

ALASKA LEGISLATURE COMMITTEE FILES, 2003-2004 80/2

10719 HOUSE COMMUNITY & REGIONAL AFFAIRS 3

No study to date has adequately answered the question of whether the use of credit history results in rates that are higher, or lower, on average for a protected class of consumers or for consumers with lower incomes. In addition, the Alaska survey data does not identify whether the use of credit history acts in an unfairly discriminatory manner on individual policyholders. The information obtained in the Alaska survey suggests that it may have an impact, but the extent of the impact could not be determined from the information received in the survey.

AS 21.39.030(4) allows insurers to group risks by classifications for purposes of determining rates. The statute states that acceptable standards for measuring variations in hazards are those that can demonstrate they have a probable effect upon losses.

Based on information gathered to date, the Division cannot make a determination to impose an outright ban on the use of credit history. Without such a determination, legislative action would be needed to ban the use of insurance credit scoring in determining rates. Such action should also consider the implications of a ban related to the use of credit history in underwriting. Companion statutory changes would be needed in AS 21.36.

*10. Can the director of the Division of Insurance use his rulemaking authority to find that the use of credit scoring in the underwriting process is an unfair trade practice?*

The director might be able to use the Division's rulemaking authority under AS 21.36.150(d) to find that the use of credit scoring in the underwriting process is an unfair trade practice.

### **Conclusion**

Based on the limited data received and evaluated so far, insurance credit scoring in Alaska appears to have different effects on different groups of Alaskan insurance consumers. In the aggregate, consumers that reside in higher income/high percentage Caucasian zip codes may be less impacted by the use of the consumer's credit history. It is premature to determine whether the policyholder distribution between preferred, standard and nonstandard markets is due primarily to credit history or to other underwriting and rating factors. However, the limited data does suggest that unequal effects exist on consumers with varying income and ethnic characteristics.

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## APPENDIX A

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### SUMMARY OF CREDIT SURVEY RESPONSES BY PERSONAL AUTOMOBILE AND HOMEOWNERS INSURANCE COMPANIES IN ALASKA

In August 2002, the Alaska Division of Insurance sent a survey entitled ALASKA DIVISION OF INSURANCE – INVESTIGATION ON THE USE OF CREDIT SCORES, INSURANCE SCORES, OR CREDIT HISTORY IN INSURANCE RATING AND UNDERWRITING to the 97 companies that provide personal automobile and homeowners coverage in Alaska. The survey is part of an effort by the Division to determine how a consumer's credit history is used in personal insurance. Companies were asked to respond with a completed survey for each line of business for which a consumer's credit history is considered.

To date, 91 companies, 94% of those contacted, have responded. Of these 27 were from companies that no longer write business in Alaska and, therefore, did not complete the survey. This summary is based on the remaining 64 company responses from active insurers. Because some companies responded for both automobile and homeowners insurance, a total of 79 survey responses were evaluated. The Division asked each individual insurer to respond to the survey rather than each insurer group. Therefore, the number of insurers indicating that they use credit history for rating purposes differs from the number of filings that have been submitted to the Division. Affiliated insurance companies, insurers in the same insurer group, frequently submit a combined rate filing.

The following definitions were used in the survey:

**Credit score** - A number developed from financial information using a statistical model. This term also includes an insurance score.

**Credit information** - Financial information such as bankruptcies and tax liens, but no conversion is made to a numerical score.

**Credit history** - Credit information and credit scoring

Of the 64 active personal auto or homeowners insurers who responded, 37 (58%) obtain a consumer's credit history. Of these 37 insurers, 22 companies use credit history for underwriting, 10 companies for rating, and 5 companies use it for both. At the time the survey responses were due, four companies had rate filings which proposed the use of credit history under review with the Division. Five other insurers indicated that they plan to begin using credit history within the next twelve months.

Underwriting decisions based on credit history, decisions that determine if a company will accept a risk, are made at the time a consumer seeks a premium quotation, at the time the application is considered for approval, or upon renewal of a policy. Some insurers will not provide a quote to a consumer who has an unfavorable credit history. Some insurers will base a decision to not renew a policy on the consumer's unfavorable credit history in combination with a risk-related factor such as claims history. The definition of unfavorable credit history, which marks an insured as a poor risk, can vary from insurer to insurer, with some insurers considering only a recent bankruptcy while other insurers consider an insurance credit score that is based upon an assortment of credit-related factors.

Rating decisions based on credit history are decisions that determine the price paid for coverage and are made at the time of application or at renewal. Some insurers automatically reevaluate the policyholder's credit history at renewal to ensure that the policyholder is placed in the correct market or tier. Other insurers only use credit history for new business, but will review the consumer's credit

history at the consumer's request to determine if a lower rate may be charged due to improved credit history.

Although insurance companies first began using consumer credit information in 1989, credit scoring was not implemented until 1994. Initially, companies considered the consumer's history of bankruptcy or judgments as part of a larger component that might be referred to as financial responsibility, financial stability, or personal responsibility. Other factors considered in this component were such things as home ownership, length of time at residence, or length of time with employer. By 1994 many companies had replaced this component with the numerical insurance credit score. The majority of companies use credit history for personal auto and homeowners coverage, but a few companies consider it for other types of personal insurance, such as boat owners, motorcycle, condominium owners, renters, and farm insurance.

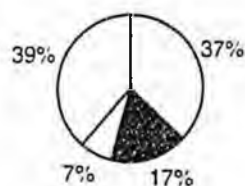
Of the companies using insurance credit scoring, 86% use a third-party vendor to provide their model. The companies are almost evenly split between the use of Choicepoint (53%) and Fair, Isaac & Company, Inc. (47%). Many of the companies were either unaware of the details of the model used by their vendor or referred the Division to the vendor for details.

While information regarding the use of credit history was requested for underwriting, rating, solicitation, and company placement, six companies also disclosed its use in the policy reinstatement process. Credit history is not used by any of the companies to deny a claim or determine the amount of a claim payment. Two companies use credit history to determine a consumer's payment options.

### Automobile Insurance

The highly competitive personal automobile insurance market appears to be the area where a consumer's credit history is most often considered. Of the 54 active automobile insurers who responded to the survey, 33 companies use credit history. Twenty companies use it for underwriting, 9 companies for rating, and by 4 companies for both underwriting and rating.

How Personal Auto Insurers Use  
Credit History

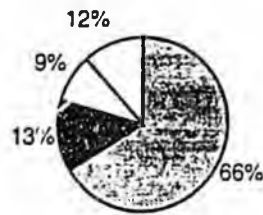


□ Underwriting ■ Rating □ Both □ Neither

While there are many insurers that do not use credit history for either rating or underwriting personal automobile insurance, these insurers comprise only approximately 12% of the market share. The ability of a consumer to obtain personal automobile coverage from one of these insurers may be limited.

Based on 2001 liability written premium market share, 66% of the market uses credit history in underwriting, 13% of the market uses credit history in rating, 9% of the market uses credit history for both rating and underwriting and 12% of the market does not use credit history.

**Use of Credit History By  
Personal Auto Market Share**



□ Underwriting ■ Rating □ Both □ Neither

Eight-two percent of these companies write preferred business, 73% write standard, and 61% write non-standard or high risk. Insurers may provide coverage for these different groups by placing them in separate affiliated companies, by placing these different types of risk in one company through the use of tiers, or by using a combination of the two methods. A tier structure is used by 70% of the companies, but only 33% used this structure prior to the use of credit history. A multiple company structure is used by 73% of the companies and the use of credit history prompted no change in the use of this structure.

Only 42% of the companies provide guidelines to their producers and underwriters on the use of insurance credit scores. Generally, those insurers that do not provide guidelines on the use of credit history use an automated underwriting process and there is minimal review needed by the producer or underwriter to determine if an applicant will be offered coverage.

Consumer education is undertaken by some companies by providing educational material on the use of credit information (64%), by providing an explanation of the difference between a credit report and credit score (42%), or by providing a summary of the Fair Credit Reporting Act (48%). When questions or disputes arise regarding credit history, consumers are directed to the credit bureau (64%) or to Choicepoint (17%).

### *Underwriting*

The Division recently has suggested to insurers that want to use credit history in underwriting to adhere to certain minimum standards. These minimum standards were developed from testimony provided to the legislature during the 2002 legislative session. The following provides a brief description of how the market currently addresses these standards.

*1. The insurer should obtain the insured's permission to use credit information.*

Some insurers notify the consumer that his or her credit history will be used in the underwriting or rating decision and others do not. The use of credit history is mandatory for 79% of the companies. Of those companies for which the use of credit history is mandatory, 9% will not provide a quote without credit history. If the applicant does not want his or her credit history to be used, 15% of the insurers will use all other relevant information to underwrite the policy and 7% will assign an intermediate tier or rate. The remaining insurers will either attempt to order the applicant's credit history anyway or provide a quote but not issue the policy until the credit history is obtained.

2. *The policy should not be nonrenewed in whole or in part based on credit information.*

Eighteen percent of the insurers use credit history as the sole criteria in underwriting or rating decisions. The other insurers use credit history in combination with other rating or underwriting factors.

Some insurers use credit history to retain a policyholder that they might otherwise non-renew because of loss experience if the insured's credit history is favorable suggesting that the likelihood of loss is low.

3. *An insurer should not deny coverage in whole or in part on the absence of credit history or the inability to determine credit history if the insurer has received accurate and complete information.*

Ten percent of the companies would not issue a policy if an applicant's credit history could not be determined.

4. *An insurer should not deny coverage based on the number of inquiries, medical information, particular type of credit card, or total line of credit.*

Due to contractual agreements with the vendors, all companies did not submit information regarding the models used by third party vendors. Because the information was not provided in the survey and the fact that the Division does not use a prior approval approach with underwriting factors, we are unable to determine the extent to which insurers may be in compliance with these standards.

### *Rating*

The Division recently began asking insurers submitting rate filings that propose to use credit history in the rating plan to adhere to certain minimum standards. These standards were also developed from testimony before the legislature in the 2002 session. The following provides a brief description of how the market currently addresses these standards.

1. *An insurer should not impose a surcharge based on the absence of credit history or inability to determine the consumer's credit history.*

Although no company reported that a policy would be surcharged due to the absence of credit history or inability to determine credit history, three companies would not issue a policy and three companies would assign the worst possible credit score. Four insurers consider this situation as slightly unfavorable, three assign an average score which is eligible for all tiers, and one insurer ignores this factor by assigning a tier based on all other factors.

2. *An insurer should not use the number of inquiries, medical information, particular type of credit card, or total line of credit in determining an insured's credit score.*

Two insurers have revised their rating plans to use an insurance credit-scoring model that complies with these standards. Another filing is currently under review by the Division.

3. *If a policy is rated using disputed credit history, the insurer should re-rate the policy retroactive to the effective date of the policy if the consumer resolves the dispute under the Fair Credit Reporting Act process and notifies the insurer that the dispute has been resolved.*

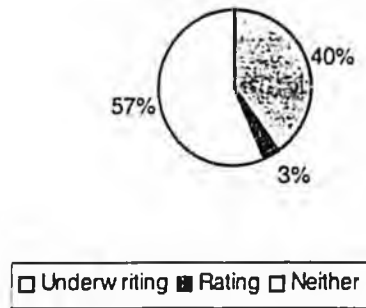
When corrected information is received, 10 of the insurers will apply the corrected information to all affected policies, 6 will apply the corrected information to the current policy only and 8 will only apply the corrected information if it results in lower rates for the

insured. Five of the companies will apply the corrected information to the current policy term plus the prior term.

### Homeowners Insurance

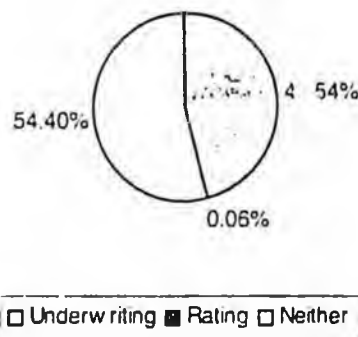
Of the 30 active homeowners insurers who responded to the survey, 13 (48%) use credit history. Credit history is used by 12 companies for underwriting and by 1 company for rating.

**How Homeowners Insurers Use Credit History**



The insurers that do not use credit history for either rating or underwriting comprise approximately 54% of the market share.

**Use of Credit History By Homeowners Market Share**



Ninety-one percent of these companies write preferred business, 91% write standard, and 45% write nonstandard or high risk. Insurers may provide coverage for these different groups by placing them in separate affiliated companies, by placing these different types of risk in one company through the use of tiers, or by using a combination of the two methods. A tier structure is used by 27% of the companies, but only 18% used this structure prior to using credit history. A multiple company structure is used by 64% of the companies and the use of credit history prompted no change in the use of this structure.

Only 64% of the companies provide guidelines to their producers and underwriters on the use of credit scores. Generally, those insurers that do not provide guidelines on the use of credit history use an automated underwriting process and there is minimal review needed by the producer or underwriter to determine if an applicant will be offered coverage.

Consumer education is undertaken by some companies by providing educational material on the use of credit information (73%), by providing an explanation of the difference between a credit report and a credit score (67%), or by providing a summary of the Fair Credit Reporting Act (45%). When questions or disputes arise regarding credit history, consumers are directed to the credit bureau (45%), Choicepoint (27%), or the Division of Insurance (9%).

### *Underwriting*

The Division recently has suggested to insurers that want to use credit history in underwriting to adhere to certain minimum standards. These standards were developed from testimony before the legislature in the 2002 session. The following provides a brief description of how the market currently addresses these standards.

*1. The insurer should obtain the insureds permission to use credit information.*

The use of credit history is mandatory for all the companies surveyed. If an applicant or insured does not wish to have this information used, 36% of the companies will attempt to order it anyway.

*2. The policy should not be nonrenewed in whole or in part based on credit information.*

Seven percent of the insurers use credit history as the sole criteria in underwriting decisions, but no insurer uses credit history as the sole criteria in rating decisions. Some insurers use credit history to retain a policyholder that they might otherwise non-renew because of less experience if the insured's credit history is favorable, suggesting that the likelihood for loss is low.

*3. An insurer should not deny coverage in whole or in part on the absence of credit history or the inability to determine credit history if the insurer has received accurate and complete information.*

Nine percent of the companies would not issue a policy if an applicant's credit history could not be determined.

*4. An insurer should not deny coverage based on the number of inquiries, medical information, particular type of credit card, or total line of credit.*

Due to contractual agreements with the vendors, all companies did not submit information regarding the models used by third party vendors. Because the information was not provided in the survey and the fact that the Division does not use a prior approval approach with underwriting factors, we are unable to determine the extent to which insurers may be in compliance with these standards.

### *Rating*

Based on testimony before the 2002 legislative session, the Division recently began asking companies submitting rate filings that propose to use credit history in the rating plan to adhere to certain minimum standards.

1. *An insurer should not impose a surcharge based on the absence of credit history or inability to determine the consumer's credit history.*

Although no company reported that a policy would be surcharged due to the absence of credit history or inability to determine credit history, two companies would place coverage in an affiliated company. Two insurers will assign an average score which is eligible for all tiers, one insurer will assign an intermediate rate or tier, and one insurer will assign the best rate or tier.

2. *An insurer should not use the number of inquiries, medical information, particular type of credit card, or total line of credit in determining an insured's credit score.*

Two filings are currently under review. The insurance scoring model in each of these filings complies with these standards.

3. *If a policy is rated using disputed credit history, the insurer should re-rate the policy retroactive to the effective date of the policy if the consumer resolves the dispute under the Fair Credit Reporting Act process and notifies the insurer that the dispute has been resolved.*

When corrected information is received 4 of the companies will apply the corrected information to all affected policies, while 2 insurers will only apply the corrected information if it results in lower rates for the insured. None of the companies apply the corrected information to the current policy term only, but one of the companies will apply the information to the current policy term plus the prior term.

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APPENDIX B

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**ALASKA DIVISION OF INSURANCE  
INVESTIGATION ON THE USE OF CREDIT SCORES, INSURANCE SCORES, OR  
CREDIT HISTORY IN INSURANCE RATING AND UNDERWRITING**

This survey should be completed for each company and for each line of business that uses a consumer's credit history for rating or underwriting insurance products. For example, if a company uses credit history in both homeowners and personal auto insurance, complete two surveys, one for homeowners and one for auto.

You may include attachments if you need additional room to respond to the questions in the survey. All attachments should clearly display the survey question number, line of business and company name.

**Please return completed surveys no later than September 30, 2002.**

Line of Business \_\_\_\_\_

\_\_\_\_\_  
Company Name

\_\_\_\_\_  
Address

\_\_\_\_\_  
NAIC Group and Company Number

\_\_\_\_\_  
Name of Individual Completing Survey

\_\_\_\_\_  
Title

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Telephone

\_\_\_\_\_  
Fax

\_\_\_\_\_  
E-mail

Fifty-two of the 79 survey responses are for personal auto business and 27 insurers submitted responses for homeowners business. The total responses for many of the questions may not equal the number of insurers who responded to the survey since many questions required that the insurer provide multiple answers and some insurers did not answer all questions. In addition, insurers that do not use credit history responded to only the first three questions. Responses reflect the companies' practices as of September 30, 2002.

