

DENALI COMMISSION

QUARTERLY MEETING

FEBRUARY 28, 2008

9:03 a.m.

Taken at:  
Baranof Hotel  
Treadwell Conference Room  
Juneau, Alaska

Commissioners Present:

|                   |  |
|-------------------|--|
| George J. Canelos | Federal Co-Chair                             |
| Karen Rehfeld     | State Co-Chair                               |
| Richard Cattanach | Commissioner, Associated General Contractors |
| Karen Perdue      | Commissioner, University of Alaska           |
| Vince Beltrami    | Commissioner, Alaska AFL-CIO                 |

**PROCEEDINGS**

**Federal Co-Chair Canelos** called the meeting to order and noted that a quorum was present with Commissioners Kitka and Wasserman being excused. He asked for feedback on the 2007 Annual Report, which tells the story of rural Alaska, the progress that has been made, and future challenges. He discussed a memorandum of understanding (MOU) between federal and state agencies that discusses difficult issues such as funding cycles, mechanisms, and processes between federal and state governments.

**Ms. Jollie** discussed a second MOU and expressed her excitement about a combined staff meeting to discuss the common goals between the Division of Community & Regional Affairs and the Denali Commission. The meeting will be in the form of a bowling tournament on May 8 and 9.

**Federal Co-Chair Canelos** congratulated Dick Cattanach for being recognized by the legislature through a proclamation.

**Mr. Petrie** noted that the U.S. Department of Energy selected AVECA as the Wind Coop of the Year.

**Federal Co-Chair Canelos** moved the agenda and noted that the Inspector General would be available at 11:30 a.m. instead of 10:15 a.m. At 5:15 p.m., the Anchorage Museum has offered to provide a private viewing of the exhibit “Rural Alaska, a Century of Alaska Tourism.”

Minutes Acceptance Vote:

Motion: **Commissioner Perdue** moves to approve the minutes of November 29, 2007.

Second: **Commissioner Cattnach** seconds.

Vote: There being no objections, the minutes are approved.

## **STATE OF THE DATA**

**Ms. Rinner** gives an overview of the next agenda item, State of the Data. This item will include compelling data updates from various individuals and organizations.

### *COMMUNITY DATA - STEVE COLT*

**Mr. Colt** thanked First Alaskans Institute and the Alaska Native Policy Center for their collaboration. A paper will be written after today’s presentation. The major data sources utilized was the U.S. Census, Department of Labor data, ISER Survey of Living Conditions in the Arctic (SLiCA), First Alaskans Institute Attitudinal Survey, and other literature. Migration to Alaska has played a big role in population growth. From 1890 to 1920 there was a resource boom related to salmon, yet the population of the associated region was either stagnant or declined, which shows that permanent population does not necessarily grow in response to an economic boom. The statewide net migration has calmed down, perhaps due to a more stable economy. During the Prudhoe Bay oil money boom of the early 1980s populations increased and then decreased after the 1986 recession. In the last six years, the net migration has been close to zero and is related to natural increases of births minus deaths. The big spikes in the 1990s were related to the Coast Guard station expansion in Kodiak and the closing of the military bases in Adak. In the 1980s, the oil boom and the construction of high schools in the villages fueled a net migration in rural Alaska. As births decline, the absolute population may shift from overall growth to overall decline without any change in migration.

**Commissioner Perdue** felt it would be interesting to research the ages of the women giving birth since we know that the number of teenagers giving birth is declining.

**Mr. Colt** pointed out that the population in smaller regions was declining due to the lack of females in the 20- to 29-year-old age group. How the cost of fuel was driving migration was discussed. PCE communities depend solely on imported diesel and gasoline; therefore they typically use less than half the total energy as those in other

communities. The average per capita use for diesel and gasoline is about 1,000 gallons per person, per year, for both electricity and heat. Recent increases in fuel prices results in an increase of about \$2,000 per person, per year. The First Alaskans Institute conducted surveys as to why Alaska Natives were moving away from their communities. The top responses were related to career opportunities and there was no mention of fuel costs being a reason. When asked what it would take for them to return to their community, 67 percent said nothing would make them return. Although we do not have data to support the idea that people may be moving due to fuel costs, it does seem to be a concern. He discussed the opportunities for better data collection. Community can obtain more information from the Permanent Fund Dividend (PFD) applications on net migration by age and sex, association of destination with origins, and net migration. Panel studies follow a group of individuals over time. The ANCSA shareholder rolls provide a unique opportunity for a panel study on Alaskan Natives at a relatively low cost and with minimal attrition. Another idea is to compliment an ANCSA-based survey with a look at what the young people are thinking and doing. We could also study housing to determine who owns the home, who lives in it, how crowded is it, and how that may affect a person's behavior. Another potential source, similar to the U.S. Census, would be a survey asking people who they are, what they do, how they spend their money, and how that impacts their decisions. The presentation concluded and the floor opened for questions and/or comments.

**Commissioner Perdue** suggested using the outcomes from the First Alaskans Institute survey and ISER in the Denali Commission's outcomes work.

**Mr. Colt** pointed out that the SLiCA survey only talked to people who were still living in rural areas and did not attempt to find out why people had moved.

**Commissioner Perdue** noted that the SLiCA survey hinted at how people were using their disposable income, which included increasing subsistence activities. By developing a framework and partnership with Alaskan experts, we can start to understand what is going on with migration, economics, and other areas.

**Mr. Colt** said it appeared that people were moving to larger cities to take advantage of career or educational opportunities.

**Federal Co-Chair Canelos** said he had assumed that people moving from small towns gravitated towards their regional hub, but those populations were stable or decreasing.

**Mr. Colt** described the "stepping stone hypothesis." People from smaller communities move to the hubs while people from the hubs move to Anchorage or the Lower 48, which results in both the small community and the hub having a decreased population. Another data set that could be generated with the PFD data is the lifecycle of individuals to see where they moved, as well as whether and when they returned.

**Ms. George** noted that the information from the PFD applications was grouped by zip codes, not regional hubs, and might not provide accurate information about individual communities. It would be interesting to see what percentage of the out migration was students, whether they returned after college, and why they choose not to return.

