

Programs for Progress



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United States Department
of Agriculture



President
George W. Bush

A MESSAGE FROM SECRETARY ANN M. VENEMAN

Through USDA's Rural Development programs, it is estimated that over 510,000 jobs have been created or saved since the beginning of the Bush Administration. USDA has invested nearly \$2.5 billion for rural business development in the form of loans, grants and technical assistance. We are also working with local communities to build and strengthen economic development partnerships with state and local governments. Some \$183 million has been invested in Empowerment Zones and Enterprise Communities (EZ/ECs). This investment is complemented by the leveraging of USDA funds to help attract \$422 million in other federal investments and \$739 million in non-federal investments to EZ/ECs and other supported communities. Major investments have been made in developing value-added industries, with a focus on promoting renewable energy. Over \$35 million has been provided to support the development and marketing of renewable energy and the creation of energy efficient systems in rural areas.

Rural infrastructure, such as education, healthcare, telecommunications, water treatment and community facilities, has been supported by more than \$13 billion in grants and loans. More than \$10.2 billion has been invested in rural housing, much of which supports the President's ambitious goal to increase minority homeownership by 5.5 million by 2010.

As we look to the future, we remain dedicated to ensuring that investments in rural Alaska continue to bring new economic opportunities and an improved quality of life to rural families and communities.



Secretary Veneman

BY AGRICULTURE ACTING UNDER SECRETARY FOR RURAL DEVELOPMENT GILBERT GONZALEZ

Citizens and community leaders throughout rural America share a common desire to bring economic opportunity and an improved quality of life to their community. There is a remarkable cohesiveness amongst rural citizens that allows the energy and enthusiasm of local citizens to harness the resources needed to bring solutions to economic and social issues facing their community.

As rural America's venture capital bank, USDA Rural Development seeks to support local efforts by providing financing to create housing, business development, technology and community infrastructure and essential community facilities. Over the last year, the Bush Administration through USDA Rural Development has provided over \$13 billion in capital financing to assist rural citizens and communities invest in their future.

USDA Rural Development capital investments in FY 2003 include; assisting over 43,000 families realize their dream of homeownership; assisting over 100 rural agri-businesses with financing of energy efficiency and renewable energy systems that support energy independence for America and that supports President Bush's national energy plan; assisting with the financing of over 12,000 business ventures to create or save nearly 90,000 jobs; and assisting with the financing of community infrastructure and facilities that will benefit an estimated 7 million rural citizens. In total, over 350,000 jobs are expected to be created or saved as a result of the financing provided by USDA Rural Development.

USDA Rural Development has a dedicated team of professional with over 40 financial and technical assistance programs available to assist rural communities improve their economic opportunities and an improved quality of life. I encourage you to contact our staff in Alaska to learn more about ways that USDA Rural Development can be of assistance to you and your community.



Under Secretary Gonzalez

Team Alaska

A MESSAGE FROM THE STATE DIRECTOR

It's all about teamwork.

In 2003 USDA Rural Development-Alaska took teamwork to a new level.

As you look at the projects outlined in this report, you will see that virtually all of our accomplishments were achieved by working closely with our private and public sector partners. We could not have succeeded without them. The current level of cooperation among federal, state and local government agencies is unprecedented, and it's improving. We have an expanding, positive relationship with lending institutions and local businesses. We also value the continued strong support of our Congressional delegation.

As you read this report, you will see how effectively Rural Development funds have been combined with funding from the Denali Commission, other federal agencies, the State of Alaska, housing authorities, Native entities and countless local communities, lending institutions and private businesses to positively change the lives of Alaskans, and provide them with well-paying jobs. I am especially pleased that cooperation with non-profit foundations is at an all time high, as evidenced by our relationship with the Rasmuson Foundation.

We achieved many successes in 2003. Among them, our Rural Business-Cooperative Service loan volume ranked 4th highest of all states. We provided over \$15 million in grant funds for telecommunications projects in Alaska, and our Rural Housing Service saw direct and guaranteed loan activity increase by over \$12 million compared to the previous fiscal year. We assisted in the construction of clinics and the distribution of fire and rescue equipment to dozens of communities. We provided almost \$200 million in grants, loans and guarantees and we did it all with a staff of 44.

President George W. Bush and Secretary Ann M. Veneman have set ambitious goals for our agency. One of them is to increase minority home ownership by 2010. Here in Alaska, my goal is to sharply exceed their expectations. Working with federal and state partners including the Department of Housing and Urban Development, and the Alaska Housing Finance Corporation, and with the support of the Congressional delegation, we will strive to ensure that more credit-worthy Alaskans achieve the dream of home ownership.

As bright as the picture for 2003 was, we can and will exceed our accomplishments in 2004.

Sincerely,

Bill Allen
State Director



Rural Development Team Alaska

Rural Development operates federal loan and grant programs designed to strengthen rural Alaska businesses, finance new housing, improve rural housing, develop community facilities and stimulate rural employment. Direct and/or guaranteed loans are available for housing, water and waste, rural businesses, community facilities, electric power and telecommunications.

Rural Development is an agency of the U.S. Department of Agriculture and includes the Rural Utilities Service, the Rural Housing Service, the Rural Business-Cooperative Service and the Office of Community Development. We work with many lenders, state and federal agencies and private sector groups in Alaska to help provide a starting point to address business, community and housing needs.

Our mission is to help rural Alaskans create, build and sustain ventures within communities by building partnerships and investing financial aid and technical resources in areas of greatest need. Quite simply, our mission is to see that no one gets left behind; that all federal, state, non-profit and private sector programs are accessible to residents of rural Alaska.



(Left to right) Construction supervisor Pete Byrne and Executive Director Patrick Shiflea, Alaska Community Development Corporation; USDA Housing Director Deborah Davis, Assistant to the State Director Frank Muncy, former Under Secretary Thomas Dorr, and Alaska State Director Bill Allen at the site of the new nine-unit "self-help housing" project at Settler's Bay near Wasilla.