In the following questions, credit score includes an insurance score, i.e., a number that is developed from financial information using a model. Credit information means the consideration of financial information, such as bankruptcies, tax liens, etc., that is not converted to a numerical score. Credit history includes both credit scoring and credit information.

1. Does your company use credit scores in:

<b>Auto</b>			
Underwriting	<u>12</u>	Yes	<u>35</u> No
Rating	<u>15</u>	Yes	<u>32</u> No
Solicitation	<u>12</u>	Yes	<u>39</u> No
Company placement	<u>21</u>	Yes	<u>30</u> No
<b>Homeowners</b>			
Underwriting	<u>4</u>	Yes	<u>22</u> No
Rating	<u>1</u>	Yes	<u>26</u> No
Solicitation	<u>1</u>	Yes	<u>25</u> No
Company placement	<u>4</u>	Yes	<u>22</u> No

2. Does your company use credit information in:

<b>Auto</b>			
Underwriting	<u>6</u>	Yes	<u>45</u> No
Rating	<u>2</u>	Yes	<u>49</u> No
Solicitation	<u>0</u>	Yes	<u>51</u> No
Company placement	<u>2</u>	Yes	<u>49</u> No
<b>Homeowners</b>			
Underwriting	<u>6</u>	Yes	<u>21</u> No
Rating	<u>0</u>	Yes	<u>27</u> No
Solicitation	<u>0</u>	Yes	<u>27</u> No
Company placement	<u>2</u>	Yes	<u>25</u> No

*Note:* If credit history is used as placement criteria in one of multiple affiliated companies, this would be included in company placement. If credit history is used as eligibility criteria for placement in a tier within one company, this would be included in rating. Solicitation includes direct writers and others who mail offers, or use other means to send advertising, to selected consumers based upon their credit history.

3. a) If you are not currently using credit scoring or credit information, do you plan to begin using it in the next 12 months?  
 \_\_\_\_\_ Yes    \_\_\_\_\_ No
- b) If your answer to a) is yes, are you considering its use in underwriting, rating, company placement, or solicitation and for what lines of business?
-

**Three auto insurers plan to begin using credit history in underwriting in the next 12 months. Three homeowners insurers have rate filings pending approval from the Division. One homeowner insurer plans to begin using credit history in underwriting in the next 12 months.**

If you answered yes to any part in questions #1, #2, or #3 continue with the following questions. Otherwise, sign the survey and return it to the Alaska Division of Insurance.

4. What lines of business use credit scoring or credit information for:

Underwriting: Personal auto, homeowners, boatowners, motorcycle, recreational vehicle, renter, condo, mobilehome, farm, landlord, residential fire, personal liability

Rating: Personal auto, motorcycle, homeowners

Solicitation: Personal auto, homeowners

Company placement: Personal auto, homeowners, renter

5. What type of business does your company write?

Auto  
 27 Preferred  
 24 Standard  
 20 Non-standard (high-risk)  
 Other (please specify) \_\_\_\_\_

Homeowners  
 11 Preferred  
 11 Standard  
 5 Non-standard (high-risk)  
 Other (please specify) \_\_\_\_\_

6. When did you first begin using credit scoring or credit information?

**The first use of credit history in Alaska occurred in 1989 with two insurers using credit information. Insurance credit scoring was first used in 1994. Over the years more companies have continued to use credit history in underwriting or rating.**

7. Is a credit score or credit information used as the sole criteria in decisions affecting a consumer? (Sole criteria means that if a consumer's credit score does not meet a certain threshold, or the consumer's credit information does not meet a specified standard, the consumer will be adversely affected. Other mitigating factors are not taken into consideration.)

Auto				
Underwriting	<u>3</u>	Yes	<u>31</u>	No
Rating	<u>2</u>	Yes	<u>29</u>	No
Solicitation	<u>0</u>	Yes	<u>35</u>	No
Company placement	<u>4</u>	Yes	<u>22</u>	No

<b>Homeowners</b>			
Underwriting	<u>4</u>	Yes	<u>10</u> No
Rating	<u>0</u>	Yes	<u>13</u> No
Solicitation	<u>0</u>	Yes	<u>14</u> No
Company placement	<u>2</u>	Yes	<u>11</u> No

8. If credit history is not used as the sole criteria in rating or underwriting decisions, how much weight is it given? What other factors are considered in addition to credit history?

<u>Auto Weight</u>	<u>Number of Insurers</u>
50%	1
33%	4
1 of 3 factors used in combination*	1

\*The weight is difficult to determine because the contribution of the credit component varies from policy to policy.

Examples of other underwriting factors used in conjunction with credit history for auto coverage:

- Prior liability limits
- Number of days lapse in coverage
- Existence (or non-existence) of prior insurance coverage
- Drivers age
- Accident and conviction record
- Number of miles driven
- Type of vehicle (age, make, model)
- The insurance limit and deductible selected for purchase
- Drivers occupation
- Losses
- Driving experience

**Homeowners:**

For homeowners, none of the respondents estimated the weight given to credit history. One insurer noted that credit history could be the sole reason to decline an applicant, but there are other underwriting standards for which they could also decline an applicant, such as prior losses, type of construction or property that does not comply with building codes.

Examples of other underwriting factors used in conjunction with credit history for homeowners coverage:

- Loss history
- Prior insurance coverage
- Age of home
- Fire protection class

## CREDIT SCORING MODEL

9. Does your company use a credit-scoring model developed by a third party vendor or is the model developed in house?

**Twelve auto insurers and four homeowners insurers develop their own insurance credit scoring model. Twenty-three auto insurers and 9 homeowners insurers use a model developed by a third party vendor. Three insurers develop a proprietary model in conjunction with a third party vendor.**

10. If you use a third party vendor, who developed the model used by your company.

**Auto**

12 ChoicePoint

11 Fair, Isaac & Company, Inc.

**Homeowners**

5 ChoicePoint

4 Fair, Isaac & Company

11. If you use a third party vendor, identify the specific model.

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12. Whether you use an in-house model or a third party vendor model, attach a list of all criteria that are included in the calculation of the credit score.

**The criteria used in an insurance credit-scoring model vary by the particular model. The following credit attributes are some typical criteria used:**

- Number of non-insurance inquiries
- Number of derogatory public records such as bankruptcies, judgments or tax liens
- Length of time since accounts were established
- Age of oldest trade (installment loan or revolving account)
- Number of trades paid on time
- Number of months since most recent charge off (attempt by a creditor to collect)
- Total number of non-closed auto loan trades
- Number of months a trade is overdue
- Number of inquiries for transactions initiated by consumer in last 6 months
- Total of balances on accounts
- Length of time accounts have been established
- Percent of accounts paid as agreed in last 24 months to total accounts
- Number of accounts opened in the last 12 months

13. Attach statistical support that demonstrates the relationship of each criteria used in the model to an insured's loss experience and that supports its inclusion in the model algorithm.
14. Attach statistical support that demonstrates the overall validity of the model and that it is an accurate predictor of loss experience. This support should include multi-variate analysis, or other appropriate statistical validation, not just loss ratios.

15. List any credit information that is not used in the model.

The credit attributes that are not used also vary by the particular model. Some models do not use the following items (but other models may use these items):

- Non-consumer initiated inquiries
- Multiple inquiries in a 30-day period for auto loans or mortgages
- Net worth
- Disputed items
- Items identified as medical
- The number or type of accounts
- Total balance or limits

## UNDERWRITING

16. a) How many years of credit history affect underwriting or rating, either for inclusion in the credit scoring model or for other uses?

\_\_\_\_\_ 1 year

\_\_\_\_\_ 3 years

\_\_\_\_\_ 7 years

\_\_\_\_\_ 10 years

\_\_\_\_\_ Other (please specify) \_\_\_\_\_

- b) If the length of time depends on the type of information, include an explanation.

The number of years of credit history that affects underwriting or rating generally varies by type of information. Most insurers use all data that is available from the credit bureau. This includes adverse public records for 7 years and Chapter 7 bankruptcies for 10 years. Some insurers use inquiry information up to 24 months and others use it only for 6 months. Some insurers use only 5 years of credit history while others use 5 years only for bankruptcy, judgments, liens and foreclosures.

17. Does your company provide written guidelines to all your underwriters describing when credit history is to be requested and how it is to be used and evaluated?

### Auto

- a) 14 Yes 17 No

### Homeowners

- a) 9 Yes 6 No

- b) If yes, please provide a copy.

- c) If no, how do you ensure compliance with underwriting guidelines?

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Those that do not have written guidelines generally have automated systems that do not allow for underwriter intervention.

18. Does your company provide written guidelines to all your producers describing when credit history is to be requested and how it is to be used and evaluated?

### Auto

- a) 16 Yes 9 No

### Homeowners

- a) 14 Yes 5 No

- b) If yes, please provide a copy.

c) If no, how do you ensure compliance with company requirements?

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**Those that do not have written guidelines generally have automated systems that do not allow for producer intervention. Some insurers are direct writers and do not sell insurance coverage through a producer.**

19. a) Do you periodically re-underwrite or re-rate your insureds to determine if there have been any changes in their credit history that would give them a different rate or place them in a different company or tier?

Auto        7      Yes        26      No

Homeowners 2      Yes        11      No

b) How often do you re-underwrite or re-rate your insureds?

**Auto**

6      Only at the insured's request

2      Only at the producer's request

2      Automatically at each annual renewal

4      Automatically every two years

0      Only if credit worsens

0      Only if credit improves

0      Based on loss experience

\_\_\_\_ Other (please specify)

2 When requested by insured after correction to credit report

3 New business and first three renewals

**Homeowners**

0      Only at the producer's request

0      Automatically at each annual renewal

0      Automatically every two years

0      Only if credit worsens

0      Only if credit improves

3      Based on loss experience

\_\_\_\_ Other (please specify)

1 When requested by insured after correction to credit report

2 New business and first renewal only

20. Explain how you use credit history in your underwriting process.

**Credit history is used in the underwriting process in various ways by different insurers. The following are some of the ways in which it is used:**

- **Credit history is combined with traditional underwriting factors. Individuals with excellent credit history may be placed in a lower priced market than if traditional underwriting factors were used alone. Individuals with less than excellent credit are placed in a market based on the traditional underwriting factors, but those with the poorest credit cannot qualify for the preferred market.**

- Credit history is used in conjunction with other factors such as driving record and prior insurance. Individuals with unsatisfactory credit history are not offered coverage unless their poor credit is due to extraordinary medical circumstances.
- Credit history is used only for new business company placement. Some insurers may deny coverage if the consumer's insurance credit score is below the insurers' acceptable threshold.
- Some insurers consider only detrimental credit occurrences such as bankruptcy and foreclosures.
- Some insurers use credit history only when the consumer has had prior non-catastrophe or non-weather related losses within a certain number of years.

21. Do you use the same underwriting or rating criteria for your renewal business as for your new business? \_\_\_\_\_ Yes \_\_\_\_\_ No  
Describe any differences.

**Most insurers do not use the same underwriting or rating criteria for new and renewal business. Ten auto insurers use the same criteria for new and renewal business but only one homeowners insurer uses the same criteria. Sixteen auto and 11 homeowners insurers use different underwriting or rating criteria for new versus renewal business. This is primarily due to the fact that most insurers use credit history for market placement only on new business. Other insurers use different new and renewal underwriting or rating criteria for the following reasons:**

- Policies that may otherwise not be renewed may be renewed if the insured's credit history suggests that the likelihood of loss is low
- When factors other than credit, such as the number of losses, force a re-evaluation of the risk, the new business and renewal underwriting criteria are the same
- Credit history is not used after the second anniversary

22. Attach an exhibit showing the number of policyholders, by year since the implementation of credit history, who received a different rate or different tier placement due to re-evaluation of credit information or credit score. This exhibit should indicate whether the insured received a higher rate or a lower rate, the tier or company placement change, and the amount of the rate change, due to a change in their credit history.

## **TIER STRUCTURE**

23. Do you currently use a tier structure?

**A tier rating structure is more prevalent among auto insurers than among homeowners insurers. Twenty-three auto insurers and three homeowners insurers use a tier structure. Twelve auto insurers and 12 homeowners insurers do not use a tier structure.**

24. Did your company use a tier structure prior to the use of credit information or credit scoring?

**Auto insurers that did not use a tier structure prior to the use of credit history were more likely to use a tier structure after they began using credit history than were homeowners insurers. Eleven auto insurers used a tier structure prior to using credit history and 25 did not. Only two homeowners insurers used a tier structure prior to using credit history and 11 did not.**

25. Attach an exhibit describing the tier eligibility criteria prior to the use of credit history and the current eligibility criteria after the use of credit history. If you made any changes to these criteria, please give all intermediate criteria and the date on which the revisions took effect.
26. Attach an exhibit showing the number and distribution of policyholders in each tier by year since the implementation of credit history. If your company used a tier structure prior to the

use of credit information or credit scoring, also include a distribution of policyholders by tier for the year preceding the implementation of credit scores or credit information.

27. a) Attach an exhibit showing the number and distribution of policyholders by zip code and tier for each year since the implementation of credit history. If your company used a tier structure prior to the use of credit information or credit scoring, also include the year preceding the implementation of credit scores or credit information.  
b) Attach similar exhibits for policyholders that were non-renewed and for declinations.
28. a) Attach an exhibit showing the number and distribution of policyholders by age and tier for each year since the implementation of credit history. If your company used a tier structure prior to the use of credit information or credit scoring, also include the year preceding the implementation of credit scores or credit information.  
b) Attach similar exhibits for policyholders that were non-renewed and for declinations.
29. a) Attach an exhibit showing the number and distribution of policyholders by marital status and tier for each year since the implementation of credit history. If your company used a tier structure prior to the use of credit information or credit scoring, also include the year preceding the implementation of credit scores or credit information.  
b) Attach similar exhibits for policyholders that were non-renewed and for declinations.
30. a) Attach an exhibit showing the number and distribution of policyholders by sex and tier for each year since the implementation of credit history. If your company used a tier structure prior to the use of credit information or credit scoring, also include the year preceding the implementation of credit scores or credit information.  
b) Attach similar exhibits for policyholders that were non-renewed and for declinations.

#### **MULTIPLE COMPANY STRUCTURE**

31. Do you currently use multiple companies that are preferred, standard and non-standard (multiple company structure)?

**A multiple company structure is used equally by auto and homeowners insurers. Twenty-four auto insurers use a multiple company structure and 12 do not. Seven homeowners insurers use a multiple company structure and 8 do not.**

32. Did your companies also use this structure prior to the use of credit information or credit scoring?

**Prior to the use of credit history, 24 auto insurers used a multiple company structure while 5 homeowners insurers used a multiple company structure.**

33. Attach an exhibit describing the underwriting criteria for each company prior to the use of credit history and the current criteria including the use of credit history. If you made any changes to these criteria, please give all intermediate criteria and the date on which the revisions took effect.
34. Attach an exhibit showing the number and distribution of policyholders in each company by year beginning with the year prior to the implementation of the use of credit scoring or credit information.

35. a) Attach an exhibit showing the number and distribution of policyholders by zip code and company for each year beginning with the year prior to the implementation of the use of credit scoring or credit information.
- b) Attach similar exhibits for policyholders that were non-renewed and for declinations.
36. a) Attach an exhibit showing the number and distribution of policyholders by age and company for each year since the implementation of credit history. If your company used a multiple company structure prior to the use of credit information or credit scoring, also include the year preceding the implementation of credit scoring or credit information.
- b) Attach similar exhibits for policyholders that were non-renewed and for declinations.
37. a) Attach an exhibit showing the number and distribution of policyholders by marital status and company for each year since the implementation of credit history. If your company used a multiple company structure prior to the use of credit information or credit scoring, also include the year preceding the implementation of credit scoring or credit information.
- b) Attach similar exhibits for policyholders that were non-renewed and for declinations.
38. a) Attach an exhibit showing the number and distribution of policyholders by sex and company for each year since the implementation of credit history. If your company used a multiple company structure prior to the use of credit information or credit scoring, also include the year preceding the implementation of credit scoring or credit information.
- b) Attach similar exhibits for policyholders that were non-renewed and for declinations.

## DISCLOSURE

39. If adverse action is taken against a consumer because of credit history, how is the consumer notified of the adverse action?

### Auto

- 7 Verbally by the producer  
9 In writing by the producer  
0 Verbally by the insurer  
29 In writing by the insurer

### Homeowners

- 3 Verbally by the producer  
6 In writing by the producer  
0 Verbally by the insurer  
11 In writing by the insurer

40. If adverse action is taken against a consumer because of credit history, how often is the consumer notified of the adverse action?