**Mr. Wells** felt the data for AITC's Citco fuel distribution would be helpful. Everyone receiving fuel vouchers provides specific information, which is verified, and could provide some very up-to-date demographic data on the villages.

**Ms. Leask** said First Alaskans Institute held a series of 16 discussions to talk to people about the future of Alaska Native villages. Fuel costs and migration was brought up and linked together. There was an underlying theme that there were very few jobs in the communities and the workforce seldom turned over. We will be doing an energy discussion series in March to discuss the cost of fuel and the impact it has on the villages.

**Mr. Colt** stated that fuel costs could be contributing to migration, but the Denali Commission should consider whether fixing that problem would change the behavior or if there were other issues involved.

*RDPM STUDY - FIRST ALASKANS INSTITUTE - JANIE LEASK*

**Ms. Leask** gave a brief history of First Alaskans Institute, which was organized in 2000. She described their three initiatives, which are the Alaska Native Policy Center, the Leadership Program, and Leadership Plus. The 11-member Board of Directors was originally comprised of the current and past presidents and co-chairs of AFN. We have since expanded to include younger people to get different perspectives. We are working on a MOU with the University of Alaska to collaborate and share information. For decades, investments in physical infrastructure and economic development in rural Alaska have been made to serve immediate needs with no system to capture the effects on the communities. The RDPM project came about as an interagency response to leaders' concerns and the agency's efforts to understand and explore the impacts of economic development on the communities. Until the RDPM project, key research entities across the state worked on related topics, for their own purposes and independent of one another. RDPM will be used to evaluate the effectiveness of economic development programs in reducing poverty in rural Alaska. We talked to Alaskan Natives from various regions about poverty and how you could tell if things were changing. RDPM was successful in setting the stage for future rural development performance measures by exploring the links between economic growth to poverty reduction; assessing data for rural communities in Alaska, including identifying the gaps and data accessibility; and giving a voice to various concepts of poverty. Economic development can be a double-edged sword. Communities have to balance their culture, which can vary from region to region, with the western economy. Subsistence is not considered a traditional economic sector. Unemployment is undercounted in rural Alaska, because if a person stops looking for work then they are no longer considered in the unemployment

figures. RDPM found no research examining the link between economic growth and poverty reduction in rural Alaska. The PDPM project sought to accomplish the following goals: to provide meaningful information and tools to the Denali Commission, other potential users, and communities; to generate Alaska Native interest and involvement in future research; to stimulate discussion about healthy and thriving communities. The RDPM approach was expanded to include new working papers to identify tools for community outcome planning, provide a step-by-step guide to finding data on the Internet, and offering additional analysis of existing and potential indicators that could track economic growth or progress. A key finding is there is interest and excitement from rural Alaska about understanding and measuring changes in their communities. The data is limited and only available in segments so more collaboration among the agencies would help. Individual communities need to develop indicators and measurements for their community vision. The program planning and evaluation must include a long-term analysis, with measures of success being agreed upon by both the agency and the community. We need to improve our understanding of rural economies, which can be done through community meetings. The study concludes with suggesting a pilot project to analyze village economies and generate data. The floor was opened to questions.

**Federal Co-Chair Canelos** asked how this information could be utilized for broad program outcomes across the state.

**Ms. Leask** felt gathering a small group of people representative of the state would be a good starting point. Surveys could also be done to gather information. It would also be helpful to talk to the people who run programs in specific areas, because they are in touch with their local constituency. Collaboration with other agencies is also important.

**Mr. Colt** asked if the idea of using positive change as the outcome was considered.

**Ms. Leask** said the descriptor of positive change would be different for each community, although there may be core values that the villages embrace.

**Commissioner Perdue** felt they needed a structured process to decide what the Denali Commission's role was in the program outcomes. We will ultimately need to settle on certain proxy measures, which will have to be embraced by the communities.

(Break.)

*A-DOL, A-DCCED – NICOLE GREWE*

**Ms. Grewe** discussed the Division of Community and Regional Affairs (DCRA) data. DCRA is a state agency dedicated to rural affairs via promoting strong communities and economies. Our data is very strong and useful. We provide information resources, which includes databases, web applications, and some routine products. We have 17 community related databases, most of which are available on the Internet. Several of the individual

programs were discussed. The Denali Commission funded the Mini-Grant Program. In 2003, we interviewed 20 communities to see how they felt about the program, the administration of the program, and what impact the mini-grant funds had in their community. Via a consultant, we did a large program evaluation of the Rural Utility Business Advisor Program. We surveyed 146 communities to determine how the program performed, if the services were effective, and whether we made a difference. We completed several statewide projects. The Bulk Fuel Survey interviews 100 retailers in 100 rural communities with the results being published every six months. Lien Watch is a review of small community liens and helps us determine which communities are struggling to meet management and operation criteria. We produce an annual report. We also produce a weekly report, distributed via email, that includes noteworthy community happenings around the state. The Alaska Community Directory includes all communities across the state and has information on elected officials, demographics, school districts, the Regional Health Corporation, the Regional Native Non-profit Corporation, the Regional ANCSA Native Corporation, the Village Corporation, the Council, and other information. We work directly for communities as time allows. We did a comprehensive community survey for Elfin Cove, which resulted in a community plan being written in 2007. We have done similar projects in other locations. We look to continue our information resources, expand our online resources, continue to produce routine products of value, and do targeted original research. We hope to keep DCRA's data true to the agency's spirit, which is working for and with communities to improve their viability. It is also important to collaborate and coordinate with partner agencies. The Community Mapping Program has produced maps for 100 communities and we hope to do another 80. The Indigenous Planning Conference will occur in October of 2008 and will be hosted by RuralCAP in Anchorage. The purpose is to blend western and indigenous planning practices. The new count for the U.S. Census Bureau will be coming up soon.

