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QUARTERLY MEETING

PROPOSED AGENDA

Thursday, February 28th, 2008

Juneau, AK

Baranof Hotel – Treadwell Conference Room

9:00 am – 5:00 pm

Chair – Federal Co-Chair Canelos

9:00 am	<ul style="list-style-type: none"> • Meeting Called to Order • Opening Comments • Announcements • Approval of Agenda • Approval of 11/29/07 Quarterly Meeting Minutes
9:30 am	Federal Co-Chair Perspective – Commissioner Canelos
10:00 am	Inspector General's Report – Mike Marsh
10:30 am	State of the Data – as requested by Commissioners <ul style="list-style-type: none"> • Community Data – Steve Colt, ISER • RDPM Study – First Alaskans Institute • State of Alaska – A-DOL, A-DCCED • Denali Commission Community Analysis – Mark Allred
12:00 pm	Lunch Break – Commissioners and Staff
1:00 pm	Advisory Committee Status Reports <ul style="list-style-type: none"> • Energy – Kathy Prentki • Economic Development – Mark Allred • Training – Karen Johnson • Transportation – Mike McKinnon • Health Facilities – Denali Daniels
1:30 pm	FY08 Work Plan – Krag Johnsen & Tessa Rinner
3:15 pm	CDQ Briefing – Wanetta Ayers
3:30 pm	Public Comment
4:45 pm	Action Required on FY08 Work Plan
4:50 pm	Closing Comments
5:00 pm	Meeting Adjourns

DENALI COMMISSION

QUARTERLY MEETING

NOVEMBER 29, 2007

9:10 a.m.

Taken at:

Cook Inlet Tribal Council

3600 San Geronimo

Anchorage, Alaska

Commissioners Present:

George J. Canelos	Federal Co-Chair
Karen Rehfeld	State Co-Chair
Kathie Wasserman	Alaska Municipal League of Alaska
Karen Perdue	University of Alaska
Vince Beltrami	Alaska AFL-CIO
Julie Kitka	Alaska Federation of Natives

PROCEEDINGS

Federal Co-Chair Canelos calls the meeting to order and asks Gloria O’Neil to welcome the Commission.

Ms. O’Neil states that the Cook Inlet Tribal Council is honored to have the Denali Commission meeting at CITC. The Denali Commission partnered with CITC on this building, and as a result of this investment we have been able to create and realize developing a Child Welfare Native Unit. The Office of Children Services, Native Village of Eklutna and CITC will create a State Native Unit here to respond to all of the Alaska Native children that are in State custody in Anchorage alone. She thanks the Denali Commission for all their work.

Federal Co-Chair Canelos asks the Commissioners for any opening thoughts. Commissioner Beltrami thanks Gloria for hosting us and comments that he is happy to be a part of the Commission that does tremendous work, and he looks forward to continue to do good work throughout the future.

Federal Co-Chair Canelos states that the building is one of the best examples of a building that tells a story of the people and their culture.

He moves to the agenda and states there is one change. The Inspector General has yielded his time to Mike McKinnon with the exceptions report and an update on the transportation program. He moves to the minutes.

Minutes Acceptance Vote:

Motion: **Commissioner Kitka** makes a motion to approve the minutes of May 31st, 2007.

Second: **Commissioner Beltrami** seconds.

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

Federal Co-Chair Canelos begins with an award, stating that the National Association of Development Organizations annually looks for innovative projects around the country in several categories. This national innovation award is presented to Bernie Karl of the Chena Hot Springs Geothermal Project, which is the first geothermal power plant in the world to generate power from essentially warm water. Mr. Karl accepts the award on behalf of the project and states that this would not have been possible without Gwenn Holden, a young engineer on the project.

Federal Co-Chair Canelos states the next award is for an Allied Health Care Program, Occupational Health and Training, which is presented to Karen Perdue, who has a long and distinguished career in health and was the longest serving health commissioner in the state.

Ms. Perdue accepts the award thanking all.

Federal Co-Chair Canelos moves to a presentation on teacher housing and states that the Alaska Housing Finance Corporation received a national award. Dan Fauske states that they were awarded the Best in America for the Teacher Housing, Health Professionals and Public Safety Housing Program for rental production. He reports that they currently have 160 units of housing and there are 205 in the works. There are a file of letters from superintendents and principals stating that this has helped with their recruitment and retention. The program is working. AHFC has requested \$8 million of its corporate funds and are working with Karen Rehfeld and the administration to take this program forward. Federal Co-Chair Canelos states that this is a model program and is a true partnership between the State AHFC and the Commission. He continues with his PowerPoint presentation on the different community power developments and education activities. He states that the Denali Commission works, but it is time to reinvent ourselves and be very, very bold. He moves on with the agenda.