### Auto

- 15 Only at policy inception  
7 Every renewal  
 \_\_\_\_\_ Other (please specify)  
12 Whenever the adverse action is taken

**Homeowners**

- 6  Only at policy inception
- 0  Every renewal
- Other (please specify)
- 6 **Whenever the adverse action is taken**
- 1 **At declination**

41. Adverse action is defined as: (indicate all that apply)

**Auto**

- 2  Consumer is non-renewed
- 15  Consumer is not issued a policy
- 2  Consumer is cancelled
- 15  Consumer is not quoted a premium
- 2  Consumer is provided limited coverage
- 2  Consumer is given a surcharge
- 5  Consumer is not given a discount
- 15  Consumer is not given the best rate
- 8  Consumer is not placed in a preferred company
- 8  Consumer is not placed in a standard company
- 13  Consumer is not placed in a preferred tier
- 11  Consumer is not placed in a standard tier
- Other (please specify)
- 9 **Consumer is placed in a higher rated tier or company due to credit history**

**Homeowners**

- 2  Consumer is non-renewed
- 11  Consumer is not issued a policy
- 3  Consumer is cancelled
- 7  Consumer is not quoted a premium
- 3  Consumer is provided limited coverage
- 2  Consumer is given a surcharge
- 2  Consumer is not given a discount
- 5  Consumer is not given the best rate
- 4  Consumer is not placed in a preferred company
- 4  Consumer is not placed in a standard company
- 4  Consumer is not placed in a preferred tier
- 4  Consumer is not placed in a standard tier
- Other (please specify)
- 1 **Consumer is placed in a higher rated tier or company due to credit history**

42. If adverse action is taken against a consumer, are they told what attributes of their credit history contributed to the adverse action?

**Twenty-one auto insurers and 13 homeowners insurers tell the consumer what attributes of the consumer's credit history contributed to the adverse action. Twelve auto insurers and 2 homeowners insurers do not. Most of the insurers indicated that this information is provided upon request by the insured.**

43. When a consumer receives a premium increase, is the amount of the increase due to credit history or a change in credit score or credit information disclosed to the consumer?

**No insurer discloses to a consumer the amount of a premium increase due to credit history.**

44. Does your company provide educational material to your insureds on the use of credit scores or credit information in insurance rating and underwriting?

**Auto**  
a) 21 Yes 14 No

**Homeowners**  
a) 8 Yes 5 No

b) If your answer to a) is yes, describe the educational activities you use and attach any printed material you distribute.

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c) Do you explain the difference between a credit report and a credit score?

**Auto**  
14 Yes 19 No

**Homeowners**  
8 Yes 5 No

45. Do you provide consumers with a summary of the Fair Credit Reporting Act?

**Auto**  
16 Yes 17 No

**Homeowners**  
7 Yes 7 No

46. Does your company provide information to consumers to assist them in making inquiries or complaints regarding the use of credit information?

**Auto**  
a) 28 Yes 7 No  
b) If yes, contact information is provided for:  
0 Alaska Division of Insurance  
0 Federal Trade Commission  
21 Credit Bureau  
       Other  
1 Insurance company  
7 ChoicePoint  
1 Transunion National Disclosure Center

**Homeowners**  
a) 10 Yes 4 No  
b) If yes, contact information is provided for:  
1 Alaska Division of Insurance  
0 Federal Trade Commission  
6 Credit Bureau  
       Other  
1 Insurance company  
4 ChoicePoint

## INCORRECT INFORMATION

47. a) Describe the procedures used by your company when a consumer notifies you of incorrect information contained in his or her credit report.

**Most insurers direct the consumer to the credit bureau or credit reporting agency. When the consumer notifies the insurer that incorrect information is corrected the insurer will calculate a new credit score. Other insurers also inform the consumer of his or her right to obtain a free copy of the consumer's credit report.**

- b) How long do you use credit information that the consumer has indicated is incorrect?

### Auto

31 \_\_\_\_\_ Until corrected following procedures outlined in the Fair Credit Reporting Act.

0 \_\_\_\_\_ Not used at all, whether or not it has been corrected by the credit reporting agency.

\_\_\_\_\_ Other (please specify)

**7 Not used until a consumer filed challenge has been resolved**

**6 Excluded when items are flagged by the credit reporting agency as disputed**

### Homeowner

14 \_\_\_\_\_ Until corrected following procedures outlined in the Fair Credit Reporting Act.

0 \_\_\_\_\_ Not used at all, whether or not it has been corrected by the credit reporting agency.

\_\_\_\_\_ Other (please specify) \_\_\_\_\_

**4 Not used until a consumer filed challenge has been resolved**

**2 Excluded when items are flagged by the credit reporting agency as disputed**

48. Does any corrective action, such as re-rating or re-underwriting, apply to the consumer's in-force policy only or does it apply to all policies, including previous policies that may have been issued based on incorrect information?

### Auto

6 \_\_\_\_\_ Current policy only

8 \_\_\_\_\_ All policies affected by the incorrect information

8 \_\_\_\_\_ All policies affected by the incorrect information only when the corrected score results in lower rates

\_\_\_\_\_ Other (please specify)

**5 The current and one prior policy term**

**7 Not used until a consumer filed challenged has been resolved**

**2 All policies when the incorrect information has been corrected**

### Homeowners

0 \_\_\_\_\_ Current policy only

4 \_\_\_\_\_ All policies affected by the incorrect information

2 \_\_\_\_\_ All policies affected by the incorrect information only when the corrected score results in lower rates

\_\_\_\_\_ Other (please specify)

**1 The current and one prior policy term**

**4 Not used until a consumer filed challenged has been resolved**

## GENERAL PROCEDURES

49. What procedures are in place to protect the confidentiality of a consumer's credit history?

The primary means that insurers use to protect the confidentiality of a consumer's credit history is by obtaining only the insurance credit score through an automated process. Some insurers make the score available to their producers and underwriters while others do not. Five insurers indicated they have privacy guidelines, one insurer indicated the information is kept by management in a locked file, another insurer stores the information electronically and it is accessible only by password. One insurer indicated an underwriter might review the consumer's credit report at the request of the consumer.

50. Who has access to the consumer's credit history?

### Auto

- 6 Producer (3 have access to credit information, 3 credit score only)  
22 Underwriter (10 have access to credit information, 12 credit score only)  
     Other (please specify)  
    5 Employees with access to the policy file  
    3 Internal systems staff  
    1 Pricing staff  
    2 No one  
    3 Limited number of employees for complaint resolution, modeling, analysis, and programming  
    2 Agents are given the top four negative reasons, underwriters see the score and the top 4 negative reasons

### Homeowners

- 5 Producer  
12 Underwriter  
2 Other (please specify)  
    2 Agents are given the top four negative reasons, underwriters see the score and the top 4 negative reasons

51. Is the use of credit information optional?      Yes      No

### Auto

- 10 Yes 26 No

### Homeowners

- 0 Yes 15 No

52. If the consumer does not want his or her credit information used, but meets all other eligibility criteria, how will the consumer be treated?

### Auto

- 14 Not issued a policy  
0 Non-renewed  
0 Cancelled  
0 Given the best rate or placed in the best tier  
0 Given the worst rate or placed in the worst tier  
2 Given some intermediate rate or placed in an intermediate tier  
     Other (please specify)  
    3 Given the base rate  
    4 Given a quote, but the policy will not be issued without using credit history

**5 Placed in a market based on all other underwriting factors**  
**3 Not given a quote**  
**4 Attempt to order credit**

**Homeowners**

**6** \_\_\_\_\_ Not issued a policy  
**0** \_\_\_\_\_ Non-renewed  
**0** \_\_\_\_\_ Cancelled  
**0** \_\_\_\_\_ Given the best rate or placed in the best tier  
**0** \_\_\_\_\_ Given the worst rate or placed in the worst tier  
**0** \_\_\_\_\_ Given some intermediate rate or placed in an intermediate tier  
\_\_\_\_\_ Other (please specify)  
**3 Given a quote, but the policy will not be issued without using credit history**  
**4 Attempt to order credit**

53. If a consumer is a "no hit" (the company can find no credit information on the applicant), but meets all other eligibility criteria, how is the consumer treated?

**Auto**

**3** \_\_\_\_\_ Not issued a policy  
**0** \_\_\_\_\_ Non-renewed  
**0** \_\_\_\_\_ Cancelled  
**3** \_\_\_\_\_ Given the best rate or placed in the best tier  
**0** \_\_\_\_\_ Given the worst rate or placed in the worst tier  
**9** \_\_\_\_\_ Given some intermediate rate or placed in an intermediate tier  
\_\_\_\_\_ Other (please specify)  
**7 Assigned a mathematical weight**  
**1 Offered coverage in another company**  
**5 Placed in a company based on all other underwriting factors**  
**3 Assigned the worst credit score category**  
**3 Assigned an average credit score**

**Homeowners**

**0** \_\_\_\_\_ Not issued a policy  
**0** \_\_\_\_\_ Non-renewed  
**0** \_\_\_\_\_ Cancelled  
**1** \_\_\_\_\_ Given the best rate or placed in the best tier  
**0** \_\_\_\_\_ Given the worst rate or placed in the worst tier  
**1** \_\_\_\_\_ Given some intermediate rate or placed in an intermediate tier  
\_\_\_\_\_ Other (please specify)  
**4 Assigned a mathematical weight**  
**3 Placed in a company based on all other underwriting factors**  
**2 Assigned an average credit score**

54. If a consumer is a "no score" (the company is unable to calculate a credit score for the consumer), but meets all other eligibility criteria, how is the consumer treated?

**Auto**

**1** \_\_\_\_\_ Not issued a policy  
**0** \_\_\_\_\_ Non-renewed  
**0** \_\_\_\_\_ Cancelled  
**1** \_\_\_\_\_ Given the best rate or placed in the best tier  
**0** \_\_\_\_\_ Given the worst rate or placed in the worst tier  
**9** \_\_\_\_\_ Given some intermediate rate or placed in an intermediate tier  
\_\_\_\_\_ Other (please specify)

- 7 Assigned a mathematical weight
- 1 Offered coverage in another company
- 5 Placed in a company based on all other underwriting factors
- 3 Assigned the worst credit score category
- 3 Assigned an average credit score
- 2 Given the best rate in a standard company

**Homeowners**

- 0 \_\_\_\_\_ Not issued a policy
- 0 \_\_\_\_\_ Non-renewed
- 0 \_\_\_\_\_ Cancelled
- 1 \_\_\_\_\_ Given the best rate or placed in the best tier
- 0 \_\_\_\_\_ Given the worst rate or placed in the worst tier
- 1 \_\_\_\_\_ Given some intermediate rate or placed in an intermediate tier
- \_\_\_\_\_ Other (please specify)
- 4 Assigned a mathematical weight
- 1 Placed in a company based on all other underwriting factors
- 2 Assigned an average credit score

55. When a policy is written for multiple insureds, whose credit history is considered in the rating or underwriting of the policy?

**Auto**

- 3 \_\_\_\_\_ The consumer with the best credit score
- 0 \_\_\_\_\_ The consumer with the worst credit score
- 11 \_\_\_\_\_ The consumer who is the first named insured
- 17 \_\_\_\_\_ The consumer who is the first named applicant
- 0 \_\_\_\_\_ All consumers and an average credit score is developed
- 1 \_\_\_\_\_ The consumer selected by the insured or applicant
- 0 \_\_\_\_\_ The husband's
- 0 \_\_\_\_\_ The wife's
- \_\_\_\_\_ Other (please specify)
- 2 First two applicants
- 3 Spouse when named insured is a no-hit or no-score
- 2 Person in household most likely to have complete credit history (usually oldest male driver under 65)

**Homeowners**

- 1 \_\_\_\_\_ The consumer with the best credit score
- 0 \_\_\_\_\_ The consumer with the worst credit score
- 5 \_\_\_\_\_ The consumer who is the first named insured
- 5 \_\_\_\_\_ The consumer who is the first named applicant
- 0 \_\_\_\_\_ All consumers and an average credit score is developed
- 0 \_\_\_\_\_ The consumer selected by the insured or applicant
- 0 \_\_\_\_\_ The husband's
- 0 \_\_\_\_\_ The wife's
- \_\_\_\_\_ Other (please specify)
- 2 First two applicants
- 3 Named insured and spouse

56. Is a consumer's credit score or credit information used as eligibility criteria for the type of payment plan offered to an insured?

**One auto and one homeowners insurer use credit history to determine eligibility for the type of payment plan offered to the insured.**

57. Is a consumer's credit score or credit information used in the decision to deny a claim?

**No insurers use credit history to deny a claim.**

58. Is a consumer's credit score or credit information used to settle a claim for a certain amount?

**No insurers use credit history to settle a claim for a specified amount.**

59. Describe any other uses that your company makes of credit history.

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## **Automobile Insurance Companies**

Active companies as of September 30, 2002

### **Credit Information Used For Underwriting**

AIU Insurance Company (AIG)  
Allstate Insurance Company  
Company  
Allstate Indemnity Company  
Company  
American Home Assurance Company (AIG)  
American International Insurance Company (AIG)  
Country Casualty Insurance Company  
Country Mutual Insurance Company  
Country Preferred Insurance Company  
Electric Insurance Company  
First National Insurance Company of America (SAFECO)  
GEICO Casualty Insurance Company  
GEICO General Insurance Company  
GEICO Indemnity Company  
General Insurance Company of America (SAFECO)  
Government Employees Insurance Company  
Insurance Company of the State of Pennsylvania (AIG)  
Insurance Co.  
National Union Fire Insurance Company of Pittsburgh (AIG)  
SAFECO Insurance Company of America  
SAFECO Insurance Company of Illinois  
State Farm Fire and Casualty Company  
State Farm Mutual Auto Insurance Company  
United Services Automobile Association  
USAA Casualty Insurance Company  
USAA General Indemnity Company

### **Credit Information Used for Rating**

American Economy Insurance Company (insurQuest)  
American States Insurance Company (insurQuest)  
Country Casualty Insurance Company  
General Insurance Company of America (insurQuest)  
Horace Mann Property & Casualty Insurance Company  
Leader Insurance Company  
Progressive Casualty Insurance Company  
Progressive Northwestern Insurance Company  
Progressive Specialty Insurance Company  
United Services Automobile Association  
USAA Casualty Insurance Company  
USAA General Indemnity Company  
Worldwide Insurance Company

### **Credit Information Not Used**

American Bankers Insurance Company of Florida  
American Family Home Insurance  
  
American Manufacturers Mutual Insurance  
  
American Modern Home Insurance Company  
American Premier Insurance Company  
American Protection Insurance Company  
Amica Mutual Insurance Company  
Cincinnati Insurance Company  
Federal Insurance Company  
Harleysville Insurance Company  
Hartford Accident & Indemnity Company  
Hartford Insurance Company of the Midwest  
Horace Mann Insurance Company  
Liberty Mutual Fire Insurance Company  
Markel Insurance Company  
Metropolitan Group Property & Casualty  
  
Northland Casualty Company  
Sentry Select Insurance Company  
Teachers Insurance Company (Horace Mann)  
Vigilant Insurance Company  
Windsor Insurance Company

## **Homeowners Insurance Companies**

Active companies as of September 30, 2002

### **Credit Information Used For Underwriting**

Allstate Insurance Company  
Allstate Indemnity Company  
Armed Forces Insurance Exchange  
Country Mutual Insurance Company  
Electric Insurance Company  
First National Insurance Company of America (SAFECO)  
General Insurance Company of America (SAFECO)  
Nationwide Mutual Fire Insurance Company  
SAFECO Insurance Company of America  
SAFECO Insurance Company of Illinois  
Vesta Insurance Corporation

### **Credit Information Used for Rating**

American International Insurance Company (AIG)

### **Credit Information Not Used**

American Bankers Insurance Company of Florida  
American Equity Insurance Company  
American Manufacturers Mutual Insurance Company  
American Protection Insurance Company  
Cincinnati Insurance Company  
Empire Fire & Marine Insurance Company  
Federal Insurance Company  
Hartford Insurance Company of the Midwest  
Harleysville Insurance Company  
Horace Mann Insurance Company  
Liberty Mutual Fire Insurance Company  
Metropolitan Group Property & Casualty Insurance Company  
Sentry Select Insurance Company  
State Farm Fire and Casualty Company  
Umialik Insurance Company  
United Services Automobile Association  
USAA Casualty Insurance Company  
Vigilant Insurance Company



# Alaska State Legislature

## House Committee on Community and Regional Affairs

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Representative Carl Morgan, Chair  
State Capitol Building, Room 408  
Juneau, AK 99801  
907-465-3882

