

**COMMUNITY DEVELOPMENT ASSESSMENT  
FOR  
THE STATE OF ALASKA**

**A GUIDE TO ALASKA'S  
COMMUNITY DEVELOPMENT ENVIRONMENT**

COMMUNITY DEVELOPMENT DEPARTMENT  
FEDERAL RESERVE BANK OF SAN FRANCISCO

**FOREWORD**

Ethan Jennings  
December 2004

The Community Affairs Department of the Federal Reserve Bank of San Francisco has developed a new series of reports for the nine states in the Twelfth District that both detail the demographic, economic, governmental, and institutional underpinnings of each state and provide an analysis of the various community development needs within each state. These reports, which we are calling “Environmental Assessments,” are meant to provide a framework for the array of community development activities that the department undertakes across the District. The hope is that the reports will not only provide a helpful compilation of existing community development needs and resources for each state, but will also allow us to target our time and resources to those areas that both show the greatest need and offer the opportunity for the most meaningful role.

We hope that you will find these Environmental Assessments useful and that the information presented will enhance your understanding of the state of community development in each location.

We look forward to your comments and suggestions.

Joy Hoffmann  
Vice President  
Community Affairs Department

Jack Richards  
Senior Community Affairs Manager  
Community Affairs Department

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## METHODOLOGY

In an attempt to provide a framework for performing our own community development work, the Community Affairs Department of the Federal Reserve Bank of San Francisco has produced separate reports entitled “environmental assessments” for each of the nine states which comprise the Federal Reserve’s Twelfth District: Alaska, Arizona, California, Hawaii, Idaho, Nevada, Oregon, Washington, and Utah. Each report is divided into two sections: one covering the overall “Community Development Environment” in the state, and the other covering the “Community Development Needs and Resources” in the state. These environmental assessments are intended to bring together available research and information in both of these areas.

Specifically, the chapters in the “Community Development Environment” section cover the demographic, economic, governmental, and institutional underpinnings in each state, providing detail such as each state’s industrial structure, economic outlook, banking system, nonprofit groups, and government departments involved in community development. In the second section, each report delves into four separate areas of “Community Development Needs and Resources:” affordable housing, small business, poverty and asset accumulation, and issues specific to native people and immigrants.

A key resource for both the data and the approach taken in this effort was the *2002 State Asset Development Report Card*, published by an influential research and advocacy organization, CFED (formerly known as the Corporation for Enterprise Development). CFED’s report analyzes a great deal of data on a range of factors affecting asset accumulation and poverty for each state in the nation. The CFED report divides its analysis into separate evaluations of “Asset Outcomes” and “Asset Policies” for each state, producing an overall grade (A, B, C, D, or F) for each. Not only do our reports reference virtually all of the individual rankings which feed into CFED’s two overall grades, but they also follow a somewhat similar approach in dividing each of the community development areas in each state (affordable housing, small business, poverty and asset accumulation, and native people and immigrant issues) between “needs” and “resources” in a manner similar to CFED’s “Asset Outcomes” and “Asset Policies.”

The reports then build on these CFED comparisons by drawing on the considerable resources already produced by a variety of national and local organizations in these subject areas for each state, pulling together their major data, analyses, and conclusions into one single report. The reports were designed by Scott Turner, who managed the project, with additional oversight and editing by Jack Richards. This Alaska Environmental Assessment was written by Ethan Jennings, a second-year student of the Goldman School of Public Policy at the University of California, Berkeley. The Environmental Assessment was also supported by significant data and material gather by Craig Nolte of the Community Affairs Department’s field staff. Websites referenced in this report were accessed between September and December of 2004, and we have attempted to provide accurate links to content referenced, although content and/or location may change over time. We should note here that while the Federal Reserve Bank of San Francisco sponsored these environmental assessments, they reflect only the views of the author.

We gratefully acknowledge the community development practitioners in each state who agreed to review drafts of these reports and provide helpful feedback. In addition, we have attempted to

ensure there are no errors or omissions in this report, but encourage you to contact us if you believe important changes are warranted. Please contact us by the end of February 2005, and we will be pleased to make appropriate revisions and post an edited version of the reports on our website in March 2005.

## CONCLUSIONS

### COMMUNITY DEVELOPMENT ENVIRONMENT

#### 1. Demographics

**Alaska is the largest state in the country in total area** and has more miles of coastline than the contiguous U.S. combined.<sup>1</sup> The state is, however, **the fourth-least populous** based on its 2003 population of 648,818.<sup>2</sup> The state's population increased by 14% between 1990 and 2000, slightly higher than the national average.<sup>3</sup> The state's population growth of 3.5% between 2000 and 2003 was also slightly above the national average.<sup>4</sup> Compared to the nation as a whole, Alaska has far smaller Black/African American and Hispanic/Latino populations and a slightly larger White population. Alaska's population is both younger and more male than the U.S. on average.<sup>5</sup>

#### 2. Economy

Alaska's economy was valued at \$31.4 billion in 2003. **The state has the sixth-smallest state economy in the country but the third-highest gross state product per capita.**<sup>6</sup> Industries of special importance include oil and gas, fishing, and tourism. The oil and gas sector's share of the economy has been declining since peak production levels in 1989 (in 2000, production levels were half of 1989 levels),<sup>7</sup> but upward pressure on oil prices has helped improve the state's budget balance. Fishing has traditionally been an important sector, although local economies face immense challenges due to competition from foreign aquaculture.<sup>8</sup> **Alaskans have long earned incomes above the U.S. mean, but the pace of real income growth has lagged behind the U.S. average,**<sup>9</sup> which highlights the need for economic diversification and new avenues for employment growth.

#### 3. Governmental and Financial Sectors

Alaska's governmental system is unique among states. **The majority of the state's land is ungoverned, with city/borough governments performing the functions that counties perform in many other states.** Alaska's public debt per capita is the highest in the nation,<sup>10</sup> yet

<sup>1</sup> Netstate.com, *The Geography of Alaska*, [http://www.netstate.com/states/geography/ak\\_geography.htm](http://www.netstate.com/states/geography/ak_geography.htm).

<sup>2</sup> U.S. Census Bureau, *Statistical Abstract of the United States: 2003*, <http://www.census.gov/statab/ranks/ranks.html>.

<sup>3</sup> U.S. Census Bureau, *Population Change and Distribution, 1990-2000*,

<http://www.census.gov/prod/2001pubs/c2kbr01-2.pdf>.

<sup>4</sup> U.S. Census Bureau, *Alaska QuickFacts*, <http://quickfacts.census.gov/qfd/>.

<sup>5</sup> Ibid.

<sup>6</sup> Bureau of Economic Analysis, *Regional Economic Accounts*, <http://www.bea.gov/bea/regional/gsp.htm>.

<sup>7</sup> Alaska Department of Economic Development, *Alaska Economic Information System*, [http://www.commerce.state.ak.us/dca/AEIS/AEIS\\_Home.htm](http://www.commerce.state.ak.us/dca/AEIS/AEIS_Home.htm). For latest data, refer to the Alaska State Division of Oil and Gas, <http://www.dog.dnr.state.ak.us/oil/>.

<sup>8</sup> Ibid.

<sup>9</sup> Bureau of Economic Analysis, *Regional Economic Accounts*. Alaska ranked 15<sup>th</sup> in 2002 on a real per-capita personal income basis according to the Census Bureau's 2003 Statistical Abstract.

<sup>10</sup> U.S. Department of Commerce, Government Division, Finance Branch, *State Government Finances: 2000*, <http://www.census.gov/govs/www/state00.html>.

the state receives relatively strong debt ratings.<sup>11</sup> The state's budget balance is highly sensitive to the value of oil; higher-than-projected oil prices in the first six months of FY 2005 are expected to generate an extra \$500 million for Alaska's general fund, enough to close the state's budget deficit of \$360 million. However, Alaska state lawmakers have cautioned against hoping that the price increase will permanently solve the state's fiscal troubles.<sup>12</sup> In the financial sector, Alaska is home to nine FDIC-insured financial institutions, which together hold \$5.95 billion in deposits in the state.<sup>13</sup> In addition, Alaska has **13 credit unions, which together control nearly half of the state's combined bank/credit union assets**, far higher than the national average of 6.5%.<sup>14</sup> Alaska also has four certified Community Development Financial Institutions.<sup>15</sup>

## COMMUNITY DEVELOPMENT NEEDS AND RESOURCES

### 1. Affordable Housing

Alaska faces a mixed array of affordable housing challenges. **Alaska's rental affordability rating is relatively strong at 13<sup>th</sup> in the U.S.**, but at the same time, the state's median rent is the seventh highest in the country.<sup>16</sup> Alaska's homeownership rate grew faster than any other state's between 1990 and 2000<sup>17</sup>, but remains among the lowest in the country (**Alaska ranks 38<sup>th</sup> in homeownership**). Nearly half of all renters are paying one third or more of gross income towards housing, but, to the state's credit, only 18% of renters pay more than 50% of income towards housing, the fifth-best percentage in the country.<sup>18</sup> While Alaska has no housing trust fund or property tax circuit breaker program, it does have four out of six common types of first-time homebuyer assistance programs.<sup>19</sup>

### 2. Small Business

Small business is particularly important to the Alaskan economy, but the sector has struggled in recent years. **Businesses that employ fewer than 10 workers account for almost 15% of Alaska's employment, the fourth-highest small business employment share in the country.** Additionally, between 1999 and 2000, small businesses represented 75% of net new non-farm employment in Alaska.<sup>20</sup> Alaska has a high entrepreneurship level and ranks first in the nation in

<sup>11</sup> Division of Treasury, State of Alaska, *Alaska Public Debt, 2003-2004*, January 2004, <http://www.revenue.state.ak.us/treasury/AMBBA/Forms/PublicDebtBook2003-2004.pdf>.

<sup>12</sup> Anchorage Daily News, Oil Income Bridges Alaska's Fiscal Gap, December 2004, <http://www.adn.com/alaska/story/5858898p-5774344c.html>.

<sup>13</sup> FDIC, *Deposit Market Share Report: Alaska*, June 2004.

<sup>14</sup> Alaska Credit Union League, *Credit Union Fact Sheet*, [http://www.cuna.org/download/alaska\\_fs.pdf](http://www.cuna.org/download/alaska_fs.pdf).

<sup>15</sup> CDFI Fund, U.S. Department of the Treasury, *Certified CDFI's – Alphabetical by State and County*, November 2004.

<sup>16</sup> National Low Income Housing Coalition (NLIHC), *Up Against a Wall*, November 2004, <http://www.nlihc.org/pubs/uaw04/newrankingtables.pdf>.

<sup>17</sup> U.S. Department of Housing and Urban Development, 2000 Census Results: Housing Trends 1990-2000, Table 1, U.S. Housing Market Conditions, Summer 2001, <http://www.huduser.org/periodicals/ushmc/summer2001/summary-2.html>.

<sup>18</sup> NLIHC, *Up Against a Wall*.

<sup>19</sup> CFED, *SADRC*, pp. 129-133.

<sup>20</sup> U.S. Small Business Administration, *2003 State Small Business Profile: Alaska*, <http://www.sba.gov/advo/stats/profiles/03ak.pdf>.

the level of private loans to small businesses, indicating good access to credit. However, **despite good credit access and its importance to the state's economy, Alaska's business sector ranks well below average on measures of business vitality, performance, and development capacity.**<sup>21</sup> Likewise, the technology sector is exhibiting decline: Alaska's new economy rankings fell from 13th in 1999 to 31st in 2002.<sup>22</sup> In an effort to improve the performance of the state's small businesses, new business associations have formed in recent years to develop the state's technology sector and to enhance its craft industry.

### 3. Poverty and Asset Accumulation

**Approximately 9% of Alaskans live in poverty, the ninth-lowest rate nationally.**

Additionally, Alaska scores well on asset accumulation measures, with relatively few residents counted among the asset poor or those with zero or negative net worth.<sup>23</sup> Also notable is Alaska's personal bankruptcy rate, which is the lowest in the nation.<sup>24</sup> However, in contrast to its strong poverty scores, **Alaska earns very low rankings in insurance coverage.**<sup>25</sup> The state also has no official state support for IDA programs, although a statewide alliance (The Alaska IDA Network) has been actively promoting IDA programs.<sup>26</sup>

### 4. Native Americans and Immigrants

Alaska has the **seventh-largest American Indian/Alaska Native (AIAN) population in the nation** and is **ranked first in terms of the percentage of state population the groups represent.**<sup>27</sup> Alaska's large AIAN population exhibits a significantly higher poverty rate than the state average, and is far more likely to be unemployed or live in substandard housing.<sup>28</sup> There is only one federal reservation in Alaska; as part of a settlement in exchange for land, Alaska Natives are organized into native corporations with unique powers and functions.

**Approximately 6% of Alaskans are foreign born,** well below the national average of 11.1%.<sup>29</sup> Half of Alaskan immigrants come from Asia, with approximately another 20% each from Europe and Latin America. Just over 11% of foreign-born Alaskans live in poverty, a rate below the national average for immigrants but slightly higher than the state mean.<sup>30</sup>

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<sup>21</sup> CFED, *2004 Development Report Card for the States*, <http://drc.cfed.org/grades/alaska.html>.

<sup>22</sup> Robert Atkinson, Progressive Policy Institute, *The 2002 State New Economy Index*, June 2002.

<sup>23</sup> CFED, *SADRC*.

<sup>24</sup> American Bankruptcy Institute, *U.S. Bankruptcy Statistics: Households per Filing*, <http://www.abiworld.org/statcharts/HouseRank.htm>.

<sup>25</sup> CFED, *SADRC*.

<sup>26</sup> Juneau Economic Development Network, *IDA Network*, <http://www.jedc.org/ida/>.

<sup>27</sup> U.S. Census Bureau, Census 2000 Data.

<sup>28</sup> *Ibid.*

<sup>29</sup> *Ibid.*

<sup>30</sup> *Ibid.*

**STATE OF ALASKA**  
**SELECTED COMMUNITY DEVELOPMENT INDICATORS**

<i>Affordable Housing</i>	<i>Rate</i>	<i>State Rank</i>
Homeownership Rate <sup>31</sup>	67.3%	38 <sup>th</sup>
Rental Affordability Rate <sup>32</sup>	--	13 <sup>th</sup>
Severely Cost-Burdened Renter Households <sup>33</sup>	18.0%	5 <sup>th</sup>
<hr/>		
<i>Small Business</i>		
Small Business Employment Rate <sup>34</sup>	14.9%	4 <sup>th</sup>
Entrepreneurship Rate <sup>35</sup>	14.0%	12 <sup>th</sup>
Level of Private Loans to Small Business <sup>36</sup>	--	1 <sup>st</sup>
<hr/>		
<i>Poverty and Asset Accumulation</i>		
Poverty Rate <sup>37</sup>	9.0%	9 <sup>th</sup>
Households with Zero Net Worth <sup>38</sup>	11.3%	5 <sup>th</sup>
Personal Bankruptcy Rate <sup>39</sup>	5.8	1 <sup>st</sup>
<hr/>		
<i>Native Americans and Immigrants</i>		
American Indian / Alaska Native Population <sup>40</sup>	15.6%	1 <sup>st</sup>
American Indian / Alaska Native Poverty Rate <sup>41</sup>	20.2%	--
Foreign-Born Population <sup>42</sup>	5.9%	21 <sup>st</sup>
Foreign-Born Poverty Rate <sup>43</sup>	11.2%	--

<sup>31</sup> U.S. Census Bureau, *U.S. Statistical Abstract 2003*; represents the percentage of housing units that are occupied by owners, ranked from highest percentage (1<sup>st</sup>).

<sup>32</sup> NLIHC; *Up Against a Wall*, November 2004; rank is calculated based on a weighted average of the state's median gross rent, renter market affordability ratio, and percent of severely cost-burdened renters, ranked from most affordable (1<sup>st</sup>).

<sup>33</sup> *Ibid.*; represents the percentage of renter households in the state spending 50% or more of income on rent in 2003, ranked from lowest percentage (1<sup>st</sup>).

<sup>34</sup> U.S. Census Bureau, *County Business Patterns 2001*; represents the share of total state employment attributable to firms with ten or fewer employees, ranked from highest share (1<sup>st</sup>).

<sup>35</sup> CFED, *SADRC*; represents the percentage of the labor force that owns employer or non-employer firms as of 2000, ranked from highest percentage (1<sup>st</sup>).

<sup>36</sup> *Ibid.*; represents the dollar amount of private business loans under \$1 million per workers, ranked from highest amount (1<sup>st</sup>).

<sup>37</sup> U.S. Census Bureau, *Income, Poverty and Health Insurance Coverage in the United States: 2003*; the average percentage of people living below the federal poverty level between 2001 and 2003, from lowest percentage (1<sup>st</sup>).

<sup>38</sup> CFED, *SADRC*; the percentage of households with zero or negative net worth, ranked from lowest percentage (1<sup>st</sup>).

<sup>39</sup> American Bankruptcy Institute; represents personal bankruptcy filings in 2003 per thousand households in the state, ranked from fewest filings (1<sup>st</sup>).

