

ALASKA LEGISLATURE COMMITTEE FILES 1997-1998 8672

9615 SENATE LABOR & COMMERCE

A M E N D M E N T

OFFERED IN THE SENATE
TO: SB 159

#3
no objection
BY SENATOR LEMAN

- 1 Page 3, line 9, following "money.":
- 2 Insert "The terms and conditions may include requirements for the repayment of grant
- 3 money even though repayment is not required under (a) of this section."

address → Conceptual!

#4
no objection

p. 2, ln 27

Alaskan conditions
feasibility studies

... provided they address application
unique Alaskan conditions

draft CS

SB 159: An Act relating to the new business incentive program

Amendments to address concerns raised by AIDEA at public hearing:

page (2) line 9 and 10. Delete the following:

[(5) is receiving financing from the Alaska Industrial Development and Export Authority, and]

page 2, line 11:


[(6) 5] has been [APPROVED] recommended as complying with the requirements for a business incentive grant by the Alaska Industrial Development and Export Authority.

PAGE 2, LINE 13: insert the following:

The department shall prescribe by regulation the standards for program eligibility, the form and procedure for submitting new business incentive grant applications.

Page 2, line 16:

An amount that does not exceed the amount [APPROVED] recommended by AIDEA

These
are for
Am's to SB 159
given to me by
Patti De Marco today 5-1-97
I'll order CS on your
approval for LTC 5/6.
TJ


Add:

page 1, line 9 and 10:

Delete following:

[consisting of appropriations to the fund from money available under AS 88.088 or from other sources]

page 1, line 4:

(26) to screen potential applicants for a new business incentive grant and recommend [approve] the award of the grants under AS 45.81.020.



Anchorage Economic Development Corporation
The Center of Opportunity

**ANCHORAGE ECONOMIC DEVELOPMENT CORPORATION supports
SB 159: A New Business Incentive Program**

The New Business Incentive Program is an economic development grant program targeted to companies locating or expanding into new manufacturing business in Alaska. The program is focussed on substantial business that attracts high value, year round jobs. The program is limited at this time to businesses which are under consideration for financing through Alaska Industrial Development and Export Authority (AIDEA.) This grant program would be limited to reimbursement of defined portions of relocation costs, site development costs, special employee training not covered by other programs, and special analyses of sites in Alaska. The program is limited to \$3,000,000 annually, from funds generated by AIDEA. Unallocated funds will be returned to the General Fund. Allocation must be made each year to fund the program. It will be administered by the Department of Commerce and Economic Development.

This program is essential for three reasons:

- 1. We need to generate cargo.** There is a window of opportunity for Alaska to capitalize on the combination of location and expanded cargo transfer capability. Interest in cargo flight activity has increased. However, unless cargo carriers have a business reason to stop in Alaska, they will fly over for technical services when it is economic for them to do so. We need to put cargo in the planes in Alaska. We face stiff competition from other locations, and the very aggressive incentives they offer for new development.
- 2. We need to generate a more diverse corporate tax base.** Manufacturing comprises only 6.2% of the Alaska economy. \$110 million of the total \$140 million in corporate taxes was paid by 11 corporations, and the top four are oil companies. Companies who benefit from this program will be of size and stature to be significant contributors to the corporate tax base within few years of beginning operations in Alaska. New revenues will flow to the state through existing mechanisms within three to five years.
- 3. Alaskans need high value jobs.** Over half of the manufacturers in Alaska who have more than 20 employees hire 60% or more of their workforce out of state. Many of those jobs are seasonal. Alaska needs to grow businesses which provide year round jobs that pay well and add value to the economy. Expanding businesses which export high value products adds revenue to the economy of the state. Companies which benefit from this incentive program will create jobs for Alaskans; jobs for our children to come home to.

The new business incentive program allows Alaska to capitalize on its location and natural resources to enter high value, expanding global markets. **This program will add dollars to our economy.**

04/17/97 LEGISLATIVE TELECONFERENCE NETWORK SYSTEM LTN1150

13:42:33 PARTICIPANT LIST (ALL PARTICIPANTS) BY:GLN

TCN:70642 SCHEDULED FOR:04/17/97 13:30 TO 15:00 FOR:GLN

PUBLIC HEARING SENATE LABOR & COMMERCE

LOCATION:GLENNALLEN
✓ SB 159 MRS. DONNA TOLLMAN CVEDC TESTIFY

04/17/97 LEGISLATIVE TELECONFERENCE NETWORK SYSTEM LTN1150

13:43:26 PARTICIPANT LIST (ALL PARTICIPANTS) BY:ANC

TCN:70642 SCHEDULED FOR:04/17/97 13:30 TO 15:00 FOR:ANC

PUBLIC HEARING SENATE LABOR & COMMERCE

LOCATION:ANCHORAGE

✓ SB 159 KATELYN OBNER-MARKLEY (ANS ?'S) AIDEA TESTIFY

✓ SB 159 GREG WOLF (ANS ?'S) AEDC TESTIFY

✓ SB 159 SCOTT THOMPSON APS TESTIFY

04/24/97 LEGISLATIVE TELECONFERENCE NETWORK SYSTEM LTN1150

11:39:28 PARTICIPANT LIST (ALL PARTICIPANTS) BY:ANC

TCN:70712 SCHEDULED FOR:04/24/97 11:30 TO 13:00 FOR:ANC

PUBLIC HEARING SENATE LABOR & COMMERCE

LOCATION:ANCHORAGE

✓ SB 159 KEITH LAUFER AIDEA TESTIFY

SB 159 GREG WOLF TESTIFY



ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY



480 WEST TUDOR

ANCHORAGE, ALASKA 99503

907 / 269-3000

FAX 907 / 269-3044

Facsimile Transmittal

TO: Annette - To The Honorable Sen. Loren
Leman

COMPANY: Genco L.C.

Fax #: 465-3810

From: Kathy Markley

Date: 4/22/97

Time: 11:52

Number of pages including cover page: _____

Transmittal Contents:

Letter related to SB159

Comments:

I was able to get this completed

Thank

OK

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ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY



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ANCHORAGE, ALASKA 99503

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April 22, 1997

The Honorable Senator Loren Leman
Chairman, Senate Labor & Commerce Committee
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

SENT VIA TELEFAX: 907-465-3810

Dear Senator Leman:

As requested at the April 17, 1997 Senate Labor and Commerce Committee hearing, the purpose of this memorandum is to provide the Committee with the Alaska Industrial Development and Export Authority's (AIDEA or "Authority") comments and suggestions related to Senate Bill 159 (SB 159).

SB 159 creates a new business incentive fund from which the Department of Commerce and Economic Development (DCED) may make new business incentive grants. While DCED is the agency primarily charged with administering the program, as currently written, the Bill charges AIDEA with responsibility for making certain determinations regarding specific grant applications. While the Authority agrees with the intent and purpose of SB 159, the Authority believes certain changes are required to ensure the program works effectively and accomplishes its economic diversification goal of encouraging new businesses to locate in the State.

The Authority believes the standards and requirements for qualification for the program need to be objective and thorough and should be included in the program regulations. While we are unable to provide specific recommendations at this time on the exact nature of these qualification standards, the Authority would welcome the opportunity to work with the Department of Commerce and Economic Development (DCED) and others to develop the qualifications and other requirement for the program.

Business incentives can be tools in attracting new businesses to Alaska because they play an important role in the decision-making process for businesses as they consider various business locations. Many states and foreign countries have business incentive programs on their books to encourage new companies to locate in their respective states or countries. A new business incentive program for Alaska will help the state compete for

new business with a level playing field, thereby bringing new jobs, industry, corporate tax revenue and other indirect benefits to the state.

We have provided additional general and specific comments below.

General Comments

Qualification Standards. As noted by the Senate Labor and Commerce Committee, as written, the Bill provides basic requirements for the incentive, but leaves the ultimate decisions on qualification and incentive amount to the Authority. The Authority, however, is provided no standards by which to make these critical decisions.

The Authority believes that specific standards for incentive qualification and amounts should be established for the program by providing DCED with express authority to adopt regulations specifying qualification and other requirements for the program. Because of the Authority's particular expertise in reviewing new business ventures, the Authority would be charged with determining if the regulatory requirements have been met for a particular applicant. Because DCED and AIDEA have limited staff resources to analyze and review grant applications, the program should that grant applicants provide all the necessary background and supporting information necessary for the Authority's determinations. This will help insure the program is administered effectively and efficiently.

Once the Authority has made this determination, it would certify that the applicant meets the qualifications for the grant. DCED would ultimately be charged with awarding and administering the grants. It is important to recognize that the Authority is not, and should not, be a grant-making agency. The Authority's success in fulfilling its mission is dependent on access to bond financing. By making the Authority the granting entity, we may jeopardize this access.

AIDEA Financing Requirement. As written, only businesses that receive financing from the Authority are eligible for new business incentive grants. This creates several concerns for the Authority. Businesses that would otherwise seek project financing from other sources, would be more likely to seek AIDEA financing if that is the only way to receive a new business incentive. This may create unfair competition between AIDEA and private sector financing sources, which is not the role of the Authority.

We understand that the AIDEA financing requirement was intended to ensure that the Authority was not overburdened by grant proposals from businesses for which the Authority was not otherwise involved in due diligence activities. This is an important concern for the Authority because AIDEA does not have the staff or resources to perform detailed due diligence for all potential grant applicants. As discussed above, the Authority believes, this problem can be avoided by the promulgation of regulations that set forth detailed grant requirements and require that grant applicants provide all the necessary background and supporting information necessary for the Authority's determinations.

Specific Comments

Section 1. This section modifies the Authority's general powers to include the Authority's role under the new business incentive program. As noted previously, the Authority believes that DCED needs to have the primary grant-making role. The Authority believes this section should be modified to reflect that AIDEA is to make grant recommendations to DCED.

Section 2. Page 1, line 10. This section refers to the AS 44.88.088 as a possible funding source for appropriations to the business incentive fund. While AIDEA believes it may be appropriate that the Authority's dividend be used for economic development activities, the reference to AS 44.88.088 in this program is not necessary. Under the Authority's statutory dividend program, the Authority makes a dividend available each fiscal year. The statutory program requires that the legislature appropriate the dividend on an annual basis. This annual appropriation requirement is essential so that the legislature can determine, on an annual basis, the best use for the funds received from the dividend. The language in the Bill does not create a transfer of funds into the new business incentive fund from the AIDEA dividend or any other source. As the reference is not legally effective, it will only serve to create confusion. For these reasons we believe the reference to AS 44.88.088 should be removed.

Page 1, Line 15. The terms "new business" and "new branch" should be defined either by statute or regulation.

Page 2, Line 2. The term "primarily engaged" should be defined either by statute or regulation.

Page 2, Line 4. The term "directly compete" should be defined either by statute or regulation.

Page 2, Line 6. As currently written, the project must be located in a municipality that provides financial support. The Authority believes that this should be broadened to allow for projects outside municipalities to participate, if they receive financial or in-kind support from the appropriate local government.

Page 2, Line 8. The term "primarily financed" should be defined either by statute or regulation.

Page 2, Line 9. As noted above, the Authority believes that the AIDEA financing requirement should be removed.

Page 2, Line 11. As noted above, standards should be promulgated by DCED under which AIDEA is to make these recommendations.

Page 2, Line 16. As written, AIDEA is to determine the amount of the maximum amount of the grant. Standards must be promulgated by DCED for these determinations.

Page 2, Line 22. The term "key personnel" should be defined either by statute or regulation.

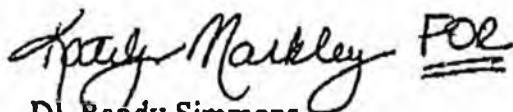
Page 2, Line 26. The eligible work force training costs should be limited to training Alaska residents.

Page 3, Line 1. The terms "continue to operate" and "ceasing to operate" should be defined by statute or regulations.

Page 3, Line 10. As noted above additional terms should be added to the definition portion of the Bill.

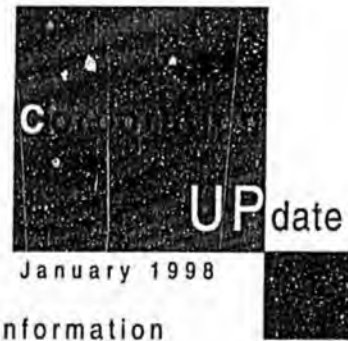
Please contact me with any questions you may have.

Sincerely,

 FOI

D. Randy Simmons
Executive Director

cc: Pat Pourchot, Legislative Director
Debby Sedwick, Assistant Commissioner, DCED



1998 Will Be Economy's

Tenth Year of Growth

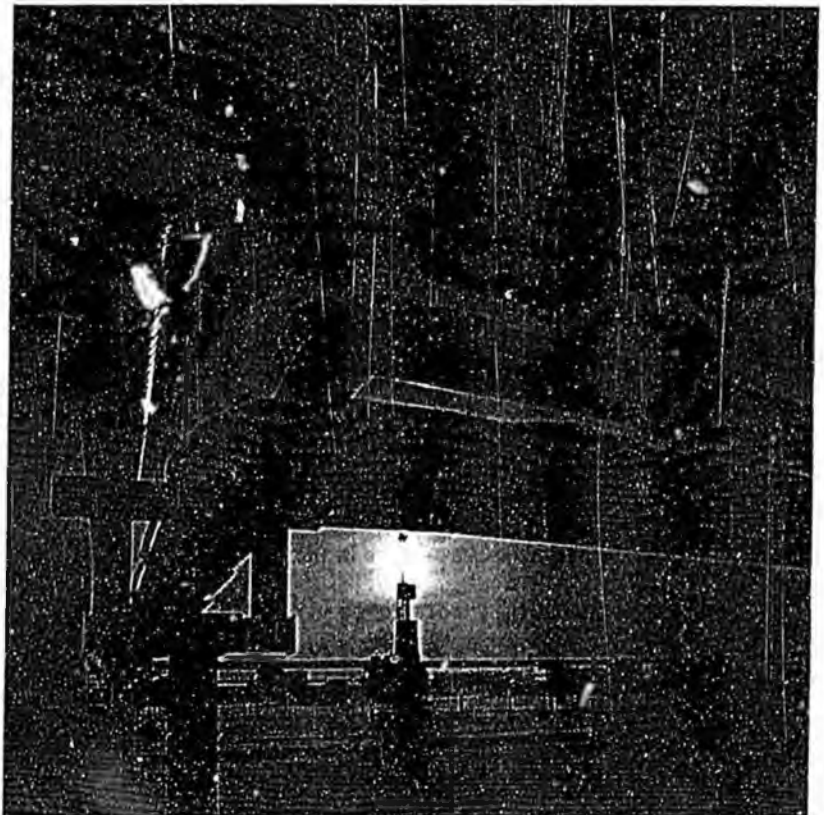
by Jon McCracken
AEDC Research Director

A mild surge in economic growth makes 1997 the ninth consecutive year of growth for the Anchorage economy. The economy grew a healthy 1.48 percent, adding an estimated 1,791 new jobs. Much of the growth can be attributed to the success of health services, air transportation, and communications. Other sectors that experienced growth included business services, construction, eating and drinking establishments, and local government.

Looking toward the next year, expect the economy to continue to grow modestly; AEDC anticipates a growth rate of 1.5 percent (1,795 jobs) in 1998. The following sections provide an overview of the changes in employment for 1997 and a brief discussion of the employment forecast for 1998.

Falling to its lowest level since before 1980, the petroleum sector continued to lose jobs during 1997. Preliminary employment data show that

Anchorage lost 160 petroleum related jobs. While the loss of these jobs is significant to the Anchorage economy, direct petroleum employment in the Anchorage economy accounts for only 2.0 percent of total employment.