**Mr. McKay** gave an update on the Community Mapping Program. This project is on its sixth year and promotes the mapping of all communities with a population of less than 1,500. It is a collaboration of the Denali Commission, USDA, DOT, and others. We have spent \$1.8 million of your dollars, which was matched by the communities, towards the project. We have 20 maps in the hopper that will be completed this next year and plans for another 10 to 18 next year. We often partner with the housing authorities in the communities. The maps are done in AutoCAD with many being converted to GIS. We house the maps at our office, but they can be viewed online and printed out. The maps are a planning tool for community plans and are used by the planners and engineers. Our Community Plans Project is in collaboration with RuralCAP. We are trying to get funding to address some of the erosion and relocation issues that are ongoing.

**Federal Co-Chair Canelos** felt it would be useful to capture examples of how the maps were being used.

*STATE DEPARTMENT OF LABOR - BRYNN KEITH*

**Ms. Keith** gave a presentation on the state of the data from the Department of Labor's perspective. The statistics that we generate are employment related, with the exception of population data. There are three things we focus on: transparency, quality, and research. We do the industry employment estimates, in concert with the U.S. Bureau of Labor Statistics, on a statewide basis for the six economic regions. Much of our data comes from employer surveys. We project economic growth based on employment and do a one-year and 10-year forecast. The last 20 years has had positive employment growth. We expect that growth to continue, although it is slowing down. Unemployment rates are produced in conjunction with the U.S. Bureau of Labor Statistics, and follow their guidelines and methodology. The advantage is they are comparable across all states, but the disadvantage is they do not capture what is going on in rural Alaska. By our definition, to be unemployed you have to have been actively looking for work. People in rural Alaska who are not actively looking for work still consider themselves to be unemployed. One of our data sets is charting the number of non-resident workers. We use the PFD information to chart this by industry, occupation, and employer, which give us an idea of the training needs within the state. We just finished our population projections to 2030. Population is growing, but not in every region. We have been working with industry to determine what occupations would be most used in a gas line construction project and where the shortfalls are. We recently benchmarked our industry employment estimates. We look at the number of new hires to track the turnover in Alaska's labor market. Even though our employment level is steady, there are about 270,000 new hires a year. We do residency analysis of workers by company. We have started a project to estimate seafood-harvesting employment, which is not included in the other statistics. We estimate non-agricultural wage and salary, which excludes those that are self-employed. Alaska fishing is an extremely important industry sector so we undertook a research project to estimate monthly employment utilizing fish harvesting numbers. We have started a project to chart business employment dynamics, which illustrates how seasonal Alaska's economy is. We use PFD data and unemployment insurance quarterly reports to track individuals who have gone through training programs to see if they are working in that field, if their post-training earnings are higher, and other issues. We do the AGIA occupations, actuarial analysis for the unemployment insurance trust fund, and tabulate housing data. Some upcoming projects will be our long-term industry and occupational projections, wage rates by occupation, and analyses on career ladders. To track the information, we identified individuals who used to work in gas line construction occupations, where they currently live, and whether they would be a potential labor force for gas line construction. We put out the Alaska Economic Trends magazine. We use the PFD data in our population estimates. Some years ago we asked the Department of Revenue to include a physical address on the PFD application so we could track the geographically site of those individuals. We still have a backlog of work to do in our demographics area, but would be interested in expanding on the migration analysis.

**Federal Co-Chair Canelos** asked how people who had been through the Denali Training Fund were tracked.

**Ms. Keith** explained that these people could only be tracked if we have their social security numbers and they are working in a wage and salary job. We have problems tracking people who are self-employed. If they leave the state, we may be able to track them through cooperative agreements with other states, which would tell us where they were working, but not their occupation or earnings.

**Ms. George** asked about utilizing the PFD data to track those who have been through the Denali Training Fund.

**Ms. Keith** said by utilizing the PFD data and the unemployment insurance quarterly reports, we know if they are working, their occupation, and their earnings both pre- and post-training.

**Unidentified Female** asked about the non-resident data.

**Ms. Keith** said seafood processing and tourism had the highest percentage of non-resident workers. In 2007, oil and gas increased their non-resident workers due to the addition of 1,200 jobs and the lack of available Alaskans for the positions.

**Commissioner Beltrami** asked if J-1 student visa workers were included in the non-resident data.

**Ms. Keith** said they would be included if they were working for an employer and were part of the unemployment insurance roles.

**Federal Co-Chair Canelos** thanked Ms. Keith for her presentation. He announced the untimely death of Dan Salmon, the tribal administrator of EEI, who recently died in a small plane crash. The meeting recessed for lunch.

(Break.)

**Federal Co-Chair Canelos** called the meeting back to order. Paul McIntosh was acknowledged for his many contributions and years of service to both the Denali Commission and the Forest Service. A letter of appreciation will be sent to his successor in an attempt to rekindle the partnership.

*DENALI COMMISSION COMMUNITY ANALYSIS - MARK ALLRED*

**Mr. Allred** gave a slide presentation on the projects completed by the Denali Commission. The projects are broken down into the 12 ANCSA regions. We conducted an initial gap analysis to determine if there are communities that have not received Denali Commission funding. This report is only a snapshot of funding provided. Once a community is served, it is not taken off the list even if it no longer meets the Census criteria. The graph showing the number of projects done in each ANCSA region was

reviewed. This is a tool that program managers can use in their decision-making processes. Although the spreadsheet shows the population, it does not tell you the story of the community, which can also be important in making decisions.

**Commissioner Cattanach** asked what the materials were supposed to tell the Denali Commission.

**Mr. Allred** said the materials show where projects were funded, where the gaps are, and is a tool that can be utilized for making future decisions.

**Commissioner Cattanach** pointed out that the materials show the “what” but not the “why.” Do we know why we fund more projects in one community than other?

**Mr. Allred** said the easy answer is we are not sure why more projects were funded in certain regions, but this is something the program managers needed to consider in the future. If a region has a difficult time getting the required match, we may need to be more creative.

**Commissioner Cattanach** pointed out that some regions might not want or need our help.

**Ms. Rinner** noted that the report was an initial response to Commissioner Kitka’s question of where we have invested and if there were gaps. It would be helpful for the Commission to let staff know if they needed to do a more in depth analysis by region and program so we can start getting to the questions of why.

**Commissioner Cattanach** felt this was nothing more than a report card of what we have done in the past, which is good. When people come to us with needs, we try to address them. He questioned if they really wanted to encourage people to come to them when they already had more needs than they could address.