<sup>40</sup> U.S. Census Bureau, *Census 2000*; represents the percentage of the state's population composed of Native Americans and Alaska Natives (only), ranked from highest percentage (1<sup>st</sup>).

<sup>41</sup> *Ibid.*; represents the percentage of Native American/Alaska Native individuals living below the federal poverty level at any time in 1999.

<sup>42</sup> *Ibid.*; percentage of state's population composed of foreign-born individuals, ranked from highest percentage (1<sup>st</sup>).

<sup>43</sup> *Ibid.*; represents percentage of foreign-born individuals living below the federal poverty level at any time in 1999.

## I. DEMOGRAPHICS

### 1. Geography

Alaska lies far north and west of the contiguous United States, and is the **largest state in the country** with 570,374 square miles of land area and more coastline than the rest of the country combined. Surrounded on three sides by oceans, Alaska's state borders contain 86,051 square miles of water area, the most of any state in the country and more than twice the water area of Michigan, the second largest.<sup>44</sup> Because of its diffuse population, the state lacks a local tax base or government in much of the countryside. Infrastructure such as the state highway system offers incomplete access. Consequently, telephone and Internet access is severely limited and the state is highly dependent on air transportation.



Source: Infoplease.com

### 2. Population

Alaska's total population is 648,818, approximately 42% (274,003) of which live in the Anchorage/Mat-Su area, the single dominant urban center. The two next largest cities are Juneau (31,283) and Fairbanks (29,486).<sup>45</sup> The state is 48<sup>th</sup> in overall population and last in the nation

<sup>44</sup> Netstate.com, *The Geography of Alaska*. [http://www.netstate.com/states/geography/ak\\_geography.htm](http://www.netstate.com/states/geography/ak_geography.htm)

<sup>45</sup> Alaska Department of Labor and Workforce Development, *Labor Department Estimates*

for population density (one person per square mile).<sup>46</sup> The median age in Alaska is 33.2, compared to 36.0 for the U.S. as a whole.<sup>47</sup>

Alaska's population grew 14% between 1990 and 2000, significantly less than the 30+ percent growth per decade in the 30 years preceding the 1990 Census.<sup>48</sup>

### **Population by Borough/Census Area, 1990 and 2000**

<i>Borough / Census Area</i>	<i>1990</i>	<i>2000</i>	<i>% Change</i>
<b>Statewide</b>	<b>550,043</b>	<b>626,932</b>	<b>14</b>
Aleutians East Borough	2,464	2,697	9.5
Aleutians West Census Area	9,478	5,465	-42.3
Anchorage Borough	226,338	260,283	15.0
Bethel Census Area	13,656	16,006	17.2
Bristol Bay Borough	1,410	1,258	-10.8
Denali Borough	--	1,893	--
Dillingham Census Area	4,012	4,922	22.7
Fairbanks North Star Borough	77,720	82,840	6.6
Haines Borough	2,117	2,392	13
Juneau Borough	26,751	30,711	14.8
Kenai Peninsula Borough	40,802	49,691	21.8
Ketchikan Gateway Borough	13,828	14,070	1.8
Kodiak Island Borough	13,309	13,913	4.5
Lake and Peninsula Borough	1,668	1,823	9.3
Matanuska-Susitna Borough	39,683	59,322	49.5
Nome Census Area	8,288	9,196	11
North Slope Borough	5,979	7,385	23.5
Northwest Arctic Borough	6,113	7,208	17.9
Prince of Wales-Outer Ketchikan Census Area	6,278	6,146	-2.1
Sitka Borough	8,588	8,835	2.9
Skagway-Hoonah-Angoon Census Area	--	3,436	--
Southeast Fairbanks Census Area	5,913	6,174	4.4
Valdez-Cordova Census Area	9,952	10,195	2.4
Wade Hampton Census Area	5,791	7,028	21.4
Wrangell-Petersburg Census Area	7,042	6,684	-5.1
Yakutat City and Borough	--	808	--
Yukon-Koyukuk Census Area	8,478	6,551	-22.7

Source: U.S. Census Bureau, Census 2000 Data.

*Alaska's 2003 Population*, <http://www.labor.state.ak.us/news/2004/news04-33.pdf>. 2003 estimates are provisional.

<sup>46</sup> Netstate.com, *The Geography of Alaska*, [http://www.netstate.com/states/geography/ak\\_geography.htm](http://www.netstate.com/states/geography/ak_geography.htm).

<sup>47</sup> U.S. Census Bureau, 2003 American Community Survey Data.

<sup>48</sup> U.S. Census Bureau, Census 2000 Data.

### 3. Metropolitan Statistical Areas (MSAs)

The only MSAs in Alaska are the Anchorage and Fairbanks MSAs:

#### **Population by MSA, 1990-2003**

	<i>2003 Population</i>	<i>2000 Population</i>	<i>1990 Population</i>	<i>Percent Growth 1990-2000</i>
Anchorage	339,286	319,605	266,021	20.1
Fairbanks	85,978	82,840	77,720	6.6

Source: U.S. Census Bureau<sup>49</sup>

### 4. Race and Ethnicity

The demographics of the state exhibit a high degree of difference from the rest of the country: there are **far more Alaska Natives, American Indians, and Pacific Islanders and far smaller White, Black, and Hispanic/Latino populations.**

#### **Population by Race, 2000**

<i>Race</i>	<i>2000 Population</i>	<i>% of State Population</i>	<i>% of U.S. Population</i>
White	434,534	69.3	75.1
American Indian / Alaska Native	98,043	15.6	0.9
Black or African American	21,787	3.5	12.3
Asian	25,116	4	3.6
Native Hawaiian / Pacific Islander	3,309	0.5	0.1
Some other race	9,997	1.6	5.5
Two or more races	34,146	5.4	2.4
Hispanic or Latino Origin*	25,852	4.1	12.5

Source: U.S. Census Bureau, Census 2000 Data.

\* Persons of Hispanic or Latino Origin may be of any race

### 5. Educational Attainment

Educational attainment for Alaskans is not highly different from national averages. Eighty-eight percent of Alaskans have completed at least high school and 23.5% have a bachelor's degree or higher.<sup>50</sup>

<sup>49</sup> Missouri Census Data Center, *Populations of Metropolitan Statistical Areas for US: 2000 Census and July, 2003 Estimate*, <http://mcdc2.missouri.edu/webrepts/geography/metropops03.pdf>.

<sup>50</sup> U.S. Census Bureau, Census 2000 Data.

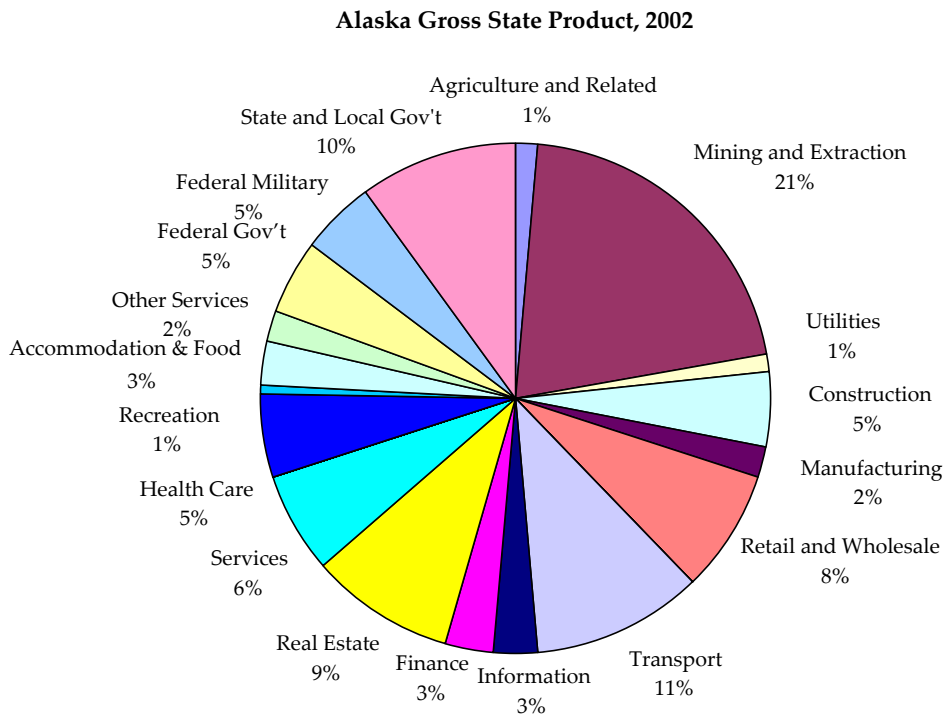
## II. ECONOMY

### A. ECONOMIC STRUCTURE

Gross state product (GSP) is one of the most frequently used comprehensive measures of an economy. It is defined as the value added in production by the labor and property located in a state. The Bureau of Economic Analysis reports GSP as data becomes available. **Alaska's gross state product in 2003 was \$31.4 billion current dollars (45<sup>th</sup> in the nation), a 5.7% increase over the previous year.<sup>51</sup> GSP per capita was \$48,400, third in the nation.**

#### 1. Major Industries

The five leading sectors are oil and gas, manufacturing, agriculture/food processing, natural resource extraction/processing, and tourism, each of which is discussed in more detail below.<sup>52</sup>



#### **Percent Change in Real Gross State Product by Major Industry, 2000-2001**

	Total GSP	Agric	Mining	Constr.	Mfg	Transport & Utilities	Finance	Gov't	Services	Rank in GSP % Change
US	0.4	-1.7	4.8	-1.6	-6.0	-0.2	2.8	1.8	0.9	--
Alaska	-1.0	-0.3	-8.7	2.5	-9.5	-0.3	3.5	1.8	1.8	45

Source: U.S. Bureau of Economic Analysis

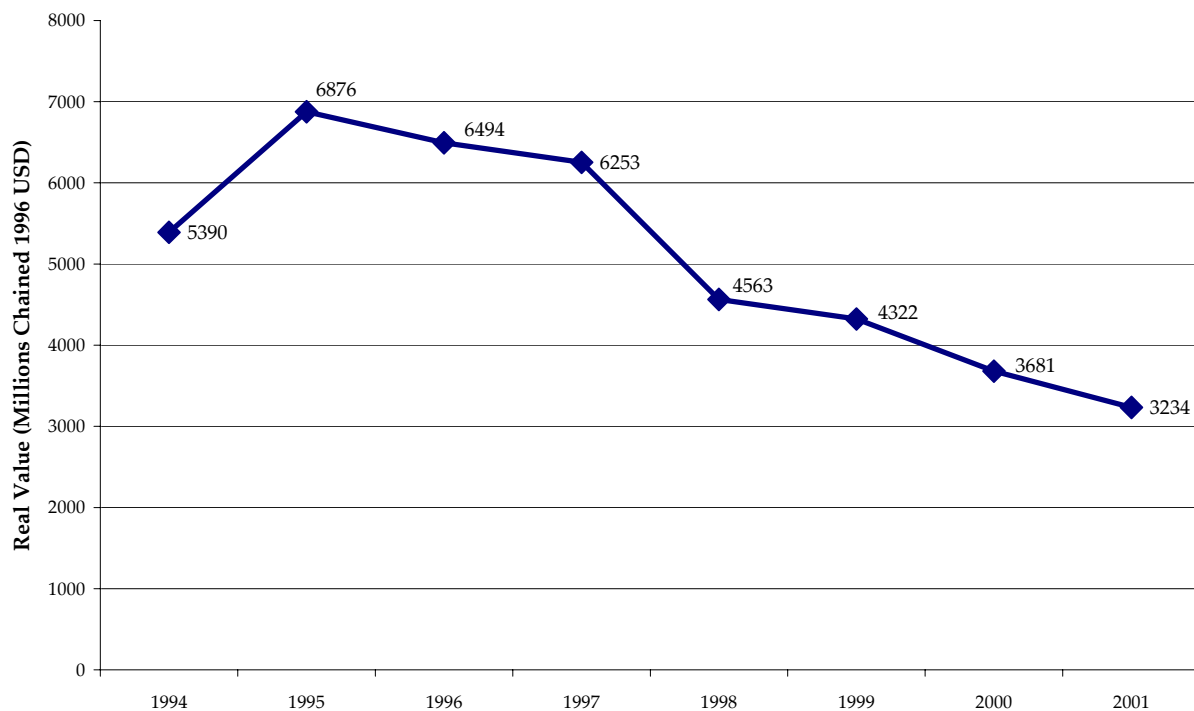
<sup>51</sup> Not adjusted for inflation. Bureau of Economic Analysis, *Regional Economic Accounts*, <http://www.bea.doc.gov/bea/newsrelarchive/2003/gsp0503.xls>.

<sup>52</sup> Although other sectors represent larger nominal values, areas of economic activity identified as leading sectors are those that exhibit significant variation from national averages.

## a. Oil and Gas

**The oil and gas sector dominates the economic base.** Its share of the economy has been declining since peak production in 1989, when high world prices made Alaskan crude more price-competitive despite high extraction costs. In 2000, oil production was at 57% of this level, and until 2010, production is expected to stabilize at 50% of peak levels. Although declining as a share of GSP, oil and gas remains by far the largest industry in Alaska's economic base (13.2% of GSP in 2001), providing over 33,000 jobs, a \$1.4 billion payroll, and \$1.9 billion in taxes for the state.<sup>53</sup>

Value of Alaska's Oil and Gas Extraction, 1994-2001



Source: U.S. Bureau of Economic Analysis

## b. Manufacturing

Manufacturing is also declining in importance to the Alaskan economy, recently overtaken by tourism in the size of the economic impact. Excluding food, manufacturing represented 2.2% of Alaska's GSP. Of Alaska's manufacturing sectors, the most important are petroleum products (\$394 million), lumber and wood (\$88 million), chemicals (\$60 million), stone/clay/glass and metals (\$43 million). The decline in manufacturing has been a nationwide phenomenon, being the largest cause for diminishing real GSP in most all of the slowest-growing 20% of states.<sup>54</sup>

<sup>53</sup> Alaska Office of Economic Development, *Alaska Economic Information System (AEIS)*, <http://www.commerce.state.ak.us/oed/econdev/econdev.htm>.

<sup>54</sup> Bureau of Economic Analysis, *Regional Economic Accounts*.

### c. **Agriculture, Seafood and Food Processing**

Due to Alaska's climate, traditional agriculture is a relatively small part of the economic picture. The value of farm production in 2000 was \$26.5 million (excluding the value of aquaculture), with nursery/greenhouse production valued at \$14 million and livestock, dairy, vegetable, and feed crops worth \$2 to \$4 million each.<sup>55</sup>

Fisheries production dwarfs traditional agriculture by any measure. The combined value of fishing production to the harvesting and processing sectors was in excess of \$3 billion in 2000, with over \$440 million paid in wages to processing workers.<sup>56</sup> Fisheries-related jobs provide for nearly two thirds of employment wages in Western Alaska. This area is highly dependent on the value of its salmon crop, providing as much as half of the world's sockeye salmon harvest. As the value of salmon has been declining, this region is under increasing pressure to find alternative economic activities.<sup>57</sup>

### d. **Wood Products and Mining**

**Wood products and timber harvesting have suffered greatly from reduced demand in export markets.** In 2001, logging companies and sawmills employed an annual average of 1,200 workers, representing a decline of 37% from five years earlier.<sup>58</sup> Lumber and wood products in 2001 represented an \$88 million industry, dramatically smaller than the \$250 million value of such products in 1995.<sup>59</sup>

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<sup>55</sup> Alaska Agricultural Statistics Service, *Alaska 2004 Annual Bulletin*, <http://www.nass.usda.gov/ak/alaska04/content4.htm>.

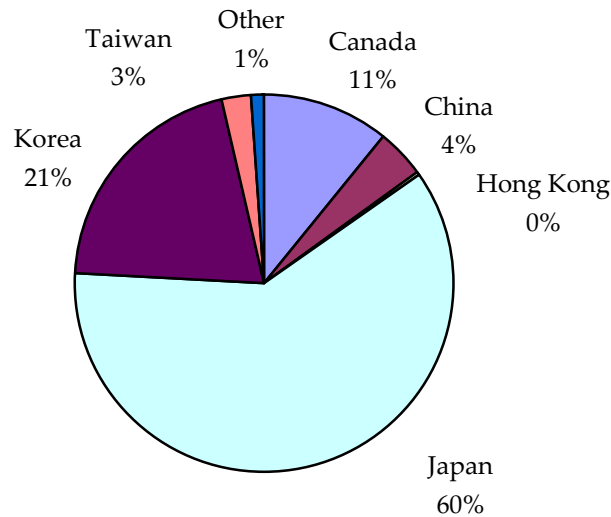
<sup>56</sup> Alaska Office of Economic Development, *Alaska Economic Information System (AEIS)*.

<sup>57</sup> *Ibid.*

<sup>58</sup> Alaska Department of Labor and Workforce Development, *Industry Employment Estimates*, [http://www.labor.state.ak.us/research/emp\\_ue/ak95prs.htm](http://www.labor.state.ak.us/research/emp_ue/ak95prs.htm).

<sup>59</sup> Bureau of Economic Analysis, *Regional Economic Accounts*.