©1996 Randy Brandon / Alaska Stock Images

Fortunately, during the next few years the rate of job loss in the petroleum sector is likely to slow due to growth in marginal oil field production on the North Slope. Both ARCO and BP Exploration Inc. have announced they will spend over \$2 billion over the next two years to bring several marginal oil fields online. ARCO has announced that its Alpine and Point McIntyre fields will create approximately 150 to 175 jobs in the Anchorage economy. BP Exploration

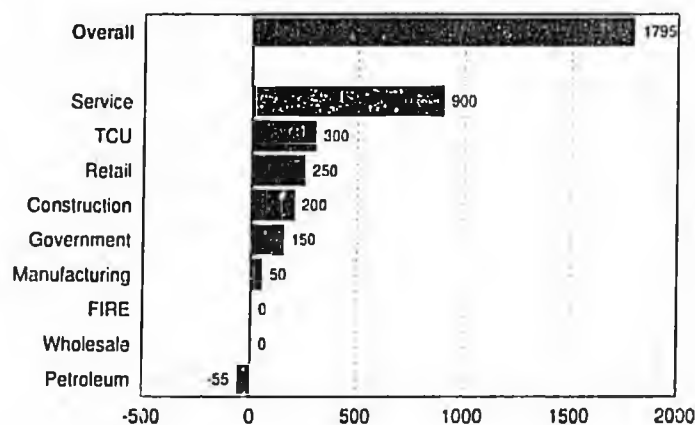
(continued on page 2)

■ Anchorage Economy Watch

(continued from page 1)

is slated to build modules for the Northstar oil field in Anchorage once legal issues surrounding terms of Northstar lease are resolved. Given the current growth in marginal oilfield production, the loss of petroleum jobs in the Anchorage economy should slow to a trickle during 1998. ADEC anticipates a loss of 55 jobs in the petroleum sector over the next year.

1998 Forecasted Change Employment - Anchorage



Continued competitive pressure in the Finance, Insurance, and Real Estate (FIRE) sector resulted in a loss of 27 jobs in the Anchorage economy in 1997. Contributing to the decline in the FIRE sector is the continued improvement in technology, increased outsourcing activity, and the relocation of existing services. The impact of these changes leaves the FIRE sector under constant pressure to downsize. Helping to stem the continued decline in the FIRE sector, interest rates have remained relatively low throughout the year, spurring a jump in residential home purchases. Interest rates are projected to continue averaging 7.75 percent throughout 1998. These interest rates should help the FIRE sector remain stable throughout 1998.

The manufacturing sector remained stable during 1997, just

as it has for the past five years. However, there appears to be a light at the end of the tunnel with the addition of Alaska Seafood International in Anchorage. Construction should begin on the \$125 million facility in the summer of 1998. The Seafood Center will add construction jobs to the economy over next year and valuable manufacturing jobs to the local economy beginning in 1999. Expect the manufacturing sector to grow only slightly during 1998, adding roughly 50 jobs to the Anchorage economy.

Local government expansion helped nudge the Government (non-military) sector up just slightly (255 jobs) during 1997.

The federal government continued to lose ground in the Anchorage area, slipping 36 jobs this year. State government grew by only 45 jobs, but local government jumped by 245 jobs. Most of the growth in local government can be attributed to the opening of two new middle schools this year and the addition of new law enforcement officers. In 1998 ADEC expects the government sector to grow by about 150 jobs.

Growing moderately this year, the Trade-Retail and Wholesale sector added approximately 300 new jobs to the Anchorage economy. Most of the growth can be attributed to the retail sector which was bolstered by a significant jump in the number of new jobs at eating and drinking establishments. The opening of the Outback restaurant, the Courtyard Cafe and several different fast food establishments added 173 jobs to the eating and drinking sector in 1997. Other retail industries such as general merchandise and apparel and food stores declined by 44 jobs during 1997. The wholesale trade sector increased by only nine jobs in 1997. For 1998, AEDC anticipates a growth of 250 jobs in the retail sector with the opening of Home Depot and a new cinema theater located in midtown.

Buoyed by several commercial projects and low interest rates which propelled home construction to new highs, the

(continued on page 6)

Legislative Priority: Anchorage has great potential to participate in a global economy, but one of the results of global economic activity is that we face global competition for business.

SB159

A New Business Incentive Program

Major Fortune 500 companies are considering establishing operations in Anchorage, but they are also comparing Anchorage to other cities — cities which use sophisticated economic development tools to attract new business. To help sharpen Alaska's competitive edge, AEDC is promoting the legislative adoption of a statewide New Business Incentive Program (SB159/HB220).

Patricia DeMarco, Ph.D.
AEDC President

Aggressive incentive packages are standard fare in many domestic and international cities. States use incentives to create a more favorable business climate. In fact, over 75% of states responding to a survey by Site Selection Magazine reported that they approved new incentives in 1996-1997.

While incentives alone rarely account for a corporation's decision to locate or expand a business, they often tip the scale in favor of one location. In the case of Anchorage, the cost of site preparation and moving equipment and personnel presents a significant barrier to decision makers. How would you compare a location that offers 50% of lease costs in an existing building for ten years, with Anchorage which has higher lease costs or no existing building? Our location alone is not enough!

SB159/HB220 proposes a modest incentive program which could keep Anchorage and Alaska in the economic development game. The New Business Incentive Program is an economic development grant program targeted to companies locating or expanding into new manufacturing or value added business in Alaska. The program is focused on attracting substantial businesses that will create high value, year round jobs. "New business" refers to industries and operations that are new to Alaska (as opposed to "start-up" business).

This grant program would be limited to reimbursement of designated portions of relocation costs, site development costs, special employee training not covered by other programs, and special analysis of sites in Alaska. The program is limited to \$3,000,000 annually and is "reimbursable" (i.e. companies are reimbursed for expenses rather than paid up front). There is a "claw back" provision which requires companies to pay the State back, with interest, if they don't remain in Alaska for five years. The New Business Incentive Program will be administered by the State of Alaska's Department of Commerce and the Alaska Industrial Development Authority.

SB159/HB220 is important legislation which will help diversify our economy, provide jobs for Alaskans and broaden our economic base. For information about how you can support the New Business Incentive Program, see the box below.

Support SB159/HB220

Status of SB159: Senate Labor and Commerce acted favorably, Senate Finance acted favorably. Bill is now in Senate Rules Committee ready for assignment to Senate vote.

Status of HB220: Heard by Economic Development Committee. Referred to House Finance Committee. Awaiting action there.

What You Can Do: Write a letter of support for the bill to:

Senator Drue Pearce
Alaska Legislature
State Capital, Room 111
Juneau, Alaska 99801-1182
465-4993

and

Rep. Gail Phillips
Speaker of the House
Alaska State Legislature
State Capital, Room 208
Juneau, Alaska 99801-1182
465-2689

Please send a copy of your letter to AEDC, 550 West Seventh Ave, Suite 1400, Anchorage, AK 99501

For More Information: Contact AEDC at 258-3700 for a copy of the bill, a fact sheet, and sample support letters.

Airport Update: Cargo Carriers Pursue New Role for Anchorage

by Greg Wolf, AEDC Vice President

AIA and the airport is ranked number one in America, based on the landed-weight of all-cargo freighters. A transit stop at AIA allows cargo carriers to carry less fuel and more payload, thus maximizing revenue. To date this has been Anchorage's primary role: an ideally situated point for carriers to refuel, change crews and perform any necessary maintenance.

Now a quiet, but important, transition is taking place. A growing number of carriers are beginning to utilize AIA as more than just a transit stop and are establishing cargo transfer and hub operations. Of course the major door-to-door express carriers, like Fedex and UPS, have always used AIA as a hub; we are now seeing traditional airport-to-airport cargo carriers using AIA in a similar fashion. United Airlines, for example, has established its trans-Pacific hub operations at Anchorage and operates four DC-10 freighters between major cities in the Lower 48 and Asia. Polar Air, a fast growing player in the air cargo arena, is also using AIA as a hub. With its fleet of B-747 freighters, Polar uses AIA as trans-loading hub on flights serving destinations in Asia, North America, Europe and South America.

While it has been the domestic carriers setting the pace, a number of foreign carriers are in the early stages of moving in this direction, starting with cargo transfers between their own aircraft. One reason for this was the State of Alaska's successful effort two years ago in securing an order from the U.S. Department of Transportation granting foreign-flagged carriers expanded cargo transfer flexibility at the Anchorage (and Fairbanks) airport.

Adding further momentum to this trend is the move by airlines to form alliances. In an increasingly competitive environment, carriers are seeking to contain costs, increase revenues and offer greater services to their customers. They have found that one way to attain these objectives is to form alliances with other carriers with complimentary strengths. These alliances allow a carrier to serve more points with greater frequency and often at a reduced overall cost. With such a large number of carriers present, AIA is ideally positioned to serve as the inter-face point for these joint operations.

The AEDC, in partnership with the airport and the Alaska Industrial Development and Export Authority, has played an active role in encouraging and assisting carriers to evaluate the feasibility of expanding their cargo operations at AIA. These efforts are ongoing and substantial progress is expected during the year ahead.

Poised on the edge of the Pacific Rim, nearly equidistant to the major trading centers of Asia, North America and Europe, the Anchorage International Airport (AIA) has established itself as one of the world's major air cargo airports. More than two dozen international cargo carriers have operations at



Cargo Aircraft at AIA

Greg Martin Photography

(continued on page 7)

AEDC's Begins New Decade at CENTER of OPPORTUNITY

CENTER. A place of strength. A location in the middle of everything. A hub of activity. A point around which everything revolves. A gathering place. A location where things converge.

Anchorage is the CENTER OF OPPORTUNITY. Its geographic location, strong business community, transportation infrastructure, and access to natural resources make Anchorage a center of business opportunity for global trade and tourism and for business within Alaska.

AEDC's goals for the next five years focus on developing Anchorage as a center of opportunity. Assuming a conservative annual growth rate of 1% over the next five years, over 5,000 new jobs will be added to the Anchorage economy by the year 2002. AEDC will focus its efforts to seek growth in the following areas:

Attract value added and global logistics industries. Building on the successes of our first decade, the AEDC will continue to focus on the strength of our geographic location and develop Anchorage as a center for global logistics operations. In addition to encouraging expansion of cargo operations at Anchorage, AEDC will increase emphasis on activities which add value to cargo in Anchorage. Developing opportunities to process Alaska's natural resources in Alaska will be an area of concentration.

Increase business services from Anchorage to other communities in Alaska. Many Alaskans continue an historic pattern of seeking services from Outside of Alaska. Anchorage's mature business and professional services industries are in a position to provide services to fellow Alaskans. Anchorage provides excellent sources of

medical care, education, engineering, financial services, insurance services and others.

Develop tourism as a four season Alaska based industry.

AEDC's role in tourism development is to focus on necessary infrastructure development such as trails, air passenger service, hotels, and destinations. A key part of this process includes the infrastructure between Anchorage and other parts of Alaska. Development of the connections between Anchorage and other Alaska destinations will increase the year round appeal of Alaska for visitors.

Develop the Anchorage waterfront as a multi-modal center for

transportation and trade. Anchorage enjoys the assets of a year round port facility which intersects a railroad service and road connections to many other parts of Alaska. Because of the significance of Anchorage as center for both local and international business, there are many opportunities for global industrial trade from this location. Such opportunities will be defined and explored for appropriate action.

None of these goals will be achieved as solo projects of the AEDC. Our organization must act as a center for development activity that involves the business community, other civic and membership organizations and municipal and state entities. Dialogue with our colleagues and supporters is an essential part of our activity. Your involvement is a critical element of achieving these goals.

As we move into the new year, I look forward to working with the diverse constituents of the AEDC to make Anchorage a CENTER OF OPPORTUNITY for both Alaskan and global economic transactions.



*Ernie Hall
AEDC President and President of
Alaska Furniture Manufacturers, Inc.*

Economy *(continued from page 2)*

Construction sector jumped by 173 new jobs during 1997. As of November 1997, the value of residential building permits was up 12 percent (\$217 million) over the total for 1996. Construction of commercial projects during the year included Home Depot, First National Bank of Anchorage Headquarters, four new hotels, West High School swimming pool, Federal Express expansion, and University of Alaska Anchorage student housing. Construction on the new hospital and hangar on Elmendorf Air Force Base is also continuing. New projects for 1998 include Alaska Seafood International, airport expansion, a new cinema theater in midtown, Federal Express expansion, Lynx and Mapco international air cargo facility, several new hotels, a new Office Depot, Elmendorf supermall, and Alaska Regional Hospital expansion. The construction sector should grow in 1998, adding an estimated 200 new jobs to the local economy.

One of the most dynamic sectors this year is Transportation, Communications, and Utilities (TCU). Cutbacks in the Alyeska Pipeline Anchorage staff held growth in this sector to 291 jobs. However, the air transportation and communications industries experienced robust growth this year adding 482 jobs to the TCU sector. Much of the success in the air transportation industry (327 jobs) is attributed to increased economic activity at the Anchorage International Airport (AIA). During the year, AIA has seen the addition of United Air Cargo, expansion at Federal Express, completion of UPS expansion, the opening of a new air cargo facility by Lynden Inc., and the continued growth of in-state carriers. Activity at AIA will likely continue in 1998.

Expansion in the communications industry was just as fierce during 1997, adding 155 additional jobs to the local economy. The deregulation resulting from the Telecommunication Act in 1996 has led to businesses competing for market shares once denied. During

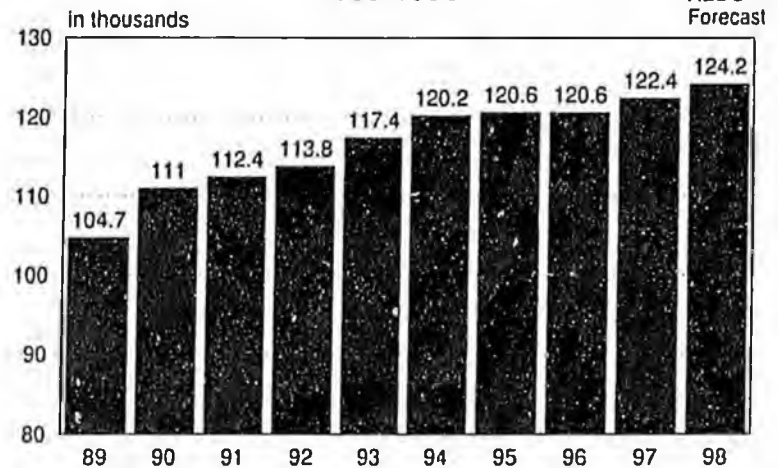
the year, Anchorage residents have seen ATU begin offering long-distance services while GCI and AT&T Alascom have added local services. Deregulation is also fueling extensive telecommunication infrastructure development to take advantage of improved technology. The rate of growth in the communication industry will likely continue throughout 1998. Combined, air transportation and communications should continue to push the TCU sector to another strong year of growth. Look for the addition of 300 new jobs.

Adding 945 new jobs to the local economy during 1997, the service sector has once again led job growth in sheer numbers. The outlook for the service sector during 1998 is for more of the same. Look for the service sector to add 900 new jobs to the local economy. Service industries which grew strongly this year were health services (335 jobs) and business services (218 jobs). Growth in the service sector should continue throughout 1998.

In summary, expect 1998 to be another healthy year for the

Anchorage Employment

1989-1998



Source: Alaska Dept. of Labor

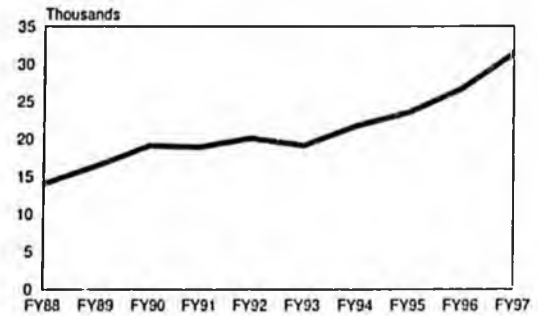
Anchorage economy. All sectors, with the exception of petroleum, should remain stable or grow during the year. A total of 1,735 jobs will be added to the economy, making 1998 the tenth consecutive year of growth for the Anchorage economy!