RURAL HOUSING SERVICE

Rural Development makes loans and grants to provide rural residents with decent, safe and sanitary housing. Our programs help finance new or improved housing for moderate, low and very-low income families each year. These programs provide financing—with no down payment, at favorable rates and terms—either through a direct loan or a loan from a private financial institution, which is guaranteed by the Rural Housing Service.

DIRECT HOUSING LOANS

For very low and low income borrowers who cannot obtain 100% financing from other sources and have the ability to pay house payments, insurance, taxes, maintenance, and necessary living expenses.

GUARANTEED HOME LOANS

For low and moderate borrowers with the ability to make mortgage payments but may not have the necessary down payment. Applications are made through an approved lender for 30-year mortgages at fixed market interest rates.

MULTI-FAMILY HOUSING LOANS

Finances modest apartments for rent by very-low, low and moderate income tenants.

HOME IMPROVEMENT AND REPAIR LOANS AND GRANTS

Enables very-low income rural homeowners to remove health and safety hazards from their homes. People aged 62 and older who cannot afford to repay a loan may be eligible for a small grant.

SELF-HELP HOUSING LOANS

Assists groups of six to eight low-income families to build their own homes. Loans help provide materials and skilled labor. The families must agree to work together until all homes are finished.

HOUSING PRESERVATION GRANTS

Made to non-profit organizations or local governments for repairs and rehabilitation to homes of eligible owners.

COMMUNITY FACILITIES & RURAL UTILITIES

Rural Development seeks to improve the quality of life in rural America through a variety of loan and grant programs for community facilities. Community Facilities loans and grants may be made in rural areas and towns with a population of 20,000 or less. Utilities loans and grants may be made in rural areas or towns of 10,000 people or less.

COMMUNITY FACILITIES LOANS

Used to improve community facilities providing essential services in rural areas and towns. The funds are available to cities, Alaska Native tribes, and non-profit corporations for health care, fire and rescue, community centers, assisted living projects, day care and other purposes.

GUARANTEED COMMUNITY FACILITIES LOANS

Available to finance the same types of facilities as the direct loan program.

COMMUNITY FACILITIES GRANTS

Available for essential facilities in low-income areas.

WATER AND WASTE DISPOSAL LOANS

Used to construct, extend or improve water and waste disposal (including solid waste disposal and storm drainage) systems in rural areas and towns. The funds are available to cities, Alaska Native tribes, and non-profit corporations unable to obtain affordable credit elsewhere.

WATER AND WASTE DISPOSAL GRANTS

Used to reduce water and waste disposal costs for rural users. Grants may not exceed 75% of eligible project costs and are usually made in conjunction with a loan.

TECHNICAL ASSISTANCE AND TRAINING GRANTS

Provide funding to non-profit organizations for a wide range of issues relating to water and waste disposal operations.

SOLID WASTE MANAGEMENT GRANTS

Available to provide technical assistance and training to non-profit organizations and public bodies to reduce or eliminate pollution of water resources, improve planning and management of solid waste facilities, and reduce the solid waste stream.

GUARANTEED WATER AND WASTE DISPOSAL LOANS

Made by eligible lenders to public bodies and non-profit corporations to improve water, waste disposal, storm sewer or solid waste disposal systems in rural areas.



RURAL BUSINESS-COOPERATIVE SERVICE

Our goal is to provide a dynamic business environment in rural America. Working with the private sector and community-based organizations, we provide financial assistance to rural businesses and cooperatives; conduct research into rural economic issues; and provide cooperative education material to the public.

The RBS helps fund projects that create or preserve quality jobs and/or promote a clean rural environment. Individuals, corporations, partnerships, cooperatives, public bodies, and non-profit corporations may be eligible.

BUSINESS AND INDUSTRY GUARANTEED LOANS

Designed to improve the economic and environmental climate in rural communities, including pollution abatement and control. This objective is achieved through bolstering the existing private credit structure with guarantees of quality loans.

INTERMEDIARY RELENDING PROGRAM

Used to finance business facilities and community development projects not within the outer boundary of a city having a population of 25,000 or more.

RURAL COOPERATIVE DEVELOPMENT GRANTS

Made available to non-profit corporations and institutions of higher learning to assist with start-up, expansion, and operation.

RURAL BUSINESS ENTERPRISE GRANTS

Help finance and facilitate the development of small and emerging rural private business enterprises.

RURAL ECONOMIC DEVELOPMENT LOANS & GRANTS

Zero interest loans and grants available for rural electric and telephone borrowers to promote rural economic development.

COOPERATIVE DEVELOPMENT TECHNICAL ASSISTANCE

Available to help residents form new cooperative businesses and improve the operation of existing cooperatives.

9006 ENERGY PROGRAM

Up to 25% grant funding for renewable energy production or energy efficiency projects.



In 2003, USDA Rural Development worked with the State of Alaska and funding partners to purchase ambulances and rescue gear for many Alaska communities.



Rural Housing Programs



The view of Alaska's Pioneer Peak from the porch of one of seven self-help houses built by families in the Butte area near Palmer.



Participating families at the groundbreaking for a new Self-Help housing development and a new way of life at Settler's Bay near Wasilla.



USDA staff celebrate new Settler's Bay Self-Help project: (right to left) Assistant to the State Director, Frank Muncy; Single Family Housing Loan Specialist Sherryl Gleason; Housing Director Deborah Davis; Loan Specialist Karen LaMouria; Loan Specialist Catherine Milazzo and Megan Miller. Megan's family participated in a USDA-funded Self-Help housing program last year and now live in a new home that they helped build near Palmer.

RURAL HOUSING SERVICE SEES INCREASE IN GUARANTEED HOUSING ACTIVITY IN 2003

It was an impressive year for the USDA's Rural Housing Service. "We saw direct and guaranteed loan activity increase by over \$12 million compared to the previous fiscal year," said Housing Director Deborah Davis. "The Rural Housing Service in Alaska made or guaranteed 250 single family home loans in 2003, and 22 percent of those loans went to families who are members of minority groups." President Bush has pledged to increase minority home ownership by ten percent nationwide by 2010.