### Alaskan Timber Export Destinations, 2001



Source: U.S. Department of Commerce<sup>60</sup>

**Mining (excluding oil and gas extraction) is a potential growth spot within Alaska's economic base industries.** Mining activities accounted for almost 3,000 full-time equivalent jobs in 2001, and although 2001 exhibited a 17% decline from nominal production value on the previous year, the general trend has been for strong upwards growth.<sup>61</sup>

#### e. Non-Resident Tourism

Not surprisingly, 83% of Alaska's tourists come over the summer months. The state had 1.2 million visitors over the summer of 2001, continuing a steady growth trend over the last five years. The non-resident visitor industry accounts for about 20,000 direct jobs and \$447.9 million in personal income, making it a key service industry in the state.

Visitors to Alaska spent over \$1.8 billion from October 2000 to September 2001. Summer visitor spending increased from \$598 million in 1993 to more than \$1.5 billion in 2001, and Fall/Winter visitor spending has increased from \$87 million in 1993-94 to \$326.8 million in 2000-01. The growth in visitor spending has outpaced the increase in tourism, even controlling for inflation. The average visitor spends \$1,258 per trip or \$125/night, with the median figures significantly lower (\$380/trip and \$44/night).<sup>62</sup>

## 2. Economic Diversification

The decline in seafood harvesting and processing has made economic restructuring imperative for Western Alaska (Dillingham, Lake and Peninsula, Bethel, Bristol Bay, Wade Hampton, Nome, Aleutians East, and the western half of Yukon-Koyukuk). Until recently, commercial

<sup>60</sup> U.S. Department of Commerce, International Trade Commission, *USITC Trade Database*, <http://dataweb.usitc.gov/>.

<sup>61</sup> Alaska Department of Labor and Workforce Development, *Industry Employment Estimates*.

<sup>62</sup> Alaska Office of Economic Development, *Alaska Economic Information System (AEIS)*.

salmon fishing and seafood processing were the primary sources of cash income in the economic base. As these industries declined, **increases in the Permanent Fund Dividend (PFD)** and government spending have allowed transportation, retail trade, and services to grow. As a result, the traditional economic mainstay is in decline (commercial salmon fishing and processing), most of the recent economic growth is in the private services sector, and the continued growth in transfer payments such as the PFD is uncertain and may be responsible for unsustainable growth.

In 2002, The Alaskan Department of Community and Economic Development published a strategy paper outlining suggestions for diversifying Western Alaska's economy. The report recommended import substitution and subsistence, promotion of the arts and crafts and tourism industry, restructuring of the salmon industry, and investments that will reduce energy and transportation costs.<sup>63</sup>

### **3. Labor Force and Employment**

The total size of the Alaskan labor force as of August 2004 was 323,500, 50,300 of whom were employed in goods-producing industries.<sup>64</sup> The gender balance has been representative of Alaska's demographic bias in favor of men, with 53% of workers being male over the years 1988 to 2001.<sup>65</sup> **One in 10 Alaskan workers are employed in leisure or hospitality activities.** Twenty percent of the labor force is employed in the trade and transportation sectors, 3.5% work in natural resource extraction, and 4% work in seafood processing. Over 25% of all workers are employed with federal, state, or local governments, a sector expected to grow in the near future.<sup>66</sup>

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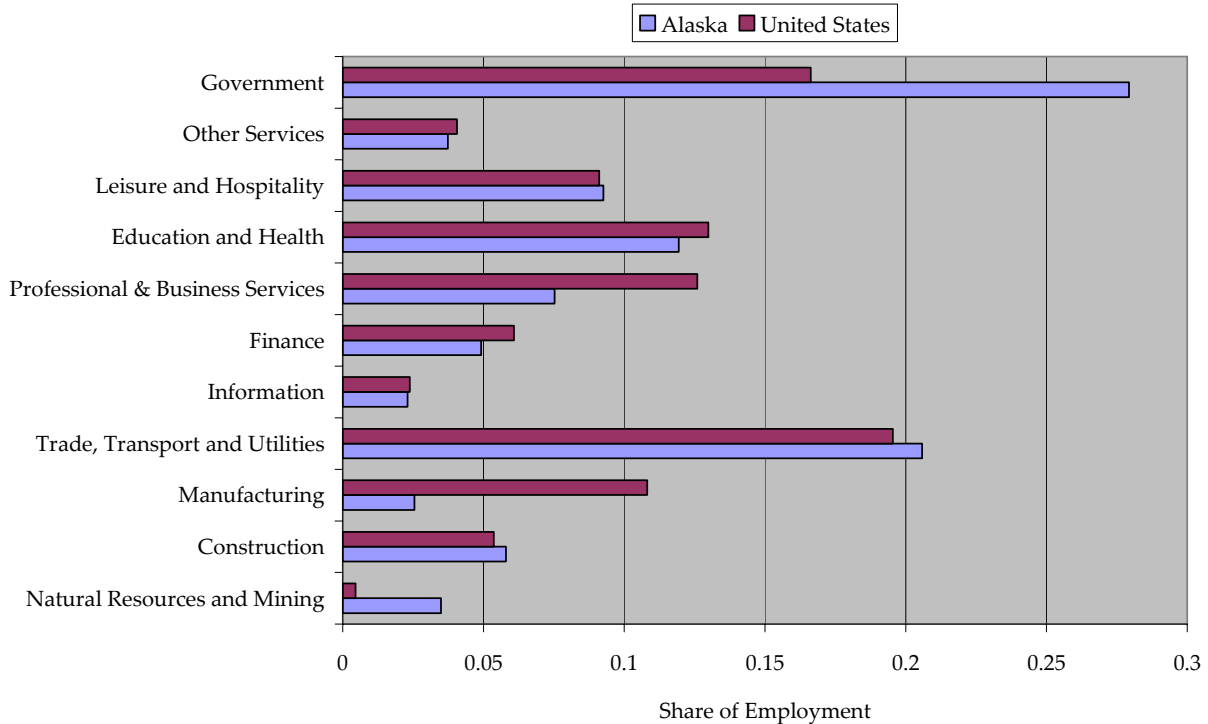
<sup>63</sup> Alaska Department of Community and Economic Development, *Western Alaska Economic Diversification Strategy*, [http://www.commerce.state.ak.us/dca/pub/diversification\\_plus\\_appendix.pdf](http://www.commerce.state.ak.us/dca/pub/diversification_plus_appendix.pdf).

<sup>64</sup> Alaska Department of Labor and Workforce Development, *Industry Employment Estimates*, [http://www.labor.state.ak.us/research/emp\\_ue/ak95prs.htm](http://www.labor.state.ak.us/research/emp_ue/ak95prs.htm).

<sup>65</sup> A detailed analysis of gender differences in wages and employment was published in 2003 and is online at <http://www.labor.state.ak.us/research/trends/sep03occ.pdf>.

<sup>66</sup> Alaska Department of Labor and Workforce Development, *Industry Employment Estimates*, [http://www.labor.state.ak.us/research/emp\\_ue/ak95prs.htm](http://www.labor.state.ak.us/research/emp_ue/ak95prs.htm).

Employment Patterns in Alaska, 2004



Source: Bureau of Labor Statistics<sup>67</sup>

## B. ECONOMIC PERFORMANCE

### 1. Historic Economic Performance

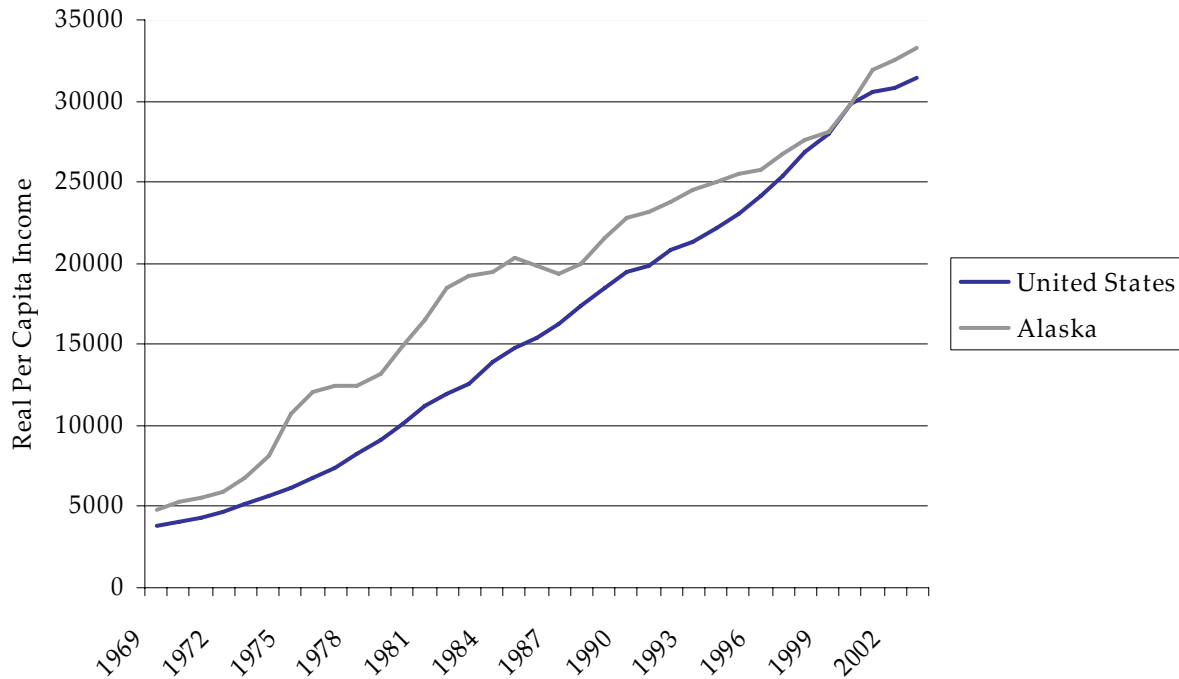
**In the late 1980s, at the height of the expansion of the oil industry in Alaska, economic growth outpaced the national average.<sup>68</sup> Since then, growth has lagged as all of Alaska's major industries have come under pressure.** The last decade saw sluggish growth and little to no gains in real GDP. As a result, Alaska's real GDP has declined relative to the U.S. and Alaska is also not keeping up with the growth in incomes across the United States. Although the state started with a very strong advantage, compounded by oil industry growth in the late 1980s, Alaska has since lagged behind in real income growth. If present trends continue, Alaska will soon be at the U.S. mean GDP per capita.

Alaskan residents may not directly observe this declining advantage in GDP per capita. In fact, the picture is slightly better when looking at the difference in per capita income, which more directly relates to paid compensation rather than economic growth.

<sup>67</sup> Bureau of Labor Statistics, *Employees On Nonfarm Payrolls By State And Selected Industry Division, Not Seasonally Adjusted*.

<sup>68</sup> U.S. Bureau of Economic Analysis, *Regional Economic Accounts*.

Growth in Per Capita Income 1969-2003



Source: U.S. Bureau of Economic Analysis

**While Alaska's economy is not as strong as it was 20 years ago, it is relatively stable.**

Alaskans have long earned incomes above the U.S. mean, but the pace of growth has lagged behind the U.S. average every year from 1984 to 2001 with few exceptions. The actual difference in mean per capita income reached nearly zero between 2000 and 2001, but has since climbed to a more stable level.

## 2. Recent Economic Performance

When adjusted for inflation, the recent performance of Alaska's economy deserves attention.

**The size of the Alaskan state economy has declined every year since 1997 with the exception of 1999.** While GDP growth began to slow in 2001 as real GSP declined in 20 states and growth decelerated in 26 additional states, Alaska had already been performing below the mean. Although Alaska's growth remained slow, decline in the U.S. mean rate of growth narrowed the gap; since 2001, Alaska has been growing at or above the U.S. mean rate.<sup>69</sup>

In Alaska, the oil and gas sector still dominates the GSP, accounting for 45% of business that creates new wealth. Alaska's economy is essentially stable despite decreases in oil and gas extraction, lower salmon prices, and flat trends in non-resident tourism and mining, as slack in these industries has been picked up by growth in the business support and government

<sup>69</sup> Ibid.

employment sectors. Federal spending in Alaska is at a record high—\$7.9 billion in 2003.<sup>70</sup> The greatest economic growth continues to be in the private support sector, which includes services, retail trade, transportation, communications, utilities, and construction.

Growth in the private support sector is primarily due to increases in capital improvement project spending, the annual Permanent Fund Dividend to Alaska residents, Native Corporation business activity, and government spending. About 25% of total state spending goes directly to Alaska businesses and another 25% goes directly to households. About 18% of state spending is for wages and salaries. In addition, 20% of all federal spending in Alaska goes directly to Alaska businesses and 40% goes to households, with a further 30% going to state and local governments and the remainder to Alaskan Natives, nonprofits, and schools.<sup>71</sup>

**The loss of income from salmon has devastated many local economies**—especially in western areas. Worldwide production of farmed salmon and an oversupply of wild salmon from other countries are outpacing the demand for Alaska salmon. Alaska salmon was once the biggest portion of the state’s seafood sector, but was surpassed by groundfish in 2000.<sup>72</sup> The 2002 ex-vessel value of the North Pacific groundfish industry was estimated to be \$328.9 million, while salmon was valued at \$129.9 million. The State Administration has responded by securing \$50 million in federal funds for its Fisheries Revitalization Strategy. The Strategy provides funds to impacted individuals and communities and for innovative fisheries economic development and salmon marketing projects. In addition, **Alaska’s forest products industry is experiencing contraction**. Most Asian export markets are demonstrating a downturn in timber demand. The Forest Service is recommending wilderness protection for 1.4 million acres in the Chugach National Forest, which now totals 5.4 million acres. **Tourism remains strong** in spite of a general slowdown in travel due to world economic conditions and the aftermath of the events of September 11<sup>th</sup>. Based on state estimates, the tourism industry provides 26,000 full-time equivalent jobs, making it the largest employer of the economic base industries, with an economic contribution to Alaska’s economy worth \$1.5 billion.<sup>73</sup>

Between 2001 and 2002, new employer firms decreased 6.9% to 2,270. Business bankruptcies increased by 15.4%, and totaled 120 in 2002. Business terminations decreased by 1.3%, and totaled 2,541 in 2002.<sup>74</sup> **Job growth in the health services sector remained the largest contributor to the state**, expanding by more than 5% during the year ending second quarter 2004 and contributing 1,700 new jobs. The retail trade sector’s year-over-year job growth of 2.2% for second quarter 2004 equaled 800 jobs. Four new hotels in Anchorage and one in Wasilla contributed in part to the 600 new jobs in the leisure and hospitality sector.<sup>75</sup>

<sup>70</sup> Alaska Department of Revenue, *Fall 2004 Revenue Sources Book*, <http://www.tax.state.ak.us/sourcesbook/2004/Fall2004/federal.pdf>.

<sup>71</sup> University of Alaska Anchorage Institute of Social and Economic Research, *Federal Spending and Revenues in Alaska*, <http://www.iser.uaa.alaska.edu/Publications/federalspendingak.pdf>. The article is summarized at <http://www.alaskaneconomy.uaa.alaska.edu/Publications/FedSpendSum.pdf>.

<sup>72</sup> Groundfish is defined as any marine finfish except halibut, osmerids, herring, and salmonids. Alaska Department of Fish and Game, Division of Groundfish Fisheries, *Alaska Groundfish Fisheries*, <http://www.cf.adfg.state.ak.us/geninfo/finfish/grndfish/grndhome.php>.

<sup>73</sup> Alaska Department of Community and Economic Development, *Alaska Economic Performance Report 2003*, <http://www.dced.state.ak.us/dca/pub/AEPR2003.pdf>.

<sup>74</sup> U.S. Small Business Administration, *State Small Business Profile: Alaska, 2003*.

<sup>75</sup> FDIC, *State Profile: Alaska*, Fall 2004.

### 3. Economic Outlook

Some drastic changes in Alaska's economy are expected in the next eight years. According to a state study, **key industries such as seafood and manufacturing will shed employees**, hurting the economic base of the state. Mining, forestry, and business support services are expected to grow at a double-digit pace, with a total of 13% growth in employment expected over the next 10 years.<sup>76</sup> A study by an independent economist published in the Alaska Journal of Commerce forecasted 1.7% growth in statewide employment, or 6,000 jobs, in 2004, and growth in the GSP of \$1.5 billion to reach an expected total of \$33 billion in 2004.<sup>77</sup> The IT sector is expected to grow at a rate of 26%, offering jobs to college graduates that pay \$15 above the statewide inter-occupational mean.<sup>78</sup>

**Reduced crude oil production due to relatively low demand for expensive Alaskan oil remains one of the key issues** in Alaska's economic outlook. Alaska oil production is now half the peak volume of about two million barrels per day in 1988. The volatility of oil prices has been a factor that might help Alaska, but consistent decline in oil production has had a greater impact on Alaska's employment and state and local tax revenues than high oil prices. If the current highs in crude oil markets continue, it stands to reason that Alaska may benefit: the state government expects 22% growth in oil and gas extraction between 2002 and 2012, and is forecasting a large budget surplus in 2004 thanks to record high prices for Alaskan oil. Yet further exploration will only occur if high prices are sustained for the long term.<sup>79</sup>

About 2% of Alaska's state-owned land is in two designated state forests. In 2002, the Alaska Legislature changed the management mission for state forests from multiple-use to timber management. The state administration is advocating for creation of a new 1.7 million-acre state forest from the existing Tongass National Forest. This is equivalent to the commercial forestland base that is available for harvest under the 1997 Tongass Land Management Plan. The U.S. Forest Service is allowing timber companies to cancel old timber sales in order to purchase new sales having longer contract terms (10 years.)<sup>80</sup>

Tourism is strong and growing. An estimated 1.56 million visitors came to Alaska between October 2002 and September 2003—an increase of 2.2% over 2002. Cruise ship traffic is still growing strong, by an estimated 6.8% between 2002 and 2003. There was a sharp increase in international air arrivals (+38%) last year, primarily due to new flights from British Columbia.<sup>81</sup>

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<sup>76</sup> Alaska Department of Labor and Workforce Development, *Workforce Info: Industry Forecasts*, <http://almis.labor.state.ak.us/>.