Changes *(continued from page 5)*

As this trend continues, there are significant direct and indirect economic benefits to the community: Airlines with hub operations will station pilots and other flight-related personnel at Anchorage; transfer and other cargo handling activities require a greater number of ground staff than "gas-and-go" operations; transfer and hub operations typically necessitate facilities in which to store and handle cargo.

This transformation will help ensure a bright, long-term future for AIA and enable it to continue in its role as one of the leading economic engines of growth for Anchorage and the rest of the state.

Anchorage Cargo Aircraft Landings
1988-1997



Source: Anchorage International Airport

**For Anchorage economic information, business opportunities,
and information about AEDC,
visit the AEDC web site at <http://www.aedcweb.com>**

Children's Hospital

(continued from back page)

The new hospital is governed by a family-centered care philosophy based on the assumption that the family is a child's primary source of strength and support. Family-centered care providers recognize parents and other close family members are experts on their own children and hold essential information that can enhance children's health care. The environment at Children's Hospital at Providence is child and family oriented with themes of transportation, animals, people and places. Rooms are designed with children's needs in mind and include lower counters and fixtures as well as areas for children to display artwork. Rooms are also designed to accommodate family members who visit and sleep at the hospital.

For more information about Children's Hospital at Providence, contact 562-2211.



Alaska Railroad Caboose Nurses' Station

Children's Hospital at Providence Brings Family Centered Care to Alaska

Alaskan children (ages 0-19) make up about 30 percent of the state's population. This pediatric population is expected to grow 8 percent, from an estimated 205,000 people in 1995 to 222,000 in the year 2005. Over the past year, the acuity of pediatric patients at Providence has increased. This means more children are being seen in the pediatric intensive care unit and they are staying in the hospital longer.

Alaska needs a new level of in-state health care for children - one that provides a continuum of high quality health services to children by delivering care through all levels of illness and medical conditions and reduces the need for Alaska families to travel out of state.

Providence is addressing this need with a children's hospital within a hospital, called Children's Hospital at Providence. The new 29 bed facility, which opened in September 1997, offers a full range of pediatric services. Providence Pediatric Services are supported by 48 physicians who are part of the Providence Medical Staff, Department of Pediatrics. Many other physicians and specialists also care for children. In addition, Children's Hospital at Providence offers sub-specialty clinics in partnership with Children's Hospital and Medical Center in Seattle.

(continued on page 7)

Newsletter funded primarily by Providence Health Systems, Alaska

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Anchorage, Alaska 99501

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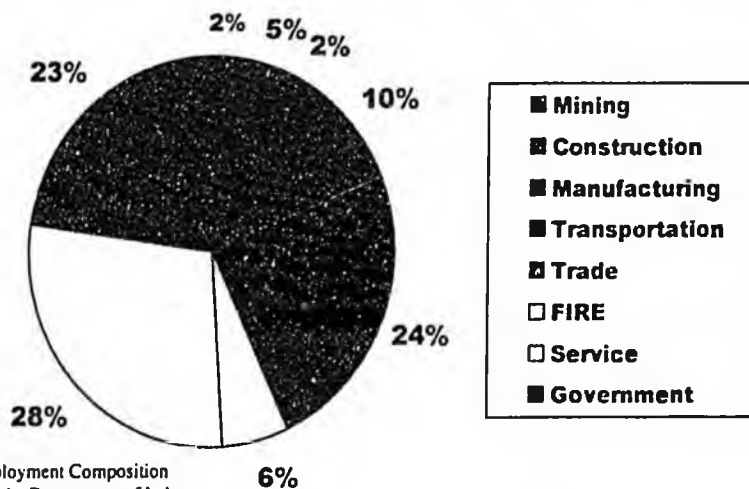
1998 Economic Forecast

Presented by
Anchorage Economic
Development Corporation
January 14, 1998

Sponsored by



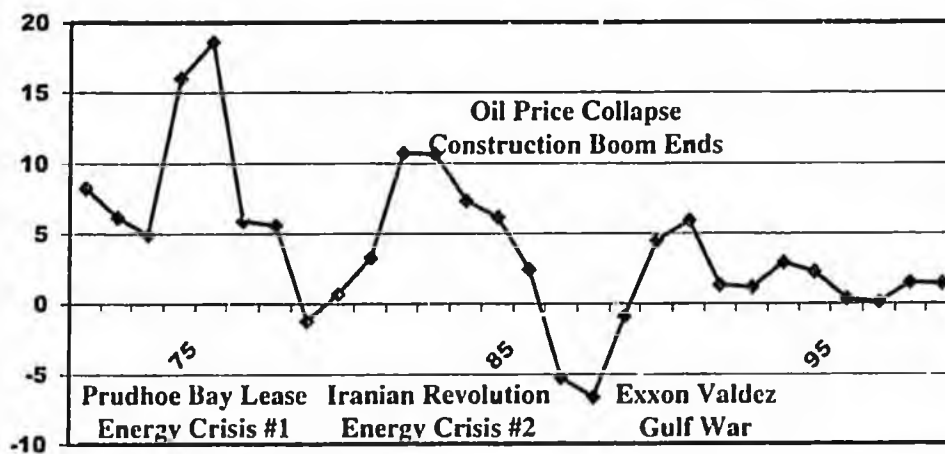
Employment Composition



Graph: Employment Composition
Source: Alaska Department of Labor

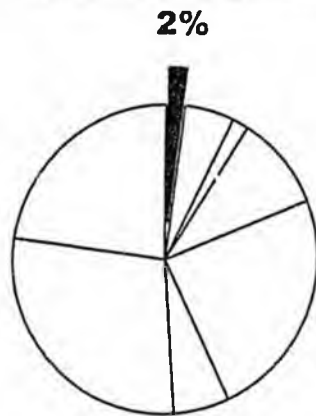
Anchorage Employment

Percent Change from Previous Year



Source: Alaska Dept. of Labor

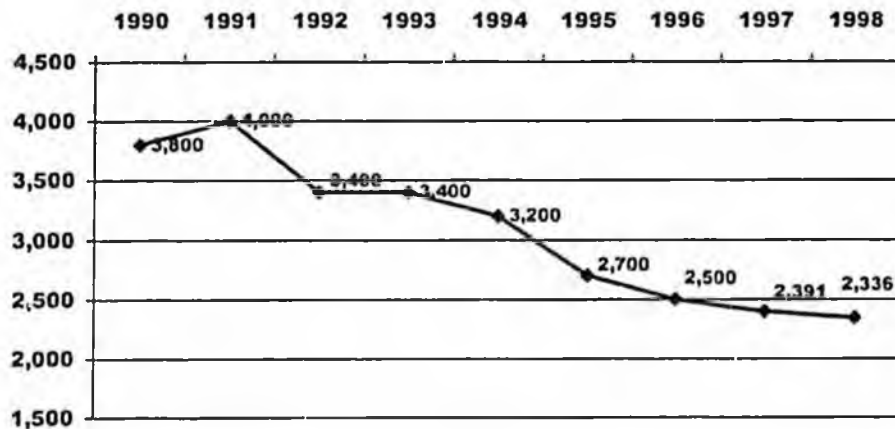
Petroleum Highlights



- Declined by 145 jobs.
- Weakened Oil Price.
- Northstar Delayed.
- No Decline After '99.

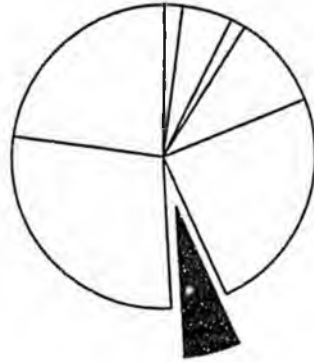
Graph: Employment Composition
Source: Alaska Department of Labor

Petroleum Employment



Source: Alaska Dept. of Labor

Finance, Insurance and Real Estate (FIRE) Highlights

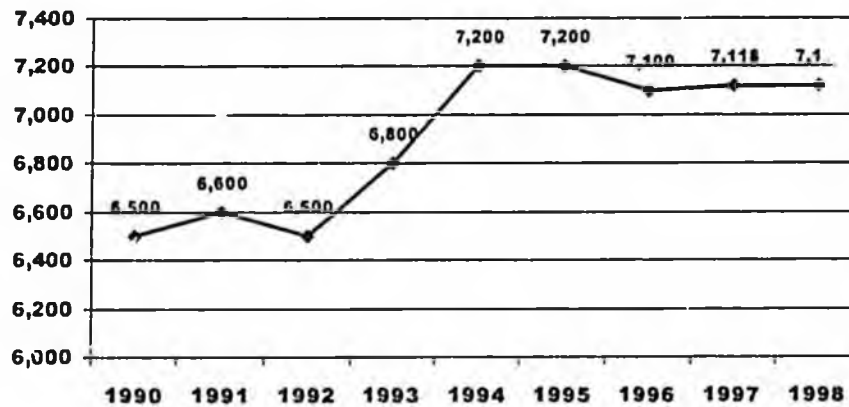


6%

Graph: Employment Composition
Source: Alaska Department of Labor

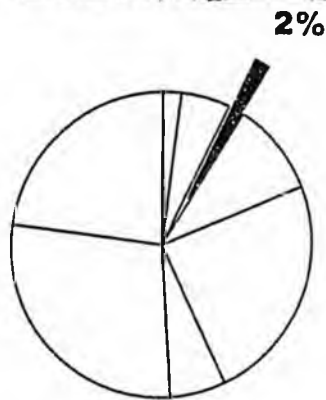
- Declined by 27 jobs.
- Pressure to downsize.
- Interest rates fall.

FIRE Employment



Source: Alaska Dept. of Labor

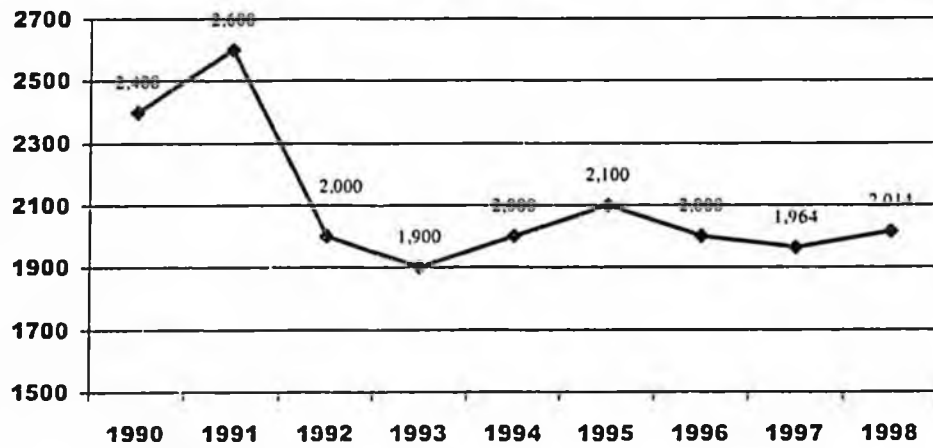
Manufacturing Highlights



- Industry remained stable.
- Alaska Seafood International projected to open in 1999.

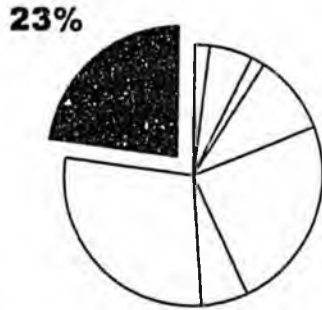
Graph: Employment Composition
Source: Alaska Department of Labor

Manufacturing Employment



Source: Alaska Dept. of Labor

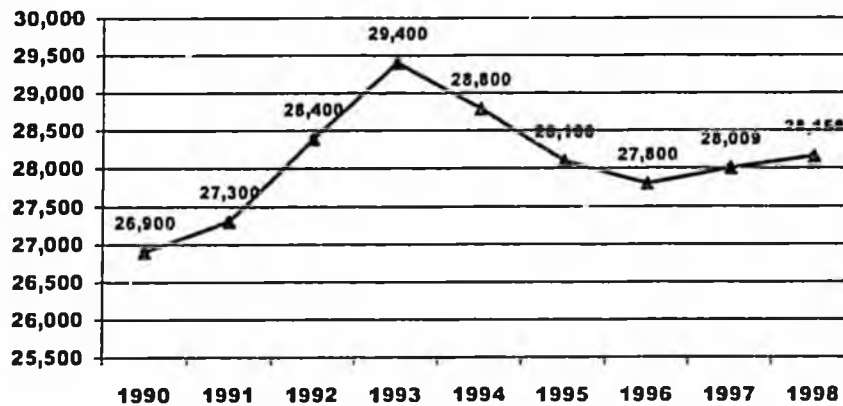
Government Highlights



- Up 255 jobs.
- Federal government downsizing slows.
- State government increases slightly.
- Local government shows strong growth - schools; law enforcement.

Graph: Employment Composition
Source: Alaska Department of Labor

Government Employment



Source: Alaska Dept. of Labor

Construction Highlights



Graph: Employment Composition
Source: Alaska Department of Labor

- Up 173 jobs.
- Residential permit value up 21%.
- Four new hotels completed.
- Military projects nearing completion.

Major Construction Projects

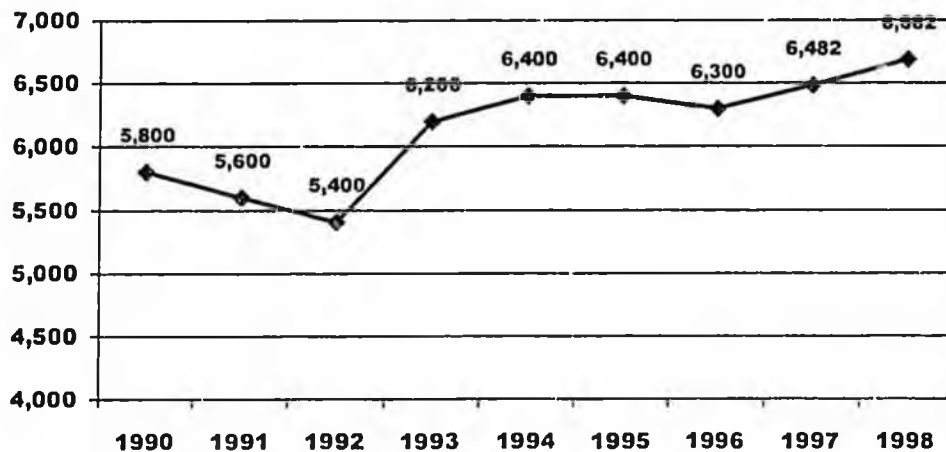
- Alaska Seafood International
- Lynx/Mapco Air Cargo Facility
- Airport Expansion
- Cinema Theater
- Columbia Sussex Corp. Hotel
- Other Hotels

Hotel Projects

- | | |
|-----------------------------|---------------------------|
| ■ Marriott Residence Inn | ■ Lynx Corporation |
| ■ Marriott Fairfield Suites | ■ Holiday Express |
| ■ Ramada Limited | ■ Marriott Courtyard * |
| ■ Clarion Suites | ■ Longhouse Alaskan Inn * |
| ■ Columbia Sussex Group | ■ Microtel Inn * |
| | ■ Hampton Inn * |

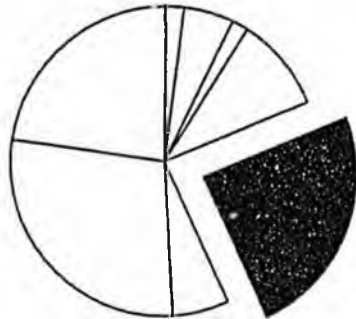
* Currently open.