Davis also noted that the department made almost \$320,000 in home improvement loans and grants. Those funds, provided under the Section 504 program, went to individuals and families needing to make safety improvements in their homes. Income eligible Alaskans over the age of 62 are entitled to apply for a grant of up to \$7,500 to make needed repairs. Eligible Alaskans can apply for a 1% loan of up to \$20,000. "The volume of activity under this program also increased by about \$55,000 over the previous year. 533 Alaska families benefited from our housing programs this year" said Davis.

SELF-HELP HOUSING, HELPING ALASKANS HELP THEMSELVES

As 2003 draws to a close, nine families are working together near Settler's Bay to do an amazing thing: They're building their own homes. "This program is unprecedented in modern-day America, and it really works," said Pat Shiflea, Executive Director of the Alaska Community Development Corporation (ACDC). The program is administered by USDA Rural Development. Under it, eligible families work as a team to construct their own homes. They are required to complete 65 percent or more of the work themselves, under the direction of ACDC. This work becomes their "sweat equity". No family can move in until all the homes are completed. "Each family will have \$40,000 in equity when they take possession of their homes," said Shiflea. In 2002, seven families completed and moved into homes near Palmer built as part of the Self-Help program.

Guaranteed Rural Housing Program Lenders, Contributors, and Partners:

- US Department of Housing and Urban Development
- Alaska Housing Finance Corporation
- Wells Fargo Home Mortgage, Inc.
- Alaska USA Mortgage Co.
- Alaska Federal Credit Union
- Alaska Pacific Bank
- First National Bank Alaska Residential Mortgage, LLC
- First National Bank Alaska
- Kodiak Island Housing Authority
- Chase Manhattan Mortgage Corp.
- Freedom Mortgage
- Homestate Mortgage
- Nome Eskimo Community
- Cook Inlet Housing Authority
- AHFC's HOME Opportunity program
- Ketchikan Indian Corp.
- Northwest Inupiat Housing Authority

USDA RURAL DEVELOPMENT SUCCESS STORIES

MUKLUNG APARTMENTS: Working cooperatively with the Bristol Bay Housing Authority, USDA Rural Development is using its Section 515 program to construct a 16-unit apartment complex in Dillingham. USDA will also provide rental assistance to tenants.



SEAFOOD WORKERS GET QUALITY HOUSING THANKS TO USDA ASSISTANCE: Special funding allocated through efforts of Senator Ted Stevens is making it possible for seasonal workers in Alaska's commercial salmon industry to get quality "dormitory style" housing. In Sitka, the Seafood Producers' Cooperative built a 24-unit modular housing complex with USDA assistance. The building meets the agency's Fair Housing Standards and allows the co-op to recruit

workers outside the area without concern for the local housing shortage.

KODIAK "502" HOUSING PROGRAM SUCCESS After 7 years of working in the fishing industry in Kodiak, Wilfred Buan decided to purchase a home of his own. After attending a Alaska Housing Finance Corporation Home Choice Class he began looking for a home to purchase. Unfortunately, high housing costs in Kodiak made it unlikely Mr. Buan would be able to qualify for a home on his income. But he did not give up, and in January 2003 he found a home within his price range. Through USDA Rural Development's "502" housing program and Alaska Housing Finance Corporation's First Time Buyer Program, he was able to qualify for a low-interest mortgage and payments he can afford. Mr. Buan and Kenai Area Manager Michelle Hoffman are shown in front of his new home.