<sup>77</sup> Alaska Journal of Commerce, *World Trade Center Hosts First Statewide Economic Forecast*, [http://www.alaskajournal.com/stories/020904/loc\\_20040209011.shtml](http://www.alaskajournal.com/stories/020904/loc_20040209011.shtml).

<sup>78</sup> Alaska Department of Labor and Workforce Development, *Workforce Info: Industry Forecasts*.

<sup>79</sup> Alaska Department of Community and Economic Development, *Alaska Economic Performance Report 2003*.

<sup>80</sup> Ibid.

<sup>81</sup> Ibid.

### III. STATE AND LOCAL GOVERNMENT

#### A. STRUCTURE

##### 1. State and Local Governments

**Alaska has 16 boroughs** (including unified municipalities, created when a borough and all cities located within it unite in a single unit of government, as has happened in Anchorage, Juneau, and Sitka), **which act much like counties in other states**. All boroughs are responsible for education, land use planning, and tax assessment and collection. **Boroughs account for only one third of Alaska's land area**. The other two thirds consist of 11 census areas in the state that have no borough government due to sparse population. "For many Alaskans, the closest unit of local government is the State of Alaska... the State provides many services that in the Lower 48 are the responsibility of counties."<sup>82</sup>

Alaska has 149 incorporated cities, including 12 home-rule cities, 21 first-class cities, and 116 second-class cities. First-class cities are generally urban areas. A home-rule city is a one that has adopted a home rule charter, which allows the city to broadly revise its own ordinances. Second-class cities are communities with fewer than 400 people governed by a seven-member council, one of whom serves as mayor. Taxing authority is limited. In addition, there are 246 federally recognized tribal governments and one federal Indian reservation.<sup>83</sup>

##### 2. Educational System

There are 502 public schools in Alaska with a total K-12 enrollment of 132,050 in the 2003-2004 year.<sup>84</sup> The total private school enrollment is 4,749.<sup>85</sup> The University of Alaska system includes 19 campuses spread over three schools (UA Anchorage, UA Fairbanks, and UA Southeast), and is noted for its geophysical programs. The largest campus is University of Alaska, Anchorage. Enrollment reached record levels in 2003 with nearly 29,000 students, 13% above 2001 and 6.3% above 2002 levels.<sup>86</sup>

#### B. GOVERNMENT FINANCES

A plurality of Alaska's income comes from intergovernmental transfers (38%), although a substantial amount of income comes from the state's investments (29%) and revenues from operation of the oil industry (26%). Of Alaska's 16 boroughs, only 12 levy a property tax, and only 13 cities located outside of boroughs levy a property tax. Ninety-five municipalities levy a

<sup>82</sup> Barker, Mitzi, RurAL CAP Alaska (Personal correspondence, 12/7/04).

<sup>83</sup> University of Alaska Anchorage Justice Center, *Alaska Local and Borough Government*, [http://justice.uaa.alaska.edu/rlinks/government/ak\\_local.html](http://justice.uaa.alaska.edu/rlinks/government/ak_local.html).

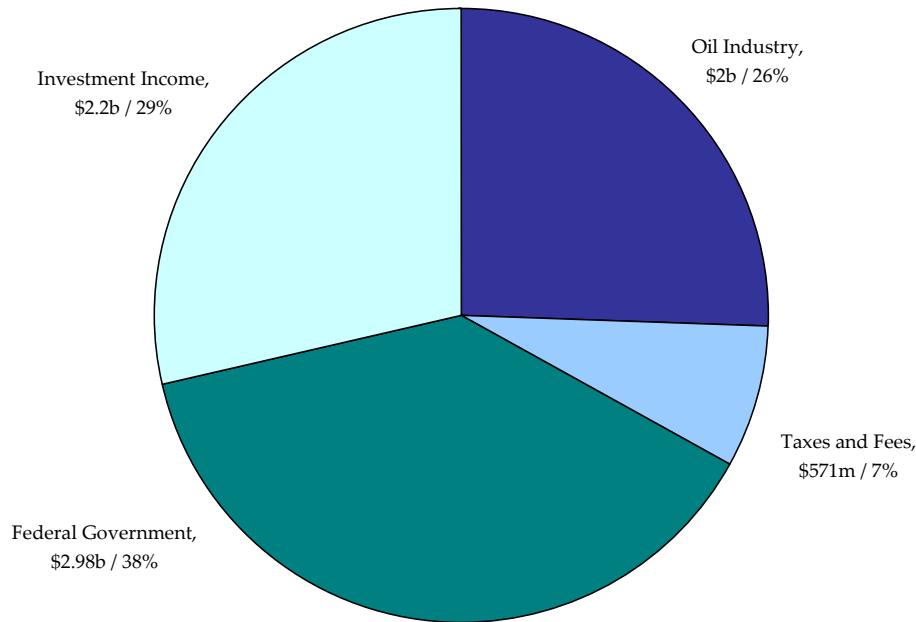
<sup>84</sup> Alaska Department of Early Education and Development, *District Enrollment FY 2004*. Retrieved from <http://www.eed.state.ak.us/stats/DistrictEnrollment/2004DistrictEnrollment.pdf>.

<sup>85</sup> Alaska Department of Early Education and Development, *School Enrollment FY 2004*. Retrieved from <http://www.eed.state.ak.us/stats/SchoolEnrollment/2004SchoolEnrollment.pdf>.

<sup>86</sup> University of Alaska, *Degrees Awarded and Enrollment Headcount*. Retrieved from <http://www.alaska.edu/swbudget/pm/currentpm/sch/schindex.xml>.

general sales tax. Sales tax rates range from a low of 1% to a high of 7%, with the majority falling between 3% and 5%. Other types of local taxes levied are raw fish taxes, hotel/motel "bed" taxes, severance taxes, liquor and tobacco taxes, gaming taxes, and fuel transfer taxes. The average per capita property tax paid in all municipalities, excluding oil and gas properties, was \$999.<sup>87</sup> **Alaska had the seventh-highest taxes per capita in the nation in 1998.**<sup>88</sup>

Alaska's State Revenue by Source, 2005 (Projected)



Source: Alaska Department of Revenue

Alaska's tax administration system is highly decentralized. Alaska's total public debt service to maturity is presently \$8 billion,<sup>89</sup> translating into \$12,300 per capita. This makes Alaska the state with the **highest public debt per capita in the nation.**

The State of Alaska's general obligation bond rating was re-established in 2003 with the issuance of the 2003 Series A and B bonds. The State received AA ratings from the three national bond credit rating agencies. Both Fitch Ratings and Standard and Poor's AA ratings have a stable outlook assigned to them, while Moody's Aa2 rating has a negative outlook assigned to it. Moody's report highlighted the continued reliance on the declining oil industry in Alaska and the recurring fiscal shortfalls of the state.<sup>90</sup>

<sup>87</sup> Alaska Division of Community Advocacy, Office of the State Assessor, *Alaska Tax Facts*, <http://www.dced.state.ak.us/dca/osa/taxfacts.htm>.

<sup>88</sup> Public Policy Institute of New York State, *Update on New York's 'Tax Gap' with Other States*, <http://www.bcnys.org/whatsnew/2001/0717txgp.htm>.

<sup>89</sup> Alaska Department of Revenue, Treasury Bureau, *Alaska Public Debt 2003-2004*, <http://www.revenue.state.ak.us/treasury/AMBBA/Forms/PublicDebtBook2003-2004.pdf>.

<sup>90</sup> *Ibid.*

**Projected revenues for 2005 are below those for 2004, which showed a major increase over 2003 due to higher oil prices.** While other revenues will rise, oil production is expected to decline and the value of Alaska's investments is expected to suffer. Although it projected an increase in the state deficit to nearly 6% of the budget,<sup>91</sup> the 2004 budget was calculated using an average price of \$28.30 per barrel of Alaskan crude oil. In 2004 Alaskan North Slope crude reached over \$50 per barrel, turning the deficit into an unexpected surplus of \$650 million.<sup>92</sup>

### **C. MAJOR GOVERNMENT AGENCIES INVOLVED IN COMMUNITY DEVELOPMENT**

Housing is primarily the responsibility of the **Alaska Housing Finance Corporation (AHFC)**, which maintains a presence in 17 cities across the state. AHFC was chartered in 1971 and its responsibilities were augmented by the decision in 1992 to combine AHFC, the Alaska State Housing Authority, and the housing-related functions of the Department of Community and Regional Affairs in 1992. AHFC's new mission includes three primary areas of activity: single and multifamily home finance loans, special needs/affordable housing programs, and rural housing development. The AHFC is responsible for administering state and federal housing funding throughout the state and is a member of the Association of Alaska Housing Authorities (AAHA), a body including 15 regional housing authorities (primarily Alaska Native organizations). Since its expansion in 1992, AHFC became the first housing authority in the country to sell taxable mortgage revenue bonds; as a result, AHFC played a major role in expansion of the state's housing stock to accommodate the economic growth associated with the Trans-Alaska Oil Pipeline system.<sup>93</sup>

Small business needs (especially those in rural areas) are tended to by the **State Department of Commerce**. Within the Department of Commerce, divisions of **Community and Economic Development** and **Community Advocacy** bear the responsibility of serving the state's small businesses. Community and Economic Development (CED) funds a number of initiatives designed to finance the starting of new businesses in the areas of rural development and enhancement of the fisheries industry. Additionally, CED sponsors Alaska Regional Development Organizations (ARDOs), small commissions of business leaders who coordinate state economic and business development efforts in the region and act as liaisons between government and business in their respective regions. The Division of Community Advocacy works on land management and small business growth issues. The **Alaska Small Business Development Center** was jointly founded in 1986 by the University of Alaska and the U.S. Small Business Administration, and provides business counseling, training, a manufacturing training program, and a variety of resources for both established and new businesses. The **Alaska Industrial Development and Export Authority (AIDEA)** also plays a major role in capacity-building for small companies. Through export assistance in the form of loan guarantees (up to 80%, capped at \$1 million) and two business development funds (one for community development and the other for rural development), AIDEA is one of the most important state agencies for Alaskan businesses.

<sup>91</sup> Alaska Office of Management and Budget, *FY2005 Fiscal Summary*, [http://www.gov.state.ak.us/omb/05\\_omb/fy05FiscalSummary.pdf](http://www.gov.state.ak.us/omb/05_omb/fy05FiscalSummary.pdf).

<sup>92</sup> Anchorage Daily News, 12/19/2004.

<sup>93</sup> Barker, Mitzi, RurAL CAP Alaska (Personal correspondence 12/7/04).

Poverty and income support policies are handled through the **State Department of Health and Social Services (HSS)**, which administers job start programs as well as the TANF block grant (through the Alaska Temporary Assistance Program). Childcare, senior care, food stamps, and other income-support programs as well as public health programs are all managed through HSS. Employment-related assistance is provided through the **Department of Labor and Workforce Development, Division of Employment Security**, which runs job training and placement programs as well as administering unemployment insurance and veterans' services.

The state does not have an office that exclusively deals with issues in the Alaska Native community. There are 246 federally-recognized tribes in Alaska, many of which operate under sovereign governments. Responsibility for interaction between state and tribal governments is shared by all state agencies. Indian-owned small business ventures can seek financing through the **Bureau of Indian Affairs' Credit and Finance** office.

In addition to the agencies described above, a variety of local and statewide agencies also participate in community development.<sup>94</sup>

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<sup>94</sup> The Community Affairs Department of the San Francisco Federal Reserve Bank is discontinuing its current directory of Community Development agencies, presently online at <http://www.frbsf.org/community/profiles/alaska.pdf>.

## IV. NONPROFITS AND FINANCIAL INSTITUTIONS

### A. NONPROFITS

In 2001 and 2002, the state conducted a survey of nonprofits funded by the University of Alaska. **Nonprofits contribute \$1.4 billion to the state's economy, and the top 19 501(c)(3) organizations bring over 13,000 jobs to Alaska.** Over 5,000 charitable organizations are registered as nonprofits in Alaska, and 1,020 of them had budgets over \$25,000.

A random sample of 487 nonprofits is representative of the scope of the nonprofit sector in the state. They are firmly a part of urban and rural communities and present in almost all sectors of the economy. Almost half of the organizations in the sample had been in existence for over 20 years, and ranged in size from 0 to 1500 employees with budgets between \$1,000 and \$270 million, and fully 25% of the nonprofits were run entirely by volunteer efforts.

Nonprofits as a whole do not rely on any one source of funding, whether government or foundations or corporate giving. The sector is highly diverse, which translates into stability for the sector but also means persistent funding problems for any given number of nonprofits that are dependent on a single source. The vulnerability of nonprofits is evident in the fact that 44% of respondents felt their organizations to be financially healthy but vulnerable and 15% reported chronic financial problems.<sup>95</sup>

### B. FINANCIAL INSTITUTIONS

CFED's data on bank access reveals a weak position for Alaska. Specifically, **only 32% of the state's households have a checking account, and only 50% of households have a savings account, yielding respective national rankings of only 37<sup>th</sup> and 46<sup>th</sup>.**<sup>96</sup>

A total of nine banks operate in Alaska, seven of which are headquartered in the state. These seven banks hold assets of \$3.8 billion. All have existed longer than nine years. Five of Alaska's seven institutions realized securities gains, but the industry-wide overall return-on-assets ratio went down from 1.27% to 0.9% in the last year. Alaska-based institutions increased their commercial and industrial (C&I) loan portfolios by 8% over the 12 months ending June 2004, outpacing growth in several other loan categories. Larger business loans (original amounts exceeding \$1 million) led the increase. However, smaller C&I loans accounted for nearly two thirds of C&I loan portfolios on a median basis. With the most recent growth, the **median C&I concentration increased to 136% of Tier 1 capital.**<sup>97</sup>

Despite the recent loan growth and a significant decline in business bankruptcies, Alaska's insured financial institutions reported **elevated delinquencies in their C&I portfolios.** The median C&I past due ratio was 1.77% as of second quarter 2004, the 11<sup>th</sup>-highest in the nation, and the median past-due loan ratio was up as well to 1.81%, 13<sup>th</sup>-highest in the nation.<sup>98</sup>

<sup>95</sup> Anchorage Daily News, *Nonprofits Play Big In State's Future*, 11/27/2003.

<sup>96</sup> CFED, *State Asset Development Report Card (SADRC)*, 2002, pp. 114-115.

<sup>97</sup> FDIC, *State Profile: Alaska*, Fall 2004.

<sup>98</sup> *Ibid.*

**State and Federal Bank Assets by MSA, 2004**

<i>MSA Distribution</i>	<i># of Institutions</i>	<i>Assets</i>	<i>% of Institutions</i>	<i>% of Assets</i>
No MSA	4	863,700	57.14%	22.59%
Anchorage AK	3	2,959,083	42.86%	77.41%

Source: FDIC State Profile: Alaska, Fall 2004

**Assets of Alaska State and National Banks, 2004**

	<i>Denali State Bank</i>	<i>First Bank</i>	<i>Northrim Bank</i>	<i>Total State Commercial Banks</i>	<i>Mt. McKinley Bank</i>	<i>Total State Banks</i>	<i>Annual % Change</i>
<b>Total Assets</b>	198,914	311,849	784,875	1,295,638	209,792	1,505,430	4.68%
	<i>Alaska First Bank and Trust, N.A.</i>		<i>Alaska Pacific Bank</i>		<i>First National Bank Alaska</i>	<i>Total National Banks</i>	<i>Annual % Change</i>
<b>Total Assets</b>	69,858		172,410		2,232,125	2,474,393	3.64%

Source: Alaska Department of Commerce, Division of Banking, Securities and Corporations<sup>99</sup>**Assets of Alaska State and Federal Credit Unions, 2003**

	<i>AK District Engineers FCU</i>	<i>Alaska USA FCU</i>	<i>ALPS FCU</i>	<i>City of Fairbanks FCU</i>	<i>Credit Union 1</i>	<i>Denali Alaskan FCU</i>	<i>Matanuska Valley FCU</i>
<b>Total Assets</b>	14,001,657	2,367,912,470	34,002,147	2,689,764	458,319,568	312,811,592	183,523,651
	<i>Military and Civilian FCU</i>	<i>North Country CU</i>	<i>Northern Schools FCU</i>	<i>Northern Skies FCU</i>	<i>Tongass FCU</i>	<i>True North FCU</i>	<i>Total All State and Federal Credit Unions</i>
<b>Total Assets</b>	44,386,352	25,175,740	75,576,995	18,953,769	25,515,332	82,415,028	3,645,284,065

Source: Alaska Department of Commerce, Division of Banking, Securities and Corporations<sup>100</sup>**C. CDFIs**

Alaska has five organizations that have been certified by the Community Development Financial Institutions (CDFI) Fund as of November 2004.<sup>101</sup> To achieve certification, an entity must have a primary mission of promoting community development, must principally serve and maintain accountability to an eligible target market, be a financing entity, provide development services, and not be either a government entity or controlled by a government entity.