Construction Employment



Source: Alaska Dept. of Labor

Trade Sector Highlights

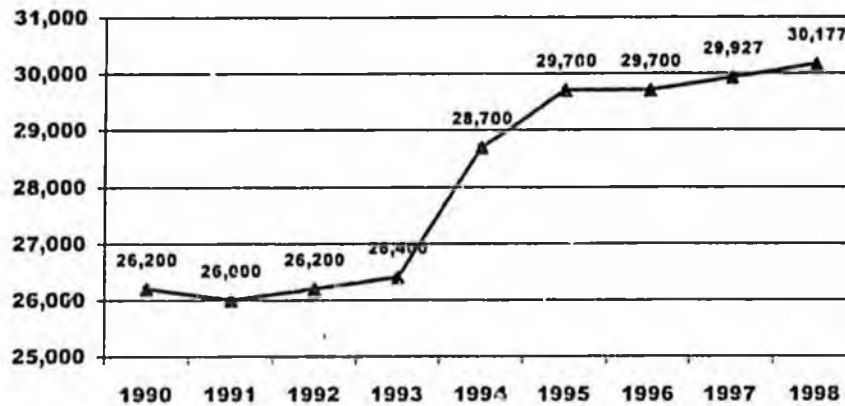


24%

- Wholesale remained stable.
- Retail up 291 jobs.
- General merchandise and food declined.
- Eating and Drinking establishments up.
- Home Depot opens in 1998.

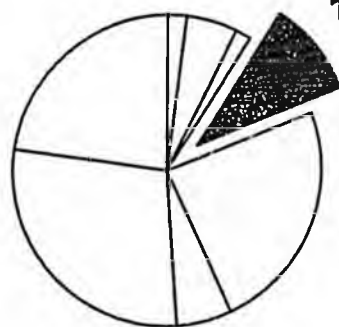
Graph: Employment Composition
Source: Alaska Department of Labor

Trade Employment



Source: Alaska Dept. of Labor

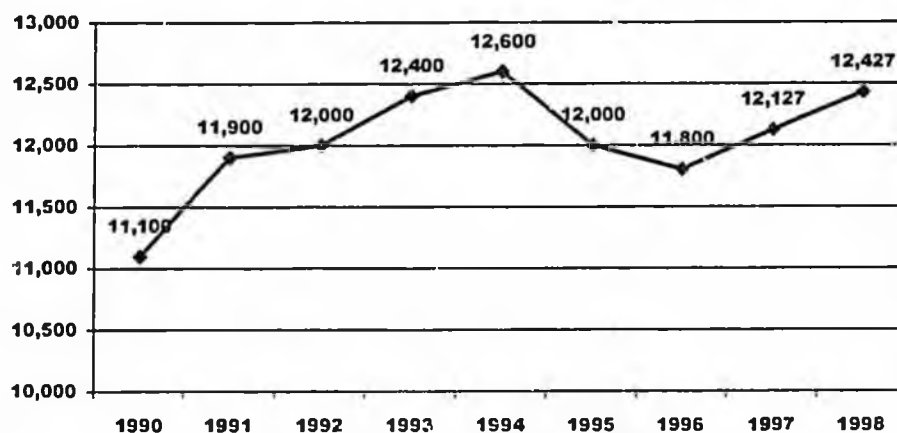
Transportation, Communications and Utilities (TCU) Highlights



Graph: Employment Composition
Source: Alaska Department of Labor

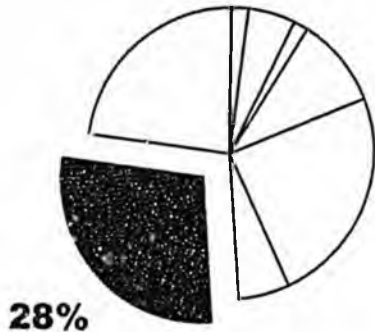
- Up 291 jobs.
- Alyeska Pipeline continues cutbacks.
- Communications deregulation.
- Increased air cargo and passenger traffic.

TCU Employment



Source: Alaska Dept. of Labor

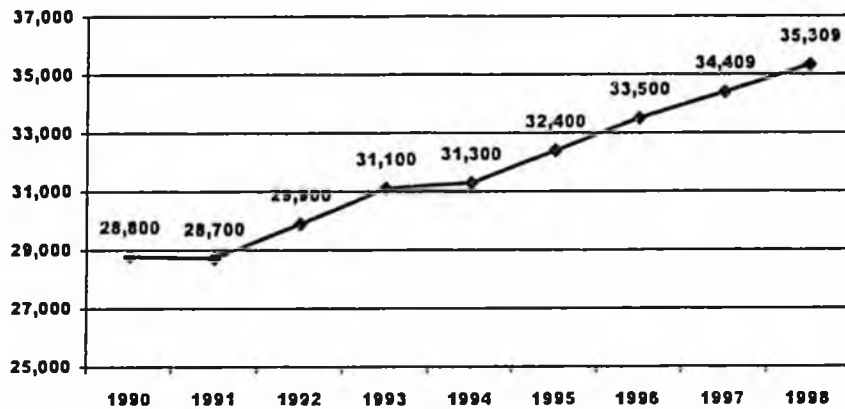
Service Sector Highlights



- Up 945 jobs.
- Led all sectors in job growth.
- Health, business and engineering services the strongest.

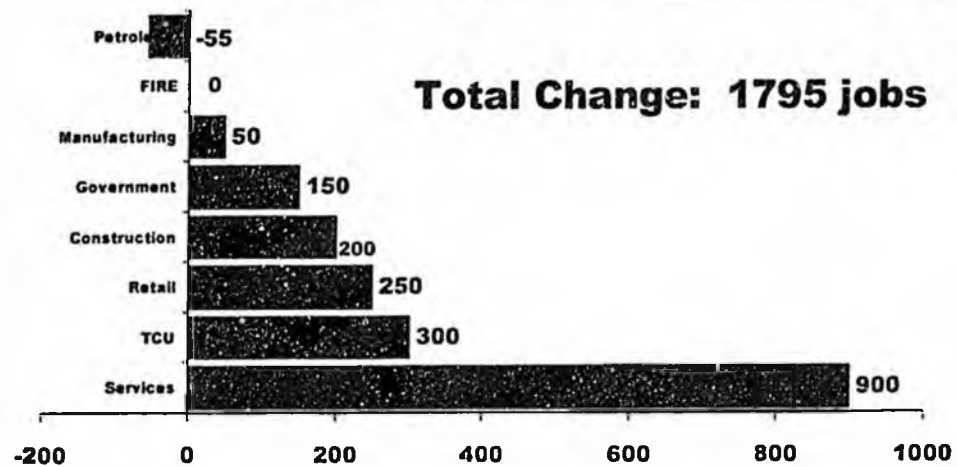
Graph: Employment Composition
Source: Alaska Department of Labor

Service Employment



Source: Alaska Dept. of Labor

Forecasted Change



Anchorage: The Center of Opportunity: Five Steps to Sustainable Prosperity

by: Patricia M. DeMarco, Ph.D.

President

January 14, 1998

I. Introduction:

The AEDC enters a new five year business planning cycle this year. Our goal is to move the Anchorage economy toward higher value jobs and a more diversified economic base. Sustainable prosperity is what we all strive for. I recall the words of Commander Markowitz, one of my mentors in past days. He noted that what gets measured gets done. And, I recall the impressive array of statistics and data Mr. Udland can recite upon little provocation to identify progress we are making in fighting crime. Such widely recognized and easily condensed statistics about economic development are more difficult to come by in a place such as Anchorage. One of the things the AEDC is working on is a way to compile a more measurable mode of evaluating progress. Now, we do ask our investors whether they are better off or worse off than last year...but the answers are hardly a scientific measure of progress. So, this year, I will hazard to outline the direction we are moving toward in measuring the economy. I will use a base year of 1994, which is fairly indicative, since, as we all know, the economy has been fairly flat since then! Through the remainder of my remarks, I will try to outline for you the impact of the Economic Engines of Anchorage, and how we plan to accelerate the higher value elements in the next five years.

II. Recovery

You may recall that last January, the AEDC was predicting a very modest 0.4% rate of growth of employment for 1997. As you have heard today, the actual level achieved was 1.48% with a prediction of 1.5% for 1998. The Anchorage economy has passed through a downturn, and now is in a recovery mode. 1998 will mark the ninth consecutive year of steady growth since the recession which ended in 1988.

Generally, the shift away from the petroleum sector towards the ³service sector² is taken as a degradation of the value of the economy. This perception is enhanced by the fact that Anchorage saw the addition of 2,960 retail jobs between 1990 and 1997, two thirds of them in 1994 alone. The average monthly salary for the retail sector, adjusted for inflation, was \$1,525 in 1996. However, the retail sector has grown only slightly since 1994. Manufacturing and petroleum sectors are still on the short end of our economy in terms of numbers of jobs. The

sectors that grew most strongly in the recovery period represent emergence of new sustainable industry segments.

The period of down turn was shorter and less severe than in previous times. This indicates a more diverse economic base and greater consumer confidence. Part of the spirit of enthusiasm stems from a positive sense of development at the marginal oil fields in Alaska. Such development is generating jobs in Anchorage in the technical and business support services as the major oil companies out source and seek vendors from among the Alaskan petroleum support industries. Strong growth in health services, communications and air transportation indicate diverse business areas not strictly dependent on petroleum driven events.

Although the economy is acting more robust, there is no justification for euphoria. Alaska depends on trade in international markets for 90% of its non-petroleum revenues. With major trading partners for seafood, coal, and timber located primarily in Asia, the economic troubles of that region are bound to have some measurable dampening effect on Alaska. Furthermore, as oil use declines in Asia, the global market adjustment appears in lower oil prices, and less revenue for Alaska from domestic sales. Anchorage is less directly affected than Alaska, but will feel the results of depressed markets for tourism as well as seafood. Trends in Asia will be clearer by the end of the first quarter this year.

III. Anchorage Economic Engines and the AEDC Goals

Anchorage is truly the Center of Opportunity for two separate, but inter-related markets: Alaska and the World. The four economic engines of Anchorage cover 75% of the total industrial output of Anchorage:

Petroleum (high value manufacturing)	= 24.9%
Transportation: Airport and Waterfront	= 13.4%
Tourism and Hospitality	= 6.2%
Professional services	= 30.3%

Anchorage is the Center of Opportunity for business in Alaska. Two of the economic engines center around Alaskan markets.

1. First: Professional services. Professional services accounted for 51,723 direct and indirect jobs and contributed \$4.4 billion to the Anchorage economy in a base year of 1994.

Technical services such as engineering, architecture, management consulting and Research, Development and Testing support not only activities within Anchorage but also the mining, petroleum and gas industries throughout Alaska. Although direct employment in petroleum, gas and mining remain at a relatively low level of (2.0%), the growth of these industries elsewhere in Alaska generates significant demand in Anchorage for support services. Such jobs average \$3,500 per month. This area of employment has grown by 1.2% in the last year alone, and appears to be a stable part of the Anchorage economy. In the base year of 1994, the technical services area contributed 6,456 direct jobs and added \$458.1 in value to the economy. It is important to retain the high value employment in the petroleum sector and to

expand and diversify to include other manufacturing jobs.

Health services serve a much wider clientele than Anchorage alone. With four major hospitals within Anchorage, the related medical and health support professions are growing rapidly. The health services sector grew by 4.78% in 1997, and is expected to be even more robust in the next year. Average monthly wages in the health services range from \$2,638 to \$5,500. For our benchmark year, health services directly employed 7,140 people and contributed \$476.3 million to the Anchorage economy.

Communications is also a rapidly growing sector with a growth of 7.02% in 1997. Average monthly wages in this field are \$3,613, and as the demand for communication and information technology expands daily in both business and personal applications, this sector shows no sign of abating its meteoric trajectory in the economy. In our benchmark year, communications sector directly employed 2,225 people and added \$503.5 million to the Anchorage economy.

Education adds another dimension to services from Anchorage to the entire state. Average monthly wages in this sector are about \$2,898. In our benchmark year, Colleges, Universities, Job Training and other educational services directly employ 1,633 people, and contribute over \$63.3 million in value to the economy.

These are the most significant components of the growth in the ³Services² sector of Anchorage's economy. They are all upper to middle level wage jobs, in diverse industries which only partly depend on petroleum activity in Alaska.

It is the AEDC goal to increase business services to Alaska from Anchorage.

2. A second economic engine is the Anchorage waterfront. The defining feature of our geography, the waterfront hosts the Port of Anchorage, the Northstar Stevedore Terminal, fuel storage and delivery terminals, the Alaska Rail Road, and an active sport fishery for King and silver salmon in the summer months. In 1997, 345 vessels moved 3.3 million tons of freight across the docks in Anchorage. In addition, 612,000 passengers and 5 million tons of freight moved through the area on the Alaska Rail Road bound for destinations both north and south of Anchorage. 15,000 people enjoyed fishing from the muddy banks of Ship Creek. The waterfront businesses employ 560 direct jobs and add \$125 million to the Anchorage economy.

The Port of Anchorage moves cement, petroleum and general cargo, a more diversified cargo than any other port in Alaska. 80% of Alaska's populated area from Homer to the North Slope receive goods from Anchorage. 90% of all the goods sold in the railbelt originate at the Port of Anchorage. The Port of Anchorage has a 130 acre industrial park, occupied principally by Tote and Sea Land, and has the largest Foreign Trade Zone in Alaska. The area to the north of the Port has space for future expansion and development. A direct northern access to the Glen Highway, by-passing traffic through downtown Anchorage, is under review and would greatly expedite commerce with the Anchorage trading partners to the North..

This thriving multi modal transportation hub faces significant potential for growth in

response to increased production activity in the neighboring communities of Matanuska Valley and Fairbanks. Anchorage is the closest tidewater for export trade and is well served by both road and rail systems. The multi modal transportation center offers not only domestic opportunity but also the prospect of value added activities based on bulk commodity processing in a foreign trade zone. At the close proximity to both the Russian Far East and to China, the potential for increased trade here holds great promise. Collaborative efforts among the various jurisdictions in the waterfront area are moving forward. The AEDC intends to focus significant effort to enhancing the synergies among the Alaska Rail Road, the Port of Anchorage and the Private business users of the waterfront.

It is the AEDC goal to establish the Anchorage waterfront as a multi modal center of transportation and international trade by 2002.

Anchorage is a Center of Opportunity for a global market. Two economic engines capture our world class capability in tourism and international trade.

3. The Anchorage International Airport has become one of the strongest economic engines within the last seven years. The airport and its related activities account for 11,000 jobs and over \$319 million annually to the Anchorage economy. 95% of the industrialized world lies within nine hours of the Anchorage airport. Thirty five airlines move over 500 domestic and over 300 international flights each week.

The AEDC has pursued three strategies to promote the Anchorage International Airport over the last four years.

- First: Maintain and increase airline stops in Anchorage. This effort includes recruiting a direct passenger service to Japan for year round travel, and increasing cargo lift to Europe.
- Second is the strategy to increase cargo transfers among airlines in Anchorage. AEDC has performed several studies of airline hub opportunities in Anchorage. The Lynxs Group is constructing a facility at the North Airport Park to promote such airline to airline transfers.
- Third, the AEDC pursues a strategy of recruiting logistics companies and manufacturers of high value, light weight, time sensitive goods for movement by air. It is important for cargo to be generated in Anchorage to maintain good business reasons for airlines to stop here. The AEDC will be conducting market studies for export of fresh and live seafood products as part of the effort to generate high value cargo from Anchorage.

Payload will always exceed fuel as a driving force for using a particular airport. With our location at the air crossroads of the globe, Anchorage has an excellent opportunity to become a global logistics center within the next decade. Aggressive marketing and necessary infrastructure support will be critical determinants of success.

The AEDC has a goal to expand value added and global logistics industries in Anchorage.