**Mr. Allred** noted that unless they looked at each program’s review process, they could not tell whether a community had come to them for help or not.

**Ms. McBride** asked for clarification on why SeaAlaska had a small amount of Denali funding, but a huge amount of additional funding.

**Unidentified Female** felt removing the impact of urban shareholders within the region would provide a better picture of the population served. We want to see a level of equalization in the funding on a per capital basis.

**Ms. McBride** noted that the Denali Commission was originally started for bulk fuel replacement projects and wondered if those communities in the Calista region were on the Coast Guard’s list to be shut down because their fuel tanks were not adequate.

**Chris (unidentified)** said the Bulk Fuel Upgrade Program and the Rural Power System Upgrade Program works off of a list and we contact the community to let them know they are next in line.

**Federal Co-Chair Canelos** indicated he would like to see what the program levels indicated.

**Commissioner Beltrami** felt more data should be obtained on the percentage of program funds expended to communities that made requests.

**Commissioner Perdue** said she would like to see the bigger pictures in future reports in terms of totals and matches.

### **INSPECTOR GENERAL'S REPORT - MIKE MARSH**

**Mr. Marsh** entitled his talk, "Ten ways to keep good grants from going bad." #1: The Denali Commission needs to insure it gets an annual financial audit that is educational and more than just a ritual. The overall goal is you want to get the smartest auditor you can find, but you don't want to purchase a bargain basement audit. I would also encourage you to do your own pre-audit so the process goes smoothly. #2: Myself and the Commission's CFO needs to meet with the CPA firms that are doing the audits of our major program partners to discuss the Denali Commission's programs, where we see the rifts, and what we are depending on them to do when they do these audits. If we are not convinced that those audits are rigorous enough then I need to do a quality assurance review. The Denali Commission has the right to issue their own federal compliance supplement for the auditors that are auditing your grant funds. #3: The federal co-chair should continue to personally sign every grant agreement, including any grant amendments. #4: The federal co-chair should only sign grants that are transferring money to do a single, physical facility so we can always tell people what was spent on a particular facility. #5: On a condition of giving your major grantees money, you should insist that their finance staff show your finance staff how the grantees' accounting system works. This will not happen unless the federal co-chair intervenes and negotiates for it. #6: You should insist that the major grantees give you a detailed expenditure listing that matches the totals in the summary quarterly reports that they file under federal law. Program managers at the Denali Commission needs to request the supporting documentation for a few token transactions as a form of monitoring. #7: Every summer intern should be required to look at three completed facilities and study them to death. If they discover anything that warrants further review, the Denali Commission should dispatch a committee of visitors and experts to assess the problem. #8: The Denali Commission needs to hire an evaluation firm to study the impact of their work. #9: We are a leader in the country by having a financial management advisory committee in the federal system. I would urge the federal co-chair to continue this panel. #10: The federal OMB has set up the most prestigious national panel of experts on grant controls last fall.

The idea is to share lessons learned on state/federal relations, particularly involving the accountability for grants. Of the 20 agencies in the nation invited to sit on the panel on a permanent basis, the Denali Commission is one of them.

**Commissioner Perdue** disagreed with the recommendation to hire a firm to do the evaluations and felt the Commission should determine what it wants to measure.

**Commissioner Beltrami** agreed with Commissioner Perdue, but noted that McDowell's overview of the programs provided valuable information.

**Federal Co-Chair Cannelos** felt the McDowell Group did a great job, but they ended up telling us how people felt rather than measuring outcomes. We have several choices. We can add internal staff to do the evaluations. We can hire an independent firm to do it on our behalf. We could also retain someone like an ISER or a university to do it. I am not sure I would like to see an outsider set the parameters or determine what we want to measure. We will be meeting with the Inter-American Foundation next week to see what they have to offer us.

## **ADVISORY COMMITTEE STATUS REPORTS**

**Ms. Rinner** said each of the program managers would provide an update on the status of their advisory committees.

**Mr. McKinnon** gave an update on the Transportation Advisory Committee. The fiscal year 2008 project nomination period ended in November and project selections were made in mid December. We have 117 projects currently in our program. The primary task for 2008 is to prepare a construction phase capital budget that will illustrate the next three years of work. Our first year's work was to select projects that were construction ready. As the committee focused their attention on the most needed projects, we found that they had not been designed. We will be looking at those projects and developing a capital construction phase budget. Several projects were sold to us as construction ready in 2006 and 2007, but were not. Staff will work on this and report back by May 1. We will do one of three things: continue with the project based on a new schedule; put project funds back into the fund pool with the understanding that when the project moves forward funding will be available; or withdraw funds, close the project, and reassign the funds as appropriate. This year we were very clear that all capital phase projects had to have their permits, the PS&E package put together, and be ready to go to construction. Several projects were not quite ready, but may be ready by June. As part of our reassessment, we may decide to move forward on some of those projects. The committee will go on a field trip to Ketchikan to look at road and waterfront development needs on June 3. We will review and amend, as necessary, the fiscal year 2009 project nomination and selection process in June. An earlier discussion asked for examples of how the community maps were being used. We are producing about 50 community maps for our Corps of

Engineers sponsored barge landing system design. We will also use the maps to determine where barge landings should be developed.

**Federal Co-Chair Canelos** noted that he chaired the Transportation Advisory Committee. Next week in Washington, D.C., we will be visiting with the head of Western Federal Lands and our mission is to get ready for the reauthorization of the Highway Bill.

**Ms. Prentki** gave an update on the Energy Advisory Committee. We've had two meetings to date. One of the first tasks of the committee was to help develop the sidebars to the RFP for alternative energy proposals both for construction ready and pre-construction projects. We received the responses on February 12 and they are being reviewed. We hope to have the first awards ready by June. The committee believes that energy should remain the Commission's top priority, because a community cannot exist without energy. The committee wants to reemphasize the need for a statewide energy policy. We discussed the possibility that certain communities will never meet the Commission's criteria to have an energy project, but desperately needs upgrades to their power plants or bulk fuel systems. Investment and sustainability policies need to be updated, with strong guidance, and that will be an ongoing agenda item. We are looking at ways the Commission can enhance sustainability and how communities are performing. We will be considering mentoring programs or secondary operator implementations.