The five certified CDFIs in Alaska as of November 2004 are:

- Alaska Growth Capital BIDCO, Inc. (Anchorage)
- Anchorage Neighborhood Housing Services
- Fairbanks Neighborhood Housing Services
- Rural Alaska Investments & Finance (Anchorage)
- Rural Community Assistance Corporation (Fairbanks and Anchorage)

<sup>99</sup> Alaska Department of Commerce, Division of Banking, Securities and Corporations, *Comparative Statement Of Assets, Liabilities And Capital Accounts Of Alaska State Banks As of September 30, 2004*, <http://www.commerce.state.ak.us/bsc/compstat.htm>.

<sup>100</sup> Ibid.

<sup>101</sup> CDFI Fund, *Certified Community Development Financial Institutions*, <http://www.cdfifund.gov/docs/certification/cdfi/CDFI-state.pdf>.

Certification as a CDFI also enables entities to apply for various awards from the CDFI Fund. Under the CDFI Program, seven awards have been made to Alaskan institutions since 2000:

### **CDFI Fund Awardees Since 2000**

<i>Institution Name</i>	<i>Date</i>	<i>Award Amount</i>
Alaska Growth Capital BIDCO, Inc.	2000	\$61,000
Alaska Growth Capital BIDCO, Inc.	2000	\$2,000,000
Fairbanks Neighborhood Housing Services (FNHS)	2000	\$1,235,000
Rural Alaska Investment and Finance (RAIF)	2001	\$200,000
Alaska Growth Capital BIDCO, Inc.	2002	\$1,525,000
Na Qenq'a Community Development Financing Inc.	2002	\$87,000
Tanana Chiefs Conference (TCC)	2002	\$98,250

Source: CDFI Fund<sup>102</sup>

<sup>102</sup> CDFI Fund, *Cumulative Awardee Profiles by State*, <http://www.cdfifund.gov/awardees/states.asp>.

## V. AFFORDABLE HOUSING

### A. AFFORDABLE HOUSING NEEDS

Alaska faces a mixed array of affordable housing challenges. While Alaska's rental affordability rating is relatively strong at 13<sup>th</sup> best in the U.S., the state's median rent is the seventh highest in the country.<sup>103</sup> Alaska's homeownership rate grew faster than any other state's between 1990 and 2000,<sup>104</sup> but remains among the lowest in the country at 38<sup>th</sup>.<sup>105</sup> Nearly half of all renters are paying one third or more of gross income towards housing; however, to the state's credit, only 18% of renters pay more than 50% of income towards housing (the fifth-best percentage in the country).<sup>106</sup> Vacancy rates are comparable to national averages. Also to Alaska's credit, the disparity in ownership rates between income brackets is relatively small. More troubling in Alaska is the lower rate of ownership along racial lines, with especially low rates among the Alaska Native/American Indian population.

#### 1. Overall Housing Market

Alaska had 260,978 housing units in 2000, 15% of which were vacant. Fifty-three percent of housing units were owner-occupied and 32% were rented.<sup>107</sup> The average selling price for homes in the Anchorage metropolitan area, Alaska's largest housing market, rose 12% in FY 2004 to \$252,110, indicating that market conditions were still strong.<sup>108</sup> The homeowner vacancy rate in 2003 was 1.7%, and the rental vacancy rate was 8.6%.<sup>109</sup>

Statewide, **Alaska's median home value rose to 12<sup>th</sup>-highest nationwide** at \$162,526 in 2002.<sup>110</sup> Median monthly costs for housing for mortgaged owners (representing 64% of owner-occupants) was \$1,315; without a mortgage, \$393; renters, \$664.<sup>111</sup> On average, renters were paying 25% of their income towards housing.<sup>112</sup> Roughly one quarter of mortgage-holding homeowners pay over one third of their income towards housing, while less than one in 10 non-mortgaged households pay this amount. Nearly half of all renters are paying a third or more of gross income towards housing costs.<sup>113</sup>

Worth noting is the difficulty of defining and measuring homeownership in Alaska because of large rural areas. For many years, the HUD Indian Mutual-Help homeownership program was the principal developer of housing; as many Mutual-Help homeowners do not identify

<sup>103</sup> National Low Income Housing Coalition (NLIHC), *Up Against a Wall*, November 2004, <http://www.nlihc.org/pubs/uaw04/newrankingtables.pdf>.

<sup>104</sup> U.S. Department of Housing and Urban Development, *Housing Trends 1990-2000, Table 1, U.S. Housing Market Conditions, Summer 2001*, <http://www.huduser.org/periodicals/ushmc/summer2001/summary-2.html>.

<sup>105</sup> U.S. Census Bureau, *U.S. Statistical Abstract 2003*.

<sup>106</sup> NLIHC, *Up Against a Wall 2004*.

<sup>107</sup> U.S. Census Bureau, Census 2000 Data.

<sup>108</sup> U.S. Department of Housing and Urban Development, *U.S. Housing Market Conditions 2Q 2004*, <http://www.huduser.org/periodicals/ushmc/Summer2004/USHMC-04Q2.pdf>.

<sup>109</sup> U.S. Census Bureau, 2003 American Community Survey.

<sup>110</sup> U.S. Census Bureau, 2002 Data.

<sup>111</sup> U.S. Census Bureau, Census 2000 Data.

<sup>112</sup> *Ibid.*

<sup>113</sup> U.S. Census Bureau, 2003 American Community Survey.

themselves as homeowners, **underreporting may be a significant issue.**<sup>114</sup> Likewise, the rural/urban dichotomy in Alaska means that national housing studies such as the National Low-Income Housing Coalition's are of limited use in gaining an understanding of the needs and characteristics of Alaska's housing situation outside of Anchorage.

## 2. Homeownership Statistics

**The overall homeownership rate was 67.3% in 2002, ranking Alaska 38<sup>th</sup> in the nation.**<sup>115</sup> In breaking down the homeownership data to look for major differences by race, gender, and income, however, the state fares better. Alaska **ranks 17<sup>th</sup> in the nation in the racial gap between rates of homeownership**, i.e., in the difference in homeownership rates between White-headed households and non-white-headed households. This gap is particularly large between White-headed and AIAN-headed households. Alaska ranks much higher, at **sixth in the nation, in the gap in homeownership rates by gender**. And it **ranks second in the nation in the gap in homeownership rates by income.**<sup>116</sup>

## 3. National Low Income Housing Coalition's Rental Housing Analyses

The National Low Income Housing Coalition (NLIHC) has for several years produced a report entitled *Out of Reach* that analyzes the country's wage-rent disparity. Specifically, NLIHC calculates the amount of money a household must earn in order to afford a rental unit of a range of sizes at the state or county's Fair Market Rent (FMR), based on the generally accepted limit of no more than 30% of income going to housing costs. The required income is then compared to the Area Median Income (AMI), the minimum wage, and the incomes of extremely low-income households (incomes below 30% of AMI). In addition, in 2004, the NLIHC released a report entitled *Up Against a Wall: Housing Affordability for Renters* analyzing rental housing related data from the 2003 American Community Survey.

Taken together, these reports indicate that Alaska suffers a moderate lack of affordable rental housing. Using an index that takes into account the state's median gross rent, a ratio of rental costs to renters' incomes, and the percentage of renter households in the state spending more than 50% of income on rent, **the NLIHC ranked Alaska as having the 10<sup>th</sup>-best affordable rental housing situation in the country**. Alaska's median gross rent in 2003 was \$780, ranking the state seventh-most expensive nationally. However, the state's scores were bolstered by a strong renter affordability ratio (ninth best) and a small percentage of renters who are severely cost burdened (paying over 50% of income on rent), fifth best at 18.0% statewide.<sup>117</sup>

Alaska's **"housing wage" is \$17.07**. This represents the amount that a full-time (40 hours per week) worker must earn in order to afford a two-bedroom unit at the area's FMR. This is approximately twice the state's 2004 minimum wage. **This places the state 43<sup>rd</sup>**, in other words, 42 states have lower housing wages.<sup>118</sup>

<sup>114</sup> Barker, Mitzi, RurAL CAP Alaska (Personal correspondence 12/7/04).

<sup>115</sup> U.S. Census Bureau, *U.S. Statistical Abstract 2003*.

<sup>116</sup> CFED, *SADRC*, pp. 93-97.

<sup>117</sup> NLIHC, *Up Against a Wall 2004*.

<sup>118</sup> NLIHC, *Out of Reach 2004*.

An estimated 37% of Alaskans rent their homes, and given the statewide housing wage, NLIHC reports that **42% of renters were unable to afford a two-bedroom unit at FMR in 2003**. The figures rises above 50% for Bethel Census Area, Haines Borough, and Juneau City and Borough — equivalently, the income needed to afford a two-bedroom unit in these counties is above the median income of renters.<sup>119</sup>

#### **4. Alaska State Housing Finance Corporation Housing Needs Survey**

The Alaska State Housing Finance Corporation survey reported that the Anchorage rental market remained balanced with an estimated rental vacancy rate of 5.3% in 2000. The average monthly rent in Anchorage rose 4% from \$802 to \$831 over the same period.<sup>120</sup> AHFC determined that 48,145 renter families below 80% of median income have unmet housing needs. An estimated 31,296 households earn less than 50% of median family income; of these households, an estimated 4,830 owner-households and 4,913 renter-households have housing cost burdens greater than 50% of their household income.<sup>121</sup>

### **B. AFFORDABLE HOUSING RESOURCES**

#### **1. CFED's Affordable Homeownership Program Rankings**

Alaska receives credit from CFED for some limited homeownership assistance programs. Most importantly, the state is **ranked fairly high at 14<sup>th</sup> in the nation in the percentage of state allocations of private activity bonds for mortgage revenue bonds**. While Alaska has no housing trust fund or property tax circuit breaker program, it does receive credit for having **four out of a possible six first-time homebuyer assistance programs**.<sup>122</sup> Additionally, Alaska exempts the first \$150,000 of assessed value from property taxes for all senior citizens (65 years of age and over) and disabled veterans (50% or more service connected disability). The average assessed value excluding taxes for senior citizens and disabled veterans is \$119,078, which equates to a tax exemption of \$1,798 per year for eligible homeowners.<sup>123</sup>

#### **2. State Five-Year Plan**

The State of Alaska has made it the goal of its efforts in the next five years to “provide decent housing, create suitable living environments, and expand economic opportunities for Alaskans at or below 80% of median income.”<sup>124</sup> Alaska operates 567 permanent public housing units, 210 transitional housing units, 94 assisted living and group home facility slots, 37 emergency and respite slots, and 18 facilities serving as intermediate drug treatment facilities. The high cost of development in Alaska exists because the cost of construction is often greater than the value to

<sup>119</sup> NLIHC, *Out of Reach 2003*.

<sup>120</sup> Anchorage Municipality, *Anchorage QuickStats*, <http://www.muni.org/homepage/quickstats.cfm>.

<sup>121</sup> U.S. Census Bureau, Census 2000 Data.

<sup>122</sup> CFED, *SADRC*, pp. 129-133.

<sup>123</sup> Alaska Division of Community Advocacy, Office of the State Assessor, *Alaska Tax Facts*, <http://www.dced.state.ak.us/dca/osa/taxfacts.htm>.

<sup>124</sup> Alaska Housing Finance Corporation, *Consolidated Housing and Community Development Plan for the State of Alaska, Fiscal Years 2001-2005 Five Year Plan*, October 2000.

the state of affordable housing projects. Another barrier is a “capacity gap” between regional centers and smaller communities, as local centers often lack the ability to plan, develop, and operate affordable housing projects.

Despite these obstacles, the Five-Year Plan sets out several quantitative targets. Assuming that funding levels remain comparable to the levels of the past five years, the following accomplishments are anticipated before 2005:

- more than 200 owner-occupied homes will be rehabilitated using Federal HOME funds;
- more than 100 low-income households will become homeowners through HOME programs;
- the Community Development Block Grant Program will fund more than 100 projects that will provide a substantial or direct benefit to low and moderate income Alaskans; and
- an anticipated 250 rental units in 14 projects will be funded through the HOME program. Two hundred of these units will be set aside for households below 60% of AMI;
- an estimated rental 500 units will be developed during the next five years through the GOAL program. Three quarters of these units will be set-aside for households at or below 60% of median family income.

### **3. Federal Affordable Housing Programs**

Alaska Housing Finance Corporation (AHFC) is the sole statewide public housing agency for the State of Alaska. AHFC administers Federal HUD funding for public housing programs in the State of Alaska. Anchorage and Fairbanks are Alaska’s sole HUD entitlement cities, with Fairbanks receiving CDBG funding only and Anchorage receiving CDBG and HOME funding.<sup>125</sup> For the 83,861 renters in Alaska, affordability remains the most important housing need. At any given time, close to 5,400 households are receiving housing assistance from AHFC. AHFC operates the Section 8 voucher and public housing programs in over 17 Alaskan communities; however, not all communities in Alaska have the population or housing stock necessary to make these programs viable. In 2000, AHFC published its Five-Year Plan (FYP), aiming to increase the number of units available to families with disabled and elderly heads of household as well as all those below 80% of median income. The State FYP outlines the projects to be financed with HOME and GOAL funds. The GOAL program is funded through three federal sources:

- HOME Investment Partnership Program (HOME);
- Low-Income Housing Tax Credit Program (LIHTC); and
- the Senior Citizens Housing Development Fund (SCHDF) (State-funded) Program.

In 2004, AHFC expected \$7.9 million in federal funds to operate public housing, \$8.3 million to operate Section 8 programs, and \$6.8 million from rental income and other non-federal sources. The state’s FY 2004 budget included \$9.5 million in federal and non-federal funds combined for various public housing projects, including the following: \$3 million in federal (Capital Fund) and \$5 million in non-federal funds for debt service on the renovation and rehabilitation of public

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<sup>125</sup> Barker, Mitzi, RurAL CAP Alaska (Personal correspondence 12/7/04).

housing projects over the next five years, \$500,000 in federal (Capital Fund) funds for various physical improvement, and \$250,000 in non-federal matching funds for up to \$750,000 in federal public housing grants (such as the Public Housing Drug Elimination program, Service Coordination programs, Youth-Build, etc.), including a 2003 HOPWA renewal grant of \$731,120 to continue providing permanent housing, homeless prevention, and supportive services for approximately 90 HIV/AIDS persons annually living in Anchorage and in the south central, southwestern, and western regions of Alaska.<sup>126</sup>

AHFC has been highly successful in developing innovative affordable homeownership financing programs that allow CDFIs to partner with banks to provide low-interest loans to eligible households: according to one source, “utilizing AHFC’s Affordable Housing Programs, [a CDFI such as] FNHS [Fairbanks Neighborhood Housing Services] has been able to increase CDFI lending to targeted households between 60 and 80% of median income by 30% annually [between 2000 and 2004].”<sup>127</sup>

All federally recognized tribes and Alaskan Native villages/corporations are eligible for competitive HUD NAHASDA grants. The Native American Housing Assistance and Self Determination Act of 1996 (NAHASDA) eliminated several separate programs of assistance and replaced them with a single block grant program. The two programs authorized for Indian tribes under NAHASDA are the Indian Housing Block Grant (IHBG), which is a formula-based grant program, and Title VI Loan Guarantee, which provides financing guarantees to Indian tribes for private market loans to develop affordable housing throughout the state.<sup>128</sup>

Another resource is the USDA Rural Development program, which includes a series of loans to low- and moderate-income, primarily rural, families. A state office, Rural Housing Services (RHS), administers these funds. In FY 2002, RHS channeled over \$25 million in federal mortgage financing, guarantees, and rental assistance in rural Alaska through the following six programs:<sup>129</sup>

- **502 Direct (leveraged) Loans:** These homeownership loans assist income eligible residents to attain affordable housing. Funds are combined with resources from a private lender or another funding agency. No down payment is required. The program offers interest rates that can be subsidized down to 1%;
- **502 Loan Guarantees (GRH):** GRH homeownership loans are available to applicants with the financial ability to make mortgage payments, but who may not have the necessary down payment. Mortgages are 30-year fixed rate at market interest rates;
- **504 Home Improvement Loans and Grants:** Rural homeowners, who need to remove immediate health or safety hazards, or bring their homes up to minimum property standards, may qualify for an RHS repair loan of up to \$20,000 at 1% interest. Qualified homeowners aged 62 years or older may qualify for a grant of up to \$7,500;

<sup>126</sup> U.S. Department of Housing and Urban Development, *HOPWA Grantee Information - State of Alaska*, <http://www.hud.gov/offices/cpd/aidshousing/local/ak/alaska/index.cfm>.