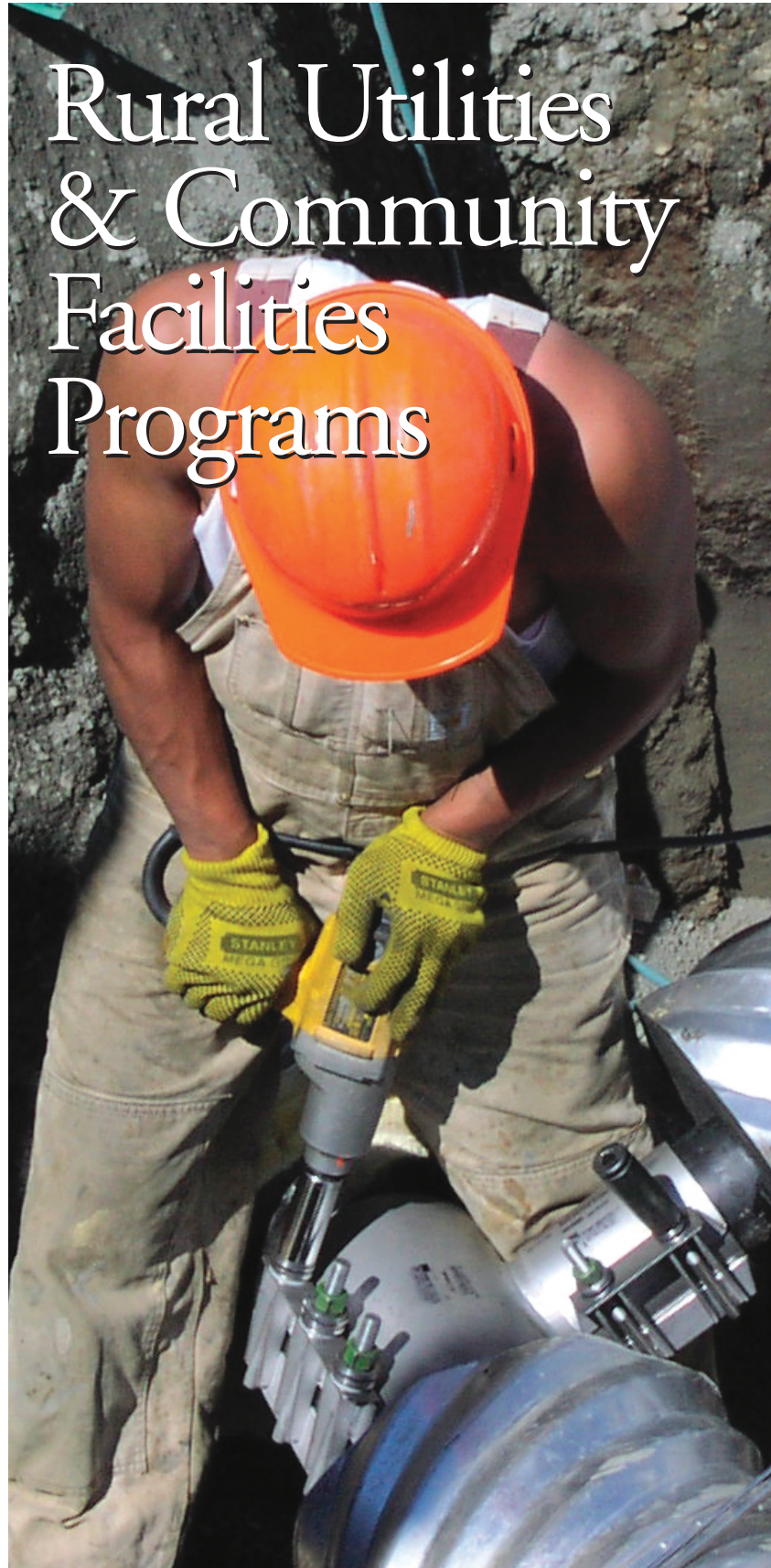


504 GRANT HELPS HELPS LONG TIME ALASKANS IMPROVE THEIR HOME Twenty-five years ago, Robert and Betty Hilliker built a log "temporary" home in the small interior Alaska community of Dry Creek, located about half way between Tok and Delta Junction. They're still there. The Hillikers wanted to stay in their home but to do so, they needed to improve it. They turned to USDA Rural Development for assistance and received a \$7,500 "504" grant. Mr Hilliker did all the work on the home himself, using the grant funds to buy materials.



Mr Hilliker jacked up the house and put in new footings and foundations, insulation and flooring materials, installed a new oil stove and fuel tank, installed a new exterior door, replaced the roof, and is installing new windows.

In the photo above, Mr. & Mrs. Hilliker are pictured in their nearly completed home with Fairbanks Loan Specialist Kim Wood.



Rural Utilities & Community Facilities Programs

In 2003, USDA Rural Development invested almost \$113 million to improve utility and community services in rural Alaska, including water and sewer systems, clinics, emergency rescue and fire equipment, and community centers. Last year citizens from many municipal and tribal governments, non-profit organizations and Alaska Native organizations benefited from this program. As part of the effort to extend affordable Internet service to rural areas of Alaska, Rural Development in 2003 conditionally awarded \$7.5 million in additional grant funds to the State of Alaska's Department of Community and Economic Development. "This award is the second portion of a \$15 million grant program designed to extend broadband Internet service to rural Alaska communities with high levels of unemployment," said Director of Community and Business Programs Dean Stewart. The broadband Internet access funds were obtained through the efforts of Senator Ted Stevens. The program is being administered by the Regulatory Commission of Alaska.

PUBLIC SAFETY:

In 2003, Rural Development provided almost \$1.6 million in Community Facility grant funds to purchase a variety of emergency medical service equipment as part of the statewide "Code Blue" program. USDA grant funds were combined with funds from the State of Alaska, the Denali Commission, the Rasmuson Foundation, regional health care providers and local communities to boost the total funding to over \$3.3 million. So far, "Code Blue" has successfully delivered a wide range of equipment to over 125 communities throughout the state. The equipment ranges from heart defibrillators and radio gear to all terrain rescue vehicles and full size ambulances. In previous years, Rural Development has allocated over \$4.1 million to this program.

Also in 2003, Alaska Rural Partners, Inc., an Alaskan non-profit corporation, continued to deliver, under the "Code Red" program fully functional, easy to use, fire suppression systems to rural communities. Rural Development provided grant funds which, combined with support from funding partners, enabled 42 units to be deployed to villages across the state. Referred to as a "fire station in a box," each unit contains two self-contained trailers containing firefighting foam. The units are engineered to work in temperatures as low as -40 (F) and are housed in heated, insulated, storage buildings. The units can be towed by ATV, snow machines or pickup trucks. Many of the communities receiving the units had no firefighting equipment at all. Alaska's per-capita death rate from fire is three times the national average with the majority of fatalities occurring in rural areas.



(Left to right) Assistant to the State Director Frank Muncy, Assistant Director of Community and Business Programs Merlaine Kruse, Southern Region EMS Council Executive Director Ronni Sullivan, Loan Specialist Renee Johnson and Director of Community and Business Programs Dean Stewart stand in front of the new Port Graham "mini-ambulance," one of six of that type distributed throughout Alaska in 2003 under "Project Code Blue."

USDA Rural Development continues to support the purchase and deployment of needed emergency rescue equipment across Alaska. Working with funding partners, new rescue gear is being deployed in communities that have worked for years with obsolete rescue gear. Some communities have no ambulance at all.



Former USDA Rural Development Under Secretary Thomas Dorr (right) with residents of the community of Kotlik in Western Alaska. The Under Secretary was the guest of honor at the dedication of the community's new "Project Code Red-fire station in a box" funded through USDA Rural Development and partners, with the support of Senator Ted Stevens.

Rural Utilities Service

Lighting the lives of Alaska's Families

Fiscal year 2003 was another banner one for the Rural Utilities Service's electrical program. As the year drew to a close, Golden Valley Electric Association of Fairbanks was approved for a \$55,561,000 Federal Financing Bank Loan. The loan is guaranteed by the Rural Utilities Service. "Funds obtained through this loan will be used to build 185 miles of new distribution lines and 99 miles of new transmission lines," said Allan Yost, RUS's Alaska Field Representative. When completed, the project will provide service to about 3,500 new customers. Yost also noted that RUS made another \$2 million loan to the Kodiak Electric Association, completing financing of a project begun in the prior fiscal year.

