ASMI was able to demonstrate Alaska salmon is threatened by methods used by foreign salmon marketers, especially salmon farmers. It is imperative the state increase its matching funds in order to leverage more federal money. ASMI's current application for TEA marketing assistance funds is for \$9 million. In order to meet the federal requirement of a 50 percent match in cash and in-kind contributions, ASMI has identified the need for a 15 percent cash match from the state.

2. Level of State Program Funding. New seafood products (including farmed salmon which accounted for nearly one-quarter of the world salmon harvest in 1989 and farmed catfish which is now number five on the top-ten list of most consumed fish in the U.S.) backed by large marketing budgets, coupled with increased marketing efforts by the beef and poultry industries, are making the seafood and meat protein markets much more competitive. These market challenges must be met. The Alaska seafood industry has attempted to keep pace in the market by more than trebling its ASMI contributions in the last five years (from \$1 million in FY 86 to \$3.3 million in FY 90). The state's contribution level, however, has dropped in the last five years (from \$2.6 million to \$2.1 million).

ALASKA STATE HOUSING AUTHORITY

HISTORY:

The Alaska State Housing Authority (ASHA) was created in 1954 to reduce the Territory's post-war housing shortage. ASHA's mission is to work with the public and private sectors to provide safe and sanitary housing for low to moderate income Alaskans.

ASHA is a statewide public housing authority which serves nearly 4,000 low-income families in Alaska. Its role has grown and evolved over its 45-year history in response to changing state and community needs.

ASHA's operating budget is wholly funded by the federal government. At times, the State Legislature will appropriate money for special purposes such as child care or security improvements; or large renovation projects such as the demolition of Willow Park in Anchorage.

ASHA has come to recognize the value of expanding its role from provider of shelter to catalyst for social change and economic development. In addition to housing the state's family and senior low-income population, ASHA has been a partner in shaping state economic development that has created new economic opportunities for low-income residents.

KEY POLICY ISSUES:

Short Range

1. Strengthened Security. Security needs to be strengthened at public housing developments throughout Alaska. Security at ASHA senior facilities and housing in high crime areas is a priority for ASHA. ASHA is investigating several different options to address this problem and will continue to seek federal and state funding sources to accomplish the authority's security needs.
2. Modernization and Demolition Projects. ASHA is completing housing modernization projects currently underway in Fairbanks, Juneau and Bethel. Some properties around the state need modernization, others need to be demolished and replaced. Cedar Park in Juneau and Birch Park in Fairbanks are two properties slated for demolition.
3. Demolition Funding. ASHA needs funding to complete the demolition of Birch Park in Fairbanks and Cedar Park in Juneau. ASHA will pursue the use of state funds to supplement any federal funds received to complete both these projects. A capital appropriation from the state is the most feasible way to accomplish this.

Long Range

1. Implementation of Five-Year Plan. ASHA will work to implement the proposed modernization projects and management efficiency improvements identified in the authority's comprehensive plan for modernization. HUD requires public housing authorities to prepare a five-year plan for modernization of public housing properties and management improvements. ASHA uses this comprehensive plan to detail its five-year strategy for improving public housing stock and management of the properties.
2. Programs to Empower Residents. ASHA intends to fully develop programs to support Secretary Kemp's initiatives to empower residents of public housing. These programs will include home ownership, economic empowerment through job creation, resident management, drug elimination strategies and fair housing. ASHA is creating a statewide network of support services to encourage the development of these initiatives.

LEGISLATIVE ISSUES:

1. Funding for Congregate Housing Legislature. HB 218 (Ch. 182, SLA 90), which created a pilot program for congregate housing development to be implemented by ASHA and AHFC, was signed into law without a fiscal note. Until funding is provided by the Legislature, ASHA cannot begin developing the program.
2. Funding for Strengthened Security. ASHA will request full funding (\$615.0) of proposals to provide better security in public housing developments, primarily for senior projects. Projects for Chugach Manor and Mountain View, included in the FY 91 budget, were vetoed after the falling price of oil necessitated budget cuts. The package will fund improvements in 13 separate public housing developments in seven communities. Senior projects include developing security card systems, better lighting, and a senior student housing program to provide 24-hour on-site security in Anchorage, Fairbanks and Juneau.
3. Income Protection. Income earned by AFDC recipients must be protected to encourage financial independence. Families trying to better their lives are penalized for increases in income, because their support payments go down. This provides a disincentive to families trying to move off of "economic security" programs. ASHA recommends that the Governor work with the Department of Health and Social Services and other departments to pass legislation setting up a mechanism to protect income earned by AFDC recipients (under certain circumstances) below a certain level.
4. Workers' Compensation Classifications. ASHA encourages the revision of workers' compensation rules to allow corporations to have more than one coverage plan for its employees. Currently, workers' compensation rates (for the entire agency) are based on the most hazardous job classification. This means that for short modernization projects that involve the removal of hazardous waste, the higher rates are charged against all employees, not just those employed on the project.
5. Birch Park Reappropriation. ASHA recommends that the unexpended balance up to \$1.5 million from the Willow Park Asbestos and Abatement Project be reappropriated to complete the demolition and site restoration work on the Birch Park demolition project in Fairbanks.

APPENDICES:

Available upon request:

1. Annual Report 1989.
2. Willow Park Abatement and Demolition Program Report.
3. 1990 Economic Empowerment Summit Program.
4. Allocation Plan for the Low Income Housing Tax Credit Program.
5. Various grant applications to the Department of Housing and Urban Development and private foundations.
6. Comprehensive Plan for Modernization - FFY 1990 Update.

ALASKA TOURISM MARKETING COUNCIL

HISTORY:

The Alaska Tourism Marketing Council was created by the Legislature in 1988 to provide for the joint management of Alaska's cooperative tourism marketing program (AS 44.33.700-780).

The Council in its present form is made possible under the terms of a contract between the Department of Commerce and Economic Development and the Alaska Visitors Association, a qualified trade association. By statute, the Council consists of 10 members named by the trade association, 10 members appointed by the Governor, with the Director of the Division of Tourism sitting as Chair.

The law specifies that the staff of the Council may include an executive director and no more than two other employees. At present, the staff consists of an executive director, a marketing coordinator and an administrative assistant.

KEY POLICY ISSUES:

Program Funding. Alaska's ability to compete in a highly competitive world marketplace is the fundamental short and long-range issue facing the Council. Adequate funding is critical to the continued success of the program. Alaska's prime competitors for tourists (Canada, Mexico and Europe) continue to outspend Alaska by at least three to one. Recent cutbacks may diminish Alaska's standing in the competitive world of leisure destination marketing.

Funding, which had been fairly static since 1985, dipped in FY 91 to 1981 levels with budget cuts following the decline in the international price of oil. In FY 90, the Legislature appropriated and the Governor approved \$6.955 million, which is 85 percent of the funds for the cooperative program. The other 15 percent, \$1.155 million, was contributed by the industry. With other program receipts, the total budget consisted of \$8.2 million. In FY 91, the Governor's budget cuts placed the state-appropriated amount at \$5.155. The industry contribution therefore was \$910,000 and with miscellaneous program receipts, the total available to the program was \$6.250 million.

For FY 91, the Council proceeded with its core program: the printing and distribution of the annual Vacation Planner, and print advertising to generate inquiries for the Planner; and curtailed other aspects of the program, including television advertising and research.

The Alaska marketing program depends on image advertising on the broadcast media and print media advertising to generate thousands of inquiries which we seek each year to convert into actual visitors to Alaska. It is from print media advertising that we generate the names that are made available to Alaska businesses which do not have the funds to donate advertising and, as a result, would not have access to such valuable prequalified names were it not for the cooperative marketing program. Image advertising is vital to the success of the program because it is the image of Alaska which motivates people to inquire about visiting the state.

For this reason the Council is seeking a total budget of \$14.3 million in FY 92.

LEGISLATIVE ISSUES:

There are no major legislative issues facing the Council at this time, aside from the major issue of funding levels for the program discussed above.

RURAL POLICY AND MANAGEMENT ISSUES

Efforts by the state and federal governments to stimulate economic activity in rural areas of the state have been dismal failures or only marginally successful. Without a fundamental change in approach throughout the entire state system, the prognosis for improvement is dim.

In spite of the many millions of federal and state dollars which have been poured into rural economies, the vast majority of villages are not economically self-sufficient, have experienced little permanent, self-sustaining growth, and have become increasingly dependent upon government funding.