<sup>127</sup> Renee Patten, Fairbanks Neighborhood Housing Services (personal correspondence 12/13/04).

<sup>128</sup> HUD Public and Indian Housing, *What is NAHASDA?*, <http://www.hud.gov/offices/pih/ih/nahasda/index.cfm>.

<sup>129</sup> USDA Rural Development Alaska State Office, *Rural Housing Service*, <http://www.rurdev.usda.gov/ak/rural.housing.htm>.

- **Multi-Family Housing Loans:** Provides financing for the development of modest apartments targeted specifically for income eligible tenants in rural areas. The units are developed, owned, and operated by private or non-profit borrowers. Some projects receive Rental Assistance, a tenant subsidy that helps pay rent and utility costs;
- **Housing Preservation Grants:** Public and private non-profit organizations can apply for grant money to rehabilitate housing owned and occupied by income eligible applicants in their community. The grantees provide homeowners with financial assistance through loans or grants, for necessary repairs and rehabilitation; and
- **the Self-Help Technical Assistance Grant:** Grantees provide technical and supervisory assistance to prospective applicants in developing suitable housing and become successful homeowners.

Another federal program that Alaska participates in is the **Low-Income Housing Tax Credit (LIHTC)** program, providing federal income tax credits to owners of rental housing in which a number of units are set aside for low and moderate income families. In 2001, federal law increased the allocation of available LIHTC for Alaska from \$774,000 in 2000 to \$2 million in 2001, and added another \$2 million in 2002 (with additional increases indexed for inflation beginning in 2003). The LIHTC program has helped produce more than 1,500 units of affordable rental housing since it began in 1987.<sup>130</sup>

Additionally, needy families living on or near a reservation earning less than 125% of poverty income are eligible for tribally-administered funds from BIA under the Housing Improvement Program. The program provides up to \$2,500 in health and safety improvements and \$35,000 to be spent on repairs required for housing to meet building codes (or home replacement if housing cannot be brought to code within budget).

#### **4. State Affordable Housing Programs**

In 1992, the State Legislature consolidated the Alaska State Housing Authority programs under the AHFC. As a result, AHFC programs are funded in part by federal funds and in part by state funds. Examples of such programs funded with combinations of state and federal funds are the Senior Citizens Housing Development Fund (SCHDF) grant program, the Homeless Assistance Program, weatherization programs, and various mortgage loan programs.

#### **5. Other Affordable Housing Programs**

The Federal Home Loan Bank of Seattle (FHLB) contributes to affordable housing in Alaska through several programs, including its Challenge Fund, Community Investment Program (CIP), Affordable Housing Program (AHP), and Home\$tart Program.<sup>131</sup>

<sup>130</sup> Alaska Housing Finance Corporation, *Alaska's Annual Low-Income Housing Tax Credit Allocation Increases to \$2 Million*, [http://www.ahfc.state.ak.us/Department\\_Files/Communications\\_Department/News-Releases/01\\_NR/030101-alaska's-annual-low-income-housing-tax-credit-allocation-increases-to-\\$2-million.htm](http://www.ahfc.state.ak.us/Department_Files/Communications_Department/News-Releases/01_NR/030101-alaska's-annual-low-income-housing-tax-credit-allocation-increases-to-$2-million.htm).

<sup>131</sup> Housingfinance.com, *FHLBanks focus on Community Lending*, [http://www.housingfinance.com/housingreferencecenter/FHLBanks\\_Community\\_Lending.html](http://www.housingfinance.com/housingreferencecenter/FHLBanks_Community_Lending.html). For more information about the Seattle FHLB, see Puget Sound Business Journal, 12/13/04, *S&P downgrades FHLB of Seattle after agreement with regulators*, <http://seattle.bizjournals.com/seattle/stories/2004/12/13/daily5.html>.

The Challenge Fund is a recoverable grant program that provides seed money of up to \$20,000 per project. Through it, the FHLB encourages the creation of affordable housing in geographic areas where there is a lack of development capacity. FHLB awards grants to member financial institutions that typically combine them with their own financial or in-kind contributions before passing them to the sponsor developer. Through the CIP, members can apply for advances (loans) to support affordable housing initiatives. This loan program is unique in that financial institution members can apply for advances that the Seattle Bank extends at 10 basis points below regular price, for terms from 5 – 30 years. Rate locks are also available for periods up to 24 months. These loans are especially effective when they support housing and commercial development in distressed or rural areas where financial resources are scarce.

The AHP offers grants to member financial institutions and their community sponsors to stimulate affordable rental and homeownership opportunities for low-income households. AHP grants have been used in a variety of ways, including to: lower the interest rate on a loan, reduce mortgage principal, fund rehabilitation and new construction, and cover down payment and closing costs. AHP is funded with 10% of the Federal Home Loan Bank of Seattle's net income each year. On average, the Seattle Bank supports about 60 projects each year and awards roughly \$7,000 for each unit developed.

The Home\$start program provides first-time homebuyers with downpayment assistance and closing costs by matching their financial contributions with \$3 for every \$1 up to \$5,000. Households receiving public housing assistance qualify for a match of \$2 for every \$1 up to \$10,000. Funds for Home\$start are available on a first-come, first-served basis, starting April 1. Approximately \$5.5 million was available to support homebuyers in Federal Home Loan Bank of Seattle's region in 2004.<sup>132</sup>

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<sup>132</sup> Federal Home Loan Bank of Seattle, *Community Investment*, <http://www.fhlbsea.com/FHLBSEA/main/communityinvestment3>.

## VI. SMALL BUSINESS

### A. SMALL BUSINESS NEEDS

Small business is particularly important to the Alaskan economy, but the sector has struggled in recent years. **Businesses that employ fewer than 10 workers account for almost 15% of Alaska's employment, the fourth-highest small business employment share in the country.** Additionally, between 1999 and 2000, small businesses represented 75% of net new non-farm employment in Alaska.<sup>133</sup> Alaska has a high entrepreneurship level and ranks first in the nation in the level of private loans to small businesses, indicating good access to credit.<sup>134</sup>

Alaska enjoys an outstanding rate of business ownership by women and a high score in overall small business ownership rate. Business owned by women generated \$1.9 billion in revenues and minority-owned businesses generated \$2.2 billion in 1997. However, small businesses in the state have been performing at historic lows. Businesses have generally good access to funding but are **facing problems in diversification and expansion, and the state's technology economy has declined substantially in recent years:** Alaska's new economy rankings fell from 13<sup>th</sup> in 1999 to 31<sup>st</sup> in 2002.<sup>135</sup>

#### 1. General Background

Based on 2000 firm size data, **97% of businesses in Alaska are small** (with fewer than 500 employees). Just over **78% of Alaskan businesses employ fewer than 10 employees**, and such firms employ nearly 15% of the Alaskan workforce, the fourth-highest rate nationally.<sup>136</sup> Between 1999 and 2000, small businesses added a net total of 4,841 employees, representing 75% of net new non-farm employment. Non-farm small business proprietors' income increased by 5.4% to \$1.9 billion. The top lenders to small businesses in Alaska provided nearly \$950 million in loans in 2002.<sup>137</sup>

Alaska experienced 121 firm bankruptcies in 2003, a year in which the state's total **rate of business terminations was 15.2%, the seventh highest in the country.**<sup>138</sup>

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<sup>133</sup> U.S. Small Business Administration, *2003 State Small Business Profile: Alaska*, <http://www.sba.gov/advo/stats/profiles/03ak.pdf>.

<sup>134</sup> CFED, *2004 Development Report Card for the States* (DRC), <http://drc.cfed.org/>.

<sup>135</sup> Robert Atkinson, Progressive Policy Institute, *The 2002 State New Economy Index*, June 2002.

<sup>136</sup> U.S. Small Business Administration, Office of Advocacy, Office of Economic Research, *Employer Firms, Establishments, Employment, and Annual Payroll by Firm Size, and State, 2001*, <http://www.sba.gov/advo/stats/st.pdf>.

<sup>137</sup> U.S. Small Business Administration, Office of Advocacy, Office of Economic Research, *The Small Business Economy: 2004*, <http://www.sba.gov/advo/research/>.

<sup>138</sup> U.S. Small Business Administration, Office of Advocacy, *Small Business Indicators*.

## 2. CFED's Small Business Data from their Asset Development Report Card

Alaska enjoys a very high ranking in its entrepreneurship rate, **at 12<sup>th</sup> in the nation**. Some 14% of the labor force in Alaska own employer or non-employer firms, compared to only 9% in Nevada, the lowest-ranked state. Breaking down the small business ownership data by race and gender, the state ranks in the middle **at 24<sup>th</sup>** in its minority entrepreneurship rate, and **has the top rating of first in the nation in its women's business ownership rate**. However, these minority- and women-owned businesses are on average relatively small, as the state ranks 46<sup>th</sup> and 40<sup>th</sup> in the nation, respectively, in the average sales for these businesses. Finally, the state **also ranks first in the nation** in the level of **private loans to small businesses**, indicating good access to credit.<sup>139</sup>

## 3. CFED's Data from their *Development Report Card for the States*

CFED's other report that ranks the 50 states, the *Development Report Card for the States 2004*, examines each state's Economic Performance, Business Vitality, and Development Capacity. While not explicitly focused on small business, this report does provide insight into the health and vitality of the overall business sector in the state. **Alaska received a grade of "D" in all three categories: Performance, Business Vitality, and Development Capacity**. Most troubling were the poor grades in the sub-categories of Resource Efficiency, Infrastructure Resources, Amenity Resources, and Innovation Assets. Driving these weak index scores were Alaska's bottom-quintile ranks in public services, environmental quality, and Research & Development (R&D) measures. Alaska ranked the very last for three measures: per capita energy consumption, toxic release inventory, and Small Business Innovation Research (SBIR) grants, although the state also enjoyed first-place rankings in households with computers, and loans to small businesses.<sup>140</sup>

## 4. Progressive Policy Institute's 2002 State New Economy Index

Another report, the *2002 State New Economy Index* released by the Progressive Policy Institute, attempts to use a relatively new set of economic indicators to measure the transformation of a state from a traditional manufacturing economy to a newly emerging economy based on ideas, innovation, and technology. The index is composed of 17 economic indicators summarized under five primary categories: Knowledge Jobs, Globalization, Economic Dynamism and Competition, the Transformation to a Digital Economy, and Technological Innovation Capacity. In the Progressive Policy Institute's index, **Alaska ranks only 31<sup>st</sup>, which is decline from 1999's ranking of 13<sup>th</sup>** (although the methodology between the 1999 and 2002 indices are significantly different). Among the specific rankings that produced Alaska's overall ranking, some of the lowest marks for the state came in the education level of the manufacturing workforce, the level of industry investment in R&D, the amount of high-tech jobs, and the amount of venture capital in the state.<sup>141</sup>

<sup>139</sup> CFED, *SADRC*, pp. 107-112.

<sup>140</sup> CFED, *2004 Development Report Card for the States*.

<sup>141</sup> Robert Atkinson, Progressive Policy Institute, *The 2002 State New Economy Index*, June 2002.

## 5. Small Business Survival Index

Each year, the Small Business & Entrepreneurship Council publishes its *Small Business Survival Index*, which ranks each state on its policy environment for entrepreneurship. In October 2004, Alaska ranked 20<sup>th</sup> overall among the states in a positive entrepreneurial environment. On individual categories provided in the appendices to the report, Alaska's top- and bottom-quintile rankings on individual measures were as follows (higher is better):<sup>142</sup>

- Top personal income tax rate: 1<sup>st</sup>
- Top capital gains tax rate: 1<sup>st</sup>
- Top corporate income tax rate: 45<sup>th</sup>
- Property tax as a share of personal income: 42<sup>nd</sup>
- Sales, gross receipts, and excise tax as a share of personal income: 5<sup>th</sup>
- Electric utility costs: 47<sup>th</sup>
- Number of state and local government employees: 49<sup>th</sup>
- State gas tax: 2<sup>nd</sup>

## B. **SMALL BUSINESS RESOURCES**

The listings below describe the largest programs in Alaska available for small businesses. A more comprehensive listing is offered by the U.S. Department of Labor's Job Accommodation Network<sup>143</sup> and the Alaska Division of Commerce's Small Business Development page.<sup>144</sup>

### 1. CFED's Small Business Development Policy Rankings

On the policy side, Alaska fares quite poorly in CFED's rankings. The state **ranks 48<sup>th</sup>** in the relative **financing provided by SBICs**. The state is then criticized for not having: a capital access program, state microenterprise policy, state CDFI program, self-employment option for unemployment insurance, or employee ownership policy.<sup>145</sup>

### 2. The Small Business Development Center (SBDC) Network

The Alaska SBDC operates six locations (Anchorage, Fairbanks, Kenai, Juneau, Ketchikan, Mat-su) and an adjunct Rural Outreach Program. The Alaska SBDC receives state and federal funding, and is operated as a partnership between the University of Alaska, Anchorage and the U.S. Small Business Administration. There are four key programs run by the SBDC:

- the **Buy Alaska** program licenses products with a majority of value-added in Alaska and offers training courses, free advertising, and visibility for small companies;

<sup>142</sup> Small Business & Entrepreneurship Council, *Small Business Survival Index 2004*, [http://www.sbsc.org/Media/pdf/SBSI\\_2004.pdf](http://www.sbsc.org/Media/pdf/SBSI_2004.pdf).

<sup>143</sup> U.S. Department of Labor, Small Business and Self Employment Service, *State Economic Development Resources*, <http://www.jan.wvu.edu/SBSES/econdevAK.htm>.

<sup>144</sup> Alaska Division of Community Advocacy, *Small Business Development Links*, <http://www.commerce.state.ak.us/dca/smallbus/relatedlinks.htm>.

<sup>145</sup> CFED, *SADRC*, pp. 143-149.

- the **Technology Research and Development (TREND)** Center works with small businesses to implement newer and better technologies when applicable;
- the **Procurement Technical Assistance Center (PTAC)** helps small businesses win government procurement contracts; and
- the **Manufacturing Assistance Program (MAP)** provides one-on-one technical assistance for manufacturers.

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

The Alaska Industrial Development and Export Authority (AIDEA) is another important state community development organization that provides loans for capacity building and export finance to small businesses.

#### **Financial Institutions Utilizing AIDEA's Loan Participation Program as of June 30, 2004**

<i>Financial Institution</i>	<i>Number of Loans</i>	<i>Principal Balance</i>	<i>% of Total Borrowing</i>
Alaska Pacific Bank	6	\$6,810,004	2.47%
KeyBank N.A.	21	\$25,061,898	9.07%
First Bank	17	\$14,819,945	5.36%
First National Bank Alaska	79	\$74,964,987	27.13%
Wells Fargo Bank Alaska, N.A.	69	\$83,075,817	30.06%
Mt. McKinley	1	\$1,613,575	0.59%
Denali State Bank	3	\$4,678,862	1.69%
Christiana Bank	1	\$2,329,358	.84%
Northrim Bank	44	\$49,671,185	17.97%
Sterling Savings Bank	1	\$2,304,659	.83%
AIDEA	55	\$11,034,741	3.99%

Source: AIDEA<sup>146</sup>

### 4. **Alaska Growth Capital**

Alaska Growth Capital (AGC) is a non-traditional bank licensed and regulated by the State of Alaska that provides financing for eligible projects from \$100,000 to \$10 million. The projects can include all business needs, including construction lending, lines of credit, permanent working capital, equipment, and leasehold improvements. AGC participates in the SBA, USDA, and BIA loan guarantee programs. In addition to lending funds, AGC also sometimes makes a direct equity investment by purchasing stock. A third financing option is a "hybrid loan," which carries a lower interest rate than conventional loans, but also requires the borrower to pay a percentage of either sales or profits back to AGC.<sup>147</sup>

### 5. **Evergreen Community Development Association (CDA)**

Evergreen CDA is a nonprofit organization that acts as an intermediary for two federal government loan programs to create jobs and stimulate growth. As an SBA 504 Loan Program Certified Development Company in the region, Evergreen has been involved in more than 1,200 projects totaling more than \$740 million and assisted in the creation of more than 22,000 jobs

<sup>146</sup> AIDEA, *AIDEA Loan Portfolio: Diversity and Performance*, <http://www.aidea.org/loanport.htm>.