Connecting People: Rural Utilities Service invests over \$8.2 million in Alaska telecommunications projects

Efforts to extend broadband Internet service to Alaskans got a major boost during the year with the announcement by RUS Administrator Hilda Gay Legg of three Community Connect Grants for Alaska. Successful applicants Yukon Telephone Company, the Central Council of Tlingit and Haida Indian Tribes of Alaska and the Kake Tribal Corporation received a total of over \$1.3 million to provide Internet service to communities in their areas. In announcing the awards, Administrator Legg noted that low interest loan funds are also available under the program. The 2002 Farm Bill authorizes \$20 million in broadband loans for each of the first five years and then \$10 million in loan funds for each of the last two years of the life of the bill.

Five Alaska school systems also received grants totaling almost \$2.5 million for distance learning systems. Successful applicants included:

- Denali Borough School District: \$500,000
- Kake City School District: \$490,000
- Pribilof School District: \$500,000
- Southeast Island School District: \$485,732
- Yukon-Koyukuk School District: \$500,000

A \$3,631,000 Distance Learning/Telemedicine loan was made to United Utilities, Inc. The total economic activity provided through these grants and loans exceeded \$8.2 million.

Kenai Area Manager Michelle Hoffman with Kodiak Electric Association President/CEO Darron Scott at Kodiak substation financed with an RUS loan.



Galena City Manager Marvin Yoder with telecommunications equipment provided through an RUS grant.



Rural Health Clinic Development

Working with our funding partners, including the Denali Commission, the State of Alaska, the Rasmuson Foundation and the U.S. Indian Health Service, USDA Rural Development is financing the construction of new health clinics in Alaska. Two new clinics, at Sunshine, near Talkeetna, and at Unalakleet, in Western Alaska, are nearing completion. USDA Rural Development is also working to develop a new clinic at Angoon, in Southeast Alaska.



A rural health aide treats an injured child. Alaskans are receiving better care thanks to clinic construction projects across the state financed by USDA Rural Development and funding partners.

UNALAKLEET CLINIC

Over the past year, a local construction crew has worked tirelessly, at times in temperatures far below zero, to construct the new \$8 million Unalakleet Sub-Regional Clinic. USDA Rural Development provided \$4 million dollars for the project, including \$3 million in grant funds. The Denali Commission provided an additional \$3 million, and funding was also provided by the Norton Sound Health Corporation and the U.S. Indian Health Service. The local Native Corporation was instrumental in the success of the project. It donated the land for the new clinic.



The obsolete clinic at Unalakleet has been replaced by a state-of-the-art facility that will serve residents of the region. Additionally, the new clinic will provide telehealth services which will link clinic staff to hospitals and physicians worldwide.



Local workers pour the foundation for the clinic's ambulance garage. USDA Rural Development provided funding for Unalakleet's new ambulance under the "Project Code Blue" program.

The \$8 million Unalakleet Subregional Clinic. Funded through the efforts of USDA, the Denali Commission, Norton Sound Health Corporation and the U.S. Indian Health Service.



The newly completed Unalakleet Sub-Regional Clinic.



Former USDA Rural Development Under Secretary Thomas Dorr cuts a ribbon at the new Unalakleet Sub-Regional clinic. Participating are (left to right) Rural Development State Director Bill Allen, Unalakleet IRA President Middy Johnson, NSHC Capital Projects Crew Chief Terrence Katongan, Dorr, and Denali Commission Co-Chair Jeff Staser.

SUNSHINE CLINIC

Teamwork from a variety of state and federal agencies, foundations, and organizations resulted in completion, this winter, of the \$5 million Sunshine Clinic in the upper Susitna Valley. Centrally located between the communities of Talkeetna, Willow and Trapper Creek, the clinic will provide affordable health care to a population of almost 2,000. The new clinic sits on an 11 acre site and replaces two small, cramped buildings. Operated by the Sunshine Community Health Care Center, the new clinic offers a variety of health care and other services.

"With USDA, we have formed a critical partnership that enabled us to build a state-of-the-art clinic available to meet the needs of the growing population in the upper Susitna Valley," said SCHC Executive Director Susan Mason-Bouterse.

USDA Rural Development provided over \$2.6 million for the project through the Community Facilities and Special Economic Assistance grant programs. Additional funding came from the Denali Commission, the State of Alaska, Providence Health Care Systems, the Rasmuson Foundation, Valley Healthy Communities, the Murdock Charitable Trust, the Alaska Mental Health Trust, the Waterfall Foundation (through Governor and Mrs. Frank Murkowski) and the SCHC. The local community also contributed to the project through fundraising efforts.



Staff of the Sunshine clinic had worked out of two small buildings, including a converted duplex. Now, residents of the Susitna Valley will be served by a state-of-the-art \$5 million facility which not only will provide quality health care, but will also protect the privacy rights of patients.



Construction Superintendent Ken "Panic" Holbrook (left) with Rural Development State Engineer John LaVarnway at the site of the new Sunshine Clinic.



Begun in May 2003, construction of the new Sunshine Clinic was completed in January, 2004. In addition to providing health care services, the clinic also provides upper Susitna Valley with behavioral health care, and dental care. The clinic has a staff of 35, and is one of the area's largest employers.

OTHER COMMUNITY FACILITIES SUCCESS STORIES



MINTO COMMUNITY HALL
Minto Chief Andrew Jimmie cuts the ribbon October 31st on the new Minto Community Hall. The \$705,000 structure was constructed with USDA funding support. It was constructed with local labor, under the direction of a Fairbanks contractor. (photo courtesy of the Minto Village Council)



MAT-SU BEHAVIORAL HEALTH CENTER DEDICATES ITS NEW FACILITY
Dean Stewart, Director, Community and Business Programs; RD Technician Sherry Sparrs; RD Technician Mariela Figueroa; Loan Specialist Melissa Hayes, Senator Ted Stevens, State Director Bill Allen; Loan Specialist Renee Johnson; and Assistant Director, Community and Business Programs Merlaine Kruse at the opening of the new Behavioral Health Center near Wasilla.