TRANSPORTATION

Mike McKinnon gives a brief overview of the transportation program and then moves to the exception report overview. One of the striking developments of the program in the

last year has been the addition of tribal governments, local governments and regional tribal entities to the list of partners. This has been an important change in the program both in terms of developing local capacity for project management skills so they can do infrastructure development and is bringing the projects to a local level, so that they are making the decisions about scope of work and the classifications of design standards. He continues that they are working with the University of Alaska Fairbanks Research Center because dust control is a key issue on rural roads and they have a program development going on for dust control. He reports on the waterfront development program stating it looks at any rural port, harbor or barge landing facility which is eligible for consideration. He states that barge landings at villages on the coast and river systems are the most critical need that needs to be addressed at the Denali Commission because it is not being addressed by anyone else. At this point the Corps of Engineers has a system design project in place and we are going to bring in the barge operators and other folks with expertise in this area to map out the needs for villages on the rivers and along the coast. The key to this success is largely due to the Transportation Advisory Committee. He continues on to the Western Federal Lands Highway Division which is the design and construction outfit for federal highways. They do roads development on parks, refuges and other federal land. He states that the committee has done an exceptional job of distributing the projects very evenly throughout the State and all levels of rural communities. He then asks the Chair if he wants to go through any projects on the exceptions list.

State Co-Chair Rehfeld states that for most of the projects the exceptions are related to timing issues.

Mr. McKinnon thanks the Chair.

Federal Co-Chair Canelos introduces and welcomes Jimmy Smith, the newest staff member to the Denali Commission, who is an expert in rural development and a DCCED employee.

SPONSORSHIP UPDATES

Ms. Lind states that this report has no action required; it is just an update. She states that the existing policy and procedures on sponsorships are included in the packet and that they are maintaining our focus on conference sponsorships that are in the public interest and consistent with our mission. She continues that sponsorships are being delivered as financial assistance awards.

ADVISORY COMMITTEE STATUS REPORT

Mr. Johnsen states that he is the chief operating officer with the Denali Commission and gives a background on the creation of the advisory committees. He invites Kathy Prentki to start with the energy program and the Energy Advisory Committee.

Ms. Prentki reports that the Energy Advisory Committee had its first meeting on November 7th and one of the parameters for that was to get to know each other and to get familiar with the policies of the Commission and what the program does. They also asked for some advice on a new alternative renewable energy RFP that they are putting out jointly with the State of Alaska Energy Authority, which should be issued next week. She continues that another agreement was for the committee to look at and work on upgrading the policies to get them revised and updated to meet the new expectations.

Federal Co-Chair Canelos thanks Ms. Prentki and introduces Mark Allred and the Economic Development Committee. Mr. Allred reports that the committee met two weeks ago and although they did not get to the meat of some of the policy issues, the committee members had an opportunity to get to know each other.

Federal Co-Chair Canelos moves to Karen Johnson.

Ms. Johnson states that she is the training program manager and that the committee met the first week in November. She also reports that the committee members took the opportunity to get to know each other. Some of the focus areas they are looking at are to explore ways to improve job retention, especially in the health field, in rural Alaska. Also, how to help increase the youth predevelopment skills in the math and sciences areas to get them prepped up for the construction jobs that are out there. They also want to know how to effectively educate the youth statewide about the detrimental effects of alcohol, drug and crime and how it affects their choices and how it will prohibit them from employment opportunities in the future. The advisory committee wants to take it a step further and possibly attach a no-drug policy or drug-free policy to any Denali Commission-funded training project. Any participant needs to be drug free, which would set an example. She continues that the advisory committee also wants to find out how to require construction contractors who are working on our projects in rural Alaska to hire the local, trained workforce and at the same time want to learn how to better coordinate capital projects at the community and regional level. Finally, the committee wants to improve trackability and be able to report real numbers on specific villages. She adds that their next meeting is February 20th.

Federal Co-Chair Canelos moves to Health Facilities, Denali Daniels.

Ms. Daniels states that she manages the health facilities program for the Commission and recognizes her deputy, Ms. Kathy Berzanske and Automme Circosta, a program assistant for the health program. She reports that the membership is comprised of the State of Alaska, the Alaska Primary Care Association, the Alaska Native Health Board, Alaska Mental Health Trust Authority, Indian Health Services, the Alaska State Hospital and Nursing Home Association, and the University. She continues that the Health Steering Committee is meeting about three times a year. The health program is divided into two areas, primary care being the major focus. The other program areas are under the big umbrella of the “other than primary care,” which tends to be where the Health Steering Committee gets pretty engaged. There have been different program areas that have processed over time that have been best characterized as ad hoc. She continues that there

are no recommended changes from the staff perspective; things appear to be working well. In October they met for an all-day retreat, which was excellent. A discussion ensues on how to measure program successes, developing performance and accountability.

Ms. Kitka states that bold and innovative ways are needed to look at how to really use our resources to make the greatest impact and lasting impact.

Federal Co-Chair Canelos thanks Ms. Daniels and moves to Financial Management. He states that he and Commissioner Rehfeld are members of a Financial Management Advisory Committee and gives a summary beginning with the model which is a high-level look at the financial controls and processes within an agency to ensure that they are absolutely following the best practices possible. He continues that their second meeting is coming up and will cover two very important topics. One is a formal brief by the auditor, and, second, the GAO is doing a study on the 30 small agencies in the federal family about what is the best structure for them. The Denali Commission is one of them. We have invited the lead analyst to talk to this group. They may go to a recommendation on a different structure for the Commission, perhaps a government corporation, perhaps something else. He invites the other Commissioners to attend the meeting. He states that there will be a much more thorough update in February. He calls for a break.

(Break.)