### AGENDA

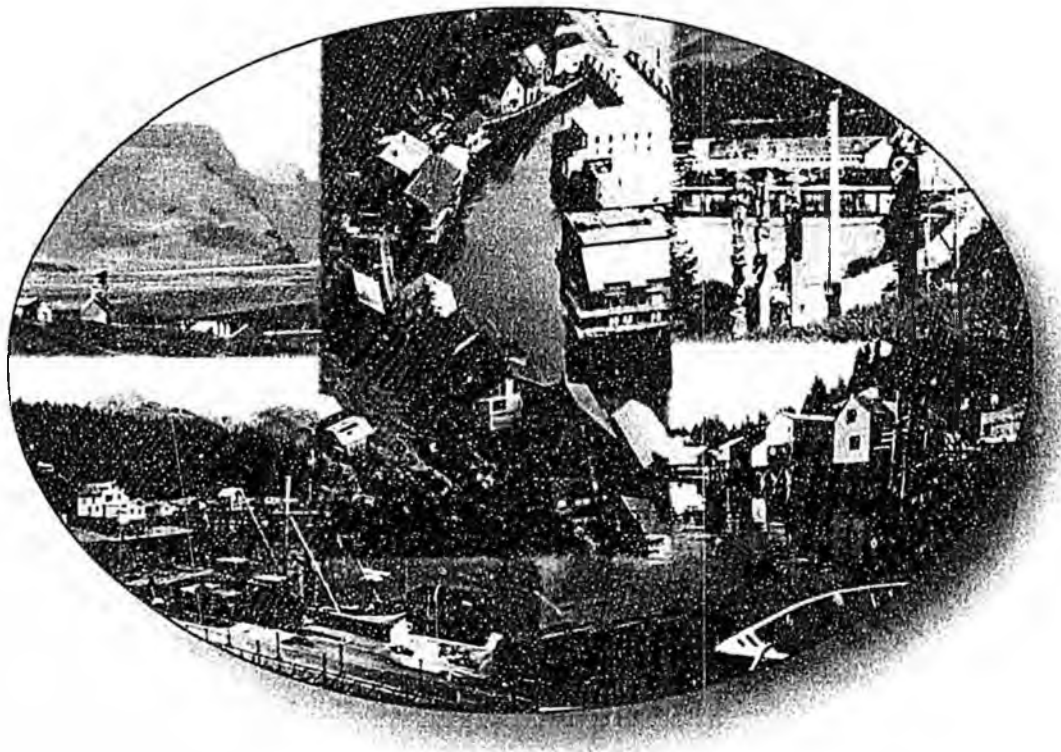
State Capitol 124  
8:00 am – 10:00 am

- **Call to Order**  
Today's date is February 25, 2003  
The time is \_\_\_\_\_ (8 am)
- **Overview**
- **Department of Community and Economic Development**  
*Edgar Blatchford, Commissioner*
  - **Division of Community and Business Development**  
*Gene Kane, Director*
  - **Division of International Trade and Market Development**  
*Margy Johnson, Director*
  - **Division of Investments**  
*Greg Winegar, Director*
  - **Division of Banking, Securities & Corporations**  
*Mark Davis, Director*
  - **Division of Occupational Licensing**  
*Rick Urion, Director*
  - **Division of Insurance**  
*Stan Ridgeway, Director*
- **Other Business**
- **Adjournment**

# Annual Report

## Division of Community and Business Development

### January 2003



Edgar Blatchford, Commissioner  
Department of Community and  
Economic Development



Gene Kane, Acting Director  
Division of Community and  
Business Development

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## Division of Community & Business Development

### MISSION

**Promote strong communities and healthy economies by providing information, technical and financial assistance and other capacity building resources.**

The Division of Community and Business Development (DCBD) has two major elements - community development and business development. We also have two important support functions which are essential to our mission - providing financial assistance and information. Services provided by the Division run the full range from identifying community needs and economic development goals, to obtaining funding for specific projects, and providing technical assistance to new or expanding businesses. The Division provides services to individuals, communities, various organizations and specific industries.

The Division delivers its services from eight locations. To provide more direct service to the people they serve, DCBD staff are stationed at regional offices located around the state. Staff in these regional offices are in frequent contact with the communities they serve. The goal of this effort is to develop and maintain local capacities which help ensure efficient and effective local governments.

In addition, the Division has an office in the Tok Alaska Public Lands Information Center. The Center is mandated by the Alaska National Interest Lands Conservation Act of 1980, and is one of four interagency centers operating around the state. It is a cooperative effort by eight state and federal agencies to provide information and referral about Alaska's tremendous variety of public lands. In one stop, visitors can obtain all the information needed to plan their Alaska Adventure. Services offered include tourist information, trip planning services and Alaska Marine Highway reservations.



## Community Development

The focus of community development staff is technical assistance and training for communities that lack various resources needed to effectively operate their local government. When working with a community to resolve a specific problem, staff also work towards the more general goal of "capacity building," increasing the capacity of local people and organizations to deal with local problems. The Division also supports the provision of professional training and development opportunities in cooperation with organizations such as the Alaska Association of Municipal Clerks, Alaska Association of Assessing Officers, Alaska Planners Association, and the Alaska Municipal League.

### Local Government Development

The fundamental purpose of Local Government Development is to help local and regional governments to become more self sufficient in providing effective government services to community residents.

The writers of Alaska's constitution mandated the creation of a "local affairs agency." Article X, Section 14. Local Government Agency of the State Constitution states: 'An Agency shall be established by law in the executive branch of the state government to advise and assist local governments. It shall review their activities, collect and publish local government information, and perform other duties prescribed by law.'

The framers of the Alaska Constitution clearly indicated their belief that local government would play a critical role in Alaska's future; and that the state had a responsibility to work with local governments to help them be successful in providing local governance and effective public services for community residents.

The Alaska Constitution also specifically provides for maximum local self government. However, the framers of Alaska's Constitution also recognized that many local governments in the state were not fully developed and would not have the resources to achieve strong local self-determination unless they were assisted in this effort. A large part of the state consists of the "unorganized borough" in which there is no regional form of government. DCBD fulfills this mandated assistance function by offering local governments and other community entities a broad range of support for local development efforts.

### *Financial Management Assistance*

A division priority is helping communities establish and maintain basic financial management systems. This focus on financial management has had positive results. While some communities continue to struggle financially, their status has stabilized with fewer crises disrupting day-to-day operations. In addition to city officials, DCBD staff provide training for elected local officials who may not have an adequate understanding of their financial management responsibilities.

## *Local Government Management Assistance*

Alaska's Constitution, statutes and regulations define the powers and responsibilities of local governments. Various programs in DCBD were created to assist local governments in utilizing these powers to improve the efficiency of their organizations and the quality of life for residents in their communities. Assistance can be provided or arranged on just about any aspect of municipal government. Examples of assistance and training topics or activities provided by DCBD include:

- ◆ Ordinance development and codification.
- ◆ Elections training.
- ◆ Personnel practices.
- ◆ Tax assessment and collection.
- ◆ Title 4 (Alcohol) local option laws.
- ◆ Council powers and procedures.
- ◆ Interpretation of State and local laws.
- ◆ Land management and planning.
- ◆ Development of land disposal ordinances.
- ◆ ANCSA 14(c)(3) negotiations & agreements.
- ◆ Community Visioning.
- ◆ Newly Elected Officials (NEO) training.
- ◆ Grant writing training and assistance.



### ☆☆ Success Story ☆☆

DCBD staff assisted the City of Nondalton in identifying management problems that have resulted in the city incurring debt of over \$400,000. Operations and financial management plans were developed to address the problems. Following are steps the community has taken with DCBD assistance:

**Operations Management** - The Council amended their ordinance to eliminate a paid mayor position and instituted an emergency-staffing plan that reduced the costs of the city. The Council adopted a new water and sewer ordinance to facilitate the City's collection of water and sewer revenue.

**Financial Management** - The City has worked with DCED staff to draft a realistic budget and debt repayment plan. The plan is now being implemented and progress is being made at becoming debt free.

**Planning/land use** - The City also addressed long-standing planning concerns. They signed an ANCSA 14(C) agreement to settle land title issues in the City. They updated their land disposal ordinance for City property and corrected inconsistencies in their previous process.

A side benefit of these actions is that community members are moving toward more involvement in city government. At one community meeting attended by DCED staff, approximately 30 members of the public were present showing support for the Council's actions and an eagerness to help get the city on track.

## ***Local Boundary Commission***

The Local Boundary Commission (LBC) has the power and duty to judge proposals for:

- ◆ incorporation of cities and boroughs;
- ◆ reclassification of cities;
- ◆ annexation to cities and boroughs;
- ◆ detachment from cities and boroughs;
- ◆ dissolution of cities and boroughs;
- ◆ merger of cities and boroughs; and
- ◆ consolidation of cities and boroughs.



Additionally, the LBC has the duty to make studies of local government boundary problems. It is one of five State boards with origins in Alaska's constitution (Article X, Section 12).

The LBC consists of five members appointed by the Governor. One member is appointed from each of Alaska's four judicial districts; the fifth member is appointed at-large. Members of the LBC serve overlapping five-year terms.

DCBD staff provides technical support to the Commission, petitioners, and other interested individuals and organizations. DCBD's responsibilities in that regard include:

- ◆ providing technical assistance to prospective petitioners and other interested individuals and organizations regarding matters that come before the LBC;
- ◆ performing feasibility and policy analysis of proposals and prospective proposals to the LBC;
- ◆ conducting public informational meetings concerning proposals pending before the LBC;
- ◆ preparing reports and recommendations on matters pending before the LBC;
- ◆ providing technical support to the LBC at its public hearings;
- ◆ drafting decisional statements regarding actions taken by the LBC;
- ◆ implementing decisions of the LBC;
- ◆ certifying the creation and alteration of municipalities' actions; and maintaining incorporation and boundary records for each of Alaska's 161 cities and boroughs.

Major activities of the Local Boundary Commission and DCBD Staff:

### ***Regulation Revisions***

The LBC completed reforms to its procedural regulations in 2002. The changes bring the Commission's regulations into conformity with State Statutes. The revisions were warranted since the last comprehensive review of the Commission's regulations occurred more than ten years ago. Since then, there have been numerous changes in State statutes concerning matters involving the Commission. During the past three years, the Commission and staff have devoted considerable effort to revision of its regulations in Title 3 of the Alaska Administrative Code.

Five work sessions to address the proposed changes were conducted in the year 2000. The Commission held a public hearing on the proposed changes in 2001. They met again in 2001 to review the written and oral testimony concerning the proposed regulations. At that time, the Local Boundary Commission approved the proposed regulation changes. On April 17, 2002, the Commission re-adopted the revised regulations following technical review by the Alaska Department of Law. Following that adoption, the Department of Law filed the regulations with the Lieutenant Governor. The new regulations took effect on May 20, 2002.

*Unorganized Borough Review*

During the 2002 legislative session, a bill was approved and subsequently signed into law requiring the Local Boundary Commission to review conditions in the unorganized borough and report to the legislature the areas it has identified that meet the standards for incorporation. The Commission met to discuss the review and adopted a project work plan. Under the plan, DCBD staff reviewed all of the areas in the unorganized borough and compiled information for the Commission that would reflect on the economic viability or fiscal viability of prospective boroughs in the unorganized borough. The Commission reviewed the economic information compiled by DCBD and made a preliminary determination that eight areas of the unorganized borough would be subject to further review. These areas that will be subject to further review are comprised of the following model borough boundary areas:

- |  |                      |
|--|----------------------|
| Aleutians West and Aleutians-Military (combined) | Chatham              |
| Copper River                                     | Delta-Greely         |
| Glacier Bay                                      | Prince William Sound |
| Upper Tanana                                     | Wrangell-Petersburg  |

The Commission's report to the Legislature will be rendered by February 19, 2003.

*City of Haines/Haines Borough Consolidation*

The City of Haines petitioned the Local Boundary Commission for consolidation of the third class Haines Borough and the first class City of Haines. DCBD accepted the Petition for filing following its technical review. The Commission convened the hearing which approximately seventy-five local residents attended. At the conclusion of the hearing, the Commission convened a decisional meeting and concluded that each of the applicable legal standards governing consolidation of city and borough governments was satisfied with respect to the Haines consolidation proposal. Commission members amended various aspects of the Petition. Consolidation was approved by Haines voters and the consolidation election was certified by the Division of Elections on July 11, 2002.

*Palmer Annexation*

The City of Palmer formally initiated efforts on to expand its boundaries to encompass an additional estimated 921.34 acres. Members of the Commission inspected the territory proposed for annexation and held a public hearing on the City's annexation proposal. Following the hearing, the Commission convened a decisional session. Guided by the fourteen city annexation standards set out in State law, the Commission determined that it would be appropriate to reduce the size of the area proposed for annexation to 861.44 acres.



Recent LBC hearing

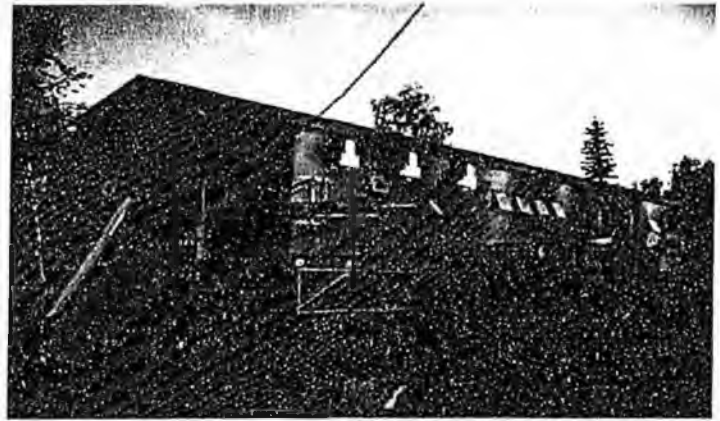
More information about the LBC is available on the web at: <http://www.dced.state.ak.us/cbd/lbc/lbc.htm>

## ***Rural Utility Business Advisor (RUBA)***

The goal of the RUBA Program is to prepare rural communities for, and help them meet the challenge of managing and operating sanitation utilities. RUBA is achieving this goal by providing assistance in the areas of business, finance, personnel, and general management to governments and organizations responsible for operating water and sewer utilities in rural Alaska.

### 2002 RUBA Activities:

- ◆ Made 102 trips to 50 different communities to provide on-site RUBA assistance.
- ◆ Presented thirteen 32-hour Utility Management Classes in 9 different regional centers throughout the State. One hundred-thirteen utility managers completed the classes.
- ◆ Developed debt reduction plans for two communities. One community had debts of approximately \$250,000, the other had debts over \$1 million. Both communities were suffering delays in sanitation projects due to financial management issues.
- ◆ Developed capacity indicators for evaluating financial and managerial capacity of utilities. These standard indicators were developed in relation to the Denali Commission's adopted definitions of sustainability.
- ◆ Worked with the Regulatory Commission of Alaska (RCA) to develop a simple standardized Chart of Accounts for use by small water and wastewater utilities. The standardized COA was implemented in five utilities that RUBA worked with to convert their accounting systems to QuickBooks.
- ◆ Hired accounting contractors to provide training on Quickbooks Pro, and install and train utility staff in four communities (Stebbins, False Pass, Huslia, and Marshall). Staff worked directly with several other communities directly to implement Quickbooks as an accounting package, or adopt changes to existing QuickBooks practices.
- ◆ Revised the publication Plain English Guide to Alaska Drinking Water and Wastewater Regulations to reflect changes in regulations over the past four years.
- ◆ Completed the development of the fifth (Financial Management) in a series of six classes on Utility Management. The materials, once completed, are anticipated to be the base curriculum for utility manager certification program.
- ◆ Participated in sanitation policy meetings of the Governor's Council on Rural Sanitation, Rural Development Sustainable Utilities Subcommittee, and the Rural Alaska Sanitation Coalition.
- ◆ Presented information sessions at the following annual conferences: Alaska Water and Wastewater Manager's Association (AWWMA), National Rural Water Association - Alaska, Alaska Municipal League, and the SE conference of the AWWMA.
- ◆ Served on the evaluation committee's for Denali Commission Washeteria grants, Denali Commission Small Clinic Grants, Village Safe Water Planning and Capital Improvement Grants.



☆☆ *Success Story* ☆☆

The RUBA program has for the past several years worked with utilities to install, train, and support the use of QuickBooks Pro accounting software. The program has done this through a variety of methods including using program staff, and contracting with private accounting firms to provide some of the training and assistance. Two recent municipal owned utilities that we have worked with in implementing the system are False Pass and Stebbins.

The False Pass City Clerk reported that the annual audit was recently completed in two days. Previous audits had taken at least three days, often more. The cost of the audit was ½ of the cost of previous audits. Both the reduction in time and the lower cost were due to efficiencies in the recently installed accounting system.

The City Manager reported to our RUBA staff that, "He should watch Eleanor [utility clerk] when she does the quarterly tax reports. Her eyes get big because the reports get done within minutes! She used to hate doing the reports manually because it took so long."

### *Office of the State Assessor (OSA)*

In accordance with state law, the Office of State Assessor (OSA) conducted the annual full value determination (FVD) for taxable property in organized boroughs and home rule, first class, and second class cities (with a population over 750) whether or not they levy property taxes. The OSA published the results in a report titled, "Alaska Taxable". To review the report, visit the Division's website or contact the OSA.

To assure equitable treatment for all taxpayers and to assure the State disburses school funding equitably to each municipality, the OSA monitored municipal assessment practices. This past year, the OSA discovered that a borough had been using some erroneous sales ratio practices that could have cost the state several thousands of dollars of educational funds. The OSA worked with the borough to correct this and has been assured this will not occur in the future. The OSA also monitored municipal property assessment and taxation practices for compliance with state and federal tax laws, and addressed issues of noncompliance.