**Commissioner Cattnach** noted that this committee really covers more than just energy. We have been talking about setting benchmarks and performance measures. I think we need to start looking to our partners when deciding how to evaluate individual programs, because they are the experts.

**Federal Co-Chair Canelos** agreed with Commissioner Cattnach. The conversations can be done either informally or formally through the MOUs or grant agreements.

**Commissioner Beltrami** noted that the people on the committee were tremendous experts in the field. He was saddened to hear about Dan Salmon's death, because he had been a major contributor to the discussions. He felt they could provide the leadership to establish the statewide energy plan and hoped they would work in that direction.

**Mr. Allred** gave an update on the Economic Development Program. Two meetings have been held in Anchorage. We opened a 30-day window for the public to submit letters of interest in economic development in rural Alaska. During that time, we received 70 project ideas. We did a sampling of the project and the 18 projects reviewed would cost \$28 million, but the available fund is only \$2 million. Of the 18 projects reviewed, six were for business-type facilities such as lodges; several for community centers; several for roads or new boardwalks; three for alternative energy; and one for tourism. The committee members include Commissioner Kitka, Commissioner Wasserman, Berney

Richert, Wilfred Ryan, Mr. Chimegalrea Austerman, Barb Nickels, Wanetta Ayes, Christi Bell, Bruce Borup, Sheri Buretta, and Doug Ward.

**Ms. Johnson** gave an update on the Training Advisory Committee. This is a new committee and we have only had two meetings. Our members are learning the history of the training program, as well as our goals and objectives. Last week we invited our program partners to present their training projects, discuss what they have done historically and what we can do in the future. The committee consists of Commissioner Cattanach, Commissioner Beltrami, Bernice Mr. Chimegalrea, Rose Heyano, Wanetta Ayes and Click Bishop. We did some strategic planning last week. Our priorities include seeking out and coordinating with statewide workforce partners. We will be working closer with regional training centers, schools districts, and other statewide entities. The committee wants us to work better with the contractors who are building our projects in rural Alaska to let them know about the training program and to insure that the locals are hired when a project comes up. We want to be able to track our trained workforce so we can inform the contractors when a qualified worker is available for a project. Our next meeting is tentatively scheduled for the third week in April.

**Ms. Daniels** gave an update on the Health Facilities Advisory Committee. This is a long-standing committee and Commissioner Perdue serves on it. The committee met and endorsed the FY08 Work Plan. Two ad-hoc workgroups were appointed to deal with some policy issues. The Small Clinic Program, which does development for communities of less than 100, will be treated under a different model and a workgroup has been appointed to work on that. That group will also deal with issues around small communities at high risk for erosion with possible relocation challenges and cost containment. Another workgroup will look at communities with more than 750 to streamline that process. We have updated our universe of need. We have done a review of the balance of clinic needs based on population, which is broken out by region.

(Break.)

## **CDQ BRIEFING – WANETTA AYERS**

**Mr. Johnsen** introduced Wanetta Ayes, Western Alaska Community Development Association, which represents all of the CDQs and noted that this was an exciting new partnership.

**Ms. Ayers** gave a slide presentation on the Community Development Quota Program (CDQ). The framework of the CDQ Program was reviewed. The idea for the CDQ Program started being discussed at the council level in the mid 1980s. In 1992, the council acted on the idea. As we moved into the late 1990s, the Magnuson-Stevens Act was reauthorized and this was the first time the CDQ Program was codified in federal legislation. As the CDQ Program was approaching its 15th anniversary, issues were arising over competition over fish quotas. As a result, Governor Murkowski established a

Blue Ribbon Committee to look at how the CDQ Program could be improved. The panel recommended a number of changes, which were rolled into the Coast Guard Maritime Transportation Act in 2006, which amended the Magnuson-Stevens Act. A western Alaska community is eligible for quota share in the Bering Sea/Aleutian Island ground fish, halibut and crab fisheries if it is within 50 miles within the Bering Sea coast, it is certified as meeting ANCSA requirements, it had residents that conducted at least 50 percent of their commercial or subsistence fishing activities in the Bering Sea and didn't already have any significant activity in the Pollock fishery. In order to implement the CDQ Program, the communities organized into six CDQ entities. Each of the entities developed their own governance structures and processes, but their primary responsibility went back to the community stakeholders. In return, they receive CDQ quota for Pollack, crab, halibut, and other ground fish. It originally started out at 7.5 percent of the BSAI fisheries and now it is at 10 percent. The principal players included the North Pacific Council, the National Marines Fisheries Service, the State of Alaska, and the International Pacific Halibut Commission. The purpose of the CDQ Program is to build strong fishery-based economies and alleviate poverty. It is designed to give these communities the tools to invest and participate in the EEZ fisheries off their shores and not just be observers. In a 1999 book on the CDQ Program, the National Research Council expanded on the principal of the program to expand the idea of development beyond traditional economic measures, such as employment and income, to a broader based definition that recognizes that development is the enrichment of chosen forms of human life. Sustainability is a core tenant and they are investing in economic, social, and human capital. The six CDQ entities were reviewed. Through partnerships, the CDQs were able to lease out their quota share and receive royalty income in return. Those industry partnerships also gave them the leverage to create employment opportunities, mentoring programs, and then they started to become equity partners in these large-scale fishing companies. Now every CDQ has a significant investment in a large-scale fishing partner. The next step was direct investments and operations, which has to be fisheries related per the statutes. As the program evolved, the CDQs started investing in fishing vessels, boat building programs, processing plants, and infrastructure in the communities. Brokerage and loan programs have been very important in terms of maintaining local access. CDQs are also active in investing in research, educational training, and scholarship programs. One of the beauties of the CDQ Program is the circularity of it. They have taken the revenue stream from an industrialized fishery and are putting it back into their communities and artisanal fisheries. The financial aspects of the CDQ Program were reviewed. In 1992 the CDQ revenues totaled about \$15 million with royalty income accounting for about 85 percent. During the first dozen years of the program, royalty income continued to dominate CDQ revenues. With the steady investment of those royalty dollars, it has led to direct investments in operations. 2004 was the first year that direct income exceeded royalty income. In 2005, the CDQ revenues totaled more than \$133 million with royalty income accounting for 45 percent. The CDQ Program has been conservatively managed, which has led to long-term profitability. Net earnings have grown from \$13 million in 1992 to more than \$73 million in 2005. They have extremely low liabilities. They are able to take the revenue streams and put them back into their