<sup>147</sup> Alaska Growth Capital, *Business Financing and Consulting Services*, <http://www.alaskagrowth.com/>.

throughout the Pacific Northwest. Evergreen also offers the Rural Loan Fund with the United States Department of Agriculture, which was developed as a revolving loan fund to promote financing for smaller and emerging business in rural communities with a potential to alleviate poverty and increase economic activity and employment.<sup>148</sup>

## **6. USDA Rural Development**

The USDA currently operates the Rural Business Investment Program (RBIP) in partnership with the U.S. Small Business Administration (SBA). The SBA selects and licenses applicants to become Rural Business Investment Companies (RBIC), and determines eligibility for financial assistance and grant awards funded by the USDA. In addition to RBIP, the USDA also operates a number of its own grant programs for eligible rural businesses of all sizes, including:<sup>149</sup>

- Rural Business Enterprise Grant Program;
- Rural Business Opportunity Grant Program;
- Rural Economic Development Loan and Grant Program; and
- the Renewal Energy Systems/Energy Efficiency Improvements Program.

## **7. HiTechAlaska and TECPAC**

HiTechAlaska is the product of a merger between the industry-focused Alaska High-Tech Business Council and the politically-focused Technology Entrepreneurs Coalition. TECPAC is a separate organization aimed at publicizing and expanding the technology sector in Alaska through strengthening university-industry relations, preventing brain drain, and expanding access to the Internet and high-speed data transmission lines.<sup>150</sup>

## **8. Alaska Inventors & Entrepreneurs Association, Inc.**

The Alaska Inventors & Entrepreneurs Association, Inc. (AIEA) is a nonprofit corporation formed in 1988 to promote and encourage invention and innovation on a statewide basis and to meet the needs of inventors and innovators through education, promotion, and referral. AIEA provides its assistance through support in obtaining financing, independent evaluations of business plans, and networking opportunities.<sup>151</sup>

## **9. U.S. Small Business Administration**

The SBA district office in Anchorage operates its usual 7(a) and 504 loan guarantee programs in Alaska by partnering with local financial institutions through its Certified Lender Program (CLP) and Preferred Lender Program (PLP). An SBA-funded microfinance program administers loans between \$100 and \$25,000 through state nonprofits. The SBA in Alaska is also partnered with the SBDC network and the USDA Rural Development Program. Specialized SBA staff in Alaska

<sup>148</sup> Evergreen CDA, <http://www.ecda.com/>.

<sup>149</sup> USDA Rural Development, *Business and Cooperative Programs*, <http://www.rurdev.usda.gov/rbs/>.

<sup>150</sup> University of Alaska Anchorage Center for Economic Education, *Economics of Innovation: New Ideas for the Last Frontier*, [http://www.cee.uaa.alaska.edu/downloads/Economics\\_of\\_Innovation.ppt](http://www.cee.uaa.alaska.edu/downloads/Economics_of_Innovation.ppt).

<sup>151</sup> Alaska Inventors & Entrepreneur's Association, Inc., <http://www.arctic.net/~inventor/in04001.htm>.

includes officers working in minority enterprise development, government contracting, and veterans' business development.<sup>152</sup>

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<sup>152</sup> U.S. SBA Alaska District Office, *Financing*, <http://www.sba.gov/ak/financing.html>.

## VII. POVERTY AND ASSET ACCUMULATION

The poverty rate in Alaska is 9%, the ninth-lowest rate nationally.<sup>153</sup> **Alaska scores well on asset accumulation measures** due to relatively few residents being asset-poor or having zero net worth.<sup>154</sup> Notable is Alaska's **low rate of personal bankruptcies**: less than 0.6%, the lowest rate in the nation.<sup>155</sup> **Lack of insurance is a more serious problem**, as Alaska has among the highest percentage of uninsured residents, and recent trends do not suggest improvement in the near future.<sup>156</sup> Also significant is the **lack of any state IDA policy**, although a statewide alliance has been actively promoting the idea to the governor.<sup>157</sup>

### A. POVERTY AND ASSET ACCUMULATION NEEDS

#### 1. Poverty Statistics

In 2000, **10,271 or 6.7% of Alaskan families and 57,602 or 9.4% of individuals were living in poverty, far better than the national average rates** of 9.2% of families and 12.4% of individuals.<sup>158</sup> Poverty rates were 9.2% in FY 2003, still the 10th-best rate in the nation.<sup>159</sup> Rural areas experience a much higher rate of poverty, which may be partially due to the higher prices for goods faced by rural Alaskans.<sup>160</sup> In 2003, 8.7% of households received public assistance from the State of Alaska or the federal government. Between 2001 and 2003, an average of **17.8% of people lacked health insurance coverage, the seventh-highest rate nationwide.**<sup>161</sup> The state ranks 14<sup>th</sup>-best in the percentage of low-income residents, with just **31% of Alaskans earning below 200% of the federal poverty line.**<sup>162</sup>

#### **Poverty Rate by County, 2002**

<i>Region</i>	<i>Percent</i>
<b>Alaska</b>	<b>9.3</b>
Aleutians East Borough	11.2
Aleutians West Census Area	6.3
Anchorage Borough	7.7
Bethel Census Area	22.8
Bristol Bay Borough	8.2
Denali Borough	4.4
Dillingham Census Area	19.1
Fairbanks North Star Borough	7

<sup>153</sup> U.S. Census Bureau, *Income, Poverty and Health Insurance Coverage in the United States: 2003*.

<sup>154</sup> CFED, *SADRC*.

<sup>155</sup> American Bankruptcy Institute, <http://www.abiworld.org/>.

<sup>156</sup> CFED, *SADRC* and U.S. Census Bureau, Current Population Survey 2003 Data.

<sup>157</sup> Juneau Economic Development Network, *IDA Network*, <http://www.jedc.org/ida/>.

<sup>158</sup> U.S. Census Bureau, Census 2000 Data.

<sup>159</sup> These poverty rates are listed for non-comparative purposes only. When comparing states, a 3-year weighted average of poverty 2001-2003 is used based on yearly Census Bureau data.

<sup>160</sup> Barker, Mitzi, RurAL CAP Alaska (Personal correspondence 12/7/04).

<sup>161</sup> U.S. Census Bureau, Current Population Survey 2003 Data.

<sup>162</sup> U.S. Census Bureau, Current Population Survey 2002 and 2003 Data. Retrieved from Kaiser Family Foundation, <http://www.statehealthfacts.org/>.

Haines Borough	11.6
Juneau Borough	6.7
Kenai Peninsula Borough	9.5
Ketchikan Gateway Borough	8.1
Kodiak Island Borough	8.3
Lake and Peninsula Borough	18.4
Matanuska-Susitna Borough	9.7
Nome Census Area	18.1
North Slope Borough	10.6
Northwest Arctic Borough	16.5
Prince of Wales-Outer Ketchikan Census Area	16.6
Sitka Borough	7.2
Skagway-Hoonah-Angoon Census Area	9.4
Southeast Fairbanks Census Area	17
Valdez-Cordova Census Area	8.6
Wade Hampton Census Area	29.6
Wrangell-Petersburg Census Area	8.4
Yakutat Borough	10.1
Yukon-Koyukuk Census Area	18.4

Source: U.S. Census Bureau<sup>163</sup>

## 2. Personal Bankruptcy Filings

The personal bankruptcy rate in Alaska was 5.8 filings per 1000 households for the year ending March 2004, the lowest nationwide.<sup>164</sup>

## 3. CFED Asset Outcome Ranking

In CFED's 2002 *State Asset Development Report Card*, Alaska did quite well in **asset outcomes** with a **grade of "B"**. While CFED looked at a variety of data in reaching its "B" grade, including the homeownership and small business indicators detailed in the previous chapters, the grade is primarily supported by strong marks in the areas of asset poverty and human capital, as detailed below.<sup>165</sup>

### a. **CFED's Net Worth and Asset Poverty Statistics**

Overall, Alaska is ranked below average in its level of **mean net worth**, with its level of \$101,462 giving it a ranking of only **31<sup>st</sup> in the nation**. This low score is primarily due to the state's low rate of homeownership and low median home value. However, **on two important indicators of asset poverty, the state ranks very well**. Specifically, Alaska's **asset poverty**

<sup>163</sup> U.S. Census Bureau, *Small Area Income & Poverty Estimates: Annual Estimates for States, Counties & School Districts 2002*, <http://www.census.gov/hhes/www/saipe/index.html>.

<sup>164</sup> American Bankruptcy Institute, <http://www.abiworld.org/>.

<sup>165</sup> CFED, *SADRC*, p. 33.

**level**—the percentage of the population without sufficient net worth to subsist at the poverty level for three months without other support, which in the state is 18.9%, gives it a **ranking of seventh in the nation**. Similarly, the percentage of households in the state with **zero net worth** of 11.3% gives Alaska a **ranking of fifth-best in the nation**. Relative to most other states, this means that Alaska has lower share of vulnerable households.<sup>166</sup>

#### **b. CFED’s Human Capital and Insurance-Related Statistics**

Impressively, **Alaska ranks first (best) in the nation in the percentage of children in poverty that are served by a Head Start program**. And the state does fare quite well in college attainment, **ranking 10<sup>th</sup>-highest** in the percentage of the population with **associates degrees**, and **ranking 16<sup>th</sup>-highest** in the percentage of household heads with at least **four years of college**. Breaking the college attainment data down by race, income, and gender, the state is **ranked only 33<sup>rd</sup>** in terms of the gap in **college attainment by race**. However, in terms of the gap in **college attainment by income and by gender**, the state is **ranked third and sixth, respectively**.<sup>167</sup>

Finally, Alaska has fairly poor rankings in insurance-related comparatives. The state is **ranked 39<sup>th</sup>** in the percentage of non-elderly **covered by employer-based health plans** and in the percentage of **low-income children without health insurance**. However, it is ranked somewhat higher, at **21<sup>st</sup>**, in the percentage of **low-income parents without health insurance**.<sup>168</sup>

#### **4. The Asset Development Institute’s Asset Index**

In September 2002, the Asset Development Institute at Brandeis University published a report entitled *The Asset Index: Measuring The Progress Of States In Promoting Economic Security And Opportunity*. The report presents state-by-state data on individual outcomes for job-based and related income assets, human capital, and financial assets. These outcomes are the primary indicators of the economic security people have and the opportunity they enjoy. For each of these three categories, the report presents a cluster of indicators that point to important related asset-based outcomes and provides the numerical outcome for residents on each indicator as well as a national rank for on each indicator (for all indicators, 1<sup>st</sup> is “best” and 50<sup>th</sup> is “worst”).

Alaska ranks among the 10 best states for 17 of the 39 measured indicators and among the worst 10 states on nine of the indicators. **The state’s worst rankings are in the areas of retirement assets targeted to low-income Alaskans, the gap in investment income between high-, moderate- and low-income groups, food and housing security, high school dropout rate, and English competency**. The study’s authors conclude that “residents of Alaska, compared to those of other states, have had **relatively more success in gaining job-based and related income assets, and building human capital, but mixed success in accumulating financial assets**.”<sup>169</sup>

<sup>166</sup> Ibid, pp. 85-91.

<sup>167</sup> Ibid, pp. 99-105.

<sup>168</sup> Ibid, pp. 117-119.

<sup>169</sup> The Asset Development Institute, *The Asset Index: Measuring The Progress Of States In Promoting Economic Security And Opportunity*, September 2002, <http://www.centeronhunger.org/pdf/ASSETINDEX.pdf>.

## B. POVERTY AND ASSET ACCUMULATION RESOURCES

### 1. State Income Support Programs

All Alaskan citizens and permanent residents can apply for a Permanent Fund Dividend (PFD) from the Alaska permanent fund, regardless of their income status. The amount of the PFD varies depending on the number of applicants and the value of the fund. The 2004 PFD was \$919 per person, regardless of age or household size.

Alaska operates programs that serve impoverished, elderly, and disabled persons. The last two of these are eligible for Adult Public Assistance (APA), which as of August 2004 served 16,013 adult Alaskans and distributed \$46 million in benefits. The APA caseload has steadily increased at an annual average rate of 7.2% since 1995 due to a combination of an aging Alaskan demographic, increased longevity, and earlier identification of disabilities. **Since 1997, the APA program caseload has grown 25% although FY 2004 year saw a contraction of 5%.**<sup>170</sup>

The Alaska Temporary Assistance Program (ATAP) replaced AFDC in 1996 and is funded through a combination of state funds and the federal TANF block grant. **The ATAP program has been consistently decreasing in size, with August 2004 numbers showing a 10% decrease since 2003 and 50% decrease since 1997.** As of August 2004, the ATAP caseload was 4,614 out of 5,565 total TANF program recipients at a combined cost of \$29 million.<sup>171</sup>

### 2. General Relief Assistance

The statewide General Relief Assistance (GRA) program pre-dates Alaska's statehood. GRA is designed to meet the immediate, basic needs of Alaskans facing extreme financial crisis. Eligibility for GRA is always determined on a month-to-month basis, and GRA payments are always made to third parties who provide services to GRA recipients.

GRA caseloads have steadily decreased since 1990. **In 1990, the average monthly GRA caseload was approximately 480 cases statewide. By 1997, the average monthly caseload had dropped to about 220 cases statewide.** Applications for rental assistance comprise the bulk of the GRA caseload. As a result of the drop in caseload, the average monthly GRA expenditure has gone from approximately \$100,000 in 1990 to less than \$80,000 in 1997. **The GRA program is 100% state-funded.** In 2003, funding for the GRA component was cut in half. A transfer of funds from the Alaska Housing Finance Corporation was needed to retain the integrity of GR rental assistance.

Even though the GRA caseload has been declining in recent years, the steady growth in the Adult Public Assistance (APA) caseload and the associated increase in Interim Assistance

<sup>170</sup> Alaska Division of Public Assistance, *Caseload and Benefit Summary*.

<sup>171</sup> Alaska Division of Public Assistance, *Temporary Assistance Caseload Summary*, <http://www.hss.state.ak.us/dpa/programs/atap/atap-chart.html>. Detailed information about geography, demography, and program performance can be obtained by contacting the Division of Public Assistance and requesting a current Caseload and Benefit Summary.

applications, indicates there will be an on-going need for GRA. Also **of concern is the anticipated need for emergency safety-net services for families who have used up their 60 months of Temporary Assistance but have not achieved self-sufficiency.**

### **3. United Way of Anchorage Asset Building Initiative (ABIA)**

The purpose of ABIA is to create opportunities for low-income families to build financial self-sufficiency by saving for and acquiring assets. Towards these ends, ABIA operates IDA programs, EITC education, and a Microenterprise loan program for beneficiaries of the Alaska Mental Health Trust. The purpose of ABIA's IDA program is to increase asset ownership among low-income Alaskans as a means of increasing their financial independence and self-sufficiency.<sup>172</sup>

### **4. Individual Development Accounts (IDAs)**

Individual Development Account (IDA) programs use matching funds to provide incentives to low-income families to save money for homeownership, education or small business. Currently, there are five IDA programs operating in Alaska:

- Lutheran Social Services (Anchorage);
- Child Car Connection (Anchorage);
- Bristol Bay Economic Development Corporation (Dillingham);
- Tlingit Haida Regional Housing Corporation (Juneau); and
- Cook Inlet Tribal Council (Anchorage).

The first four are funded by ABIA and are considered "pilots"—meaning they are open to only a small number of people (five Account Holders per program), are of limited duration (two years), and that their success will be evaluated before a decision is made to expand them or add additional programs. All four of the pilot programs provide a 1:1:1 match (for every dollar saved by the accountholder, ABIA and the grantee will each contribute a dollar) to a maximum total match of \$2,000 per accountholder; allow deposits to be made from both earned and unearned income (such as Permanent Fund Dividends or Native Corporation dividends); and allow lump sum deposits (to a maximum of \$1,000) in conjunction with 6-24 months of monthly deposits.

The fifth IDA program is operated by Cook Inlet Tribal Council (CITC). Participation is limited to Alaska Natives, American Indians, and legal guardians of Alaska Native/American Indian children who are living in Anchorage and have income below 200% of the Alaska poverty level (\$23,260 for an individual in 2004). The program allows saving for a first home, small business, or post-secondary education; provides 5:1 match (for every dollar saved, CITC contributes five dollars) to a maximum match of \$4,000 per account; and requires 6-60 months of monthly deposits from earned income only.<sup>173</sup>

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<sup>172</sup> United Way of Anchorage Asset Building Initiative, <http://www.uway.ak.org/assetbuilding/index.cfm>.

<sup>173</sup> Ibid.