4. **The fourth economic engine of Anchorage is the tourism industry.** 65% of all travelers to Alaska come to Anchorage as part of their trip. As the boom-let in hotel construction indicates, the Anchorage market is growing. The summer period enjoys occupancy rates of close to 80% on average, and winter occupancy rates fall on average to 60%. With the addition of 740 new rooms in mid level hotel space, the ability of Anchorage to accommodate larger events in the summer and multiple events in the winter and shoulder seasons opens a new marketing opportunity. It is important to develop appropriate destinations and infrastructure to support a year round tourism industry. (Insert graph of bed tax proceeds on 1997 base, if available) As the tourism industry moves from a seasonal employment mode to a year round mode, there will be more opportunities for Alaskan based businesses to thrive. Rather than close in the winter, restaurants and shops will stay open year round with varying clientele depending on the season. While the tourism industry returns a relatively low proportion of the total industrial output compared to the number of employees, as the seasonality of the industry is reduced, the value of this sector will increase. Full time, year round employment will replace seasonal and part time employment.

AEDC has pursued two strategies to promote international tourism. One has been the successful formation of the Alaska Snowmobile Representatives Alliance. This statewide trade association is promoting trails for snowmobile use, grooming of snowmobile and cross country trails, and a method for funding the expansion of both snowmobile and ski trail systems. Alaskans purchased 15,817 new snowmobile at a total cost of \$94 million in 1996 and 1997. It is important to note that in states where an active association is in place, there are more groomed, marked trails for all season use. Winter vacations by snowmobile enthusiasts typically average \$3,000 per person per trip.

The second strategy has been to develop destinations within Anchorage. In addition to the Native Heritage Center, an expanded Museum of Art and Natural History, the Mayor has been promoting the Aviation Heritage Museum and development of a tourist destination in Ship Creek. AEDC is also promoting the Nature Center at Potter Marsh to provide a permanent home for the Bird Treatment and Learning Center. It will be possible for visitors to experience a variety of interesting activities within Anchorage on a four season basis. Many other wonderful destinations abound at a day's trip from Anchorage.

It is the AEDC goal to promote tourism as a four season industry based on Alaskan businesses.

IV. Five Steps Toward Sustainable Prosperity

The opportunities abound for the economy of Anchorage to continue on a path of strength and stability. This is not a course the AEDC can pursue alone. In every case, there are essential collaborations with other organizations and with state and local government authorities. This is a critical juncture for Anchorage. At this point, the economy can pull several promising threads together and rise to a world class presence, or the economy can continue to percolate along at the whim and will of other driving forces. Sustained prosperity does not happen by accident. A commitment to action by both public and private sectors will make a difference in the future of Anchorage. There are five key steps we must take as a community for our economic

development efforts to be successful on a sustained basis.

1. Leadership. The AEDC has enjoyed excellent working relationships with Mayor Mystrom and with the Anchorage Assembly. We also work closely with Commissioner Debbie Sedwick, and share significant work on international trade development with her office and with Governor Knowles. Public private partnerships are an essential part of successful economic development work. A united front to the outside world is critical to success. The leaders of the city and the state offer support and direction to our efforts.

Community leadership in the sense of cultivating a generation of entrepreneurs with the skill and capability to take action is the mark of a vibrant thriving city. Through the guidance and initiative of the Humanities Forum, Anchorage received a grant from the Pew Charitable Trust to undertake Leadership Anchorage. In this program, twenty new community leaders are receiving training and group project work this year. Twenty more will be recruited for next year, and twenty more for a third year. This process will provide the seeds of skilled people with dedication and involvement in making Anchorage a better place to work and live.

2. Education. The students of today become the labor force of tomorrow. It is essential to tie the academic pursuits within college walls to the business community more closely. The AEDC enjoyed the involvement of eight UAA business students this last semester. Their enthusiasm and diligence provided valuable advice and support in business planning to both the newly formed Alaska Snowmobile Industry Alliance and to the Alaska Resource Alliance, a one stop shop for oil and gas and industrial projects. The presence of multiple colleges and universities in Anchorage offers significant opportunities to enhance the education system as an industry itself. The education of students and close ties of those students to growth industries in Anchorage will attract good students and be sure they have jobs to fill in Anchorage when the graduate.

If you examine the success stories of Research Triangle Park, Silicon Valley or Route 128, you will find the common theme of a strong university system spinning out ideas, knowledge, technology and taking in problems to solve. The dynamic relationship between business and academic institutions strengthens both. The AEDC will be working with Dr. North at APU and Dr. Gorsuch at UAA to build better bridges to the business community.

3. Infrastructure. Anchorage infrastructure for supporting industrial growth must not be neglected, or left to future serendipity. Adequate planning and commitment to the support for industrial parks, improvements at the airport to maintain quality and support growth, additional tourist attractions and public facilities such as an expanded convention center, improved road access and safe travel pathways from the waterfront to the major highways, all require attention. The AEDC has introduced legislation which will help to cover the cost of providing infrastructure for new manufacturing and value added businesses in Alaska. SB 159 fact sheets are available on your tables. Having a strong incentive program to assist in preparing locations for development, with appropriate safeguards and screening provisions, will expedite high value job formation.

4. Land. Anchorage is bounded by Cook Inlet, by Military lands to the North and by federal park lands to the south. There will need to be careful land use planning to accommodate growth

and increased value activities in Anchorage. The comprehensive planning process now in motion will play an important role in shaping future land use patterns. But, so will the ultimate form of the re-enactment of the Intermodal Surface Transportation Efficiency Act currently pending before Congress. Only one of the eight versions of the ISTEA bill re authorization includes a preference for rural areas. Without this preference, Alaska will receive funds in proportion to the level of funds generated from gasoline taxes. With our small population and underdeveloped road system, we will have a very low priority for allocation of funds!

The resolution of the subsistence issue may have a significant effect on land availability for development. Not so much in Anchorage directly but throughout the state. Only one half of one percent of the land in Alaska is owned privately, another 11 percent is held as native lands, all the remainder is federal or state lands, and managed principally as park or preserved areas.

5. Investment. The AEDC has opened a dialogue with the Alaska Permanent Fund regarding opportunities for investment in Alaska. The Permanent Fund Commission at its last annual meeting appointed a special money manager in the real estate division to watch for investment opportunities in Alaska which would be suitable additions to the Permanent Fund portfolio. Meetings with several of the money managers and regular exchanges of information about the Alaska economy and its growth opportunities have been productive. An ongoing dialogue will enhance the familiarity of the money managers with investment options in Alaska. The Permanent Fund also offers expertise and contacts with investors who may be interested in projects or developments in Alaska for investment of funds separate from the Alaska Permanent Fund. We now have several capital management firms in Anchorage. The potential to attract investment from foreign sources is also of great interest. For example, the Alaska Seafood International was able to attract a significant investment interest from a Taiwanese firm. Such ventures improve the flow of dollars into the Anchorage economy, and enhance the success of international trade activities.



Anchorage Economic Development Corporation
The Center of Opportunity

April 22, 1997

Honorable Loren Leman
Alaska State Senate
State Capital, Room 113
Juneau, AK 99801-1182

Dear Senator Leman:

RE: SB 159 An Act Regarding A New Business Incentive Program

I have reviewed the proposed amendment to page 2, Line 6 of the proposed bill and have no objection to the language.

Thank you for your expeditious attention to this legislation.

Sincerely,


Patricia M. DeMarco, Ph.D.
President

Alaska State Legislature

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Senator Drue Pearce
District F

Sponsor Statement for SB 159

The New Business Incentive Program is an economic development grant program targeted to companies locating or expanding into new manufacturing businesses in Alaska. The program is designed to attract substantial business with high value, year round jobs, and is limited to businesses under consideration with the Alaska Industrial Development and Export Authority (AIDEA).

The grant program would be limited to reimbursement of defined portions of relocation costs, site development costs, special employee training not covered by other programs, and special analysis of sites in Alaska. The program is limited to \$3,000,000 annually, from funds generated by AIDEA. Unallocated funds will be returned to the General Fund. Allocations must be made each year to fund the program, and will be administered by the Department of Commerce and Economic Development.

There are three essential functions that would be targeted through the New Business Incentive Program.

1) **A need to generate cargo:** Interest in cargo flight activity has increased recently, and there is a window of opportunity for Alaska to capitalize on its location and cargo transfer capability. If we were to provide incentives for businesses to expand into this industry, then we could exploit our locational advantages in many regions including Fairbanks and Anchorage to give cargo carriers economic reasons to stop in Alaska.

2) **A need for more diversity in the corporate tax base:** Manufacturing comprises a mere 6.2% of Alaska's economy. \$110 million of the total \$140 million in corporate taxes was paid by 11 corporations, the top four of which are oil companies. Companies who benefit from this program will be significant contributors to the corporate tax base within several years of initiating operations in Alaska. New revenues will flow to the state through existing mechanisms within three to five years.

Alaska State Legislature

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Senator Drue Pearce District F

3) **Alaskans need high value jobs:** Over half of the manufacturers in Alaska who have more than 20 employees hire at least 60% of their workforce out of state. Many of these jobs are seasonal. Alaska needs to promote businesses which provide year round jobs that pay well and add value to the economy. Encouraging manufacturers which export high value products will add revenue to the economy of the state and will create strong employment possibilities for Alaskans.



Anchorage Economic Development Corporation
The Center of Opportunity

Pioneer Business Incentive Program

Concept Paper: Manufacturing Targets

Prepared by the Anchorage Economic Development Corporation

A partnering initiative put forward to attract new or expanded private sector investment in a new industry sector for Alaska.

Goal: To establish net new jobs in manufacturing, logistics, and operations which add value to Alaska's economic base.

- Criteria:**
- * Private sector company as primary investor
 - * Commitment to operate in Alaska for at least five years
 - * Permanent, year-round business activity
 - * Not directly competing with existing Alaskan businesses for at least 70% of business transacted
 - * New business activity to the state which, if successful, is likely to bring additional activity to the state of the same kind
 - * Local community financial support

Provisions: The Pioneer Business Incentive Program will provide an incentive package based on the level of private sector investment and the number of net new jobs created in Alaska. Package may include one or all of the following provisions:

1. Relocation Costs:

Program would cover cost of relocation for key personnel. Program would cover cost of moving and installing equipment and initial inventory.

2. Factory Floor Equalization Costs:

Program would cover differential in cost of space and operations compared to alternative existing operation for a period up to three years.

3. Site preparation and infrastructure costs:

If a company is investing in the construction of a new facility, up to 50% of the cost of site preparation and infrastructure installation will be covered by the program through reimbursement to the Company.

4. Supplemental training and workforce development costs:

If the Company has workforce training and development costs beyond those covered by existing federal, state and local programs, additional funds may be provided up to \$5,000 per employee per year for up to three years for specialized workforce development. Program may also cover costs of initial training for ISO 9000 or ISO 14000 certification.

5. Feasibility analyses, market studies and facility design costs:

Reimbursement of up to 50 % of costs a private company incurred to evaluate Alaskan location, market opportunities, and facility design. Company must document expenditure of funds specifically for Alaskan business location. Program will reimburse costs only upon initiation of business operations in Alaska.

6. State rebates to local governments for property tax waivers:

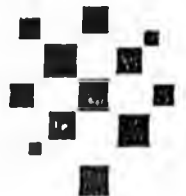
Local property tax waivers would be a clear financial incentive to attract new business ventures. We propose the creation of a state rebate program of up to 50% of the waived property tax. This ensures both state and local financial commitment to a new venture.

Conditions:

1. Company participating in this program must apply through AIDEA and receive approval through the same process which is applied to other AIDEA financing programs.
2. In the event that the company participates in this program and then either fails to establish its business in Alaska or leaves the state before the end of five years, all funds received through this program must be returned to the State of Alaska within 90 days of departure. In the event of bankruptcy, the State of Alaska shall be named as principal creditor.

Proposed Funding Mechanism:

A fund not to exceed five million dollars in each year would be earmarked from AIDEA dividends. The Pioneer Incentive Program funds would be allocated to the Department of Commerce and Economic Development to be released to the applicant Company upon approval of the AIDEA Board of Directors. Funds so earmarked would only be expended for applicants which meet all the criteria defined in the Program, and which meet the review standards used by AIDEA in evaluating its other investments.



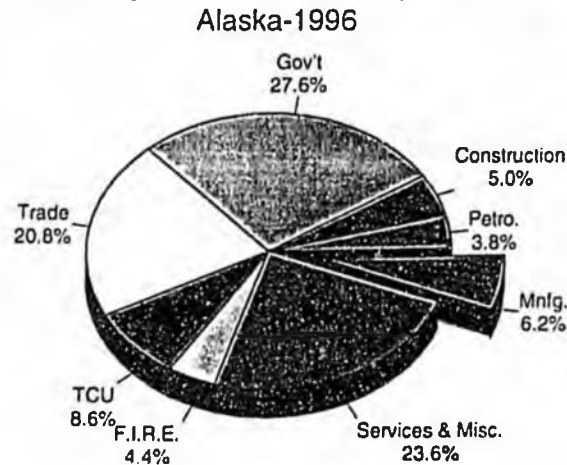
Pioneer Business Incentive Program

Three Reasons Alaska Needs Incentives for Manufacturing Companies

The Alaska Economy Lacks Diversity

Alaska's economy lacks diversity in manufacturing and industries which add value into the economy. Currently manufacturing accounts for only 6.2 percent of total employment in Alaska.

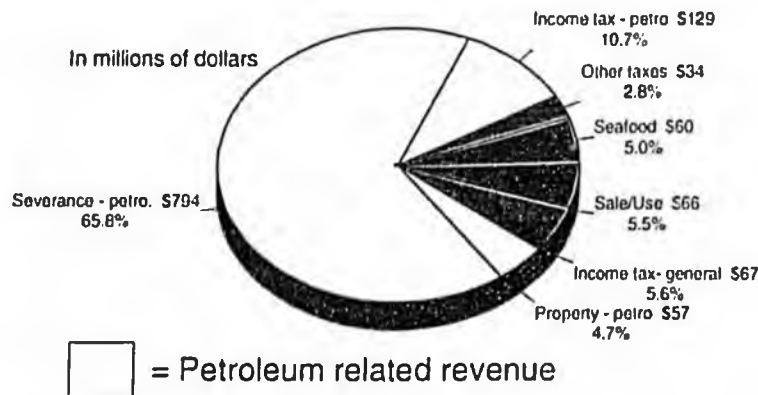
Employment Composition



Oil industry proceeds provide most of the revenues to the state, directly and indirectly. Alaska's natural endowment of fossil resources - oil, natural gas and coal, and minerals offer viable economic paths for employment over several decades. But, for a longer term sustainable economy, the base of primary industry must grow.

General Fund Revenues

Source of Funds - 1995
Total Revenue = \$1.2065 Billion

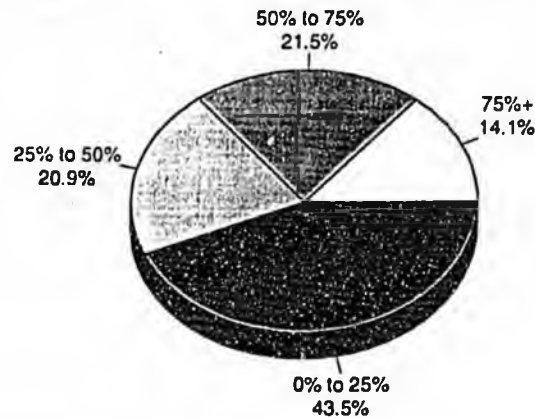


Source: Alaska Dept. of Revenue

Alaska's small manufacturing sector doesn't benefit Alaskans. More than half of the manufacturing companies (with >20 employees) employ more than 25 percent non-residents.