Economic development in rural Alaska is a must for survival. Responding to the increasing interest among rural individuals and businesses for information, technical assistance and training in business planning and marketing clearly is within the department's overall goal of promoting Alaska's economic development. Although the Divisions of Business Development and Tourism have discussed in this report issues relating to rural economic development, the broader question of how best to assist rural Alaska in its economic development efforts is of such great importance to the overall health of Alaska's economy that the department sets forth here specific issues which must be addressed.

1. Support interagency economic development funding. The Economic Development Funding Forum, composed of representatives of state, federal and private agencies involved in economic development, was initiated by DCED in 1990. The Forum's goal is to identify funding gaps for projects and to design coordinated approaches to interagency funding and support for economic development projects. The Forum has been a valuable stimulus for agencies to help worthy project proposals become successful operations.
2. Support interagency rural service delivery. Liaison activity which stimulates and promotes better rural economic development service delivery among government agencies, such as that encompassed by the Memorandum of Agreement between DCED and DCRA, should be strongly supported.
3. Promote and protect rural industries. Continued state involvement is necessary to increase in-state and out-of-state public awareness of the value of rural enterprises to Alaska. The significant increase in worldwide anti-animal, anti-trapping, and anti-ivory movements is threatening fur, tanned hide, and ivory carving entrepreneurial activities. The commercial activities of Alaska's 4,000 - 7,000 registered trappers alone provide \$5 - 10 million of income to rural residents. The value of noncommercial activities could be equally large. The department has actively worked to protect these industries through involvement in several forums and by providing financial support for related projects. In addition, the Divisions of Tourism and Business Development recently produced a brochure promoting Alaskan handicrafts, including ivory.

In some instances, a joint agency effort is needed to assist small rural businesses. For example, there is a ready market for smoke^d fish. Rural producers, however, generally cannot afford the start-up costs to establish commercial smoked processing facilities. The department must work with other agencies to adopt regulations small rural entrepreneurs can meet while still maintaining appropriate quality standards.

4. Develop rural tourism opportunities. Many rural communities have expressed interest in developing tourism enterprises. The Division of Tourism must be supported in its effort to inventory rural needs and provide technical assistance to rural tourism entrepreneurs. Implementation of the Rural Tourism Strategy section of the Division of Tourism's Five-Year Strategic Plan for Tourism is essential.

5. Develop a statewide rural development strategy. A statewide rural development strategy proposal has been initiated by the USDA, Forest Service, with several federal and state agencies participating, including the department. A draft is being revised and will be circulated to rural organizations for adoption. A statewide economic development policy should be developed which incorporates the rural proposal.

6. Attract sources of capital. Lack of access to sources of capital funds is an impediment to rural development. The department should commit itself to attracting private entities and individuals desiring to provide cash pools for investing in rural economic development projects and help bring investors and entrepreneurs together.

7. Support specific proposals to expand rural development.

- o Establishment of a statewide rural entrepreneurship institute; work with the University of Alaska to formalize the structure.
- o Development of railroad, highway, and airport access corridors to natural resources in areas of greatest economic development benefits with minimal environmental impact.
- o Development foreign and domestic value-added opportunities for rural businesses.
- o Simplification of regulations for solid waste disposal sites in communities with small populations to help reduce infrastructure development costs.
- o Exportation of community health care and fire fighters to other states and nations needing training and assistance.
- o Use of local village hire on federal and state contracts.
- o Revision of the "single audit" law to allow municipalities to waive annual auditing of small (under \$300,000) state grants.
- o Assistance to rural businesses in locating and maximizing foreign and domestic value-added opportunities.

8. Provide cross-cultural awareness training. State agencies involved in communications and service delivery in rural Alaska should take advantage of cross-cultural awareness training workshops to increase their effectiveness in rural areas.