communities because they do not have significant debt loads. As of 2005, they had a return on assets of 15 percent. Sustainability is an important component. There were 371 jobs in 1993 and that has grown to more than 2,000 in 2005. In 1993, the CDQs offered training opportunities for 346 residents of western Alaska and in 2005 that has grown to over 1,100. Expenditures for wages and training have grown from \$500,000 in 1993 to over \$2.3 million in 2005. The Blue Ribbon Panel has made recommendations for the next 15 years of the program. They wanted to lengthen the reevaluation period for CDQ quotas to 10 years, which increased the competition among the CDQs. The state's role was revised to one of stricter securities oversight by analyzing annual reports of the CDQs. It helped to eliminate a lot of the duplication of oversight between the federal agency and the state. It also allowed for non-fisheries related investments, within region, of up to 20 percent. When these recommendations were reviewed and incorporated into the Coast Guard Act, it reauthorized the program, incorporated these recommendations, and called for the formation of a self-governing panel to resolve common questions amongst themselves. The Denali Commission has memorandums of understanding with all six of the CDQ entities. The CDQs have a diverse portfolio of investments in their communities and there are opportunities to partner with the Denali Commission. The opportunity to leverage funds, partnership and collaborate may make investments in some communities that looked marginal in the past more possible. CDQs also include non-CDQ communities in their traditional regions for training and scholarship programs. The relationship between urban and rural communities in Alaska was discussed. All of the CDQ entities have a presence in Anchorage. The next step for the CDQs and the EEZ fisheries is the Alaskanization of those fisheries. The CDQ Program is one of the most successful rural development programs we have ever had in Alaska. There are still many challenges ahead for the 65 communities, but they have a tool available that many other Alaskan communities do not have. We look forward to the opportunity to continue partnering with the Denali Commission to create more sustainable communities in western Alaska.

**Federal Co-Chair Canelos** expressed his pleasure at the partnership with the CDQ Program.

**Commissioner Rehfeld** asked how the Denali Commission could integrate infrastructure projects into their process when reviewing the Work Plan.

**Mr. Johnsen** said each of the CDQs would present the Denali Commission with their plan for next year. This happened too late for this Work Plan, although a couple of the CDQ entities have provided us with their priority plans. Next year the process will be much more integrated.

**Ms. Rinner** said the CDQ groups provided direct input into the project selection process. The CDQ groups provided prioritized lists of the projects for which they are willing to provide match funds, which moved some projects forward that otherwise would not have been selected.

**Ms. Ayers** discussed the fuel and energy costs in rural Alaska. People are indicating that they cannot afford to chase the fisheries biomass anymore. The CDQ entities are working on a white paper on how they can collaborate on fuel purchasing and distribution in the region. So there may be some opportunities for employment and training.

#### **FY08 WORK PLAN – KRAG JOHNSEN & TESSA RINNER**

**Mr. Johnsen** noted that the FY08 Work Plan was published in the Federal Register for 30 days to allow for public comments. The comments were received and the Work Plan is now up for formal adoption. He gave a slide presentation on the Work Plan. The total amount available for the base program is \$20,511,620. He reviewed the various programs and how much funding they would receive.

**Commissioner Cattnach** asked for clarification on the \$9 million for alternative energy.

**Mr. Johnsen** said not all the projects were listed under alternative energy and there would be some projects that would be funded under the Legacy Program.

**Commissioner Cattnach** asked what percentage of the communities served did not have access to renewable resources. Some communities do not have alternative energy options and will have to use diesel. How did we make that determination?

**Ms. Prentki** said they were looking at small hydro or wind as the primary opportunities for alternative energy, but biomass adds to the number of communities that have an alternative resource. We have not quantified that. Probably less than 20 percent of the communities have absolutely no resources for alternative energy.

**Commissioner Beltrami** said there were renewable or alternative energy sources, other than natural ones, like fuel cells. When we started discussing alternative energy, the notion was to start looking for other opportunities. For example, diesel generation has gotten much more efficient and can be combined with some other alternative energy source.

**Mr. Johnsen** said the guidance at the November meeting was to be more aggressive and this is an aggressive plan with almost half of our base appropriation going to alternative and renewable energy.

**Commissioner Cattnach** discussed the reduction in teacher housing. We need to consider what \$1 million for teacher housing gets us versus not building the next energy plant. We also need to acknowledge that reduced funding means we have to drop some programs.

**Mr. Johnsen** referred to the November meeting where the Commission had discussed whether all of the money should be focused on energy and health or to remain status quo. The general consensus was to maintain a status quo. We continued the programs as the budget allowed.

**Commissioner Cattanach** pointed out that with the reduced funding the Commission was going to have to acknowledge that they could not do everything and decide when to drop certain programs.

**Federal Co-Chair Cannelos** noted that they would be doing less bulk fuel this year due to the budget. That suggests that I need to convene a high level meeting with the Coast Guard, the EPA, and the State to discuss this very serious dilemma and the implications it will have on the other agencies.

**Mr. Johnsen** continued his slide presentation by reviewing the budget allocations on the Work Plan and summarized the written public comments.

## **PUBLIC COMMENTS**

**Karin Siebenmorgen** said she was a Board member of Tundra Women's Coalition in Bethel. There is so much violence, sexual assault, and child sexual assault in western Alaska. We are requesting an additional \$1 million state funds for match. Seventeen architectural and engineering firms have applied to be considered for the project. We have several foundations on board including the Rasmussen Foundation, the Murdock Foundation, and the Bethel Community Foundation. Funds were appropriated by the governor and then cut by the legislature, so we are working with the Council for Domestic Violence and Sexual Assault to get those funds back into the budget.