Federal Co-Chair Canelos moves to the Denali Commission policies. He introduces Krag Johnsen and Tessa Rinner.

Ms. Rinner states that she is director of programs at the Commission and this discussion is related to a follow-up to the retreat in Anchorage this summer. One of the things requested of management was for staff to look at the policies that the Commission has utilized over its nine-year history, not necessarily for revision, but more toward placing them into one document and putting them into a narrative form. She does an overview and a summary of the broad level Denali Commission policies: Sustainability policies; community planning policy; the open-door policy; private enterprise policy; competitive bid policy; cost containment policy; and the investment policy. She continues that staff would like to see discussion with the Commissioners of how to revise the investment policy, something that is more detailed in how it is applied. She states that there are no significant changes to these policies.

Federal Co-Chair Canelos moves to Krag Johnsen and states that he will lead the discussion of summary of FY08 funding and where we might go. Mr. Johnsen begins by going through a summary of the FY08 funding. He states that there are a lot of challenges to meet the legislative obligations, the statute obligations to pass a work plan, which we will work on later this afternoon.

Federal Co-Chair Canelos breaks for lunch.

(Lunch break.)

Federal Co-Chair Canelos states that they are back in session and recognizes Krag Johnsen.

Mr. Johnsen begins with the work plan, which the Commission passes each year. It has to go out to public comment in the Federal Register, which stays out for 30 days. Those comments are then brought back and any changes are incorporated. They then go to the Secretary of Commerce for approval; and, finally, approval by our Federal Co-Chair. This work plan guides all of our grants and all of our funding that goes out for the year. He asks the Commissioners to go through the draft and give a sense of what the priority areas are for the next year and what should be incorporated into that draft. He turns it over to Tessa Rinner.

Ms. Rinner begins with a bit of historical background and discusses scenarios. She states that it is a huge milestone for the Commission that this is the third year we have been without earmarks. This allows us more flexibility in the programming. She moves to the scenarios that relate to the base appropriation and provides three potential scenarios as a basis for discussion. The first is the status quo, which is that we would fund everything from the base that was funded last year. The second scenario is an energy focus. The recommendation here is the only item funded would be programmatically from the base, the legacy and alternative and renewable components of the energy program. The third scenario is a suggestion that the funds be divided evenly between the energy program and the health program. The idea here is with a reduction in funding that it is critical to maintain a focus on the two legacy programs. It is important, knowing that funding will continue to decrease in the future for the Commission, that we forward-fund to get the most bang for the buck in the programs where there are projects ready to go. She moves to an analysis of the scenarios and then the final section that is intended to provide Commissioners with some specific policy issues that program folks are challenged with.

Ms. Prentki, the energy program manager, states that the energy program is the original legacy program of the Commission and started out looking at a deficiency list of bulk fuel facilities across rural Alaska that were code-deficient and problematic in terms of health and safety. The goal of the Commission was to look at the rural communities and bring the tank farms up to code compliance so that the EPA and Coast Guard no longer had the problem of needing to do something to protect the water and protect the communities.

Commissioner Kitka states that there needs to be another alternative scenario: Is there willingness for the State to step in and help in targeted ways on that? The other idea is new partnerships.

Federal Co-Chair Canelos adds that they are working closely with a number of foundations and are a member of Philanthropy Northwest.

Denali Daniels goes through the funding for the health facilities program and then moves to some policy issues.

Mike McKinnon states that he is the transportation program manager and that there are currently 30 projects underway. He continues that their scenario is predetermined by the SAFETEA-LU which runs through fiscal year 2009. He adds that they will receive in the range of \$13 million for roads and \$8 million for waterfront development. He continues that they have a planning system with criteria that is aimed directly at rural transportation projects and are working formally and informally with DOT.

Mr. Allred, from the economic development program, highlights a couple of areas that this program has partnered very well with.

Federal Co-Chair Canelos states that it is one of the smallest, but very meritorious programs and needs to be multiplied. He calls for a ten-minute break.

(Break.)

PUBLIC COMMENT

Federal Co-Chair Canelos reconvenes and moves to public comment. He recognizes Tara Jollie, the new director of the Division of Community and Regional Affairs. She is also the State Co-Chair for our planning work group with Bernie Richard. He states that there are four awards to be presented at 4:30, but one of the recipients has to leave. He first asks Ms. Rinner to describe the process of the awards.

Ms. Rinner states that some time ago the Commission developed a sustainability awards program. This award is in the category of innovation and is being presented to Bernie Karl of Chena Hot Springs Resort. This particular award recognizes an individual that has had a meaningful change in improving a community's product, their services, their programs and their operations; and as a result of that, has created new value for the community, for the region, and for Alaska.

Mr. Karl thanks the Denali Commission for the award. He states that at the World Energy Conference he started a petition to appropriate \$500 million for the Alaska Renewable Energy Fund. House Bill 152 will create a loan and grant fund to provide a portion of the necessary up-front capital costs to build viable wind, geothermal, hydro, biomass, solar and ocean energy projects. The legislation must be passed and funded generously so that all Alaskans can reap the benefits of local stable-priced electricity and heat. He continues that in ten years, if we have the desire and the vision, Alaska can be totally self-sufficient. He again, thanks the Commission for the award.