The OSA advised and assisted municipalities on assessment and taxation issues and provided training for municipal assessment personnel. For example, the City of Nenana lost its long time employee responsible for administering the annual assessments. The OSA spent several weeks assisting the newly appointed individual in completing the assessment roll for the year.

In accordance with State law, the OSA also provided guidance with interpreting state mandated exemptions; established standards for assessment practices for use by local assessing offices; assisted in developing ordinances dealing with property assessment issues; and developed assessment models for use with value projections in the Unorganized Borough.

## *Volunteers in Service to America (VISTA)*

VISTAs serve Alaska's urban and rural communities. This year, DCBD had 16 VISTAs in 13 communities. DCBD also received approval for 20 new VISTA positions. Six of these VISTAs will serve under the Indian Set Aside Grant. Sponsoring entities will be community and regional organizations that serve Alaska Natives. Currently, DCBD is working on a grant for six additional Entrepreneur Corps VISTAs. The Entrepreneur Corps VISTAs will use their business experience and skills to establish and strengthen development programs in communities.

### ☆☆ Success Story ☆☆

**Andy Schmahl**, VISTA member and Project Coordinator with the Kenai Peninsula Economic Development District (KPEDD), arrived in Alaska, August 2002, all the way from New York. Before starting his VISTA year, Andy worked as an investment banker in Manhattan.

Since his arrival, Andy has worked on several projects for the KPEDD. Most recently, he helped organize the first ever Kenai Peninsula Funding Summit for Small Communities. More than 80 representatives from about a dozen communities and 15+ agencies participated in the Summit, far surpassing the expected attendance. "Our initial expectations were to have about 45 attend," said Andy. "The response was overwhelming."

The event put officials from small towns and villages face to face with frontline decision-makers from a host of State and federal funding agencies, including the U.S. Department of Agriculture, Economic Development Administration, federal Department of Housing and Urban Development, Alaska Department of Community and Economic Development and others.

Currently, Andy is working with Jim Carter, Executive Director for KPEDD, on the Third Annual Borough Economic Outlook Forum. The Forum is a two-day event in which Peninsula residents can help plot economic development strategy in their communities.

## Land Management

The Land Management and Community Planning programs provide assistance to communities on regional and local land issues. The main areas of assistance are technical advice and training on local planning and land management efforts, the Alaska Coastal Management Program, the Municipal Lands Trustee Program, and the National Flood Insurance Program.

### *Alaska Coastal Management Program (ACMP)*

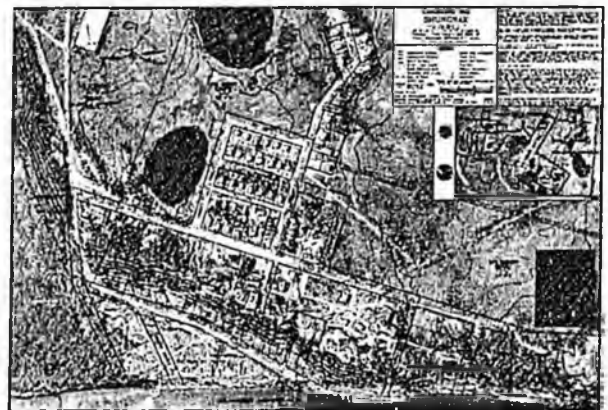
Through balanced stewardship, the ACMP strives to sustain the long-term economic and environmental productivity of the Alaska coast. The ACMP provides a balance of decision making that addresses all interests, coastal resources, and coastal uses. Thirty coastal districts participate in the program by developing local coastal management plans, implementing local plans through the consistency review process, and informing and educating the public about the ACMP. The Department's role in the program, which is established in AS44.47.095, supports the coastal districts through research, training, and technical assistance. DCBD also manages the ACMP grant program, which awards \$1 million annually in grant funds to the coastal districts.



### *Community Mapping*

Unresolved land claims and inadequate information about land sometimes hinder development for both the private and public sectors. The land management section provides information, maps and assistance to agencies, contractors and rural communities so they may overcome land problems that currently impede development. Some of the services provided include the following:

- ◆ **Site Control.** This includes preparing title opinions and providing maps, sample documents and technical assistance to assure a proper ownership interest for publicly funded projects. Site control helps protect state and local government investment in buildings and facilities.
- ◆ **Community Profile Mapping.** By assisting groups that are contracting for the preparation of community mapping we ensure that community maps are prepared to a standard compatible with other users, that existing mapping data is used whenever possible and that the project is coordinated with other mapping efforts that may be taking place. At the completion of the project, partners allow DCBD to add the maps to its community mapping library and share the maps with private and public entities working in the community. DCED's current mapping partnerships are developing aerial photo based community maps in 27 rural communities.



## ***Land Management Program***

Section 14(c) of the Alaska Native Claims Settlement Act (ANCSA) provides that certain land in ANCSA communities be made available to residents, businesses, non-profits, communities and airport operators. DCBD provides community mapping and land management assistance to municipalities, unincorporated communities, and Native village corporations so they may carry out the process of identifying and conveying 14(c) land claims. Once the land claims have been placed on a community's "map of boundaries" the layout can be submitted to the Bureau of Land Management for surveying and platting. This year DCBD's assistance was instrumental in the settlement of land claims and the submission of maps of boundaries in the communities of Manley Hot Springs, Naknek, Nikolai, and Nondalton. Surveying and platting of land claims was completed in Allakaket, Alatna, Koliganek and Nome. The settlement of the ANCSA 14(c) land claims is an essential step in clearing land title in the community and providing a base of land for private and public land development. Many of the State, Federal and local initiatives to improve sanitation and develop infrastructure in rural Alaska benefit from the settlement of 14(c) land claims and the surveying and platting of local subdivisions. In unincorporated communities DCBD carries out the community planning and negotiation of the 14(c)(3) community land on behalf of a future municipal corporation (Municipal Trust Land). Leases, deeds and easements of Municipal Trust Land were issued this year for housing, sewer and water facilities, a school, bulk fuel storage facilities, clinics, a church, an airport and roads and boardwalks.

## ***Floodplain Management/National Flood Insurance Program (NFIP)***



state and federal agencies in a variety of ways specific to flood and erosion management. Flood mitigation grants for planning and projects are now available to NFIP communities.

The mission of the Division's Floodplain Management Program is to reduce public and private sector losses and damage from flooding and erosion by providing coordination, funding, and technical assistance to NFIP communities. The Division serves as the state coordinating agency for the NFIP. The program provides over \$326.2 million in flood insurance coverage to individuals, businesses, and renters in 37 cities and boroughs. The total flood insurance premiums paid for flood coverage exceed \$1 million. The average annual premium is \$429. The average flood insurance claim payment is \$12,946. Division staff assist local officials, residents, developers, lenders, insurance agents, Realtors, and



## Business Development



The focus of business development staff is to provide technical assistance to those communities desiring economic growth; and technical assistance and basic research information to new businesses or businesses seeking to expand or diversify. Facilitating value-added manufacturing projects and sustainable development are the goals of Business Development specialists in the fields of mining, forest products, seafood and tourism. Staff also assist with planning and training for communities and organizations looking for a reprieve from the boom and bust cycles of resource extraction and export. The business development element of our mission includes serving as a commercial liaison for the state and for private sector businesses. The efforts of the Division are part of the State of Alaska's overall economic development strategy to increase employment and diversify our economic base.

Some of the Division's programs are regional in nature. The goals of these programs are to stimulate economic development in the different regions by preparing strategies, assisting communities in implementing the strategies and providing opportunities for communities to participate in economic activities area not previously available to them.

### *Alaska Regional Development Organizations (ARDORs) Program.*

The Legislature established the ARDOR Program in 1988 in support of the widely held belief that a locally driven initiative, in partnership with the State and other entities, can most effectively stimulate economic development and produce healthy, sustainable local economies. An ARDOR is a non-profit organization of local volunteers, representing numerous public and private interests, working together to achieve economic development in their region. Each ARDOR prepares a regional economic development strategy and assists communities and businesses to implement the strategy. The ARDORs are eligible for State matching grants. There are currently 13 ARDORs. DCBD administers the grants and manages the ARDOR program. Funding is provided by the Alaska Industrial Development & Export Authority (AIDEA).

☆☆ *Success Story* ☆☆

During FY02, the U.S. Department of Agriculture designated three ARDORs (the Copper Valley Economic Development Council, Lower Kuskokwim Economic Development Council, and the Bering Strait Development Council) as Resource Conservation and Development Districts (RC&D). This designation brings three professional federal positions to rural Alaska and makes available valuable resources in developing the economies of the regions.

Also during FY02, the U.S. Department of Commerce designated another ARDOR, the Southeast Conference, as an Economic Development District (EDD). This designation provides access to valuable resources in developing the economy of the region. Southeast Conference is the first organization to hold all three designations of ARDOR, RC&D, and EDD.

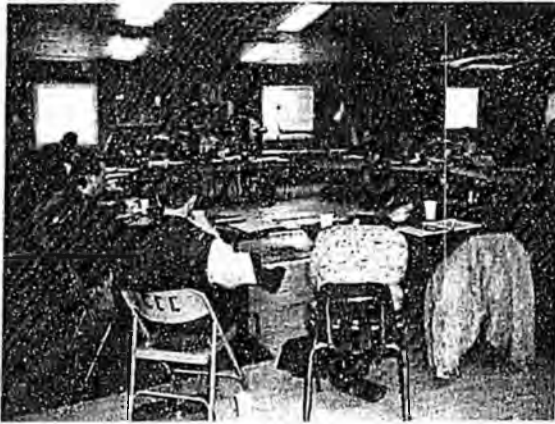
### *Community Development Quota Program*

The Community Development Quota (CDQ) Program is a federal fisheries program that was created in 1992. The North Pacific Fishery Management Council approved the CDQ Program as a means to address serious economic and social problems of the western coastal region of Alaska. Eligibility to participate in the program is restricted to 65 communities located within 50 miles of the Bering Sea coastline. Over the last ten years, the program has generated over \$400 million in revenues and employed more than 12,000 western Alaska residents, creating over \$80 million in wages. The program has provided an opportunity for these communities to participate in the harvesting of the nearby multimillion-dollar groundfish industry through the formation of organizations called CDQ groups. Through the allocation of multi-species quotas, including pollock, halibut and crab, western Alaska residents have been given the opportunity to work on offshore vessels and in shoreside processing plants to gain experience in the business operations of the CDQ group's industry partners.



## *Funding Summits*

A Funding Summit is a two day meeting where regional non-profit, State and federal funding agencies, and community and regional representatives come together to discuss community priority projects in a particular region. Usually, about 10 communities participate—but it can be more or less. Typically, 15-25 agency representatives are in attendance.



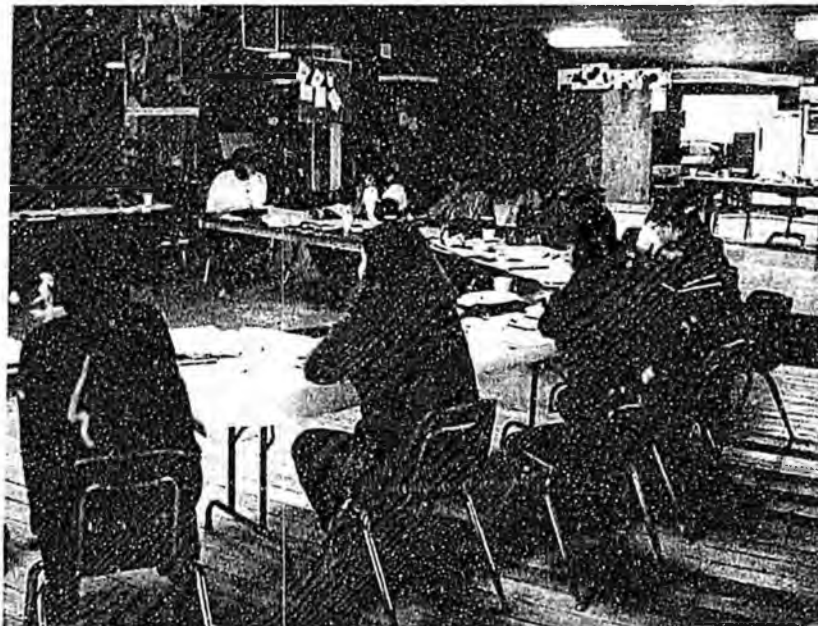
The Funding Summits, are a joint effort of the Denali Commission, USDA Rural Development, U.S. Department of Housing and Urban Development (HUD), Department of Community and Economic Development (DCED), Department of Environmental Conservation (DEC), Rural Alaska Community Action Program (RurAL CAP) and regional and local partners.

The goals of a Funding Summit are to:

- ◆ enable community and agency representatives to resolve problems associated with and identify funding options for community priority projects;
- ◆ establish working relationships between community and agency participants; and
- ◆ enable all participants to learn new ways to make projects happen.

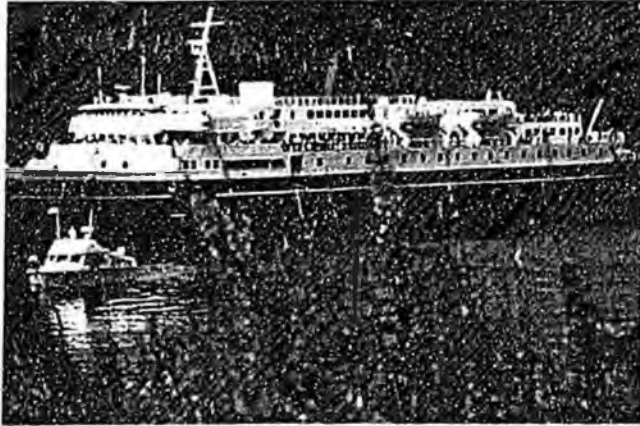
DCED established a website for the Summits: <http://www.dced.state.ak.us/cbd/grt/fundingsummits.htm>

In 2002, the partnership held Summits in Fort Yukon, Nome, Glennallen and Soldotna. In 2003, DCED anticipates Summits will be held in Anchorage (for Southwest Alaska communities), Barrow, Southeast, Iliamna, and Kotzebue.



## *Community Tourism Development*

The goal of this program within the Division of Community and Business Development is to identify and foster the development of tourism business and employment opportunities for Alaskans. Tourism staff, assisted by other industry specialists and research analysts within the department, provide technical assistance in the areas of research, business development, planning, hospitality training, and product



development. The division conducts research such as the Alaska Visitor Statistics Program, Alaska Monthly Arrival Report, and a tourism economic impact study. The division also manages the AlaskaHost hospitality training program and produces publications like the Tourism Funding Guide and The Alaska Community Tourism Handbook. The Department of Community and Economic Development manages the State of Alaska's contract with the Alaska Travel Industry Association to market the state as a destination in national and international markets.

### ☆☆ Success Story ☆☆

The Alaska Division of Community and Business Development has made a great deal of progress this year with administration and promotion of the AlaskaHost program. AlaskaHost is a one-day seminar that promotes high-quality, professional customer service standards and teaches participants to communicate more effectively with Alaska's visitors. AlaskaHost skills will not only prepare people for careers in the hospitality industry, they are instrumental in encouraging repeat visitation and increased economic benefit from Alaska's visitors.

This past year, division staff designed and created a website ([www.alaskahost.org](http://www.alaskahost.org)) and brochure to use as promotional materials in spreading the word about AlaskaHost. Due to the renewed promotion of the program, 500 AlaskaHost packets were distributed through seminars throughout the state throughout the winter and spring of 2002. In March, 2002 DCBD coordinated with the University Cooperative Extension Service and Fairbanks Convention and Visitors Bureau to offer the AlaskaHost Seminar Leader's Training Class, in which a total of 12 individuals joined the ranks of certified AlaskaHost seminar leaders, doubling the numbers of trainers and infusing the program with fresh energy!

In the coming year DCBD plans to promote the program to various local community organizations such as visitor bureaus, chambers of commerce and native non-profit organizations and to coordinate with various partners to offer seminar leader training classes to the staff of these organizations. The strategy of training local seminar leaders will insure that the AlaskaHost message and materials are accessible to a wider audience throughout the state, and will help communities to build economic independence and internal capacity for tourism development.