**Frank Corbin** said he was the general manager for Nushagak Cooperative in Dillingham. Nushagak is in the middle of an energy upgrade project. The Denali Commission was thanked for their contribution. Nushagak is a combined cooperative. We do telecom, Internet, cable TV, and generate distributable electricity. There is a lot involved in the project. The diesel generators are the key piece of equipment. We have modernized our cooling systems to make the generators more efficient. The two generators that we installed a year and a half ago have already saved over \$200,000 on fuel. We have two more generators on site, which we can install pending a DEC permit for construction. We also want to purchase one more generator. Another part of the project is supplemental heat, which has saved us about \$80,000 per year. We have managed to upgrade some of our in ground fuel systems. We have Coast Guard certifications and approval for our tank farm. We are maintaining our equipment as we are improving. The degradation in the power plant coincided with the degradation in the fishing industry and the inflation in the fuel supply. We have almost \$3 million invested in the project and anticipate another \$1.8 million to finish it. Our focus has been on fuel savings, although there are other elements to the project. We need to update the

transformers in the distribution plant to keep our ongoing overhead to a minimum. There are a lot of things that go into electricity delivery, maintenance, and support, and our project addresses all of those issues.

**Haven Harris** said he represented the Norton Sound Health Corporation. He read a letter to the Denali Commission, dated February 12, 2008. Our request for \$4 million for the Primary Care in Hospital Health Program will make the CT Scan Renovation and Implementation project a reality for patients in our region. There are no alternative diagnostic services available within 500 air miles and patients are currently referred to the Alaska Native Medical Center or other facilities in Anchorage. Many patients requiring a CT scan are medivaced to Anchorage. The Denali Commission was thanked for their work in the region and statewide.

**Andrei Chakine** said he was the manager of business and economic development for the Central Council of Tlingit and Haida. We are working on statewide efforts to put together some recommendations for the statewide energy policy. Our group was formed in November of 2007. The energy issue is a big concern for all of our communities. Our website, [AlaskanPower.org](http://AlaskanPower.org), is an information sharing site and a forum for us to share our regional knowledge. The Central Council is a partner with the Southeast Conference. We travel to our communities and help them with community development plans and identify development priorities. We also look at best practices and what is going on in other states and countries in terms of addressing energy needs. We hope to be a resource for the Denali Commission.

**Brent Petrie** said he was with Alaska Village Electric Coop. You have proposed to increase the budget for alternative and renewable energy up to \$9 million for the next year, which is good. However, we are in a time of declining funding. We have been working as a partner with the Commission bringing over 15 tank farms and nine new power plants to a number of villages. On the deficiency list, we see at least 20 additional villages with needs in the bulk fuel tank area. Improving the efficiency of diesel plants and getting heat recovery out of them is the low hanging fruit. One can go after that and get a return quickly. We serve 53 villages. We have looked at the wind records for all of those and 37 of those villages have a class four or better wind regime. But not all of those will be developable sites, because of turbulence or their location. To do renewables, you need to have staying power. Licensing a hydro project through the Federal Energy Regulatory Commission can take up to four years. You also have operating conditions to consider once the project is complete. Hopefully the State of Alaska will come up with a renewable energy fund to address some of those concerns. I would ask that in this time of declining revenue, you consider the Legacy Program, the bulk fuel upgrades that are still needed in many communities, and opportunities available in making some of the existing diesel plants more efficient.

**Tim Joyce** said he was the mayor of Cordova. He reviewed some of the successful projects in Cordova that were funded by the Denali Commission. You have provided

assistance in developing a regional healthcare plan, which allowed us to form a community healthcare center and reach out to other communities. You assisted us in the chip sealing of our roads, which will be completed this summer. That has gone a long way towards dust abatement within the community and reduced our road maintenance costs. You have provided assistance in the design of a breakwater extension. That money is being used by the Corps of Engineers to do a project that would prevent north winds from growing swells that enter into our boat harbor and destroying slips. You have also supplied us with some design money for a boat haul out, which prevents toxic materials from going into the harbor during boat cleaning. He noted that the Denali Commission would be coming to Cordova during our 100th year celebration.

**James Wiedle** said he was the program manager for the HFC Teacher Health Professional Public Safety Housing Grant Program. He thanked the Denali Commission for the assistance they have provided in the last four years, which has resulted in producing 230 units of housing. We do have some concerns about the proposed reduction in our funding from \$5 million to \$1 million. I understand the Commission is in the difficult position of having to make decisions about what programs to fund. Nonetheless, we want to inform you of the potential consequences of that action. According to our estimates, it would be a 30 to 50 percent reduction in the amount of housing that we would produce or rehabilitate. Any consideration of an increase in funding to a more equitable level would be appreciated.

**Dan Booth** discussed the Chitna Clinic, which was sponsored by the Denali Commission. The clinic had to close their doors after just a few years of operation. My main concern is money that is being spent on projects that close within a few years. Chitna has received hundreds of thousands of dollars worth of grants and assistance, but there is nothing to show for it. The local people have no say in how things are operated or run, which needs to be looked into. I had 30 to 40 people who wanted to testify today, but we were having telephone problems. I would recommend sending a representative down here to talk to the people in general to iron out the situation.

**Dana DeGraf (ph)** said she was a member of the community of Chitna. Her and her children moved to Chitna because it was a nice community with a clinic less than five miles away. When they decided to close the doors, there had been discussions of having to a Natives only clinic, but the employees did not feel they could refuse to treat the general community. This created an uprising and they decided just to close the clinic. There is something fishing going on, but nobody is willing to address it. She suggested setting up another time where the people from Chitna could provide comments since the telephones were out.

**Dan Booth** said he understood that the Denali Commission was going to help fund a hydro plant and generator system and you should know that our current system is not maintained. We have transformers that have been hanging off telephone poles with come-alongs for over three years. We have trees on telephone lines and lines down on the

ground. Twenty years ago they put a new electrical line through Chitna and the cut wires are still laying in people's yards. It is a mess and I would hate to see that happen to a new facility.