Ms. Meera Kohler states that she is president and CEO of Alaska Village Electric Co-op. She talks about the reality of oil and that it will take more time for alternative energy forms to become reliable. She urges all to pay attention to the reason why the Denali Commission was formed. The intent was a one-to-one match with the State, and the

State has not been able to pony up their share. The Denali Commission has been carrying the burden more or less single-handedly. She continues that the Commission has made a tremendous impact in rural Alaska and asks to not let the legacy program of energy languish.

Federal Co-Chair Canelos thanks Ms. Kohler and recognizes Lamont Albertson and Paul Morrison.

Mr. Albertson begins by thanking the Denali Commission for their support in the past. He continues that their mission continues to be making an area of the state a net exporter of employees. They are working toward opening the dental health therapy facility building by January 1st of 2009.

Mr. Morrison states that he is the health facilities manager with the Alaska Native Tribal Health Consortium and is very involved very extensively in a lot of the clinics that are built around the state. He thanks the Commission for the funding that has been provided.

Andrea Heinz introduces herself as the CEO of Cross Road Medical Center out in the Copper River Basin area in Glenallen. She states that one of the challenges in the Copper River Basin area is that we are over 50 years old. We are the only urgent care facility in the area. We provide the pharmacy services, extensive lab services and extended stay services. She continues that they are in about 13,727 square feet now and are proposing about 19,000 square feet. She encourages the Commission to consider their plan. We need your support and need a new facility and need the Denali Commission to fund this application, this business plan that will come before you in December.

Mike Broskovius states that he is on the board at the medical center and asks the Commission to consider the fact that we do need your help for this clinic.

Federal Co-Chair Canelos thanks Mike and recognizes Carol.

Carol states that she has been a member of the Board for Cross Road Medical Center for the last 20 years. She states that the medical center is very important to the community which is well over 80 miles in any direction, the Richardson to Denali, the Glenn and the Tok Highways. She concurs that the facility is very crowded and appreciates that the Commission is looking to help us with the new facility. We have the space and the land and would appreciate your consideration.

Federal Co-Chair Canelos thanks Carol and recognizes Roland Shanks and then Dennis Nottingham and then Greg McIntyre.

Mr. Shanks states that he works with Rural Community Assistance Corporation, a nonprofit organization that does technical assistance with small communities and villages across Alaska. One of the projects he has been working on is a group called the Alaska Zero Waste Action Council to come together and start to address solid waste issues in the

state. The Commission grants have been a godsend to these groups and that those communities are very appreciative of what you have done.

Mr. Nottingham states that he has been giving a number of talks around the state on erosion control, which is a pretty significant problem for a lot of the rural areas. He gives a presentation on a long-term dock solution.

Mr. McIntyre states that Senator Stevens asked Dennis to talk about this because he is really looking for some solutions. This is an Alaskan-developed solution that is used all around the state. There are almost three lineal miles of this dock in Dutch Harbor under really rough conditions.

Mr. Nottingham adds that they are flat-sheet piles, and the reason they work is because they are driven well below any anticipated scour or movement of the beach. He explains that the rounded face of the front of the structure is what makes it really strong, and then the tie-back walls hold it in. This gives an internal structure that works in really unstable soils.

Mr. McIntyre states that he is from the Yukon-Kuskokwim Health Corporation in Bethel and thanks the Commission for the help over the last few years with 20-plus clinics in our area. He states that there are still a few clinics to go. They are awaiting the results of the Medicaid study. This will be very important in terms of sustainability for some of our future projection, especially in elder care. For the future they would like the Commission to consider possibly a pilot project with YKHC in terms of meeting the needs of the very small villages. He adds that one of the other things that needs to be looked at is the detox units.

Federal Co-Chair Canelos asks for any other testimony. There being none, he concludes public testimony and thanks all who testified.

AWARDS

Federal Co-Chair Canelos continues with the awards.

Ms. Rinner states that the next award to be presented is the sustainability award. This award recognizes and supports those who are working to ensure long-term health viability and stability in their communities. The entity that is the recipient of this award this year is the Ouzinkie Native Corporation, the City of Ouzinkie and the Ouzinkie Tribal Council; and we are proud to present this award. Together those three entities formed a 501(c)3 called the Spruce Island Development Corporation, or SIDCO. SIDCO has become a vehicle for all three of the entities to work together with a primary focus on economic development. Specifically, they have developed a community comprehensive plan of which transportation is the centerpiece. This includes a new dock and an airport rebuild. SIDCO is also looking at starting a custom fishing processing plant. The next award is under the category of best practices which is provided to an individual, a community, a village or an organization for their creation, their use of processing or

practices or activities that are beneficial to a wide area of stakeholders. She continues that it is our great pleasure to provide this award this year to Kawerak. Kawerak, Incorporated developed the first ever tribal transportation agreement, which serves as a template for future project agreements in other regions across the state. This agreement provides financial and project development benefits to Kawerak's communities and has become a leadership model for us in the transportation program for other tribal agreements across the state of Alaska. This tribal compact agreement pools funds from the communities and prioritizes capital projects in the region.

Ms. Edwards accepts the award stating that it is a great honor to receive this award. There has been a tremendous amount of work by Kawerak staff to make these successes happen. Kawerak looks forward to a continued partnership with the Denali Commission to achieve our mutual goals.