## *Fisheries Development*

The Division currently has two full-time development specialists working on fisheries issues. Current duties include analyzing and reporting on economic issues, working with entrepreneurs, encouraging and facilitating new product development, supporting development of growth sectors, and networking economic development specialists with industry. The fisheries development program strives to increase the income and employment of Alaskans from seafood. Recent, current and proposed projects include:

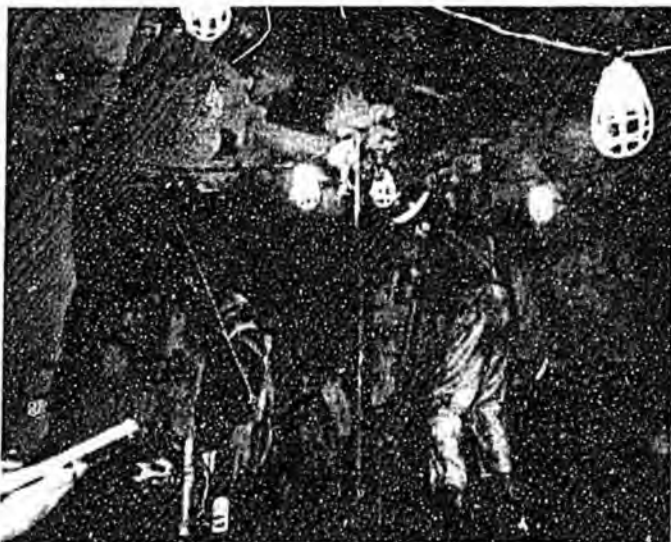
- ◆ seeking sustainable fisheries label for Alaska salmon through the Marine Stewardship Council,
- ◆ developing supportive information for the growing direct market vessel sector,
- ◆ facilitating and holding seafood marketing workshops and conducting direct market vessel workshops,
- ◆ providing detailed reports for the Alaska Economic Information System;
- ◆ overseeing a comprehensive review of the inputs into the Alaska seafood processing sector;
- ◆ overseeing a freight consolidation facility review;
- ◆ overseeing a review of seafood and fisheries development related programs in the Federal government;
- ◆ maintaining a seafood related current events calendar;
- ◆ supporting and communicating with the USDA on pink salmon purchase programs;
- ◆ administering the Alaska Regional Salmon Marketing Mini-Grant Program;
- ◆ administered the Specialty Salmon Marketing Mini-Grant Program;
- ◆ oversee a seafood quality infrastructure review.

Tracking and developing policy considerations to protect Alaska's fishing and processing interests has become a major focus for the State of Alaska, and, as such, involved the expertise of the Division's Fisheries Development staff. At the same time, many proposals to rationalize other fisheries are emerging. Community and market concerns are included in the analysis and discussion of these proposals.



## *Minerals Development*

The goal of the mining program is to facilitate mineral exploration, development and employment in Alaska. Mining Development Specialists provide information on Alaska's mineral resources to prospective developers, investors and affected communities, and attend national and international mining shows to showcase Alaska mining development opportunities. Staff provides accurate information on



what mining can mean to a community including jobs, environmental quality, quality of life, required infrastructure, and geology of an area. The Division has facilitated airborne geophysical surveys in many areas around the state, to improve base line information on mining resources and promote the efficiency of exploration activities. Staff provides technical support to the Alaska Minerals Commission, researching numerous issues of concern to the industry and publishing an annual report to the Governor and Legislature.

## *Small Business Development*

The Small Business Development program supports the start-up and expansion of small businesses around the state. Assistance provided includes:

- ◆ Responding to information requests from business owners.
- ◆ Developing publications on business topics.
- ◆ Assisting with the planning and delivery of small business training in workshops and conferences.

The Small Business Development Specialist works closely with the staff of other state and federal agencies to efficiently provide a high level of service to the business community.

☆☆ *Success Story* ☆☆

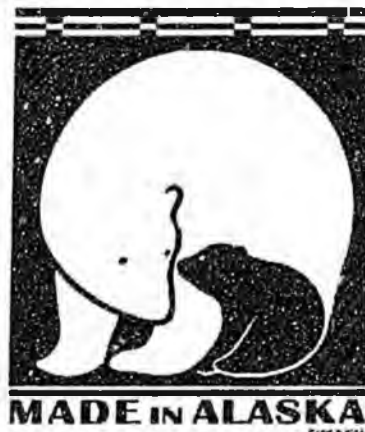
In early 2002, Development Specialist Ruth St. Amour participated in the planning and delivery of a series of conferences on business practices for arts and crafts. Conference activities were held in Bethel, Nome, and Kotzebue and served nearly 100 artists and crafts people. The conferences provided an opportunity for artists to learn marketing and other business skills, and to network for the sharing of professional skills and marketing opportunities. Partners in the conferences included the Alaska State Council on the Arts and Alaska Cooperative Extension Service as well as a variety of local partners.

Alaska's second Biz Fair, a free one-day event with small business workshops and information booths, held in Anchorage in May 2002, drew approximately 300 participants from across Southcentral Alaska. DCBD development specialists participated in planning and organizing the event. Partner agencies for Biz Fair included the U.S. Small Business Administration, Internal Revenue Service, Small Business Development Center, and Alaska Department of Labor.

### *Made in Alaska Program*

The intent of the Made in Alaska (MIA) program is to promote and increase the sale of Alaskan manufactured and/or made products. The Made In Alaska program identifies and promotes the purchase of products manufactured and crafted in Alaska, ranging from small gift items to large industrial modules. Alaska businesses manufacture high quality products for Alaskan, domestic and international markets.

Products which meet program criteria are eligible to use the Made In Alaska logo. Permits authorizing the use of the Made In Alaska logo serve both producers and consumers by certifying product authenticity.



## Financial Assistance

The Division administers a number of programs that provide financial assistance to communities to supplement local revenue generation. A number of them are revenue programs which share State or Federal funds with local communities. The Division also administers grant programs which can help communities with the finances to build the infrastructure needed to support community and business development. Federally funded programs and state resources support this effort. Some of these programs continue from year-to-year and some are special grant type program that have a limited time frame or limited funding. Grant staff are available to answer questions about the various funding sources and help direct communities to the most appropriate source for a proposed project.

### Shared Revenue Programs

#### *Safe Communities Program*

Division staff worked closely with the legislative sponsor to develop the Safe Communities Program legislation that replaced the Municipal Assistance Program in 1997. The revised program requires that funding received by a municipality be used for a priority list of services including police, public safety, fire protection, emergency medical services, and water and sewer.

According to state law, the Legislature may appropriate to the Safe Communities Program an amount equal to or greater than 30 percent of the corporate income tax revenue received by the State for the previous fiscal year. The FY03 appropriation of \$16,775,500 represents 24% of the estimated \$231,800,000 in corporate income tax revenue received by the State in FY02.

#### *State Revenue Sharing*

The State Revenue Sharing Program includes two components:

- ◆ **State Aid for Municipal Services** provides money for public roads, ice roads, hospitals, health facilities, unincorporated communities, and volunteer fire departments. FY03 funding of \$4,285,067 resulted in prorated payments at 14.5% of the statutory allocations.
- ◆ **Municipal Tax Resource Equalization** rewards municipalities for local fiscal effort. Total FY03 funding is \$8,570,133. This account also provides for a minimum entitlement of \$25,000 for municipalities, with a geographic location adjustment. Due to low funding levels, municipalities have not been receiving the minimum amount.

## ***Federal Payments in Lieu of Taxes (PILT) Program for Cities in the Unorganized Borough***

Division staff worked closely with Senator Ted Stevens to establish and administer a new program which expanded federal Payment in Lieu of Taxes (PILT) payments to include cities located in Alaska's unorganized borough. The division distributed \$5,267,071 to 97 Alaska cities in FY03. These additional federal funds are especially crucial for many cities which continue to deal with the impacts of failed fishing seasons, a downturn in the timber industry, and drastic cuts to state revenue sharing and safe communities funding.

### ***Fisheries Resource Landing Tax***



A Fishery Resource Landing Tax is levied on processed fishery resource first landed in Alaska or any processed fishery resource subject to Sec. 210(f) of the American Fisheries Act. The tax is based on the unprocessed value of the resource, which is determined by multiplying a statewide average price per pound (based on Alaska Department of Fish and Game data) by the unprocessed weight. Fishery Resource Landing Tax is collected primarily from factory trawlers and floating processors which process fishery resource outside of the state's three mile limit and bring their products into Alaska for transshipment.

### ***Shared Fisheries Business Tax Program***

This program provides for an annual sharing of fish tax collected outside of municipal boundaries on the basis of nineteen "fisheries management areas." The funding available within each of these areas is distributed among municipalities in that area based on the level of significant impacts resulting from fishing industry activity compared to the level of impacts experienced by other municipalities in that area. In FY03, \$1,396,076 will be distributed to 109 eligible municipalities.

### ***National Forest Receipts***

The department distributes National Forest Receipts under the authority of 16 USC 500 and under AS 41.15.180. The Federal law was amended in 2000 under the "Secure Rural Schools and Community Self Determination Act." The Act provides that for state fiscal years FY02-FY06, the State shall receive an annual payment equal to the average of the three highest National Forest Receipts Payments made to the State during fiscal years FY87-FY00. In FY03, the department allocated \$9,236,907 to nine boroughs, 18 cities, four Regional Educational Attendance Areas, and the Metlakatla reservation under the amended law.



## **Grant Programs**

### ***Capital Project Matching Grants Program***

This program provides grants to eligible municipalities and unincorporated communities for capital projects. A community is determined eligible for an allocation in a fiscal year if the community was eligible for the department's State Revenue Sharing Program during the preceding year. A local contribution is required for each project. The Legislature determines a lump-sum appropriation to be made into the grant fund. This is then allocated to individual grant accounts that are created for each eligible community. Once allocated to an account, money remains in that account until a second appropriation may remain in the grant account for up to five years before lapsing back into the general fund. In this manner, a community may accumulate funds for up to five years, to allow financing for larger projects or to allow better long-range planning for a sequence of projects. There are approximately 980 grants being administered for a total value of \$62 million.

### ***Community Development Block Grant Program (CDBG)***

The goal of the federally funded Community Development Block Grant (CDBG) Program is to enhance the quality of life for low and moderate-income residents, particularly in rural Alaska. The Program provides grants for public facilities and planning activities, which address conditions detrimental to the health and safety of local residents. The grants reduce the costs of essential community services. Special Economic Development funds may be used to provide capital to assist in the creation or retention of jobs that principally benefit low and moderate-income persons.

### ***Community Services Block Grant Program***

The goals of the federal Community Services Block Grant Program (CSBG) are to reduce and/or prevent poverty through community-based educational activities, which lead to a greater degree of self-sufficiency on the part of low-income persons. Services are provided through the State's only Community Action Agency, RurAL CAP.

### ***Emergency Shelter Grant Program***

The goals of the Emergency Shelter Grant Program are to assist with the following activities relating to emergency shelter for the homeless: renovation, major rehabilitation, or conversions of buildings for use as emergency shelters for the homeless; payment of maintenance, operation, insurance, utilities, and furnishings; and payment for provision of essential community services including those concerned with employment, health, substance abuse, education, food, or prevention.

### ***Legislative Grants Program***

Legislative grants are awarded by the Legislature, with final approval by the Governor (delegated to a specific department for administration). It is the department's responsibility to notify grantees of their awards, and to develop and execute grant agreements based on each project. These awards can be for a variety of projects such as health, fire and safety, water and sewer, construction of community facilities, cemetery restoration, and program operations. This section also ensures grantees obtain site control, State Fire Marshal approval and other regulatory agency permits as required. The Division currently administers 324 active grants for a total value of \$69 million.

## ***Mini-Grants***

The State and federally-funded Mini-Grant Program provides grants on an annual competitive basis to rural Alaska communities for a wide range of economic development projects and economic development strategies. Grants are awarded to the most viable projects, which promote development by diversifying the economic base to provide jobs, income and long lasting economic benefits to the communities served. One application per community is accepted for a maximum of \$30,000. The funding level in FY03 was about \$650,000.

## ***Community Priorities Program (CPP)***

The Denali Commission has targeted funds for the Community Priorities Program, which is administered in cooperation with the Denali Commission. The maximum grant amount is \$500,000.

The Program is intended to provide supplemental funding for a community fixed infrastructure project. To qualify, a project must:

- ◆ be identified as a priority in a community plan;
- ◆ have documented community support and be "construction ready;"
- ◆ the applicant must have a commitment for at least 1/3 of the funding needed;
- ◆ the funding being requested can't be available elsewhere; and
- ◆ the applicant must provide a 10% local cash match.

Eligible applicants include municipal governments, tribal governments, community based non-profit corporations, and regional organizations representing communities with populations of 1500 or less or which are on the Denali Commission's "distressed community list". A total of 39 applications were reviewed in 2002, seven grants were awarded for a total of \$2,210,949. The grants included projects for a Business Center, Educational Facilities and Community centers. Two applications are still in the process, seven full applications were reviewed and denied and 23 pre-applications were reviewed and denied.

## ***Flood Mitigation Assistance (FMA) Program***

This is a grant program that provides assistance to National Flood Insurance Program - participating communities for flood mitigation planning and project activities. The DCBD administers this Federal Emergency Management Agency pass-through grants.



## Special Grant Programs

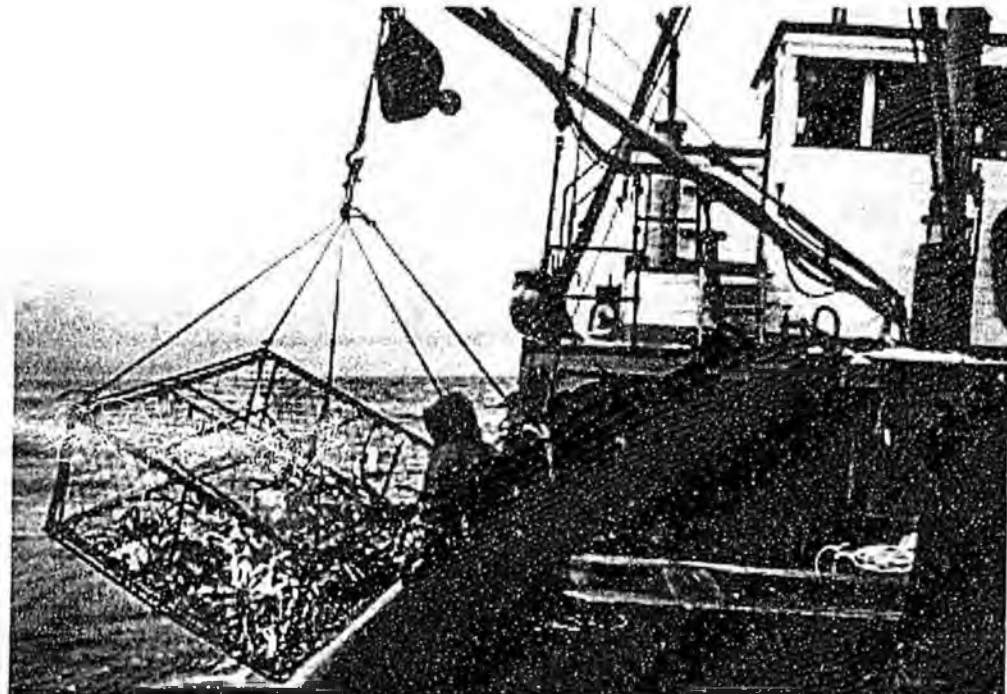
### *National Petroleum Reserve – Alaska (NPR-A) Program*

Under the National Petroleum Reserve-Alaska (NPR-A) program, the U.S. Department of Interior refunds a portion of fees received as a result of oil development in the reserve to the State of Alaska. These funds are for the purpose of granting monies to communities that have experienced adverse effects due to oil development. If any funds remain after these grants have been awarded, then the funds are distributed as mandated by law between the Permanent Fund, the School Trust Fund, and the General Fund. The Department of Revenue, as the manager of this fund, reports to this department the amount of deposits available for granting each fiscal year.

### *Opilio Crab Disaster Grants*

In 2000, the Pribilof Islands, and other Bering Sea communities were declared part of a federal disaster area, due to the near collapse of the Opilio Crab populations. The Governor requested assistance for Bering Sea communities affected by the sudden downturn in snow crab stocks. Commerce issued a declaration of a commercial fisheries failure due to natural and environmental factors and \$10 million in assistance was approved by Congress. These funds were made available to assist the affected communities and to improve fisheries research, management, and coordination to help restore the fisheries and prevent similar failures in the future.

Out of this amount \$7 million is to be used for projects that will help mitigate the effects of the current disaster, and prevent future crab fisheries problems from harming the economy in the future. The Division is administering these Opilio grant funds. The grants were awarded to the Aleutians East Borough, St. Paul, St. George, and Unalaska. Each of the 4 entities identified projects for their share of the funds. These projects are agreed upon by the City, the Tribal Government, and the Corporation. A majority of the funds have been obligated and projects are underway in the communities.



## Information Resources

One other important function of the Division is to collect and publish local government information and economic development information. The Division is a leader in providing information resources to the public.

### Products

#### *Alaska Economic Information System (AEIS)*

Until recently, information about Alaska's economy, labor force and industrial sectors was scattered among a large number of agencies and organizations. The Alaska Economic Information System (AEIS) was created to provide user-friendly access to all this information at a one-stop portal on the web. The AEIS represents a tremendous development resource for businesses, communities and individuals – saving them significant time and effort in collecting the information on which to base development decisions and plans.

Starting from a map of Alaska, users can “click” on a census area, and quickly get the picture of that area's basic economic industries such as tourism, oil and gas, mining, and seafood. Detailed information is also provided for the critical infrastructure elements of transportation, energy, and utility sectors that support long-term viable economic development. A statewide perspective is also provided for each sector of the economy, and the Alaska economy as a whole. Users can “drill down” through the information on the AEIS website to get to greater levels of detail about their specific areas of interest, including maps, charts and working spreadsheets that users can download to their own computers for further analysis. As a web portal, the AEIS contains a host of links to other websites relevant to an understanding of the Alaska economy, its work force and its economic sectors. ([http://www.dced.state.ak.us/cbd/AEIS/AEIS\\_Home.htm](http://www.dced.state.ak.us/cbd/AEIS/AEIS_Home.htm)).