USDA RURAL DEVELOPMENT PROVIDES BOOST TO WATER QUALITY PROGRAMS STATEWIDE

OUTLINE OF NEED:

In 21st century Alaska, residents in some rural communities still do not have clean water in their homes. Some rural residents without even rudimentary sewer services must defecate into buckets in their homes and then haul the full buckets to collection areas. Using special carts, village residents carry collection vessels to lagoons where raw, untreated sewage is dumped and allowed to decompose. Unsafe sewage handling contributes to high disease rates in the villages. Outbreaks of hepatitis, bronchitis, impetigo, scabies, and meningitis are common.

HOW USDA RURAL DEVELOPMENT HELPED:

Through the efforts of Senator Ted Stevens, USDA Rural Development in fiscal year 2003 provided over \$29.2 million to the State of Alaska, Department of Environmental Conservation. That marks an increase from the \$23.12 million invested in the program in FY 2002. The funding is a "pass through" grant for the Alaska Village Safe Water Program. USDA has been involved in this effort since 1994. Using funds provided through USDA and sister agencies, plus State funds, the State is working

aggressively to provide communities with innovative water and sewer systems that function in Alaska's harsh environment. Temperature extremes in Alaska's rural communities range from 80 degrees in the summer to -60 in the winter. Also, in much of northern and western Alaska, the ground is permanently frozen, or the water table is



In rural communities, children accustomed to using honey buckets are being taught to use new toilet facilities, improving the level of hygiene in homes receiving new water and sewage handling systems.

near the surface. One innovative system being installed in some rural communities is "flush-haul". A small, heated building is constructed next to a dwelling and a heated tank system is installed. Fresh water is delivered to the water tank by a local government employee. As needed, water is drawn from the tank by the family living in the home for uses which include baths, washing and toilet. The waste water flows to a second heated tank for removal and treatment.

THE RESULT:

Honey buckets and primitive sewage disposal methods are systematically being replaced in rural Alaska villages by state-of-the-art sustainable water and sewer facilities. Families are able to avail themselves of clean water for cooking and bathing. Funding provided by USDA Rural Development in FY '03 will be used by the state on 22 separate community projects. In Napakiak, which is located near the Western Alaska hub community of Bethel, \$570,300 in Rural Development funds will be matched with \$190,200 in State funds to replace all of the remaining single-family home honey buckets in the community with the "flush haul" system.

State Director Bill Allen presents a check to Alaska Department of Environmental Conservation Commissioner Ernesta Ballard. In FY '03, through the efforts of Senator Ted Stevens and his staff, USDA Rural Development allocated almost \$30 million in funds to the Alaska Village Safe Water program. That's an increase of \$6 million over the previous fiscal year.



Through the efforts of Senator Ted Stevens, USDA Rural Development, the Environmental Protection Agency, and other federal agencies, substandard honey buckets are being replaced with safe sanitation systems across Alaska.



Construction was completed in fiscal '03 on the new Bumpus water tank/well project in Wasilla. The project, financed in part through USDA Rural Development, will help meet the needs of the Wasilla area for decades to come.

TALKEETNA TREATMENT SYSTEM FIRST OF ITS TYPE IN ALASKA

The residents of the Susitna Valley community of Talkeetna were the recipients this year of an upgraded sewage treatment facility, thanks to grants from the Rural Utilities Service and EPA. The new system is the first of its type in Alaska and uses a collection of cells and aquatic plants to pre-treat raw sewage from the community. Talkeetna was notified by the State in 2001 that its old system was deficient. The USDA-funded project converted an old percolation cell into a lagoon cell lined with a plastic layer, increasing treatment capacity by over 25 percent. A wetland was also constructed to treat secondary effluent from the lagoons prior to discharge into the Talkeetna River. It's expected the new project will allow the community to meet federal and state discharge standards. "The lagoon cells provide storage and treatment during the winter months, and the wetland purifies the secondary-treated wastewater in the summer months before it is discharged into the river," said USDA Rural Development State Engineer John LaVarnway.



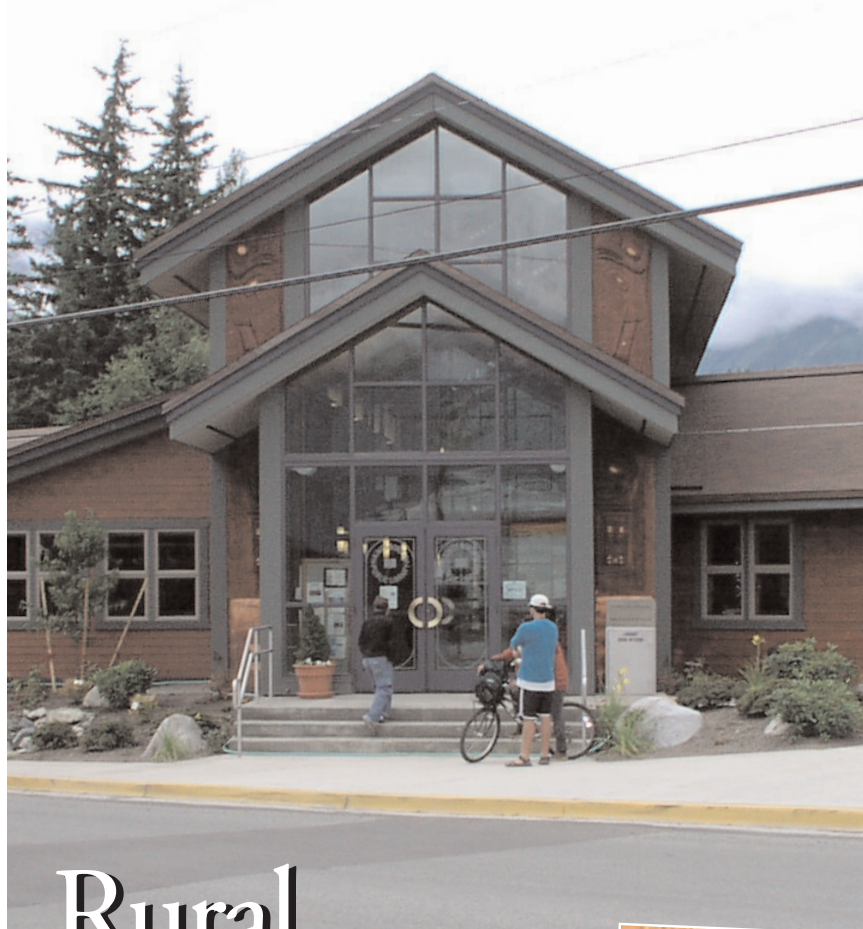
Rural Development State Engineer John LaVarnway inspects filtration cells at the newly constructed Talkeetna Sewage Treatment facility.