APPENDIX

Materials available from the Department of Commerce and Economic Development include:

- A. Agency organization charts
- B. Legal derivation of programs
- C. Boards and commissions on which the commissioner sits
- D. Funding history of the department
- E. Professions licensed through the Division of Occupational Licensing
- F. Division of Business Development publications
- G. Five Year Strategic Plan for Tourism
- H. Alaska Amateur Sports Authority summary of 1990 public hearings
- I. Alaska State Housing Authority publications (see listing on page 49)
- J. Annual Reports:
 - Alaska Energy Authority
 - Alaska Industrial Development and Export Authority
 - Alaska Oil and Gas Conservation Commission
 - Alaska Public Utilities Commission
 - Alaska Railroad Corporation
 - Alaska Seafood Marketing Institute
 - Alaska State Housing Authority
 - Alaska Tourism Marketing Council

STRATEGIC PLAN

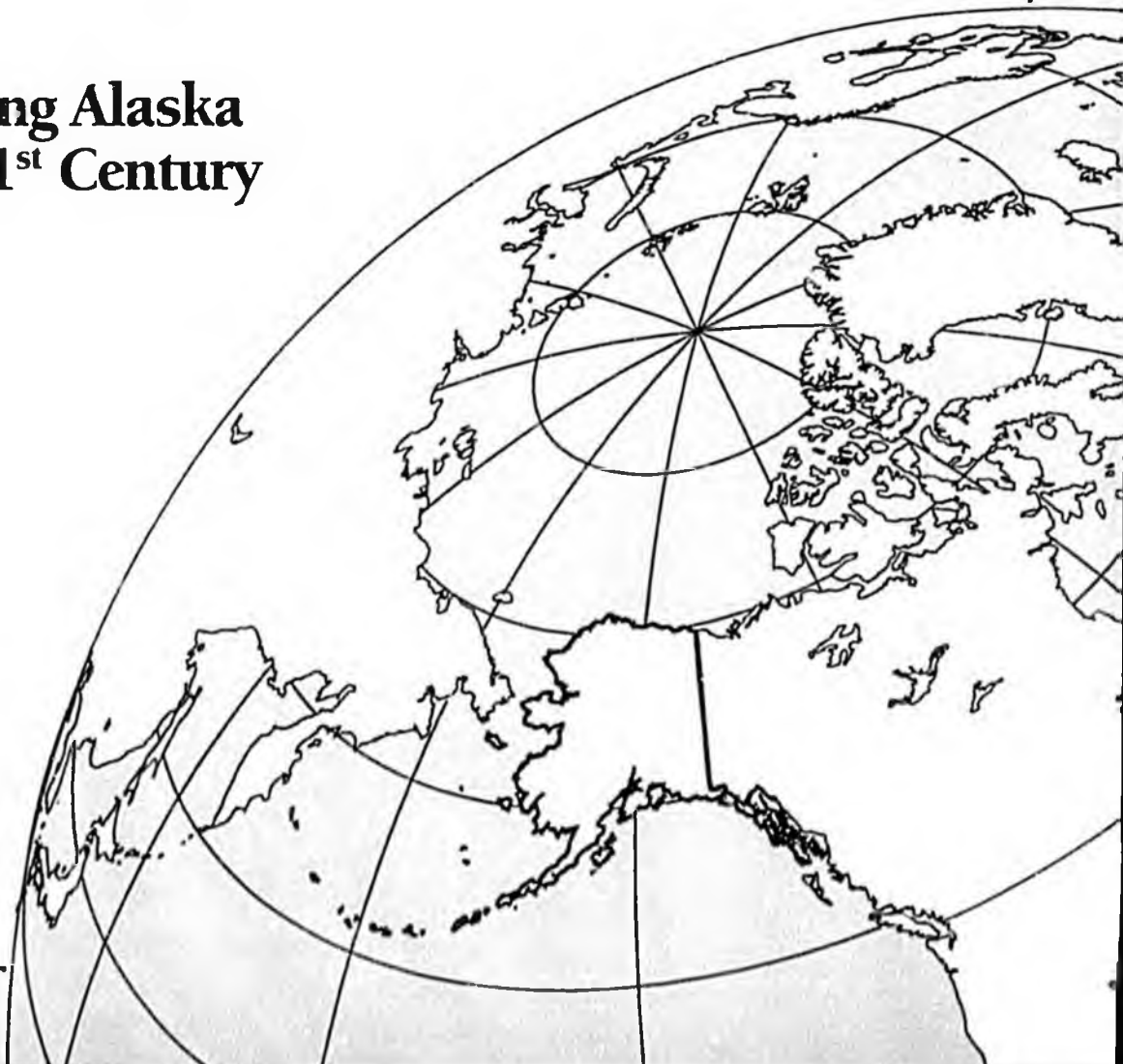
ALASKA DEPARTMENT OF COMMERCE
AND ECONOMIC DEVELOPMENT

Positioning Alaska
for the 21st Century

STATE OF ALASKA

WALTER J. HICKEL,
GOVERNOR

1991



ALASKA SUPERLATIVES

■ **WORLD POSITION**—Alaska is at the center of the world's most active trading hemisphere, with ice-free ports close to many major trade centers. Anchoring the Pacific Rim, the Northwest Passage links Europe, North America and Asia. Nearly equidistant from Tokyo, London and New York, Anchorage International Airport is one of the nation's busiest, with 95% of all Asia to Europe air cargo and 70% of all Asia to lower 48 air cargo setting down there.