## 5. CFED's Asset Policy Rankings

In contrast to its strong “B” grade for asset outcomes, CFED gives **an overall grade of “D” to Alaska for asset policies**. In addition to the limited homeownership policies and the lack of any small business policies described earlier in this report, the state is also ranked low in the array of asset protection policies listed below.<sup>174</sup>

### a. IDA Policy

First, Alaska is **criticized** by CFED for **not supporting IDA programs** or providing a specific state IDA program as well as for not incorporating IDAs in the state TANF plan.<sup>175</sup>

### b. Other CFED Financial Asset Building Policy Rankings

In other financial asset building policies, Alaska receives credit for having a **state minimum wage higher than the federal level**. However, in the area of **public assistance**, the state is **criticized in a number of areas**, including not having a high countable asset limit for TANF, not eliminating the asset test for Medicaid, and not excluding the value of all vehicles in determining the countable asset limit for food stamps, although it receives credit for excluding the value of one vehicle for TANF.<sup>176</sup>

### c. CFED's Human Capital Development Policy Rankings

Alaska's rankings by CFED for its human capital development policies are mixed. On the one hand, the state is one of only 15 states that provide **supplementary funds for Head Start**. The state is also **ranked third in the nation** in its **funding for customized job training**, and is **ranked 19<sup>th</sup>** in its **per-pupil expenditures for K-12** education. On the other hand, Alaska has no state funding for pre-kindergarten and no matching funds for college savings plans. Even more negatively, the state is **ranked 48<sup>th</sup> in the nation** in **school spending equalization** and is **ranked 49<sup>th</sup>** in its need-based aid to undergraduates.<sup>177</sup>

### d. CFED's Wage Protection Policy Rankings

Alaska fares quite poorly in wage protection policies. The state is **ranked 44<sup>th</sup> in the nation** in its **workers compensation coverage** and is **ranked 34<sup>th</sup> in its workers compensation benefits**. It is **ranked even lower, at 47<sup>th</sup>, in its unemployment insurance benefit levels** and has only one of three possible reforms to its unemployment insurance scheme (eliminating the restriction on part-time work). Finally, the state lacks any of the four possible family leave benefits provided in other states.<sup>178</sup>

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<sup>174</sup> CFED, *SADRC*, p. 33.

<sup>175</sup> *Ibid*, p. 121.

<sup>176</sup> *Ibid*, pp. 125, 127.

<sup>177</sup> *Ibid*, pp. 135-141.

<sup>178</sup> *Ibid*, pp. 154-160.

**e. CFED's Health Insurance Policy Rankings**

Alaska also generally fares poorly on CFED's analysis of health insurance policies. It ranks in the middle **at 21<sup>st</sup>** in its **eligibility level for publicly provided health insurance**. However, it lacks an expansion of Medicaid for low-income adults without children, lacks extra time for transitional medical assistance, and lacks any state subsidy for small business health care coverage.<sup>179</sup>

**f. Property Protection Policy**

Finally, CFED finds two property protection policies absent in Alaska: a) anti-predatory lending legislation; and b) a state disclosure requirement for property insurers to guard against redlining.<sup>180</sup>

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<sup>179</sup> Ibid, pp. 162-165.

<sup>180</sup> Ibid, pp. 167, 169.

## VIII. ALASKA NATIVES, NATIVE AMERICANS, AND IMMIGRANTS

The plights of both Native Americans and immigrants pose community development challenges. Alaska's large population of Alaska Natives and American Indians exhibit a **significantly higher poverty rate** than the state average, and is far **more likely to be unemployed and live in substandard housing**.

Unlike elsewhere in the United States, **Natives in Alaska are likely to live off a reservation**. Alaska lacks a strong state-level infrastructure for handling needs specific to the American Indian/Alaska Native (AIAN) population; instead, most services are offered by the federal government through offices in Alaska or through function-specific state agencies.

### A. AMERICAN INDIAN / ALASKA NATIVE NEEDS

#### 1. The Native Population in Alaska

Although **Alaska is ranked sixth in the nation in the total American Indian/Alaska Native population, Alaska is ranked first in terms of the percentage of the state population the groups represent (15.6% in 2000)**. Alaska is unusual because **the state's single reservation** (the Annette Island Reservation with a population of 1,500) **is less significant as a level of organization than Natives living off the reservation** in 205 state-defined "statistical areas" (and two tribally designated statistical areas (TDSAs)) with a combined population of 172,000 people occupying 72,800 housing units in 2004.<sup>181</sup>

Passed in 1971, the Alaska Native Claims Settlement Act (ANCSA) eliminated Native land claims to almost all of Alaska in exchange for about one ninth of the state's land plus \$962.5 million in compensation.<sup>182</sup> By conveying Native land title to 12 regional and 200 local village corporations chartered under Alaska state law, ANCSA changed the relationship between Natives and the land from one of co-ownership of shared lands to one of corporate shareholding; i.e., land ownership was based on a corporate model, and governmental entities, including traditional or IRA tribal governments, were bypassed.

#### **Alaska Native Regional Corporations**

<i>Corporation</i>	<i>Population</i>	<i>Housing Units</i>
Ahtna ANRC	3,682	2,728
Aleut ANRC	8,162	2,957
Arctic Slope ANRC	7,385	2,538
Bering Straits ANRC	9,196	3,649
Bristol Bay ANRC	7,892	4,716
Calista ANRC	23,032	7,238
Chugach ANRC	12,113	5,293
Cook Inlet ANRC	364,205	150,026
Doyon ANRC	97,190	41,618
Koniag ANRC	13,913	5,164

<sup>181</sup> U.S. Census Bureau, Census 2000 Data.

<sup>182</sup> University of Alaska Anchorage Justice Center, *ANCSA & Alaska Native Lands*, [http://justice.uaa.alaska.edu/rlinks/natives/ak\\_ancsa.html](http://justice.uaa.alaska.edu/rlinks/natives/ak_ancsa.html).

NANA ANRC	7,208	2,540
Sealaska ANRC	71,507	31,949

Source: U.S. Census Bureau, Census 2000 Data.

Alaska Native Regional Corporations (ANRCs) are for-profit entities that generated \$2.5 billion in revenues in 2003, several hundred million of which came in the form of federal contracts. ANRCs employed 5-6,000 Native and non-Native residents in 2003. As such, ANRCs make major economic contributions to the state as special-status for-profit corporations.<sup>183</sup>

Nearly 120,000 people reported American Indian/Alaska Native ethnicity in any combination on the 2000 census.<sup>184</sup> An important report based on 1990 Census data, *We the First Americans*, finds that population growth in the Alaska Native community (including American Indians, Eskimos, and Aleuts) was stagnant between 1880 and 1950, but has risen by more than 200% since then.<sup>185</sup> In 2000, about **half of all Alaska Natives were Eskimos** (46,700), about **39% were American Indians** (36,300), and about **11% were Aleuts** (11,000).<sup>186</sup> Yupik Eskimos live in the south and southwest and speak Yupik, while Inupiat live in the north and northwest and speak Inupiak. The largest American Indian tribes are the Athabaskan (12,000) in the central part of the state and the Tlingit (10,000), Tsimshian (1700), and Haida (1100) in the southeast. Aleuts live primarily on the Aleutian Islands in the far south and west of the state.<sup>187</sup>

## 2. Statistics on Alaskan Natives

The 2000 Census American Indian and Alaska Native Summary File contains detailed data about the 92,012 Alaskans who reported only American Indian or Alaska Native ethnicity. The data shows that **American Indians and Alaska Natives (AIAN) are far less likely to have college degrees** (6% for AIAN versus 25% for the state as a whole). Additionally, 62.5% of Alaskans own homes and 37.5% rent; within the AIAN community, only 59.8% own homes and 40.2% rent. **The average AIAN household is also 25% larger than the average Alaskan household.** While the state has a 6% rate of unemployment, the **unemployment rate for the AIAN population is nearly 12**. Incidentally, the AIAN population is twice as dependent on public transportation to get to and from work as the Alaskan population as a whole.

While the 2000-2003 Alaskan average poverty rate was 9%, the **AIAN individual poverty rate in 2000 was 20.2%**. In 1999, 53% of Alaskan families spent 30% or less of household income towards rent while the rate for the AIAN population was 47%, suggesting that AIAN households are having more difficulty paying for housing than the rest of Alaskans.<sup>188</sup>

<sup>183</sup> Nolte, Craig, Federal Reserve Bank of San Francisco (Personal correspondence 12/3/04).

<sup>184</sup> U.S. Census Bureau, Census 2000 Data.

<sup>185</sup> U.S. Census Bureau, *We the First Americans*, <http://www.census.gov/aprd/wepeople/we-5.pdf>.

<sup>186</sup> U.S. Census Bureau, *American Indian and Alaska Native Tribes in Alaska 2000*, <http://www.census.gov/population/cen2000/phc-t18/tab016.xls>.

<sup>187</sup> Municipality and Borough-level information is online through the Indian Health Service, *Census Counts by Indian, Eskimo and Aleut*, <http://www.alaska.ihs.gov/dpehs/pdf/census-1970-2000.pdf> [sic].

<sup>188</sup> U.S. Census Bureau, Census 2000 Data.

## **B. AMERICAN INDIAN/ALASKA NATIVE RESOURCES**

### **1. State Programs**

**State-level government divides responsibility for the AIAN population between multiple agencies and Native Corporations.** For this reason, no state agency exists that has an exclusive duty to deal with issues relevant to American Indians and Alaska Natives. Instead, ANRCs maintain non-profit divisions that provide (to a varying degree) human services to Alaska Natives. Divisions range from health services (represented by the Alaska Native Tribal Health Consortium)<sup>189</sup> to cultural awareness groups (represented by the Alaskan Intertribal Council, the Alaska Federation of Natives and First Alaskans Foundation, and others).

### **2. National Programs**

The federal government provides many more services specifically targeted towards the AIAN community than does the state. The Bureau of Indian Affairs maintains a comprehensive list,<sup>190</sup> and most major domestically-oriented federal agencies offer specialized programs:

#### **a. Department of Health and Human Services**

The Indian Health Service (IHS) has an office in Anchorage. All members of federally recognized Indian tribes and their descendants are eligible for services provided by the IHS. IHS operates a comprehensive health service delivery system for 1.6 million of the nation's estimated 2.6 million American Indians and Alaska Natives. Its annual appropriation is approximately \$3.5 billion. The IHS strives for maximum tribal involvement in meeting the needs of its service population.

In addition to the IHS, HHS also operates the Administration for Native Americans (ANA) under the Administration for Children and Families. Through ANA, HHS offers three grant programs: Social and Economic Development Strategies (SEDS), Environmental Regulatory Enhancement, and Native Language Preservation and Maintenance, with a combined total outpayment in 2003 of \$25.6 million.<sup>191</sup>

#### **b. Department of Housing and Urban Development**

HUD operates the Native eDGE program and an interagency news site, Code Talk, designed specifically to deliver electronic information from government agencies and other organizations to Native American communities.<sup>192</sup>

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<sup>189</sup> Alaska Native Tribal Health Consortium, <http://www.anthc.org/>.

<sup>190</sup> Bureau of Indian Affairs, *Government Web Site Links*, <http://www.doi.gov/bureau-indian-affairs.html>.

<sup>191</sup> ACF Administration for Native Americans, *ANA Administered Grant Programs*, <http://www.acf.hhs.gov/programs/ana/programs/index.html>.

<sup>192</sup> U.S. Department of HUD, <http://www.codetalk.fed.us/>.

**c. Department of Labor**

The Department of Labor offers culturally-sensitive job training and employment programs through its office of Indian and Native American Programs.<sup>193</sup>

**d. Small Business Administration**

The task of the Office of Native Affairs<sup>194</sup> is to improve awareness of SBA programs among the AIAN population and to increase the access of AIAN entrepreneurs to the business services offered by the SBA.

**e. Department of Agriculture**

The USDA American Indian Council (AIC)<sup>195</sup> is an employee organization, formed to give a voice to the American Indian and Alaska Native community and culture within the U.S. Department of Agriculture. The AIC seeks to support the Secretary's diversity initiatives and works to promote cultural awareness among USDA employees. The USDA also provides a Guide to Programs for American Indians and Alaska Natives,<sup>196</sup> which catalogues seven major types of assistance available to AIAN communities: environment, agriculture, rural development, nutrition, food safety, economic research and marketing.

**f. Department of Education**

The No Child Left Behind (NCLB) program includes a provision for Alaska Native education (Title VII, part C). The NCLB Alaska Native program is designed to meet the unique educational needs of Alaska natives and support the development of additional educational programs for their benefit. The sheer magnitude of the geographic barriers to be overcome in delivering educational services in rural Alaska and Alaska villages requires the development and implementation of innovative, model programs. NCLB grants supports a range of activities, including developing and implementing strategies to improve the education of Alaska natives, developing curricula, professional development, family literacy services, enrichment programs in science and mathematics, and remedial programs.<sup>197</sup>

**2. Native TANF Allocation**

Alaska Native organizations are authorized to disburse TANF funds through tribal family assistance programs. Legislation passed in Alaska in 1999 gave the state of Alaska the authority to fund new program features designed by Native Family Assistance programs to respond to the needs of their clients. At present, three organizations in Alaska operate such funds: the Tanana Chiefs Conference in interior Alaska, the Association of Village Council Presidents in western

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<sup>193</sup> U.S. Department of Labor, <http://www.doleta.gov/DINAP/>.

<sup>194</sup> U.S. Small Business Administration, <http://www.sba.gov/naa/>.

<sup>195</sup> U.S. Department of Agriculture, <http://www.usda.gov/da/employ/AICHomePage.htm>.

<sup>196</sup> U.S. Department of Agriculture, Office of Congressional and Intergovernmental Relations, *Guide to USDA Programs for American Indians and Alaska Natives*, <http://www.usda.gov/news/pubs/indians/open.htm>.

<sup>197</sup> Riverdeep Interactive Learning, *Alaska Native Education*, [http://nclb.riverdeep.net/sfs\\_ane.jhtml/](http://nclb.riverdeep.net/sfs_ane.jhtml/)

Alaska, and the Central Council of the Tlingit and Haida Indian Tribes of Alaska in southeast Alaska.<sup>198</sup>

## C. IMMIGRANT NEEDS

### 1. Immigrant Totals

**Approximately 6% of Alaskans are foreign born**, with half of Alaska's current immigrant population having arrived in the U.S. 1990 and 2000. Alaska ranks 22<sup>nd</sup> in the percentage of the state population represented by immigrants and 44<sup>th</sup> in the nominal number of immigrants.<sup>199</sup> The majority of immigrants have become naturalized citizens, but 2.7% of Alaskans are non-citizens, with the largest proportion of immigrants settling in Anchorage.

Fourteen percent of Alaskans speak a language besides English at home, but only 5% of Alaskans speak English less than "very well." The University of Alaska system included 160 foreign exchange students in 2004. According the 2000 Census, 11.2% of foreign-born Alaskans live in poverty. Broken down by citizenship, 7.7% of foreign-born citizens and 15.3% of non-citizens were in poverty, compared to the national rate of 10.6% for citizens and 22.8% for foreign-born non-citizens. The immigrant population in Alaska is better off than many immigrant communities elsewhere in the U.S.<sup>200</sup>

### 2. Origin of Immigrants

**Half of Alaskan immigrants come from Asia, with another 20% each from Europe and Latin America.** In FY 2001, the INS recorded the admission of 1,401 legal immigrants who declared Alaska as their intended state of residence. Of these, the most sizeable national groups came from the Philippines (366), Mexico (126), Canada (94), Russia (89), and Korea (79). In Alaska, in FY 2001, 710 people were naturalized. Of these, the most sizeable national groups came from the Philippines (170), Korea (87), and Mexico (60).<sup>201</sup>

## D. IMMIGRANT RESOURCES

### 1. State Resources

Since 1998, immigrants have regained the right to receive food stamps during their first five years of residency in Alaska. Additionally, Governor Murkowski has approved the creation of an Office of Citizenship in the Department of Labor and Workforce Development to protect the rights of non-citizens and to assist new immigrants in finding employment.<sup>202</sup> Immigrants are also eligible for the state Women, Infants and Children (WIC) income support program.<sup>203</sup> The

<sup>198</sup> OFA Division of Tribal TANF Management, <http://www.acf.hhs.gov/programs/dts/>. See also Welfare Information Network, *Tribal Issues*, <http://www.financeprojectinfo.org/WIN/tribal.asp>.

<sup>199</sup> U.S. Census Bureau, Census 2000 Data.

<sup>200</sup> Ibid.

<sup>201</sup> University of Alaska Anchorage Alaska Justice Forum, *Immigration and Naturalization Operations in Alaska*, [http://justice.uaa.alaska.edu/forum/f201sp03/a\\_immigration.html](http://justice.uaa.alaska.edu/forum/f201sp03/a_immigration.html).

<sup>202</sup> Alaska Office of the Governor, *Immigrant Job Assistance*, [http://gov.state.ak.us/large\\_photo.php?id=91](http://gov.state.ak.us/large_photo.php?id=91).

<sup>203</sup> Alaska Office of Children's Services, *WIC Appointments*, <http://health.hss.state.ak.us/ocs/nutri/wic/faq->

national Office of Minority Health Resource Center catalogs health resources available the minority communities in Alaska, including immigrants.<sup>204</sup> The immigrant nonprofit environment is limited in Alaska, with many advocacy groups experiencing poor national visibility.

## **2. Council of Latin Americans in Alaska for Special Services (CLASE)**

The Council of Latin Americans in Alaska for Special Services (CLASE) is an affiliate of the National Council of la Raza and was established to act as a link between available social services, programs, and resources and the Latin American community in Alaska. CLASE's programs and services include taxpayer assistance, adult basic education, immigration and citizenship, as well as advocacy related to public policy issues.<sup>205</sup>

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appoint.htm.

<sup>204</sup> U.S. Department of Health and Human Services, *Office of Minority Health Resource Center*, <http://www.omhrc.gov/OMHRC/funding.htm>.

<sup>205</sup> National Council of la Raza, *Council of Latin Americans in Alaska for Special Services*, <http://www.nclr.org/content/affiliates/detail/1035/>.