Construction of the Talkeetna sewage treatment project was completed in the summer of 2003. USDA funding amounted \$1.3 million.

RURAL BUSINESS-COOPERATIVE SERVICE

The Rural Business-Cooperative Service helps fund projects that create or preserve quality jobs and/or promote a clean rural environment. Financial resources are often leveraged with those of other public and private credit source lenders to meet business and credit needs in under-served areas. Recipients of these programs may include individuals, corporations, partnerships, cooperatives, public bodies, and non-profit corporations.



Rural Business Programs



Dean Stewart, Director of Community and Business Programs (left) and Unalakleet Native Corporation President Paul Johnson at the site of a new multi-unit housing complex in Unalakleet. The housing complex will be used by staff and families of patients at the new sub-regional clinic, which is being built with Rural Development support.

Rural Business-Cooperative Service Loans: Alaska ranks 4th in the Nation

Programs Create Jobs for Alaskans

From business creation and expansion to debt restructuring, the Rural Business-Cooperative Service is on hand to provide loan guarantees. In all, the RBS guaranteed almost \$25.4 million in loans in fiscal year 2003, the 4th highest loan volume of any state in the nation. "We couldn't have done it without our fine relationship with the lending community," said Dean Stewart, Director of Community and Business Programs. "This year we worked closely not only with lenders that we have had a relationship with in prior years, but we began working with lenders who had never before used our programs. I'm proud of the work we've done this year and it builds a strong foundation for a successful fiscal 2004."

Stewart noted that the RBS programs created an estimated 135 new jobs in fiscal year 2003 and saved another 405 jobs. "These are rural jobs, providing steady paychecks to support Alaska families," said Stewart. Loans guaranteed by the Rural Business-Cooperative Service were used for a large number of diverse purposes including aircraft and tour boat purchases, purchase and installation of a salmon processing and freezing line, construction of a water bottling plant, purchase of a motel and restaurant, and purchase of a fishing resort.

Rural Business Opportunity Grants and Rural Business Enterprise Grants provide funding for Economic Development, Wood Product Manufacturing

Nine Rural Business Opportunity and Rural Business Enterprise grants with a total value of over \$900,000 were awarded in Alaska in fiscal year 2003. "Under this program, we provided funding for technical assistance, economic development, the wood products industry, the seafood industry, quality production of educational TV programs of interest to rural Alaskans, and education for budding entrepreneurs," said Dean Stewart, Director of Community and Business Programs.

One ongoing program supported by a grant provides for the purchase of large, Alaska-made sea vinyl bags. The bags are placed in skiffs operated by commercial fishermen in western Alaska and they're filled with ice slush. Fish are placed in the bags immediately after they're caught. Because of the extra care the fish receive, the fishermen who use the bags are rewarded with a premium price for their catch. Other grant funds will be used by the Lake and Peninsula Borough to expand its business development center, and by the Native Council of Port Heiden to construct a commercial cold storage building which can be used by local businesses.

B & I Guaranteed Lender Program participants:

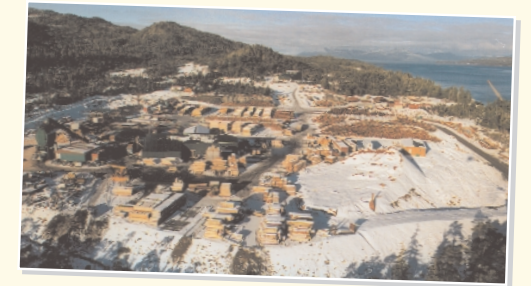
- Alaska Growth Capital
- Alaska Pacific Bank
- First Bank
- Key Bank
- Matanuska Valley Federal Credit Union
- Mount McKinley Bank
- Wells Fargo Bank Alaska
- Denali State Bank
- First National Bank Alaska
- Northrim Bank

USDA RURAL DEVELOPMENT SUCCESS STORIES



GALLIGASKINS
With Rural Development assistance under the B&I program, Galligaskins in Juneau provides quality clothing, and also offers a selection of over 50 products "made in Alaska." The company also offers a catalog.

PACIFIC LOG AND LUMBER COMPANY
Pacific Log and Lumber Co., Ketchikan, financed with a B&I Loan Guarantee.



ALLEN MARINE TOURS
Docking facilities for Allen Marine Tours in Ketchikan, financed through a B&I loan guarantee.

DURETTE CONSTRUCTION
A USDA B&I loan guarantee finances the purchase of a Ketchikan business property.



BETHEL SUBWAY
Bethel Mayor Hugh Short stands in front of his sandwich shop, financed through a B&I loan guarantee.

Community Outreach

Assistant Director of Community and Business Programs Merlaine Kruse, State Director Bill Allen and State Senator Scott Ogan of Palmer (left to right) were among those watching a demonstration of "Code Red" firefighting technology at the Palmer Fire Training Center.