Ms. Rinner states the final category is community champion award. This award is intended to ensure that we are celebrating folks who develop new strategies, systems, methods for achieving performance excellence, stimulating innovation, building knowledge and capabilities, and ensuring organizational sustainability. She states that it is our pleasure to celebrate Dick Levitt who is with Gustavus Electric Company, Incorporated. Dick is not available to be here. In true rural Alaska fashion, there is great weather in Gustavus and they are pouring concrete. She continues that in addition to committing over 20 years of his time and energy, Dick has personally funded a substantial portion of the Gustavus hydroelectric project, including the design, obtaining a Federal Energy Regulatory permit, securing an act of Congress for a land swap with the government prior to the grant funding being awarded.

Ms. Rinner continues that as we get to the nominations process for next year and the selection of folks, we would like commissioners to be engaged, and the hope is to have a discussion about that either at the late April meeting in Cordova or at the retreat this summer.

Federal Co-Chair Canelos states that this is an absolutely great program. He moves to closing comments.

CLOSING COMMENTS

Mr. Johnsen states that most of the programs were gone through, but we did not talk about teacher housing. If we are going to fund teacher housing, it needs to come from the discretionary fund.

Federal Co-Chair Canelos states that he likes the program because it is a one-to-one Federal/State match and is the only program where both partners are stepping up.

Commissioner Kitka states that some State match requirements need to be put in our budget, and then the Legislature needs to be urged to step up and match. Some private-sector match goals should also be put in.

State Co-Chair Rehfeld comments that the fourth model brought up could be something looked at in the multi-use facility for some of the smaller communities. She comments that the teacher housing is showing tremendous results.

Commissioner Wasserman agrees and adds that the Commissioners can help with finding areas, places and ways to tap money. There is a lot of money out there and once presented to the Legislature as matches they may be inclined to bend a bit and agree to them.

Commissioner Beltrami agrees with everyone, especially with the teacher housing component.

Commissioner Kitka suggests that the Federal Co-Chair work with the Governor to come up with something cooperatively.

Commissioner Wasserman thanks staff for getting this all put together and adds they should be proud of what they do.

State Co-Chair Rehfeld thanks all for the great party, stating it was exciting to see how many people attended. She continues that great progress has been made. She would like to spend some time on the 30-year study, and talk about some of those performance indicators, measures that could be built into all of our programs.

Commissioner Beltrami also thanks the staff, stating that he is continually more and more impressed on how professional they are.

Commissioner Kitka thanks George and the State Co-Chair on their hard work, along with the staff, and looks forward to accomplishing more this coming year.

Federal Co-Chair Canelos offers his sincere gratitude to the staff and the Commissioners. He states that the Commission has never been stronger. Everyone is on stride and on step and moving in some really powerful directions. He looks forward to the coming year. He again thanks everyone and adjourns the meeting.

(Denali Commission meeting adjourned at 4:53 p.m.)



**Presentation to the Alaska State Legislature
Legislative Budget & Audit Committee
Representative Ralph Samuels, Chair
Senator Lyman Hoffman, Vice-Chair**

Juneau, Alaska, January 29, 2008

**By Federal Co-Chair George J. Canelos
The Denali Commission**

***The Denali Commission and the Alaska Legislature
A Tale of Two Villages, Ten Myths, and Three Solutions***

Representative Samuels, Senator Hoffman, and members of the Legislative Budget & Audit Committee, thank you for the invitation to be here today. This is a great opportunity for us to compare notes, and talk about how the Commission and the Legislature can work more closely together.

I'll start by comparing the experiences of two communities – Stevens Village and Rampart. Then I'd like to clear the air on several misconceptions about the Denali Commission. And as I do, I hope I convey several themes:

- that rural Alaska is under great stress and the future is uncertain;
- that the Denali Commission matters to the State of Alaska *as a whole*; and that
- transparency and efficiency in government compels us to coordinate our efforts.

Alaska is an American treasure. The military and many airlines take advantage of our strategic location. New Arctic sea lanes are likely opening up with climate change.

We offer unprecedented wealth to the nation, and this body is working hard to bring our immense natural gas reserves to market. Our Permanent Fund approaches \$40 billion. We live in extraordinary times.

I know you'll agree, however, Alaska's real treasure is its people and our children who are the promise of tomorrow. We enjoy lifestyles most other Americans only dream about if they understand us at all. We live in over 300 communities scattered across immense areas. We are the youngest state, except for Hawaii, and our basic infrastructure needs still trail all other states. Most regional hubs and smaller villages are not connected to either road systems or power grids. Tourists who enjoy our totem poles and glaciers, mountains and train rides rarely see "the other Alaska" where many conditions and statistics rival the developing world.

And as Alaskans we're all in this together!





A Tale of Two Villages: Stevens Village and Rampart

On a warm evening last July I arrived by boat on the Yukon River to the historic Kuchin Athabascan community of Stevens Village, near the edge of the Yukon Flats. Median household income was just \$12,500 here in the 2000 census, subsistence is vital to their culture, and employment opportunities are limited. Tribal leaders here have recently made two important decisions which reflect the extraordinary times we live in.