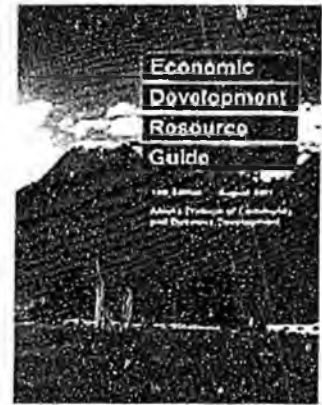


#### *Community Database/Community Profiles*

This database provides a wide range of community-based information and data for planning, policy making and technical assistance decisions. Information is available through an interactive database on the Internet. Users include other state and federal agencies, private non-profit organizations, legislators and their staff, and the general public, both in Alaska and around the world. The database provides for “standard” comprehensive community profiles and customized queries of specific community data. The website includes a feature that allows users to automatically e-mail themselves the data they need ([http://www.dced.state.ak.us/cbd/commdb/CF\\_COMDB.htm](http://www.dced.state.ak.us/cbd/commdb/CF_COMDB.htm)).

## ***Economic Development Resource Guide (EDRG)***

This guide is designed to bring together in one place a listing of programs and services that provide economic development assistance to Alaska individuals, communities, organizations and businesses. The EDRG includes over 120 resources for financial and technical assistance targeted at economic development. These resources include federal and state agencies, national and state non-profit organizations, and private for-profit organizations. The EDRG is also on the web with a user-friendly interface that provides users with targeted searches to retrieve those resources that apply to their specific eligibility and needs (<http://www.dced.state.ak.us/cbd/edrg/EDRG.htm>).



## ***Grants Tracking Information System Database***

An Internet-based management system was completed in May 2000 for internal use by the Division's Grant Administrators. The database tracks detailed information needed for all of the grants administered by the Division, including Capital Matching grants, Legislative grants, State Revenue Sharing, National Petroleum Reserve-A (NPR-A) grants, Mini-Grants, Opilio Crab Disaster grants, Community Development Block Grants, and Community Priorities Program grants. Some of the information from the Grants Tracking System is available to the public on the Internet, at [http://www.dced.state.ak.us/cbd/commdb/CF\\_Grants.htm](http://www.dced.state.ak.us/cbd/commdb/CF_Grants.htm)

## ***RAPIDS Capital Project Database***

The Rural Alaska Project Identification and Delivery System (RAPIDS) database contains information on state- and federally-funding capital projects in Alaska communities, including project descriptions, funding levels and status. Portions of this database are also available to the public in the web, at [http://www.dced.state.ak.us/cbd/commdb/CF\\_RAPIDS.htm](http://www.dced.state.ak.us/cbd/commdb/CF_RAPIDS.htm).

## ***Local Government Online (LOGON)***

LOGON was developed in 2002 and launched to the public in November 2002, although it continues to be expanded. LOGON was developed for administrators and city clerks, elected and appointed officials, tribal governments, community leaders, and others interested in local government operations, public services, and community development in Alaska.

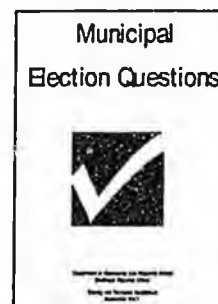
LOGON provides information and resources to communities regarding: municipal government structure, elections, public meetings, ordinances, taxation, financial management, grant management, personnel management, payroll, tribal and municipal agreements, water and sewer utility management, coastal and floodplain management, revenue sharing programs, and grants for infrastructure or economic development. LOGON also provides references to other state and federal resources of concern to communities, including education, public safety, health care, environmental, social services, transportation, and energy programs. LOGON brings together division applications, publications, sample documents, and other web resources. The system may be explored at <http://www.dced.state.ak.us/cbd/LOGON/home.cfm>

## Publications

Publications staff coordinate development of technical assistance documents and distribution of material produced by the Division to local governments and other client organizations. Many of the printed publications are updated annually and are available on the Internet; Title 29 is now available on CD-ROM. In addition, the Division produces a variety of Internet-based information resources that are not available in a printed format. Division publications include:

### Small Business Development:

A Customs Guide to Alaska Native Arts (created in 2001)  
AlaskaHost Program Participant Training Manual (updated in 2001)  
Community Tourism Planning Guidebook (created in 2001/2002)  
Establishing a Small Business in Alaska (updated in 2002)  
Economic Development Resource Guide (updated in 2001)  
Tourism Funding Programs (created in 2001)



### Local Government:

A Primer for City Council Members  
Alaska Planning Commission Handbook (to be updated in 2002)  
Alaska Taxable 2001 (updated Jan. 2002)  
Background on Boroughs in Alaska  
Capital Project Management Handbook (updated in 2001)  
Certified Financial Statement Manual (updated in 2001)  
Getting Started on ANCSA 14(c)(3) – A Basic Guide  
Grant Training Manual  
Home Rule Municipalities in Alaska  
Local Boundary Commission Annual Report to the Legislature  
Local Government in Alaska (updated in 2001)  
Mayor's Handbook: A Primer for Small Town Mayors  
Model Borough Boundary Study (June 1997)  
Model Financial Record Keeping System (1994)  
Municipal Budget Manual (updated in 2002)  
Municipal Elections Questions Handbook – Volumes I & II  
Municipal Incorporation, Annexation, Consolidation, Dissolution Procedures  
Non-Profit Community Handbook (1993)  
Payroll Handbook for Small Communities (updated in 2002)  
The Federal Voting Rights Act – Meeting the Standards (1991)  
The Need to Reform State Laws Concerning Borough Incorporation and Annexation  
Title 29 of Alaska Statutes, 2002 – Municipal Government (updated in 2002)  
Title 4: Local Option Law Handbook (1995)

**Water & Sewer Utility Operations:**

A Plain English Guide to Alaska Drinking Water and Wastewater Regulations (updated in 2002)

Alaska Sanitation Planning Guide for Small Communities (plus Technical Appendix)

Utility Management Workshop Curriculum Series: Introduction to Utility Management

Utility Management Workshop Curriculum Series: Organizational Management

Utility Management Workshop Curriculum Series: Financial Management

Utility Management Workshop Curriculum Series: Operational Management

Utility Management Workshop Curriculum Series: Utility Planning

Utility Management Workshop Curriculum Series: Personnel Management

**Background on  
Boroughs in Alaska**

December 1998



**State**  
Department of Community and Economic Development

**Information & Mapping:**

Community Profiles (updated in 2002)

Community Profile Maps

Community/Borough Map of Alaska (24" X 36" format)

Municipal Officials Directory 2003 (updated Jan. 2003)

Rural Alaska Project Identification and Delivery System (RAPIDS)

## Major Issues Facing the Division

**ISSUE:** Many communities in Alaska are struggling to maintain basic services.

This situation threatens the State's investment in essential community facilities and poses a threat to the health and well being of Alaska's residents. **Limited Revenue Resources.** With the significant decline in state financial assistance to communities and the very limited local tax base and private economy the situation many communities' face is serious. The Division works closely with them to maximize the effectiveness of shared revenues, to identify sources of local revenue and provide advice on how to use these limited resources most effectively. **Ongoing Personnel and Management Problems.** Another major issue is the lack of financial management and local government skills at the local government level. This has primarily been linked to frequent staff turnover due to low wages, part-time work, no training, and lack of consistent policies and procedures. The Division continues to work with city and tribal staff and elected officials to develop the skills they need to perform their responsibilities. The Division helps communities establish and maintain sound financial practices, thereby preventing the loss of hundreds of thousands of dollars each year. The Division provides this assistance through on-site community training, regional training and coordination with regional and statewide organizations such as Boroughs, Alaska Municipal League, and Alaska Clerk's Association.

**RESPONSE:** *Continued Support for the Rural Utilities Business Assistance Program:*

Adequate and affordable sanitation systems are critical for the health of rural residents and critical for the development of rural communities. State and Federal sanitation task forces have repeatedly concluded that capital investments alone will not achieve long-term improvements in sanitation because many communities lack the financial and personnel resources to successfully operate and maintain their utilities.

The Division's Rural Utility Business Advisor (RUBA) program helps address this issue in a number of ways. **Needs Assessments.** RUBA personnel complete an assessment of a community's management of its water and sewer utility. Corrective action is recommended and assistance is provided. **Training.** After the assessment, RUBA staff then provides on-site training specific to the management needs of the utility. Additionally, the Division provides utility management workshops for groups of communities in regional hub communities. **Financial Management Systems.** The program also offers assistance to utilities in establishing sound financial management systems and practices for the operation of water and sewer utilities. **Publications Development** The RUBA program has in cooperation with other agencies produced publications that provide technical assistance on utility planning, understanding sanitation regulations, and managing capital construction projects. This program needs to receive the resources required to provide these services to protect valuable infrastructure and essential community facilities.

**ISSUE: Municipal assessment practices may be creating inequities in the State's financial assistance programs.**

The Full and True Value Determination (FTVD) is an important factor in determining a locality's entitlement under several State financial assistance programs. Financial assistance for municipal school districts is probably the most significant program that uses the FTVD to determine a municipality's entitlement. The inaccurate FTVDs result in incorrect and inequitable payments to municipalities.

Because of continuing fiscal pressures, many municipalities feel a need to maximize their efforts to obtain state financial assistance. One of the results of these local fiscal pressures has been an increase in localities "pushing the envelope" of acceptable assessment practices.

***RESPONSE: Increased Support for the State Assessor's Office***

The State Assessor's review of local assessment practices is critical to assuring the integrity of the Full and True Value Determination (FTVD) that is made for property in each municipality. The State Assessor's Full and True Value Determination serves as the State's independent assessment of the full and true value of all taxable property within a given locality.

As a result of an increasing work load, the State Assessor is not able to review the property assessment practices used by municipalities on a timely basis. The Division needs to provide additional support to the State Assessor, which will enable thorough and timely review of local assessment practices and property value determinations. This in turn will insure that all municipalities receive the amount of funding to which they are entitled.

**ISSUE: Need for coordinated agency response to communities and regions.**

The traditional model for community assistance, where agencies respond separately within their areas of expertise, has undergone considerable evolution as the State has lead efforts to respond to severe economic dislocations. To increase their effectiveness, State and Federal agencies are taking steps to work cooperatively and coordinate services delivery. A new approach to community assistance work is emerging, where the resources of several agencies are leveraged and/or coordinated to improve efficiency and quality in service delivery. Additionally, the public, agencies, and other entities doing business in our state need access to a variety of information by region or sub-region. Good information is the foundation of sound decision making. Currently, an individual often has to access multiple websites or other sources of information to get data on a particular region. For example, information about Alaska's economy, labor force and industrial sectors is widely scattered among various agencies and organizations.

***RESPONSE: Implementation of the Alaska Economic Information System.***

Now in development by the Division, the Alaska Economic Information System (AEIS) is designed to provide user-friendly access an array of information on the web. The AEIS will:

- ◆ Provide timely, current, Alaska-specific information
- ◆ Bring together agency information on one website
- ◆ Tell prospective investors about our resources and opportunities

- ◆ Create a base line for evaluating industry activity
- ◆ Offer a user-friendly, easy-to-navigate format
- ◆ House the most comprehensive economic development site on Alaska

The system will be useful for businesses, communities and individuals – saving them significant time and effort in formulating development plans. The system will also benefit agency coordination, as well as local government, legislative and other decision making.

The AEIS will provide and collate a vast amount of economic and supporting information. **Economic Development Narratives.** Each census area contains a regional economic overview and economic narratives on oil and gas, tourism, mining, fisheries, agriculture, timber, and subsistence. Users will be able to view a map of Alaska on-line, click on a census area, and quickly get the picture of that area's basic economic industries. Narratives will discuss the critical infrastructure components of transportation, energy, and utilities that are needed to support long-term, viable economic development. **Portal to Relevant Material.** The AEIS will link directly to many supporting websites, as well as to specific plans, studies, reports and other related documents relevant to an understanding of the Alaska economy. **Source Material Availability.** The website is graphics-rich and supported throughout with source material. Users will be able to click through the website to get to greater levels of detail about their specific areas of interest, including graphs and working spreadsheets that they can download to their own computers. The user can "drill down" from the narratives and graphics and find the charts, figures, tables and databases that support the text.

**ISSUE: Deterioration in the fisheries industry is seriously impacting businesses and communities.**

This industry is important to the economic health of our entire state. The downturn in this economic sector threatens community economies as the sale of local goods and services are reduced. Revenues from fish taxes and sales taxes are reduced as a result. **Decline in Salmon Runs and Market Prices.** Challenges include the unstable market conditions, competition in the global marketplace, and lack of transportation for the export of our products. **Implementation of Federal Fisheries Programs.** The implementation of the Federal American Fisheries Act (AFA) has economic and market repercussions for all of Alaska's ground fisheries, coastal communities and Community Development Quota (CDQ) groups. At the same time, many proposals to rationalize other fisheries are emerging. Tracking and developing these policy considerations to protect Alaska's fishing and processing interests is a major priority for the State.

***Response: Continued support of fisheries development.***

The Division has one full-time development specialist working on fisheries issues. Current duties run the spectrum of economic issues, projects and crisis with Alaska's fisheries. The specialist is responsible for projects such as salmon industry revitalization, new fisheries development, ground-fish industry issues and inclusion of seafood in the USDA programs. However, the work is more than one person can do. Another development specialist is needed to adequately address Alaska's threatened fishing industry.

***Response: Continued support of Operation Renew Hope***

In August, the Governor again declared an economic disaster in the commercial salmon fisheries of the Yukon, Kuskokwim, Norton Sound, Bristol Bay, and Alaska Peninsula regions. In response to this disaster, the Operation Renew Hope will continue to pull together all the various state and federal programs that can respond to the short and long term disaster impacts. The Department's participation in Operation Renew Hope will result in continued responsibilities for Division staff in both coordinating agency responses and addressing the economic impacts of the decline in the fisheries industry.

## Division of Community and Business Development Contact List

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<b>Local Government</b>			
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VISTA	Midge Clouse	midge_clouse@dced.state.ak.us	269-4587
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Floodplain Management & National Flood Insurance Program	Christy Miller	christy_miller@dced.state.ak.us	269-4567
<b>Business Development</b>			
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<b>Information Resources</b>	Laura Walters	laura_walters@dced.state.ak.us	269-4521

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Produced by the State Department of Community and Economic Division of Community and Business Development, 550 West 7th Avenue, Suite 1770, Anchorage, AK 99501

For additional copies, download from the DCED website: <http://www.dced.state.ak.us/> or contact Pamela Neale (1-907-269-4530).

DCED complies with Title II of the Americans Disabilities Act of 1990. Upon request, this report will be made available in large print or other accessible formats. Request for such should be directed to DCED at 1-907-269-4580 or TDD 1-800-930-4555.