Percent of Non-resident Hire

Manufacturing companies with over 20 employees



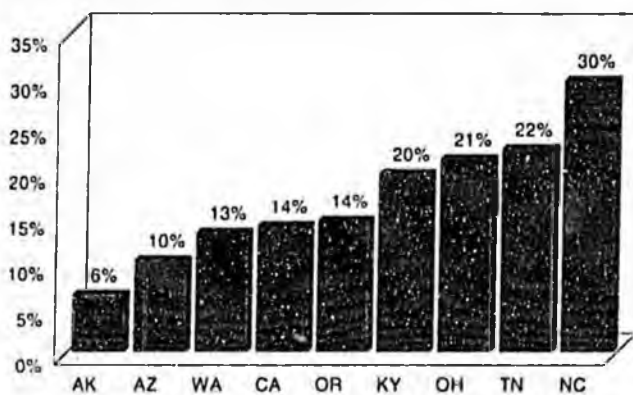
Source: Alaska Dept. of Labor, 1994

Alaska Needs a Stronger Manufacturing Sector

Manufacturing, in most states, is the key sector that provides new dollars into the regional economy. In many cases, service and retail transactions merely circulate existing dollars. Manufactured items that are exported out of state bring in new dollars. These dollars are then distributed within the state's economy through wages and goods and services provided by local area businesses.

Manufacturing Employment

Percent of Total Employment



The Competition Aggressively Seeks Manufacturing Operations

In the past, Alaska has been at a tremendous disadvantage in the manufacturing sector. High wages, distance from markets, and transportation costs have impaired Alaska's ability to compete in the manufacturing sector.

Recently, the tides have changed. The wage rate gap between the rest of the U.S. and Alaska is closing. Heavy utilization of air cargo compliments Alaska's strategic location in the middle of the Northern Hemisphere. Alaska is now in a position to make itself competitive in a variety of manufacturing sectors.

Other states understand the competition to attract manufacturing companies is intense. In order to attract new manufacturing operations, states are offering tax abatement, financial, and employment training incentives. In order to stay competitive, Alaska must consider offering incentives to attract new manufacturing.

A few examples of state incentive programs follows:

Alabama: Alabama's Economic Development Loan Fund can be used for the purchase of land, buildings, machinery, equipment and working capital.

Arizona: The state offers a corporate income tax credit equal to 5 percent of the purchase price on construction materials used to build new manufacturing facilities.

Connecticut: Product development financing in the form of risk capital for high-technology products and services is available.

Delaware: Targeted industry tax incentives - Corporate income tax credits are \$400 for each \$100,000 investment and \$400 for each new qualified employee for whom at least \$40,000 in new investment has been made.

Florida: Private activity bonds - Florida created a \$75 million pool of locally issued private activity bonds strictly for the benefit of manufacturing facilities.

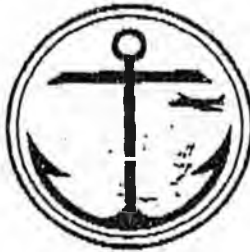
Indiana: Infrastructure financing - The program finances public improvements including the design and construction of roads, water and sewer lines, and rail spurs.

Michigan: Renaissance Fund - A fund that assists with land assembly/reclamation, and infrastructure development. The fund generally spends \$250,000 to \$750,000 per project and \$10,000 per job created.

Oklahoma: Targeted industry tax credit - A \$500 per employee income tax credit for a net increase of full time equivalent employees in targeted sectors.

South Carolina: Pre-export working capital financing.

Municipality of Anchorage



P.O. Box 196650
Anchorage, Alaska 99519-6650
Telephone: (907) 343-4431
Fax: (907) 343-4499
<http://www.ci.anchorage.ak.us>

Rick Mystrom, Mayor

OFFICE OF THE MAYOR

April 22, 1997

Senator Drue Pearce
Alaska State Legislature
Room 111
State Capitol
Juneau, AK 99801-1182

Post-It™ brand fax transmittal memo 7671		# of pages ▶ /
To <i>Patricia DeMarco</i>	From <i>L. ANDERSON</i>	
Co. <i>AEDC</i>	Co.	
Dept.	Phone #	
Fax # <i>258-6646</i>	Fax #	

Dear Drue:

I am writing in support of SB159/HB220, an act related to the new business incentive program. The Municipality of Anchorage has placed a priority on expanding the global logistics operations at the Anchorage International Airport. The AIA is the largest of all cargo airports in the United States. It is important that we be in a position to add cargo to the planes that travel through Anchorage by means of time sensitive technical support adjacent to our airport.

Most other cargo hub centers offer significant state incentives for development of airport operations. Such businesses would include computer repair and return operations, final testing and assembly of electronics, and global distribution centers. The Municipality already has done its part with a property tax exemption program and an inventory tax exemption program to help with expanding such activities in Anchorage.

SB 159 allows Alaska to capitalize on its location and natural resources to enter high value, expanding global markets. As the budget deliberations in Juneau continue, we will be pressing for adoption of this measure. This program will help put Alaska on the horizon for future investment and add significantly to our economy.

Sincerely,

Rick Mystrom
Mayor

cc: Larry Anderson, Special Assistant to the Mayor
Patricia DeMarco, President, AEDC
"City of Lights and Flowers"



CHUGACH ELECTRIC

ASSOCIATION, INC.

April 30, 1997

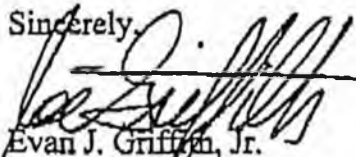
Ms. Patricia M. DeMarco, Ph.D.
President
Anchorage Economic Development Corporation
550 West Seventh Avenue, Suite 1400
Anchorage, Alaska 99501

Dear Dr. DeMarco:

I am writing to you today to express support for **HB 220** and **SB 159**, legislation that would underwrite and create a **Business Incentive Program** for Alaska, currently under consideration by the State Legislature. I believe that passage of this legislation is crucial if Alaska is to expand its economic base and employment opportunities with relatively high paying jobs in the manufacturing sector.

The competitive nature of attracting manufacturing and other value-added enterprises is fierce and this program will help level the playing field for Alaskan communities. Most other states already have incentive programs on their books and Alaska needs this tool if we are to attract new business investment to our state and, in the process, develop a sustainable economic base that generates high quality, year-round jobs for our citizens.

Sincerely,



Evan J. Griffith, Jr.
Executive Manager,
Finance & Planning

 **KPMG** Peat Marwick LLP

601 West Fifth Avenue
Suite 700
Anchorage, AK 99501-2258

Telephone 907 276 7401

Telefax 907 274 4953

April 29, 1997

Patricia M. DeMarco, Ph.D.
President
Anchorage Economic Development Corporation
550 West 7th Avenue, Suite 1400
Anchorage, Alaska 99501

Dear Patty:

I am writing to you to express support for HB 220 and SB 159, legislation which would create a new Business Incentive Program for Alaska, currently under consideration by the State legislature. Passage of this legislation is critical if Alaska is to expand its economic base and employment opportunities with relatively highpaying jobs in the manufacturing sector.

With the competitive nature of attracting manufacturing and other value-added enterprises, this program will help level the playing field for Alaskan communities. Most other states already have incentive programs on their books and Alaska needs this tool if we are to attract new business investment to our state and, in the process, develop a sustainable economic base that generates high quality, year-round jobs for our citizens.

Feel free to share this letter with State of Alaska legislators.

Very truly yours,

KPMG Peat Marwick LLP



Michael E. Stone
Managing Partner

MES:amo



Member Firm of
KPMG International

April 28, 1997

Patricia M. DeMarco, PH.D.
President
Anchorage Economic Development Corporation
550 West Seventh Ave, Site 1400
Anchorage, Alaska 99501

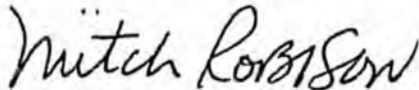
Dear Patty,

I am writing to you today to express our support for HB220 and SB159, legislation which would create a **NEW BUSINESS INCENTIVE PROGRAM** for Alaska, currently under consideration by the state legislature. We believe that passage of this legislation is critical if Alaska is to expand its economic base and employment opportunities with relatively high paying jobs in the manufacturing sector.

We understand the competitive nature of attracting manufacturing and other value-added enterprises and believe that this program will help "level the playing field" for Alaskan communities. Most other states already have incentive programs on their books and Alaska needs this tool if we are to attract new business investment to our state. This incentive program will help Alaskan communities develop a sustainable economic base that generates high quality, year-round jobs for our citizens.

We intend to contact our legislators and encourage them to support this legislation.

Sincerely,



Mitch Robison
Branch Manager
Debenham Electric Supply Company



Northrim Bank

April 28, 1997

Patricia M. DeMarco, Ph.D.
President
Anchorage Economic Development Corporation
550 West Seventh Avenue, Suite 1400
Anchorage, AK 99501

Dear Patty:

I am writing to you today to express our support for **HB 220 and SB 159**, legislation which would create a **New Business Incentive Program** for Alaska, currently under consideration by the state legislation. We believe that passage of this legislation is critical if Alaska is to expand its economic base and employment opportunities with relatively high paying jobs in the manufacturing sector.

We understand the competitive nature of attracting manufacturing and other value-added enterprises and believe that this program will help "level the playing field" for Alaskan communities. Most other states already have incentive programs on their books and Alaska needs this tool if we are to attract new business investment to our state. This incentive program will help Alaskan communities develop a sustainable economic base that generates high quality, year-round jobs for our citizens.

We intend to contact our legislators and encourage them to support this legislation.

Sincerely,

Marc Langland
President

hap



REGAL ALASKAN HOTEL

April 24, 1997

Senator Drue Pearce
716 W. 4th Avenue #500
Anchorage, AK 99501-2133

Dear Senator Pearce;

I am writing to you today to express our support for **HB 220** and **SB 159**, legislation which would create a **New Business Incentive Program** for Alaska, currently under consideration by the state legislature. We believe that passage of this legislation is critical if Alaska is to expand its economic base and employment opportunities with relatively high paying jobs in the manufacturing sector.

We understand the competitive nature of attracting manufacturing and other value-added enterprises and believe that this program will help level the playing field for Alaskan communities. Most other states already have incentive programs on their books and Alaska needs this tool if we are to attract new business investment to our state and, in the process, develop a sustainable economic base that generates high quality, year-round jobs for our citizens.

Sincerely,

Max J. Lowe, CHA
General Manager

MJL:ta

A REGAL INTERNATIONAL HOTEL

4800 SPENARD ROAD • ANCHORAGE, ALASKA 99517-3236
PHONE 907.243.2300 • FAX 907.243.8815 • WORLDWIDE RESERVATIONS 800.222.8898
<http://www.regal-hotels.com/anchorage> • e-mail: regal@alaska.net



April 24, 1997

Patricia M. DeMarco, Ph.D
President
Anchorage Economic Development Corporation
550 West Seventh Avenue, Suite 1400
Anchorage, AK 99501

Dear Patty:

I am writing to you today to express our support for HB 220 and SB 159, legislation which would create a New Business Incentive Program for Alaska, currently under consideration by the state legislature. We believe that passage of this legislation is critical if Alaska is to expand its economic base and employment opportunities with relatively high paying jobs in the manufacturing sector.

We understand the competitive nature of attracting manufacturing and other value-added enterprises and believe that this program will help level the playing field for Alaskan communities. Most other states already have incentive programs on their books and Alaska needs this tool if we are to attract new business investment to our state and, in the process, develop a sustainable economic base that generates high quality, year-round jobs for our citizens.

We intend to contact our legislators and encourage them to support this legislation.

Sincerely,

A handwritten signature in cursive script that reads "Dennis C. Bird".

Dennis C. Bird
Managing Director
Alaska Operations



April 24, 1997

Patricia M. DeMarco, PhD.
President
Anchorage Economic Development Corporation
550 West seventh Avenue, Suite 1400
Anchorage, Alaska 99501


Dear Patty:

I am writing to you today to express our support for HB 220 and SB 159, legislation which would create a New Business Incentive Program for Alaska, currently under consideration by the state legislature. We believe that passage of this legislation is critical if Alaska is to expand its economic base and employment opportunities with relatively high paying jobs in the manufacturing sector.

We understand the competitive nature of attracting manufacturing and other value-added enterprises and believe that this program will help level the playing field for Alaskan communities. Most other states already have incentive programs on their books and Alaska needs this tool if we are to attract new business investment to our state and, in the process, develop a sustainable economic base that generates high quality, year-round jobs for our citizens.

We intend to contact our legislators and encourage them to support this legislation.

Sincerely,



Joe Miller CPM, CRS

RE/MAX properties, inc.
2800 cordova street, suite 100
anchorage, alaska 99503
office: (907) 276-2761
direct line: (907) 257-0156
each office independently owned and operated



**Alaska
Power
Systems** inc

8300 King Street
Anchorage, Alaska 99518
(907) 344-2531
Fax (907) 349-8764

April 23, 1997

Patricia M. DeMarco, Ph. D.
President
Anchorage Economic Development Corporation
550 West Seventh Avenue, Suite 1400
Anchorage, Alaska 99501

Dear Patty:

I am writing to you today to express our support for **HB 220 and SB 159**, legislation which would create a **New Business Incentive Program** for Alaska, currently under consideration by the state legislature. We believe that passage of this legislation is critical if Alaska is to expand its economic base and employment opportunities with relatively high paying jobs in the manufacturing and high technology sector.

We understand the competitive nature of attracting manufacturing and other value-added enterprises and know that this program will help level the playing field for talent in Alaskan communities, we can and have attracted some of the best talent from the lower 48. Most other states already have incentive programs on their books and Alaska needs this tool if we are to attract new business investment to our state and, in the process, develop a sustainable economic base that generates high quality, year-round jobs for our citizens.

We will contact our legislators and encourage them to support this legislation.

Sincerely,

Frank Tucker
President

- cc: Scott Thompson CEO,
- Brian Chronister Marketing Director,
- Rob Shipley Operations Manager

DOWL **ENGINEERS**

A Division of DOWL, Incorporated

April 22, 1997
W.O. D00001

Senator Drue Pearce, Co-chair
716 West 4th Avenue, Suite 500
Anchorage, Alaska 99501-2133

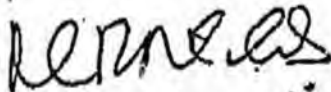
Fax: 465-3872

Dear Senator:

I am writing to you today to express our support for **HB 220** and **SB 159**, legislation which would create a **New Business Incentive Program** for Alaska, currently under consideration by the state legislature. We believe that passage of this legislature is critical if Alaska is to expand its economic base and employment opportunities with relatively high paying jobs in the manufacturing sector.

We understand the competitive nature of attracting manufacturing and other value-added enterprises and believe that this program will help level the playing field for Alaskan communities. Most other states already have incentive programs on their books and Alaska needs this tool if we are to attract new business investment to our state and, in the process, develop a sustainable economic base that generates high quality, year-round jobs for our citizens.

Very truly yours,
DOWL Engineers



Melvin R. Nichols, P.E.
President

cc: Anchorage Economic Development Corporation

D00001.Pearce.MRN.042297.kmp



Linford
OF ALASKA, INC.

I am writing to you today to express our support for HB 220 and SB 159, legislation which would create a New Business Incentive Program for Alaska, currently under consideration by the state legislature. We believe that passage of this legislation is critical if Alaska is to expand its economic base and employment opportunities with relatively high paying jobs in the manufacturing sector.

We understand the competitive nature of attracting manufacturing and other value-added enterprises and believe that this program will help level the playing field for Alaskan communities. Most other states already have incentive programs on their books and Alaska needs this tool if we are to attract new business investment to our state and, in the process, develop a sustainable economic base that generates high quality, year-round jobs for our citizens.

We intend to contact our legislators and encourage them to support this legislation.

Sincerely,



WHOLESALE FOODS

135 Cordova • Anchorage, Alaska 99501 • Phone (907) 272-5050 • Fax (907) 272-5073

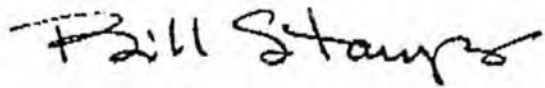
April 17, 1996

To Whom It May Concern

From: Bill Stamps

Reference: House Bill No. 220

Please accept this as my support for House Bill No. 220.