First, they had requested state and federal assistance in obtaining a water/sewer system for the village. Village Safe Water proposed a \$10.5 million upgrade to bring water and sewer to each household. At a critical time, village leaders asked what this would cost families to operate and maintain. The answer: up to \$230/household/month/forever! Leadership said fine, thank you, we can't afford it. Instead, the community opted for a \$3 million upgrade to their washeterias and limited service to the school and clinic. And although an outhouse isn't convenient, it's definitely affordable and sustainable. They made the right decision for their community. When we look at sustainability, this may be the right answer in many places.

The second extraordinary decision was to approach Denali Commission for a reconnaissance study to connect Stevens Village by road to the state highway system. This would have been unthinkable just a few years ago, and it reflects the economic realities in rural Alaska. They believe that if connected by a 25 mile road to the Dalton Highway that significant numbers of the 900 tribal members living in the Fairbanks area would



Stevens Village

move back to the community. We are undertaking the road study, and believe that if connected the cost of freight, groceries, energy and the ability to commute for many jobs would be very positive.

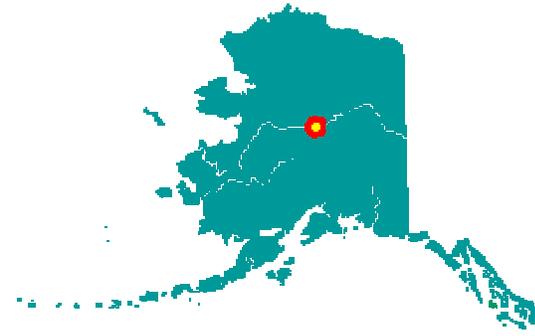
Here is a marvelous example of local leaders working proactively with state and federal agencies to forge reasonable, attainable and sustainable solutions to contemporary living on the frontier.

The next afternoon we arrived downriver to the Koyukon Athabascan village of Rampart. I knew that the school had closed seven years prior when the number of students dropped below ten. Since schools are a major public investment, and a bellwether for the well-being of a community, I wanted to see what a closed facility looked like.

Through the trees on the hillside, I spotted the distinctive red roof of the largest structure in town, and started hiking up the hill. In a few minutes I stood outside an impressive metal and wood building, locked, shuttered and boarded up. The birch forests were slowly recapturing the building.

I thought if there were any children in the community, surely they would be using the playground which must be next to the





Rampart

school. I worked my way through the undergrowth and almost bumped into a slide hidden by the vegetation. And nearby forlornly stood a swing set now used only to support a tangle of vines.

Rampart is not alone. While many villages are booming in population, some 20 schools have closed across rural Alaska since 1999. I believe many families are voting with their feet, and moving to other places where they believe energy is more affordable and job opportunities more prevalent. And further I believe the essential tipping point is the unaffordable cost of diesel fuel, heating oil and gasoline.

The irony is Rampart attempted to connect to the state highway system a few years ago. The road was actually constructed to within 12 miles of the village. When road construction halted, a number of families moved and the school closed. The population now is just 21.

Introductions and Thanks

I'd like to introduce the Denali Commission's State Co-Chair as designated by Governor Palin, Karen Rehfeld, the state's Director of the Office of Management and Budget. She is with Kathie Wasserman, Executive Director of the Alaska Municipal League. Karen, Kathy and I are three of the seven Denali Commissioners set forth in the Denali Commission Act. Other Commissioners are Karen Purdue with the University of Alaska, Julie Kitka with the Alaska Federation of Natives, Vince Beltromi with the Alaska AFL-CIO and Dick Cattenach with the Alaska Association of General Contractors.

I thank you for supporting the work of the Commission with your legislative liaison position. Since 1999, the Legislature has provided this critical position which is key to our daily working relationship. Thanks to Senator Therriault and Representative Samuels, this position has been filled for the past two years by Mike Marsh, here in the audience. With your approval, Mike serves as our independent Inspector General and provides you with a direct assessment of our accountability and performance. As the Chair knows, we have recruited Mike to become a federal Inspector General for the Commission, and I want to publicly thank him for his service to us, and to let the body know we look forward to his replacement.

And Representative Samuels, thank you for introducing me. I've been blessed to live and work in this state for over 32 years, working in over 50 communities. For a year while living in Bethel, I routinely carried out our honey bucket in one hand and the gar-





bage in the other. I almost lost my life one dark evening when my snow machine plunged through a hole in the ice at the mouth of Brown's Slough.

I married into a wonderful 4th generation Alaskan family, the Wilcoxes. My father-in-law, Don, arrived here in 1936 by steamship – in the brig, I might add, but that's another story. He's a proud WWII Pacific theater veteran. My mother-in-law Dorothy arrived in Kotzebue in 1947 on assignment from Chuck West, Alaska's early tourism visionary. And my wife Mary Lu and I met over 18 years ago in the checkout line at Costco in Anchorage, and we have six grandchildren.

Busting Those Persistent Myths about the Denali Commission

I'm sure many of you have watched the program *Myth-Busters* on the Discovery Channel. These folks are at it again, this time on location in Alaska testing several myths of the Last Frontier. I understand they have built a dummy moose and are testing the hypothesis that it's better to hit a moose with your car driving at full speed rather than slowing down before impact!