**Ms. Rinner** said the Commission was working with the Department of Health and Human Services on the state level regarding the Chitna Clinic. They will be bringing some people into Chitna provide technical assistance and help with employee recruiting. In the near future, various people from the Denali Commission and the State will be going to Chitna to follow up on your comments.

**Garth Hamblin** said he was the chief financial officer at Bartlett Regional Hospital in Juneau. He thanked the Denali Commission for their assistance. You have helped us with our mental health unit, which opened a year ago. This year we participated in prioritization and ranking of projects. We appreciate your support and look forward to working with you in the future.

**Paul McIntosh** expressed his support for alternative and renewable energy investments in the draft Work Plan. Biomass energy could produce economic development, resource development, business retention, job creation, subsistence resource use, and public land and resource management development. I would like to see the Commission continue to look for opportunities to grow Alaska's knowledge base from biomass energy through continued involvement in the National Renewable Energy through the university systems, as well as national and international experience. I would like you to continue to look for opportunities to coordinate development of biomass energy and other types of energy with other facilities and agencies. There are a number of opportunities, even with programs within the Denali Commission, to look for ways to leverage investment with other ongoing activities.

#### **FY08 WORK PLAN (continued)**

**Federal Co-Chair Cannelos** returned to the Commissioner's discussion of the Work Plan. The statute requires the Commissioners weigh in and provide a recommendation. The federal co-chair gives that recommendation to the Secretary of Commerce, who actually approves the Work Plan.

Motion on Work Plan:

Motion: **Commissioner Beltrami** moved to accept the FY08 Work Plan.

Second: **Commissioner Perdue** seconds.

**Commissioner Beltrami** felt satisfied with the allocations of the budget and supported the approval of the Work Plan.

**Commissioner Cattanaach** felt they needed performance measures. After 10 years, we need to hold ourselves accountable for what we are doing. Alternative energy may be a

wonderful way to go, but we do not have any criteria as to how much we should spend on it. We have been effective, but probably not as efficient as we should be.

**Commissioner Perdue** felt the Work Plan was about more than just spending money; it is about the outcomes. I understand that the Denali Commission cannot do the energy plan by itself and I wonder if our plan is explicit enough in stating our support and involvement in such an activity.

**Mr. Johnsen** referenced the Other Emerging Issues in the FY08 Work Plan. In FY08 the Commission will be creating an on-going, agency-wide evaluation system to measure the outcomes of the programs. The work is designed to provide data regarding the programs, projects, and overall goal accomplishments in a broad set of evaluation criteria. Program Advisory Committees, staff, and the Commissioners will play a critical role in shaping this evaluation methodology. The discussion on the Energy Plan gets back to our Energy Advisory Committee, which recommended that we have an Energy Plan to guide our investments.

**Ms. Prentki** said while it is important for the state to have an Energy Plan, it is more of a government coordination and part of the MOU with the signers of the state and federal partnerships that would drive input into a statewide Energy Plan.

**Federal Co-Chair Canelos** said he met with Governor Palin and her Cabinet about three weeks ago and offered to have the Denali Commission assist in crafting of an energy policy and strategy. The Governor accepted, but asked us to wait until she had announced the energy coordinator, which they are currently recruiting for.

**Commissioner Perdue** felt the Work Plan for next year should be focused on activities, rather than just focusing on where money will be spent.

**Mr. Johnsen** agreed with Commissioner Perdue.

**Federal Co-Chair Canelos** called for a voice vote on the motion.

Vote on the motion to accept the FY08 Work Plan:

**Commissioner Cattanaach:** Yes.

**Commissioner Beltrami:** Yes.

**Commissioner Perdue:** Yes.

The FY08 Work Plan was accepted.

## **CLOSING COMMENTS**

**Commissioner Perdue** noted that 2008 was the 10th anniversary for the Denali Commission. It also happens to be the year leading up to the 50th anniversary of statehood. Many activities are being planned by the state to discuss where we have been

as a state and where we are going. I would like the Denali Commission to think about becoming a partner in some of those discussions.

**Commissioner Beltrami** recognized the staff for all their hard work on the Work Plan. Whether we have a great process or not, we know the Denali Commission has done a tremendous amount of good. I would also like to insure that we are being as efficient and accomplish as much as possible. Alaska Business Monthly and Junior Achievement inducted Jim Sampson and Commissioner Cattanach into the Business Hall of Fame.

**Commissioner Cattanach** said the Denali Commission had a lot to celebrate in terms of what they have accomplished over the last 10 years. One of the legacies that I hope we keep is that we are never content. We are always trying to do things better. We have some great partners. We have accomplished so much, but we still have a long ways to go. This will be my last trip to Juneau with this group. We do not interact enough with the legislators and we need to look at that in the future. He commended the staff for their good work. The Denali Commission believes in their mission and should be very proud of their accomplishments.

**Federal Co-Chair Canelos** congratulated Jim Sampson and Commissioner Cattanach. They are an example of how politics and relationships should occur. It is something the Denali Commission strives to do and one of the reasons we are successful. The staff, without exception, views their job as a calling to make a profound difference in the lives of rural people. He referenced the Inspector General's comments. The government accounting office is doing a study of the governance of their 30 small federal agencies, which the Denali Commission is one of. They were surprised and pleased with all of our internal controls. Despite all of the statistics we heard today on migration, I am guardedly optimistic about Alaska's rural future. There is no other place on the planet where people can live among the most beautiful landscapes and environments in the world and combine the best of traditional and 20th century cultures. I am given our 10th anniversary a lot of thought. It is an opportunity for the Denali Commission to celebrate our work, as well as the rural progress that has been made. The difference in their living conditions is profound. The Denali Commission has never held a major conference and this may be an opportunity to do that. The conference could be a single conference; in partnership with First Alaskan Institute, RuralCAP, AFN, or another organization; or a series for regional celebrations like Alaska Airlines did. The staff is thinking about the 10th anniversary and the Commission should discuss it further at the Cordova meeting. He thanked the Commissioners for their time. Everyone was invited to the 5:15 p.m. private showing of the museum exhibit, "Rural Alaska, 100 Years of Tourism."

(The Denali Commission meeting adjourned at 4:25 p.m.)