Bill Stamps
Peak Oilfield Service Co.
P.O. Box 130
Kenai, AK. 99611
(907) 283 2022

Federal Express Corporation
Government Affairs
1920 Norcunna Boulevard
Memphis, TN 38132

U.S. Mail PO Box 727
Memphis, TN 38191-1647

Telephone 901-395 5170
Fax 901-395-5172



April 16, 1997

Mr. Greg Wolf
Vice President
AEDC
550 West Seventh Avenue
Suite 1400
Anchorage, Alaska

Dear Mr. Wolf:

I am writing to encourage and applaud your efforts to enact economic incentive legislation in Alaska. As you know, FedEx has a significant presence in Anchorage with a large and expanding air operations and package sorting facility employing over 826 Alaska residents. Obviously, we are very supportive of any efforts to increase the level of economic growth in this market.

It is common knowledge that in today's global market every state is competing vigorously for increased economic activity with a variety of economic incentive programs. In fact, we have recently taken advantage of such programs in site selection decisions. It seems critical that Alaska be active in this process given its proximity to Asian markets with that market's enormous growth potential. I know the Governor is keenly aware of this necessity.

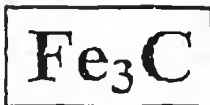
Again, we believe you are on the right track and wish you every success in your campaign to enact this legislation.

Sincerely,

Senior Representative
Government Affairs
901/395-5168

dew

VIA FAX



Alyeska Alloys, L.L.C.

Robert L. Braddock, Project Director

FAX TRANSMITTAL # 1 of 4 Pages

TO: Patti DeMarco

907-258-6646

FROM: Bob Braddock

303-984-2060 FAX 303-989-4989

January 31, 1997

COPY

Ms Debby Sedwick
Alaska Department of Commerce and
Economic Development
Frontier Building, Suite 700
3601 "C" Street
Anchorage, AK 99503

Dear Debby:

Introduction

With no clear understanding of how the Administration proposes to implement the Pioneer Incentives Program (the "Program"), but with a sense of the Administration's intent, Alyeska Alloy's ("Alyeska") has taken the presumptuous position of submitting a proposal for consideration.

Alyeska interprets the aims of the Program as:

- i. To capitalize on Alaska's strategic geographic location to create export markets for which Alaskan industry would hold competitive advantage;
- ii. To attract new enterprises to Alaska which will add diversity to the economy;
- iii. To induce new enterprises to locate in Alaska which create stable, high wage jobs; and
- iv. To increase the wealth created and retained in Alaska through the addition of value added processing to the existing natural resource extraction industries.

If Alyeska is accurate in our interpretation of the Program's goals, we are convinced that Alyeska's iron carbide project (the "Project") is an ideal candidate.

Although Alaska's prior growth has been created by government or large corporate sponsored projects, the State's present and future growth will be created by more nimble entrepreneurs of less substantial financial means (such as Alyeska). While the government and large corporations can, due to their enormous capital resources, press ahead with projects in spite of changes in the marketplace, entrepreneurs have no such luxury, for we are the creation of the marketplace, not its master. Alyeska's Project is driven by the marketplace. At present, the demand for iron carbide and other alternative iron units exceeds supply, but this situation will not last indefinitely. Should Alyeska's Project begin to stall, these potential customers will look elsewhere to meet their alternative iron needs. If so, the opportunity to establish this new industry in Alaska may be lost forever.

165 South Union Blvd., Suite 350
Lakewood, Colorado 80228-2211 - USA
Phone (303) 984-2060 - FAX (303) 989-4989

Ms Debbie Sedwick
Pioneer Incentives Program Proposal
Page 2
January 31, 1997

Having said all this, Alyeska remains confident that we are in the right place at the right time. Alyeska seeks a small assist from the Program, which would significantly increase the probability of success of the iron carbide Project and thereby benefit the State of Alaska.

Benefits to Alaskans

While much has been presented outlining the general features of the Project, Alyeska has not focused attention on the many sustaining benefits the Project provides to Alaska and its residents. These benefits include:

- During the two year construction phase, a major portion of the estimated \$190 million combined cost of the port and plant will be injected into the local economy through almost 350 construction jobs, local design, fabrication and erection services.
- Once operational, the Project will create 50 to 60 permanent, high paying plant jobs.
- An additional 20 to 30 jobs will be created in port operations, camp catering, air taxi and allied support services.
- This employment will be created in a region and locale which has a history of high unemployment.
- All but a select few of the total permanent jobs created will be filled by current Alaskan residents.
- The Project will consume almost \$20 million in natural gas annually, generating over \$1.5 million per year in royalties for the State.
- The Project will use Alaskan natural gas to increase the value of iron ore five fold.
- The Project will pay over \$1 million in property taxes annually to the Borough.
- A doubling or tripling of the Project is anticipated by 2003, creating more jobs, gas royalties and property taxes.
- The addition of a multi-use, deep water port on the west side of the Cook Inlet should help to unlock local coal and gravel projects which have languished for many years.
- The stable natural gas demand requirement of the Project should encourage the development of additional Cook Inlet natural gas reserves.
- The Project creates the stable manufacturing employment not typically found in the boom and bust cycles associated with natural resource development.

Project Status - Phase II

Alyeska has just begun the critical Phase II of development of the Iron carbide Project. The following was accomplished during Phase I, recently completed at a cost of approximately \$500,000:

- The site was selected
- Natural gas and power supply agreements were negotiated
- Process license was obtained
- Engineering/Procurement/Construction contractor was selected
- Financial advisor was selected
- Environmental consultant was chosen.

The following Phase II activities should take approximately one year and require the expenditure of up to \$2 million:

- Preliminary plant and port designs will be developed
- All permits will be obtained
- A fixed price contract for construction of the plant will be negotiated
- Background site data will be obtained for the plant and port
- Bids will be received for the port construction
- Iron ore supply agreements will be negotiated
- Iron carbide purchase agreements will be negotiated
- Equity partners will be selected
- Lenders for the Project will be chosen.

Phase II will be completed upon closing of financing for the plant and port, and is anticipated to occur during the first quarter of 1998. Phase III, construction, will begin immediately following closing of financing.

The critical Phase II can be broken down into two major activities. During the first half of Phase II, virtually all of the third party agreements, preliminary designs and permit applications will be completed. The second half will be devoted to the documentation required to close on construction financing. Of the \$2 million anticipated to be expended during this Phase, fully \$1 million will be associated with creating the preliminary designs needed to apply for permits and the actual environmental permitting process. The remaining \$1 million will be used to complete documentation and legal fees associated with closing. It is in mitigating the costs associated with permitting that the greatest assist to the Project can be achieved, for it is in this area that the Project faces its last major obstacle to completion.

The preparation of permit applications for a project such as Alyeska's is no trivial matter. Much engineering and site evaluation work must be completed before a complete application can be filed. The relatively large amount of money required to accomplish this task occurs at a time in the Project development cycle where development funding is expensive, particularly because the uncertainty associated with permit issuance still hangs over the Project, a real "Catch 22." As virtually all Alaskan projects must contend with overcoming the lack of infrastructure and costs associated with constructing in a remote environment, the additional perceived risk associated with permitting can prove to be that one last straw which breaks the proverbial camel's back.

Alyeska has reached the critical point where development capital is being assembled to complete Phase II. Approximately one quarter of the required funding has been secured, with financial advisors assembling the remainder. It is through this critical period, the turning point, that the State of Alaska can provide a small, but critical financial boost, for it is at this stage that judicious application of funds yield oversized benefits.

Ms Debbie Sedwick
Pioneer Incentives Program Proposal
Page 4
January 31, 1997

Proposal for Program Involvement

Alyeska seeks to obtain \$300,000 from the Program to be applied towards the development of preliminary plant designs and environmental engineering required for permit applications. Alyeska will provide matching funds. The combination of this State and private funding will allow Alyeska to complete the critical permitting process, thus removing one of the last major obstacles to the development of the Project. Alyeska further proposes to refund the State's contribution to the Program at the time the Project closes on construction financing.

I hope we have made a compelling case for how the Program can materially assist in the development of the Project. Yes, there are risks, but we believe that the approach we have taken provides the State with a clear sense of the rewards generated by the successful completion of the Project.

Sincerely,

Robert L. Braddock

Robert L. Braddock
Project Director *ljm*

cc: Laurie Cunningham, ADCED
John McClellan, ASRC
Don Evans, Alyeska Holdings

Alaska State Legislature

Senate



Official Business

State Capitol
Juneau, AK. 99801-1182

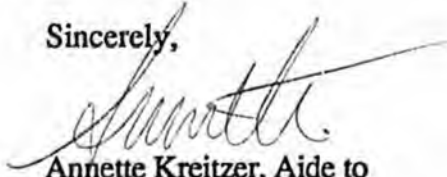
April 12, 1997

Patricia DeMarco,
President
Anchorage Economic Development Corporation
via fax: 285-6646
two pages

Dear Ms. DeMarco:

We received your fax yesterday. Just wanted to let you know SB 159 is scheduled for Senate Labor & Commerce Committee Thursday, April 17.

Sincerely,


Annette Kreitzer, Aide to
Senate Labor & Commerce Committee

Alaska State Legislature

Senate



Official Business

State Capitol
Juneau, AK. 99801-1182

SENATE LABOR AND COMMERCE COMMITTEE

Chairman: Senator Loren Leman
Vice Chairman: Senator Mackie
Senator Kelly
Senator Miller
Senator Hoffman

Committee Schedule
1:30 p.m.
Fahrenkamp Room

Noticed: April 10, 1997

Tuesday, April 15:

- +*SB 169: Voluntary Flex Time for Mines
- +*SB 152: Certified Nurse Aide
- +*SB 110: Licensing of Landscape Architects

Bills Previously Held or Bills Held from other Meetings (if necessary)

Thursday, April 17:

- +*HB 118: Reporting of Employment Accidents
- +*SJR 27: Working Families Flexibility Act
- +*SB 159: New Business Incentive Program
- +*HB 117: Elevator/Boiler/Pressure Vessel Stds

Bills Previously Held or Bills Held from other Meetings (if necessary)

- *First hearing
- + = Teleconference



Anchorage Economic Development Corporation
The Center of Opportunity

April 11, 1977

Dear Anchorage Caucus Member:


I am writing to you today to urge your support of some important legislation now pending before the legislature. Committee hearings are set for Thursday, April 17th in both the House and Senate.

House Bill 220 and Senate Bill 159 is legislation that will create an incentive program for the purpose of attracting new business to our state. (I have attached a copy of the legislation for your review). Passage of this legislation is essential if Alaska is to be competitive with other states, virtually all of whom have similar, if not more aggressive, incentives already on their books. In combination with incentives currently available at the municipal level, this program would help "level the playing field" for Anchorage as we compete for business with other cities across the country and, in some cases, around the world.

The proposed legislation contains a clear set of criteria that companies would have to meet in order to qualify for the incentive and important safeguards to ensure that the State provides the incentive funds only after the criteria has been met. The program is designed to encourage companies to establish manufacturing or other value-added operations in Alaska for products ultimately destined for export out of the state.

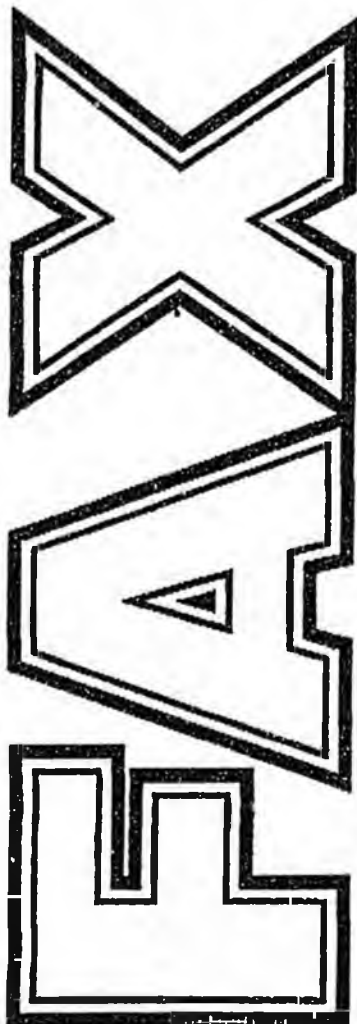
I will be in Juneau next week, accompanied by several of our board members. I hope to have the opportunity to talk with you about this legislation and to answer any questions. Thank you for your continued support of our efforts to grow and diversify the Anchorage economy!

Sincerely,


Patricia M. DeMarco, Ph.D.
President

Anchorage Economic Development Corporation

Fax Transmission



Date: April 11, 1997

To: Anchorage Caucus
 Honorable Dave Donley
 Honorable Johnny Ellis
 Honorable Rick Halford
 Honorable Tim Kelly
 Honorable Loren Leman
 Honorable Sean R. Parnell
 Honorable Drue Pearce
 Honorable Randy Phillips
 Honorable Jerry Ward
 Honorable Ramona L. Barnes
 Honorable Ethan Berkowitz
 Honorable Con R. Bunde
 Honorable John Cowdery
 Honorable Eric Croft
 Honorable Fred Dyson
 Honorable Joe P. Green
 Honorable Mark Hanley
 Honorable J. Allen Kemplen
 Honorable Pete Kott
 Honorable Terry Martin
 Honorable Eldon Mulder
 Honorable Brian S. Porter
 Honorable Norman Rokeberg
 Honorable Jerry Sanders

From: Patricia DeMarco

Following this page, please find 4 page(s). If this does not reach you in full, please inform us ASAP. Thank you.

AKM - 3099 on
Ra Hi
from: Seanne -
465-4945 telephone

0-LS0776F

APR 01 1997

HOUSE BILL NO.

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES SANDERS, Barnes, Austerman

Introduced:

Referred:

A BILL

FOR AN ACT ENTITLED

HB 220

1 "An Act relating to the new business incentive program."

2 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 * Section 1. AS 44.88.080 is amended by adding a new paragraph to read:

4 (26) to screen potential applicants for a new business incentive grant
5 and approve the award of the grants under AS 45.81.020.

6 * Sec. 2. AS 45 is amended by adding a new chapter to read:

7 **Chapter 81. New Business Incentive Program.**

8 **Sec. 45.81.010. New business incentive fund.** There is established in the
9 department the new business incentive fund consisting of appropriations to the fund
10 from money available under AS 44.88.088 or from other sources. The amount
11 appropriated to the fund each fiscal year may equal \$3,000,000. The department may
12 use money in the fund for new business incentive grants. On June 30 of each fiscal
13 year, the unexpended and unobligated balance in the fund lapses into the general fund.

14 **Sec. 45.81.020. Eligibility for grants.** (a) A new business or a business that
15 is opening a new branch in the state is eligible for a new business incentive grant if

1 the business

2 (1) is primarily engaged in manufacturing a product for export outside
3 of the state;

4 (2) will not directly compete with an existing business that is located
5 in the state as determined by the department;

6 (3) is located in a municipality that has provided financial support to
7 the business in a form and in an amount acceptable to the department;

8 (4) is primarily financed by the private sector;

9 (5) is receiving financing from the Alaska Industrial Development and
10 Export Authority; and

11 (6) has been approved for a business incentive grant by the Alaska
12 Industrial Development and Export Authority.

13 (b) The department shall prescribe the form and procedure for submitting new
14 business incentive grant applications. Subject to the availability of money in the new
15 business incentive fund, the department may award a grant to an eligible applicant in
16 an amount that does not exceed the amount approved by the Alaska Industrial
17 Development and Export Authority for that applicant.

18 Sec. 45.81.030. Use of grant money. After awarding a new business incentive
19 grant, the department may pay money from the grant to the recipient business only as
20 reimbursement for one or more of the following costs incurred and paid by the
21 business:

22 (1) cost of relocating key personnel and of moving and installing
23 equipment and initial inventory;

24 (2) up to 50 percent of the cost of site preparation and installation of
25 utilities for a new facility;

26 (3) work force training costs for a period of up to 36 months in an
27 amount not to exceed \$5,000 for each employee receiving training during a 12-month
28 period if the costs are not covered by another governmental program;

29 (4) up to 50 percent of the costs of business feasibility analyses, market
30 studies, and business facility designs.