Like you, I often run head-on into myths and misconceptions about Alaska and about the Denali Commission. I have ten major myths and misconceptions I'd like to clear up this morning.

MYTH #1 - The Denali Commission is a federal organization that does not need state involvement, coordination or financial investment.

False! Congress established the Commission to be a true federal-state partnership. Although modeled somewhat after the Appalachian Regional Commission, the Denali Commission is unique in American government. I've already mentioned the seven commissioners who represent some of the most important public bodies in our state. The statute compels these experts to meet, establish innovative practices and find long-term breakthroughs for the challenges facing rural Alaska.

Over the past nine years the Commission has invested almost \$1 billion and over 600 projects across the state. We've touched almost every community, and according to the McDowell Group, who recently completed an independent assessment of our performance, the Commission is widely viewed as critical to the well-being and the future of our communities.

We rely extensively on program partners, large and small, to bring our programs and projects to reality. And we would be arrogant and counter-productive to attempt these investments without the close coordination and cooperation with the Alaska State Legislature.

Last year, for example, I personally met with over half of the members of the House and Senate. For the first time, the Legislature included over \$7 million in the Capital Budget specifically to coordinate with Denali Commission programs. We're apply-





ing these funds to leverage our rural transportation program, renewable energy initiatives and to fund the People’s Learning Center in Bethel. I look forward to giving you more detail about the use of these state funds in the near future.

MYTH #2 – The State of Alaska is not a significant partner of the Denali Commission

False! Partnering involves the classic blend of time, talent and treasure. During 2006, the Denali Commission funded over \$57 million to state agencies to coordinate and carry out portions of our Energy, Economic Development, Health Facilities, Workforce Development and Transportation programs.

Senior state officials help guide the Commission’s strategic direction. Mr. Bill Hogan, Deputy Director of the Department of Health & Social Services, for example, chairs our Health Steering Committee, which led our initiative to provide reasonable access to primary health care by constructing or upgrading clinics in most communities.

Our award-winning teacher housing program is a full partnership with Alaska Housing Finance Corporation. Mr. Dan Fauske has crafted an innovative financing model where state dollars match Denali Commission funds. We’ve built over 75 units to date and evidence mounts that teachers are renewing contracts and staying. Our hope, of course, is that we’ll see a correlation over time with student performance.

The Commission could not carry out

its mission without the full participation of the State of Alaska.

MYTH #3 – The Denali Commission invests solely in small remote communities.

False! Although our focus is on accelerating the delivery of critically-needed infrastructure to rural Alaska, we invest throughout the state where it makes sense to do so.

Let me start with Anchorage and work my way outwards with several examples. We joined the Legislature and other funders to support the new Girdwood Library & Community Center, now under construction. We are funding the design for the replacement Anchorage Neighborhood Health Center, co-funding a number of Bring-the-Kids Home group home and youth psychiatric facilities, and co-funding the feasibility study looking at a potential wind farm on Fire Island.

In Fairbanks, we joined others in funding the world’s first geothermal power plant producing power from warm water at Chena Hot Springs, and the Morris Thompson Cultural and Visitor Center. We partner closely with the University of Alaska, espe-





cially with their Allied Health Care program training Alaskans to serve our citizens in critical health professions. We funded the Fairbanks Interior Community Health Center, and two Bring-the-Kids Home facilities. We also are a funding partner with the Alaska Works Partnership, and I know many of you have seen their innovative pipeline training schools held in Fairbanks each year.

In Wasilla, we contributed towards a new Elder Supportive Housing Development, solid waste equipment, and repair and renovation of a behavioral health facility. In Palmer, we co-funded the Alaska Family Services facility, more elder housing, and planned and designed upgrades to a domestic violence shelter. And towards Talkeetna, we joined several funders to build the Sunshine Primary Care Clinic.

On the Kenai Peninsula we joined this body in supporting a portion of Agrium's Blue Sky Feasibility Study, knowing how important Agrium's facilities are to the economy of the Kenai-Soldotna region, and the upside potential if coal gasification could be done responsibly.

We joined several funders to build the new Central Peninsula Health Center, elder housing and even a fire hall.

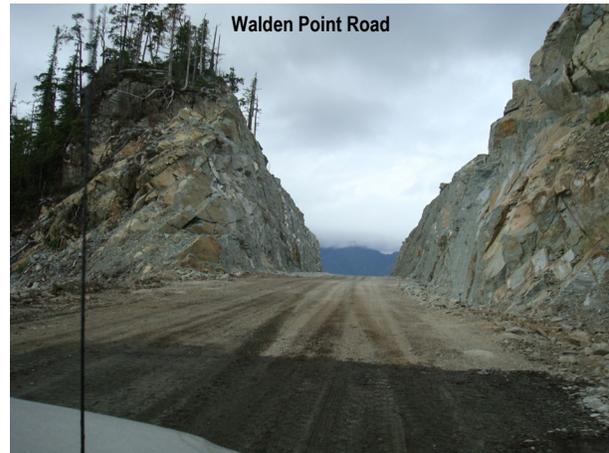


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In Southeast Alaska we work with many program partners in all our programs of energy, health facilities, community facilities, workforce development and transportation. We co-funded numerous hydro-electric projects and powerline interties to help link the region together and lower the cost of energy. When our funded underwater line first connected Haines to hydropower, their diesel generator fell silent for the first time in dec-



ades. Last year we invested \$1 million into the Walden Point Road in Metlakatla accelerating completion of that complex project by a year.