In 2003, members of Rural Development "Team Alaska" continued a coordinated effort to promote the agency's programs across the state. Activities included participation in home ownership workshops, meetings with representatives of financial institutions, and appearances at numerous public events. Members of "Team Alaska" perform vital community service through their churches and civic organizations. Representatives are always available to address community groups, agencies, or private organizations.



State Director Bill Allen (right) presents a check to Sam Jackson, President of Kake Tribal Corporation. Kake Tribal received a Value Added Producer Grant to prepare a marketing plan for its new "Totem Soil" product, which combines fish waste and sawdust to make nutrient-rich plant food.



Single Family Housing Loan Specialist Kathy Karcheski providing information about USDA Rural Development home ownership programs during the Mat-Su Home Show in Palmer.

Kenai Area Manager Michelle Hoffman, Assistant to the State Director Frank Muncy and Loan Specialist Amy Milburn (left to right) hold a citation presented to USDA by the Aspen Dental Clinic noting USDA involvement in the financing package that made purchase of the clinic possible.



USDA and Denali Commission representatives join Aspen Dental Clinic representatives at the dedication of the new dental clinic in Kenai. The clinic will bring affordable dental care to residents of the Kenai Peninsula.



(left to right) Sitka Area Manager Keith Perkins; Public Information Officer Wayne Maloney; Loan Specialist Renee Johnson; State Director Bill Allen and Assistant to the State Director Frank Muncy at the opening of the Sheldon Jackson College Student Center in Sitka.



(right to left) Congressman Don Young, State Director Bill Allen and Congressman Young's Alaska District Director Bill Sharrow visit the Palmer Job Corps Training Center.

EZ/EC Empowerment Zones and Enterprise Communities

The Office of Community Development administers the Empowerment Zones and Enterprise Communities (EZ/EC) program which provides grant funds to economically depressed rural areas that have been selected through a nationally competitive application process. In Alaska, only the Metlakatla Indian Community receives funding under this program.

Metlakatla has recently experienced economic hardship because of the closure of its sawmill and the depressed state of the salmon industry. EZ/EC funds have helped Metlakatla as it struggles to realign and broaden its economy into activities such as tourism, mining and bottled water.

Metlakatla has used EZ/EC funds for a wide variety of purposes. Metlakatla's developing tourism industry has benefited from funds to complete the Artist's Village and re-roofing and refurbishing of the Town Hall. Development of Metlakatla's promising aggregate deposits has taken a step forward with completion of the required environmental assessment work. And a new bottled water industry is being made possible through the acquisition and installation of water bottling equipment. Other projects that have benefited from EZ/EC funds include the acquisition of heavy equipment for the community's water/sewer project; swimming pool repairs; establishment of a housing repair fund; and administrative overhead.



Trudi Refour, Manager, Metlakatla Bottled Water Company, stands in front of water bottling equipment funded with an EZ/EC grant from USDA Rural Development.

Staff

B. B. (Bill) Allen, *State Director*
 Frank A. Muncy, *Assistant to the State Director*
 Sheila Kopczynski, *Special Assistant to the State Director*
 Deborah I. Davis, *Director, Rural Housing Service*
 Dean R. Stewart, *Director, Community & Business Programs*
 Roxann Benbow, *Director, Administrative Programs*
 Gillian R. Smythe, *Director, Special Projects*
 Wayne Maloney, *Director, Public Affairs*
 Merlaine V. Kruse, *Asst. Director, Community & Business Programs*
 Debbie Andrys, *Rural Development Manager*
 Barbara Winters, *Manager, IT Administration Programs*
 Candi Godwin, *Manager, Human Resources*
 Kathleen Russell, *Contract Specialist*
 Karen LaMouria, *Asst. Director, Rural Housing,*
Loan Specialist, Guaranteed Rural Housing
 Sherryl Gleason, *Loan Specialist, Single Family Housing*
 Kathy Karcheski, *Loan Specialist, Single Family Housing*
 Catherine Milazzo, *Loan Specialist, Single Family Housing*
 Bonnie J. Feakes, *Loan Specialist, Multi-Family Housing*
 Melissa Hayes, *Loan Specialist, Business & Industry*
 Renee Johnson, *Loan Specialist, Community Facilities*
 Debby Retherford, *Loan Specialist, Water & Waste*
 Tasha Reed, *Loan Technician, Water & Waste*
 Nancy Hayes, *Loan Technician, Single Family Housing*
 Cynthia Jackson, *Loan Technician, Guaranteed Rural Housing*
 Misty Hull, *Loan Technician, Multi-Family Housing*
 Mariela Figueroa, *RD Technician, Community Facilities*
 Sherry Sparrs, *RD Technician, Business & Industry*
 Sharon Griggs, *Administrative Support Assistant*
 Judy Reeves, *Administrative Support Assistant*
 Kim Lomen, *Administrative Support Assistant*
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RURAL UTILITIES SERVICE

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TDD machine: 907-786-7786

DENALI COMMISSION

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 Fax: 907 271-1415
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Financials

RURAL BUSINESS-COOPERATIVE SERVICE

Guaranteed Loans	\$	25,368,080
Rural Business Enterprise Grants	\$	839,125
Rural Business Opportunity Grants	\$	70,000
Value Added Producer Grants	\$	96,222
Total:	\$	26,373,427

RURAL HOUSING SERVICE

Direct and Guaranteed Loans	\$	33,593,956
Home Improvement Loans and Grants	\$	319,834
Multi-Family Housing (Including Rental Assistance)	\$	4,632,423
Housing Demonstration Grant (Fisheries)	\$	866,128
Total:	\$	39,412,341

COMMUNITY FACILITIES

Loans and Grants	\$	11,523,300
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RURAL UTILITIES SERVICE

Water and Waste Loans and Grants	\$	32,024,245
Electric Co-ops	\$	60,916,522
Telecommunications	\$	8,237,126
Total:	\$	101,177,893

EZ-EC	\$	806,112
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OTHER AGENCIES RECEIVING RURAL DEVELOPMENT FUNDING:

Denali Commission	\$	18,500,000
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GRAND TOTAL	\$	197,893,073
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