31 Sec. 45.81.040. Grant conditions. (a) A business that receives a new

0-LS0776F

1 business incentive grant must continue to operate in the state for at least five years
2 after the date the grant is awarded or must, within 90 days after ceasing to operate,
3 repay the grant money together with interest on the money in an amount established
4 by the department. A business that is a branch or subsidiary of another business may
5 not receive a grant unless that other business agrees, in a form acceptable to the
6 department, to be responsible for the obligation to repay grant money and interest
7 under this subsection.

8 (b) The department may set additional terms and conditions for the award of
9 new business incentive grants and for the payment of grant money.

10 Sec. 45.81.050. **Definition.** For purposes of AS 45.81.010 - 45.81.050,
11 "department" means the Department of Commerce and Economic Development.

SB

160

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. SB 160

Revision Date: _____
 Title: An Act relating to registration, inspection, and
testing relating to radiological equipment in dentists' offices.
 Sponsor: Senator Taylor by request
 Requestor: Senate Labor & Commerce

Department: Commerce and Economic Development
 BRU: Occupational Licensing
 Component: Operations

COMPONENT SERIAL NO. 1844

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES	65.8	65.8	65.8	65.8	65.8	65.8
TRAVEL	4.0	4.0	2.0	2.0	4.0	4.0
CONTRACTUAL	3.0	3.0	1.5	1.5	1.5	1.5
SUPPLIES	1.0	1.0	1.0	1.0	1.0	1.0
EQUIPMENT	15.7					
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	89.5	73.8	70.3	70.3	72.3	72.3

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES	163.3	0.0	140.6	0.0	144.6	0.0
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FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts	89.5	73.8	70.3	70.3	72.3	72.3
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	89.5	73.8	70.3	70.3	72.3	72.3

Estimate of any current year (FY 98) cost: \$ 0.0

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

SB 160 transfers regulation of x-ray equipment in a dentist office from the Division of Public Health, Department of Health and Social Services to the Board of Dental Examiners in the Division of Occupational Licensing, Department of Commerce and Economic Development. The board currently regulates level of entry into the profession and the practice of dentistry. By assuming responsibilities in the bill, new costs will be incurred through establishing necessary regulations, registering equipment and requiring periodic inspection of radiological equipment. An explanation of the costs are explained on the attached page.

Prepared by: Jennifer Strickler, Administrative Manager
 Division: Occupational Licensing
 Approved by Commissioner: Deborah B. Sedwick
 Agency: Commerce and Economic Development

Phone: 465-2144
 Date: 3/2/98
 Date: _____

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FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO.: SB 160

ANALYSIS: (Continued)

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT FISCAL NOTE CALCULATIONS

Personal Services

This funding provides a permanent full-time Radiological Health Specialist II position, Range 20; similar to the position currently providing inspection duties within the Department of Health and Social Services. \$65.8

At the start of FY 98, there were 528 dentists licensed in Alaska. This position is anticipated to perform dental x-ray equipment inspections, to register their equipment and ensure registration fees are paid, and to monitor and maintain inspection records of dental x-ray equipment. Additionally, this position will assist the board in preparing regulations regarding dental radiological equipment.

Travel

This funding provides travel and per diem for the staff position to visit dental facilities throughout Alaska to conduct equipment inspections. Information obtained indicate that approximately 80% of dental facilities are within driving distance of Anchorage. This funding covers mileage and per diem costs, plus, transportation to those facilities requiring air travel. 4.0

This fiscal note assumes that travel costs will be high within the first two-years to ensure all equipment is inspected. The next two years should not require substantial travel except to inspect new equipment. Travel costs are anticipated to increase again in the fifth year because of the five year inspection requirement in Sec. 08.36.075(c).

Contractual Services

The contractual services will fund expenses associated with adoption of new regulations concerning x-ray equipment in dental offices, including public notices, postage, printing of the regulations and registration forms, and regulation hearings via teleconferencing. This expense is reduced after the first two-years assuming the regulations will be in place. 3.0

Supplies

Funding provides daily desk top and other operating supplies. 1.0

Equipment (one-time costs)

Funding covers office set-up furniture and equipment costs for the new position. 15.7

TOTAL: \$89.5

SUMMARY/Revenue:

The costs identified in this fiscal note are based on the assumption that a new position similar to the one currently providing x-ray inspections in the Department of Health and Social Services will be obtained to provide dental x-ray equipment inspections for the Board of Dental Examiners. If the board determines by regulation that inspection costs are to be paid by individual licensees, costs in this fiscal note would be reduced. Staff would still be necessary to register equipment, maintain inspection records, and investigate violations.

Licensing programs in Occupational Licensing are mandated by AS 08.01.065 to support their costs through licensing fees. This added expense will impact the license fees of dental practitioners, either through the initial payment of registering each piece of equipment or dental license renewal fees. For example, 528 dentists covering new biennial costs of \$163.3 can anticipate a license fee increase of \$309.00 in the start-up year to cover the new costs. Licensing boards *do not* receive general fund subsidies for their operations. The programs are 100% program-receipt funded.

The bill provides that a fee may only be charged for initial registration of each piece of equipment, however, the costs associated with registering new equipment and monitoring inspection records will be ongoing. Therefore, license fees must be maintained at a level sufficient to cover the new operations established by this bill.

CHANGES TO SB 160: DENTAL RADIOLOGICAL EQUIP.
MADE IN SENATE L&C COMMITTEE

1) Deleted language saying Governor must consider Dental Society recommendations to Board of Dentistry.

JUSTIFICATION: Not all dentists are members of the Society. Any group or individual can already send letter to Gov. to recommend a person for appointment to a board or commission.

2) Made bill consistent with sponsor's intent that dental radiological equipment, not just the control panel be inspected.

3) Specified criteria for inspection standards to be provided by private sector.

4) Allows the board of dentistry to adopt federal standards stricter than manufacturer's standards if health or safety is an issue.

5) Made clear the bill applies to owners or LESSEES of dental equipment.

6) Sec. 7 Transitional Provisions: Deleted [EQUIPMENT OR OTHER PROPERTY] to make it clear that the board will receive from the Department of Health and Social Services only the records of equipment now registered with the state, not any equipment the state has used in testing.

SENATE COMMITTEE REPORT

First Committee of Referral

DATE: 4/4/97

FURTHER: HESS

Date of 5-Day Notice: 2-25-98
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 4-31-98

Labor and Commerce Committee considered

SENATE BILL NO. 160

"An Act relating to registration, inspection, and testing relating to radiological equipment in dentists' offices."

and recommends:

- be replaced with _____ CS SB 160 (LTC)
- adopt previous _____ CS _____
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

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

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
		Tim Kelly	✓		
		Mike Miller	✓		
		<i>[Signature]</i>		x	
CHAIR:		CHAIR: <i>[Signature]</i>	✓		

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal
DC-107. Occ 1.2	4/2/98		124.3
HSS (S. JACOBSON)			

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. CSSB 160 (L&C)

Revision Date: 04/03/98 Dept. Affected: Health and Social Services
 Title: Testing radiological equipment BRU: State Health Services
 Component: Laboratory Services
 Sponsor: Senator Taylor COMPONENT SERIAL NO. 291
 Requestor: Senate L&C See also (SN#): _____

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY99	FY00	FY01	FY02	FY03	FY04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGES IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

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

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of any current year (FY98) cost: \$0.0

ANALYSIS: (Attach a separate page if necessary)

With the proposed elimination of the on site inspection and certification of dental radiologic equipment, the Division will generate the revenue for supporting the existing Radiological Health Program by assuring responsibility for the Federally required inspection of mammography equipment.

4/13/98
 Prepared by: Peter M. Nakamura, MD, MPH *PM* Phone: (907)465-3090
 Division: Public Health Date: 04/03/98
 Approved by Commissioner: Karen Perdue, Commissioner *KP* Date: 4/7/98
 Agency: Department of Health & Social Services

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FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. CSSB 160(L&C)

Revision Date: _____
 Title: An Act relating to radiological equipment used in
the practice of dentistry.
 Sponsor: Senator Taylor by request
 Requestor: Senate Labor & Commerce

Department: Commerce and Economic Development
 BRU: Occupational Licensing
 Component: Operations
 COMPONENT SERIAL NO. _____ 1844

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES	20.3	20.3	10.1	10.1	10.1	10.1
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	3.0	3.0	1.5	1.5	1.5	1.5
SUPPLIES	1.0	1.0	1.0	1.0	1.0	1.0
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	24.3	24.3	12.6	12.6	12.6	12.6
CAPITAL EXPENDITURES						
CHANGE IN REVENUES	48.6	0.0	25.2	0.0	25.2	0.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts	24.3	24.3	12.6	12.6	12.6	12.6
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	24.3	24.3	12.6	12.6	12.6	12.6

Estimate of any current year (FY 98) cost: \$ 0.0

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

CSSB 160(L&C) transfers regulation of x-ray equipment in a dentist office from the Division of Public Health, Department of Health and Social Services to the Board of Dental Examiners in the Division of Occupational Licensing, Department of Commerce and Economic Development. The board currently regulates level of entry into the profession and the practice of dentistry. By assuming responsibilities in the bill, new costs will be incurred through establishing necessary regulations, registering equipment and requiring periodic inspection of radiological equipment. An explanation of the costs are explained on the attached page.

Prepared by: Jennifer Strickler, Administrative Manager
 Division: Occupational Licensing
 Approved by Commissioner: Deborah B. Sedwick
 Agency: Commerce and Economic Development

Phone: 465-2144
 Date: 4/2/98
 Date: 4/2/98

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FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO.: CSSB 160(L&C)

ANALYSIS: (Continued)

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT FISCAL NOTE CALCULATIONS

Personal Services

Occupational Licensing Examiner I position, Range 12, PPT, GGU 20.3

This half-time position will be responsible to monitor and maintain inspection records of dental x-ray equipment and collect applicable fees. Additionally, this position will assist the board in preparing regulations regarding dental radiological equipment. It is anticipated that a half-time position will only be necessary for the first two years. By the third year and thereafter, only a quarter time of the position is anticipated to be necessary in providing support to these tasks.

Contractual Services

3.0

The contractual services will fund expenses associated with adoption of new regulations concerning x-ray equipment in dental offices, including public notices, postage, printing of the regulations and registration forms, and regulation hearings via teleconferencing. This expense is reduced after the first two-years assuming the regulations will be in place.

Supplies

Funding provides daily desk top and other operating supplies. 1.0

TOTAL: \$24.3

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. SB 160

Revision Date: _____
 Title: An Act relating to registration, inspection, and
testing relating to radiological equipment in dentists' offices.
 Sponsor: Senator Taylor by request
 Requestor: Senate Labor & Commerce

Department: Commerce and Economic Development
 BRU: Occupational Licensing
 Component: Operations
 COMPONENT SERIAL NO. 1844

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES	65.8	65.8	65.8	65.8	65.8	65.8
TRAVEL	4.0	4.0	2.0	2.0	4.0	4.0
CONTRACTUAL	3.0	3.0	1.5	1.5	1.5	1.5
SUPPLIES	1.0	1.0	1.0	1.0	1.0	1.0
EQUIPMENT	15.7					
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	89.5	73.8	70.3	70.3	72.3	72.3

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES	163.3	0.0	140.6	0.0	144.6	0.0
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FUND SOURCE

(Thousands of Dollars)

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1003 GF Match						
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1005 GF/Program Receipts	89.5	73.8	70.3	70.3	72.3	72.3
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	89.5	73.8	70.3	70.3	72.3	72.3

Estimate of any current year (FY 98) cost: \$ 0.0

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

SB 160 transfers regulation of x-ray equipment in a dentist office from the Division of Public Health, Department of Health and Social Services to the Board of Dental Examiners in the Division of Occupational Licensing, Department of Commerce and Economic Development. The board currently regulates level of entry into the profession and the practice of dentistry. By assuming responsibilities in the bill, new costs will be incurred through establishing necessary regulations, registering equipment and requiring periodic inspection of radiological equipment. An explanation of the costs are explained on the attached page.

Prepared by: Jennifer Strickler, Administrative Manager
 Division: Occupational Licensing
 Approved by Commissioner: Deborah B. Sedwick
 Agency: Commerce and Economic Development

Phone: 465-2144
 Date: 3/2/98
 Date: _____

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FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO.: SB 160

ANALYSIS: (Continued)

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT FISCAL NOTE CALCULATIONS

Personal Services

This funding provides a permanent full-time Radiological Health Specialist II position, Range 20; similar to the position currently providing inspection duties within the Department of Health and Social Services. \$65.8

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Travel

This funding provides travel and per diem for the staff position to visit dental facilities throughout Alaska to conduct equipment inspections. Information obtained indicate that approximately 80% of dental facilities are within driving distance of Anchorage. This funding covers mileage and per diem costs, plus, transportation to those facilities requiring air travel. 4.0

This fiscal note assumes that travel costs will be high within the first two-years to ensure all equipment is inspected. The next two years should not require substantial travel except to inspect new equipment. Travel costs are anticipated to increase again in the fifth year because of the five year inspection requirement in Sec. 08.36.075(c).

Contractual Services

The contractual services will fund expenses associated with adoption of new regulations concerning x-ray equipment in dental offices, including public notices, postage, printing of the regulations and registration forms, and regulation hearings via teleconferencing. This expense is reduced after the first two-years assuming the regulations will be in place. 3.0

Supplies

Funding provides daily desk top and other operating supplies. 1.0

Equipment (one-time costs)

Funding covers office set-up furniture and equipment costs for the new position. 15.7

TOTAL: \$89.5

SUMMARY/Revenue:

The costs identified in this fiscal note are based on the assumption that a new position similar to the one currently providing x-ray inspections in the Department of Health and Social Services will be obtained to provide dental x-ray equipment inspections for the Board of Dental Examiners. If the board determines by regulation that inspection costs are to be paid by individual licensees, costs in this fiscal note would be reduced. Staff would still be necessary to register equipment, maintain inspection records, and investigate violations.

Licensing programs in Occupational Licensing are mandated by AS 08.01.065 to support their costs through licensing fees. This added expense will impact the license fees of dental practitioners, either through the initial payment of registering each piece of equipment or dental license renewal fees. For example, 528 dentists covering new biennial costs of \$163.3 can anticipate a license fee increase of \$309.00 in the start-up year to cover the new costs. Licensing boards *do not* receive general fund subsidies for their operations. The programs are 100% program-receipt funded.

The bill provides that a fee may only be charged for initial registration of each piece of equipment, however, the costs associated with registering new equipment and monitoring inspection records will be ongoing. Therefore, license fees must be maintained at a level sufficient to cover the new operations established by this bill.

CS FOR SENATE BILL NO. 160(L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTIETH LEGISLATURE - SECOND SESSION

BY THE SENATE LABOR AND COMMERCE COMMITTEE

Offered:
Referred:

Sponsor(s): SENATOR TAYLOR BY REQUEST

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to radiological equipment used in the practice of dentistry."

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

3 * Section 1. AS 08.36 is amended by adding a new section to read: deleted, Dental Society
Board officials

4 Sec. 08.36.075. Dental radiological equipment. (a) Subject to (b) of this
5 section, the board shall establish standards for the registration and inspection of dental
6 radiological equipment, including standards for record keeping relating to the control
7 panels and the use of the equipment. The inspection standards adopted by the board
8 must require that an inspection be performed by a person who has

9 (1) a degree in medical electronics that is based on a four-year
10 program;

11 (2) a certificate based on a two-year program in medical electronics and
12 two years of apprentice experience in installing and calibrating dental radiological
13 equipment; or

14 (3) four years of apprentice experience in installing and calibrating
15 dental radiological equipment and a certificate demonstrating completion of an