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# ALASKA

Department of Community and  
Economic Development

# OVERVIEW



Edgar Blatchford, Commissioner  
Presented to the House Committee on  
Community and Regional Affairs

February 25, 2003



# Our Mission

**“Promoting strong communities  
and a healthy economy”**

- Provide consumer protection through regulation of banking, securities and corporations, insurance, professional occupations and business licensing
- Promote economic development in the state through domestic and international promotion of tourism, seafood, timber, minerals, and other products, and encouragement of business and industrial development
- Administer several loan programs
- Foster the development of independent local governments by providing technical, financial, and program assistance to communities

# **The Department Consists of the Commissioner's Office plus Seven Divisions**

- **Administrative Services**
- **Banking, Securities, and Corporations**
- **Community and Business Development**
- **International Trade and Market Development**
- **Insurance**
- **Investments**
- **Occupational Licensing**

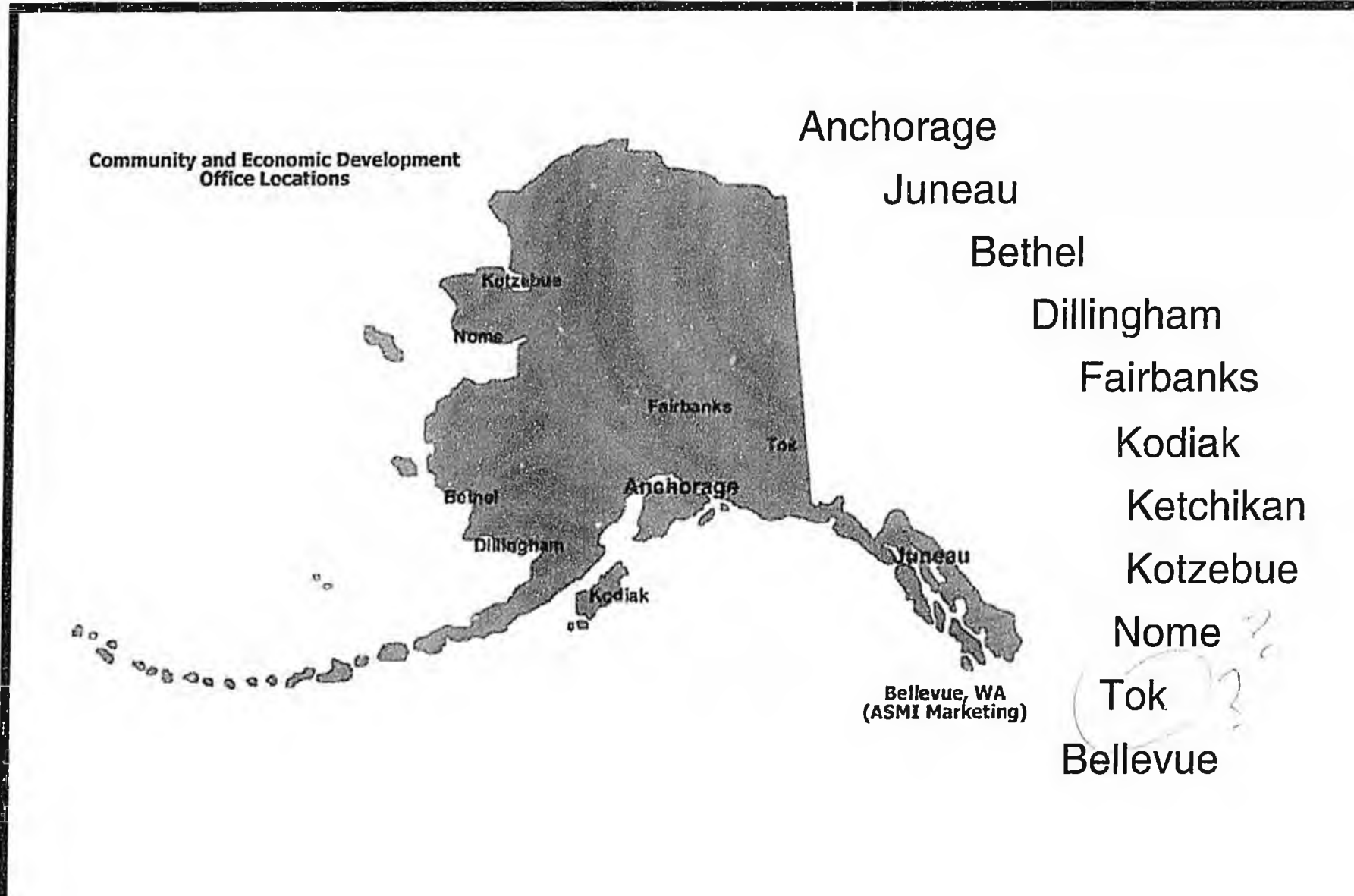
# The Department Houses Six Independent Agencies

- **Alaska Aerospace Development Corporation**
- **Alaska Industrial Development and Export Authority/Alaska Energy Authority**
- **Alaska Railroad Corporation**
- **Alaska Seafood Marketing Institute**
- **Alaska Science and Technology Foundation**
- **Regulatory Commission of Alaska**



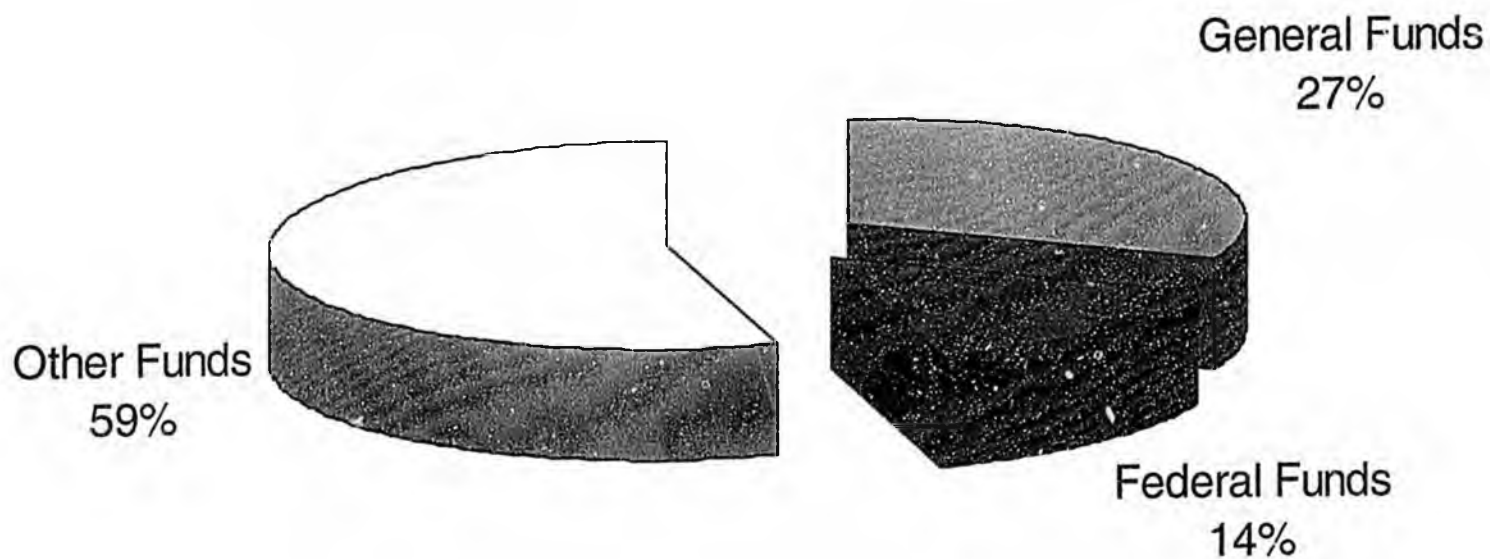
# Who We Are

Total employees 507

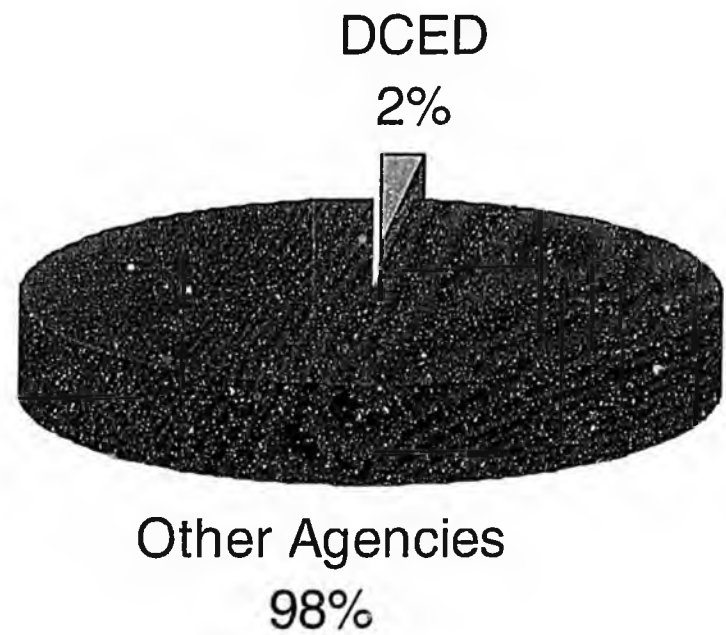


# FY03 DCED Budget Sources

**\$151.8 million**



# FY03 Statewide General Fund



# DIVISION OF COMMUNITY AND BUSINESS DEVELOPMENT

Contact: Gene Kane, Director (907) 269-4578

## Mission

The mission of the Division of Community and Business Development (CBD) is to promote independent local governments and job growth.

## Services Provided

### Business Development

- Alaska Regional Development Organizations (ARDOR) Program
- Fisheries
- Minerals & Mining
- Small Business
- Tourism

### Community Development

- Alaska Coastal Management Program (ACMP)
- Coordinated Response Projects
- Floodplain Management
- Land Management & Mapping
- Local Boundary Commission (LBC)
- Local Government Assistance
- Rural Utility Business Advisor (RUBA)
- State Assessor & Property Tax

### Funding Resources

- Grant Programs
- Funding Summits

### Information Resources

- Division Website & Publications
- Research & Analysis
- Web-Based Databases



## Goals and Strategies

- Stimulate Economic Development and Produce Healthy, Sustainable Economies through Locally Driven Initiatives
- Augment Alaska's Seafood Industry
- Ensure Residents of Small Rural Communities in Western Alaska get the Maximum Benefits from the Community Development Quota (CDQ) Program
- Support Continued Expansion of the Minerals Industry
- Improve the Delivery and Coordination of Services to Small Businesses
- Enhance the State's Tourism Industry
- Provide for Coastal Management Planning at the Local Level
- Facilitate Coordination Responses to Major Economic Dislocations
- Reduce Public and Private Sector Losses and Damage from Flooding and Erosion
- Address Community Land Issues and Reduce the Number of Future Land Conflicts
- Provide for City and Borough Incorporation, Annexation, Detachment, Merger, Consolidation, Dissolution, City Reclassification, and study of Municipal Issues.
- Increase Local Government Capacity to Provide Essential Services Effectively
- Help Rural Communities Operate and Manage Sanitation Facilities Effectively and Efficiently
- Implement the State's Role in Assessment and Property
- Administer Grant and Revenue Sharing Programs
- Conduct Funding Summits so Agencies Can Help Local Officials Realize Community Infrastructure Projects
- Provide Resources on Alaska Communities, Local Governments, Business and the Economy

## DIVISION OF INTERNATIONAL TRADE AND MARKET DEVELOPMENT

Contact Information: Margy Johnson, Director (907) 269-8110

### Mission

The mission of the Division of International Trade and Market Development (ITMD) is to increase international trade and investment in Alaska. Alaska's exports and other business interests are heavily concentrated in the Pacific Rim. Reflecting this, the division's efforts are focused on key markets in Asia, Canada, and the Russian Far East.

### Services Provided

#### Assist Alaska Companies Sell Their Goods and Services Overseas

- Connect Buyers and Sellers
- Overseas Representation
- Trade Missions, Outbound and Inbound
- Trade Shows

#### Provide Information

- Website
- Newsletters
- Trade Seminars
- Customized Reports

#### Advance Government – to – Government Relations

- Opening Doors
- Advocating for Alaskans
- Investment Promotion
- Multiplying Opportunities

#### Recruit Business and Investment to Alaska

- Spreading the word
- Outreach
- Providing Answers
- Finding Partners

## Promote Alaska as a Location for Film Projects

- Web Presence
- Outreach
- Answering the Calls

## Goals and Strategies

- Increase the Number of Alaska Firms that Export Services Overseas
- Increase the Dollar Value of Exports from the State
- Maximize the Number of Trade Leads in International Trade and Development While Minimizing the Cost
- Promote Exports to Alaska's Key Markets – Japan, Korea, Canada, China, Taiwan, and the Russian Far East
- Foster Economic Growth and Diversification by Promoting Alaska for Relocation , Expansion, and Investment
- Increase the Number of Film, Video, Television, and Location Shoots Produced in Alaska
- Provide Meaningful and High Quality Assistance to Private and Public Sectors to Benefit Alaska's Economy

## DIVISION OF INVESTMENTS

Contact: Greg Winegar, Director (907) 465-2510

### Mission

The mission of the Division of Investments is to promote economic development through direct state lending within those industries that are not adequately served by the private sector; and provide interagency and interdepartmental loan servicing of other loan portfolios.

### Services Provided

- Commercial Fishing Revolving Loan Fund (CFRLF)
- Fisheries Enhancement Revolving Loan Fund (FERLF)
- Small Business Economic Development (SBED)
- Western Alaska Program
- Rural Development Initiative Fund (RDIF)

### Goals and Strategies

- Make Loans Directly to Qualified Residents for Programs Established by the Alaska Legislature
- Service Efficiently the Loan Programs that are Administered by the Department of Community & Economic Development, Ensuring the Greatest Return on Investment that is Consistent with Public Policy
- Act as a Loan-servicing Agency for Many of the State's Loan Programs, Ensuring the Greatest Return on Investment that is Consistent with Public Policy

# DIVISION OF BANKING, SECURITIES, AND CORPORATIONS

Contact: Mark Davis, Director (907) 269-8140

## Mission

The mission of the Division of Banking, Securities, and Corporations is to maintain a stable financial network in the state for the safe conduct of financial services; protect securities investors and provide businesses with a legal structure enabling commerce in the state.

## Services Provided

- Banking (Financial Institution Regulation): Regulates Financial Institutions that are Chartered or Licensed Under State Law
- Securities: Administers the Alaska Securities Act, which deals with Broker-dealers, Investment Advisors, and the Securities and Advice they Sell
- Corporations: Provides Legal Recognition to a Business by Serving as a Filing Agency, Assisting the Private Sector in processing Documents in Compliance with State Law

## Goals and Strategies

- Develop and Maintain a Stable and Responsible State-Chartered Financial Institution System to Serve all of Alaska's Communities, Especially Where the institutions Draw their Deposits and Support
- Provide Effective Investor Protection Against Financial Loss Due to Fraudulent and Other Illegal Activities in the Securities Business, and Efficiently Serve the Alaska Business and Finance Community Legitimately Seeking to Raise Capital
- Create and Maintain a Friendly, Helpful Service for the General Public and Business Organizations of All types and Origins that Want to Organize and Do Business in Alaska

# DIVISION OF OCCUPATIONAL LICENSING

Contact: Richard Urion, Director (907) 465-2538

## Mission

- The mission of the Division of Occupational Licensing is to ensure competent professional and commercial services are available to Alaska consumers.

## Services Provided

- Administer 37 Occupational Licensing Programs for over 130 Occupations
- Provide Staff for 20 Boards Licensed by the Division
- Directly Support 17 Licensing Programs without Boards
- Issue Approximately 73,000 Business Licenses
- Issue More than 1,600 Tobacco Endorsements to Allow Businesses to Engage in the Retail Sale of Tobacco Products

## Goals and Strategies

- Allow Qualified Individuals to Work in their Fields: Earning a Living, Creating New Businesses and providing the Skilled Workforce Necessary for State Development
- Protect Public Health and Welfare by Safeguarding the Quality of Services Provided by Alaska's Licensed Professionals

## DIVISION OF INSURANCE

Contact: Stan Ridgeway, Deputy Director (907) 465-2518

### Mission

The mission of the Division of Insurance is to develop, interpret, and enforce the insurance statutes and regulations to protect and educate the consumer, and to enhance the insurance business environment.

### Services Provided

- Consumer Services
- Licensing
- Investigative
- Market Examination
- Financial Examination
- Financial Examination
- Filings Review
- Actuaries Analysis

### Goals and Strategies

- To Protect and Educate the Consumer and Enhance the Insurance Business Environment

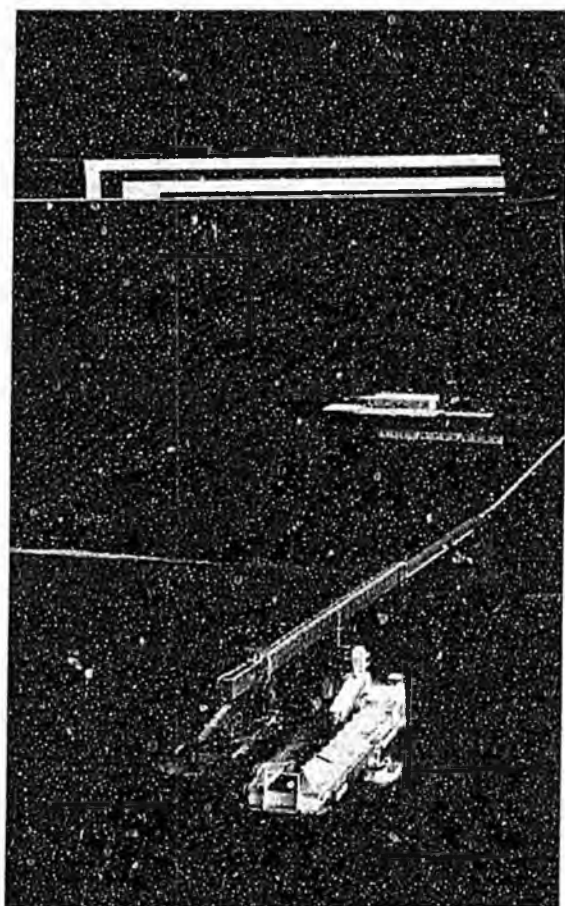
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OVERVIEW:

AIDEA

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AEA



# **Alaska Industrial Development and Export Authority (AIDEA)**

## **Overview**

House Community & Regional Affairs  
Committee  
February 27, 2003

**Ron Miller, Executive Director**

Phone: 269-3000

Fax: 269-3044

**AIDEA/AEA**

AS 44.88

# **AIDEA's Mission**

To promote, develop and advance the general prosperity and economic welfare of Alaskans by creating and retaining jobs and helping to diversify Alaska's economic base by financing industrial, manufacturing, export and business enterprises and facilities within Alaska.

**AIDEA/AEA** 