- **TAXES AND INCENTIVES**—Alaska has no state income tax, no state sales tax, no gross receipts tax, and no inventory tax—only a moderate corporate income tax.
- **LEADERSHIP**—Alaska's leadership has a fresh, visionary, innovative "can do" attitude that is very supportive of economic development.
- **SIZE**—Alaska is larger than the three largest states in the union combined; one-fifth the size of the contiguous United States; 120 times larger than the state of Rhode Island. One of our 5000 glaciers—Malaspina—is, in fact, larger than that small state. Alaska has 586,412 square miles containing the tallest mountain in North America, more than 3000 rivers and 3 million lakes. Superimposed over a map of the lower 48, Alaska would reach from South Carolina to California, from Mexico to the Canadian border. Alaska's coastline is longer than that of all the lower 48 states combined. Alaska's natural beauty is unsurpassed anywhere in the world.
- **PEOPLE**—Alaska, home of the first North Americans, has a diverse and distinctive mix of laborers and professionals who are young (average age 27), pioneering, well educated and resourceful.
- **AGRICULTURE**—About 15 million acres of soil in Alaska are suitable for farming, but only 1.4 million acres are actually being used. There are more daylight growing hours north of the Arctic Circle than in Iowa. Alaska also has great geothermal potential.
- **COMMERCIAL FISHING**—Alaska, ranking first in the nation, accounts for nearly half of the U.S. annual seafood production and is fifth largest in the world. Six Alaska fishing ports are on the list of top ten U.S. money makers. One-third of all U.S. seafood exports is shipped directly from Alaska; in addition a significant amount of Alaska seafood is shipped to Washington state before being exported.
- **OIL AND GAS**—Alaska has the two largest producing oil fields in the United States. Our oil production represents 25% of the U.S. total. Beneath Alaska's surface lies an estimated 30% of the proven U.S. oil reserves, and below our outer continental shelf lie even greater reservoirs of oil and gas.
- **MINERALS**—Eight "world class" mineral deposits, each containing more than \$1 billion in strategic or important minerals have been found to date in Alaska. Half the U.S. estimated coal reserves, representing one-sixth of the world's deposits, are thought to be present in Alaska.
- **TIMBER**—The Tongass National Forest, largest in the United States, covers 16.7 million acres, and the Chugach National Forest, second largest, contains 5.8 million acres. Alaska's commercial timber potential is estimated to be 2.18 billion board feet. As tropical forests disappear, vast stands of arctic birch and alder may become a major factor in new wood culture development.
- **POTENTIAL FOR AEROSPACE DEVELOPMENT**—Alaska's Poker Flats Research Range, owned by the University of Alaska, has great potential as a commercial launch facility. Its high latitude location provides optimum conditions for low cost launches of polar orbit rockets.

STRATEGIC PLAN

THE DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT is mandated by law to establish and activate balanced economic development. Alaska Statute 44.33.020 sets forth the duties of the department in clear terms including the *formulation* of a program for basic economic development, *cooperation* with the private sector and other state agencies and departments and the *administration* of the economic development programs of the state.

The statutes also describe the state's economic development policy to *strengthen* and *diversify* the economy, to *encourage* new activities, to *provide* support programs and to generally *create* a business climate that encourages economic expansion. Implementation of the following missions fulfill that mandate.

Five Missions:

- I. *Improve* climate for understanding and doing business with the State, encouraging and supporting economic development, commerce and international trade.
- II. *Discover, encourage, and enhance* new economic opportunities:
- III. *Facilitate* infrastructures that are essential to the growing of quality public/private partnerships.
- IV. *Create* new, practical, effective models for interpreting and selling Alaska's unique role, resources, and services to/for the world.
- V. *Foster* economic development through the growth of trade between Alaska, the other states and foreign countries.