We work with communities throughout SE Alaska on joint funding for port, harbor and road projects. In Sitka, for example, we provided funds for Thompson Harbor reconstruction, Sawmill Dock Redevelopment and Indian River Road rehabilitation.

All across rural Alaska we've made great progress with the Alaska Energy Authority and the Alaska Village Electrical Cooperative (AVEC) to replace aging bulk fuel storage systems, and upgrade rural power plants. We've funded several wind-diesel systems constructed by AVEC. In one sys-

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tem, Toksook Bay, wind power generated 100% of the load for the village for the first time last month.

In Western and Arctic Alaska, we have great partnerships with the Yukon-Kuskokwim Health Corporation and Maniilaq, Inc. to upgrade and build primary care clinics in their region. In rough numbers, we've now completed 70 clinics, with 33 in construction and 62 in planning or design.

Our rural transportation program is making great strides in improving health and safety in many villages by partnering regionally with Kawerak for road and board-road improvements, and by partnering with the Corps of Engineers for a series of small dock and harbor projects. We have also engaged the Corps on a system of barge landings throughout riverine and coastal Alaska.

The point is – we invest anywhere in Alaska when appropriate to do so.

MYTH #4 – The Denali Commission is a program just for Alaska Natives.

False. Although we invest in many Native communities and partner very closely with many tribal organizations, all of our programs and projects are available for use by the general public, and are not restricted by ethnic heritage.

Our grant conditions require that all of our facilities be available and open to the general public, including our health clinics.

MYTH #5 – The Denali Commission pours money into rural Alaska without regard for long-term consequences.

False. In fact, we are sometimes criticized by applicants for not investing fast enough, or for having a too rigorous approval process. Sometimes the best course for the Commission is to say “no”.

The Commission is very concerned about the specter of funding projects that may not be sustainable. While no system is perfect, we've adopted a number of investment guidelines that require, for example, that a proposed project be vetted through a public process and part of an adopted community plan. We often require a business plan which gives all parties a degree of certainty regarding who will own and operate a project, the source of operations and maintenance funding, etc.

Like you, we are a body always evolving and seeking better approaches to carry out our mission.

We are very concerned about the absence of funding for ongoing operations and maintenance. And we're alarmed at the dramatic shift in energy prices, which if not addressed, will result in the closure of facilities. This is no one's fault, but rather the reality of our times. No one predicted these unprecedented increases in energy and commodity costs.

We're concerned about over-building, and the impacts of multiple facilities on a community's infrastructure.

Like you, we're working to adapt to climate change. The Denali Commission has a new prime directive – Do No Harm. This





means, for example, that we will likely not invest in permanent infrastructure in communities that need to relocate due to coastal erosion, climate change and flooding. Instead, we'll be looking for modular, movable solutions, so we can continue to address the great need for basic facilities, and yet retain flexibility as communities really begin to relocate.

MYTH #6 – The Denali Commission is a pass-through agency for congressional project earmarks.

False! While the Denali Commission enjoys a close working relationship with Senator Stevens, Senator Murkowski and Congressman Young, our federal funding arrives to us from six broad categories of federal appropriations, and not in the form of project earmarks.

All Denali Commission project funding decisions are made through a public process here in Alaska. The seven Commissioners provide strategic direction by publishing a formal draft work plan each fiscal year. This plan sets forth broad investment direction, and asks for public comment.

At the grassroots level, we rely on six Advisory Committees comprised of experts across Alaska and even Washington DC. These committees provide critical guidance and ground truth for programs and projects in Energy, Health Facilities, Transportation, Training, Economic Development and Financial Management.

Our website is one of the best in government and virtually all meetings and deliberations are open to the public. We're proud of our project database which gives extensive



(Seated Left to Right) Karen Rehfeld, State Co-Chair, Director of the Office of Management & Budget - State of Alaska; George J. Cannelos, Federal Co-Chair - (Standing Left to Right) Kathie Wasserman, Executive Director - Alaska Municipal League; Richard Cattanch, Executive Director - Alaska General Contractors of Alaska; Vince Beltrami, Executive President - Alaska AFL-CIO; Karen Perdue, Associate Vice-President for Health - University of Alaska

(Not Pictured) Julie Kitka, President - Alaska Federation of Natives

detail on every one of our projects – by type, location, year, even by legislative districts.

The Denali Commission will hold its next meeting here in Juneau on February 28th, and we invite you to join us.

MYTH #7 – The Denali Commission adds bureaucracy and duplicates other efforts.

False. In fact, we add considerable value to the process. We're experts at selecting projects and coordinating their planning, design and delivery, all within a public process. Our business model of a small interdisciplinary staff and regular interaction with other agencies improves coordination and project delivery.

We look for synergy in capital projects timing and logistics that produce big wins.





Funders Forum
Successful Collaboration



We co-fund the Pre-development Pool” with the Alaska Mental Health Trust and the Rasmuson Foundation, an innovative effort to test the early feasibility of a proposed project before formally bringing it to funders for consideration.

Instead of duplication, our funding can

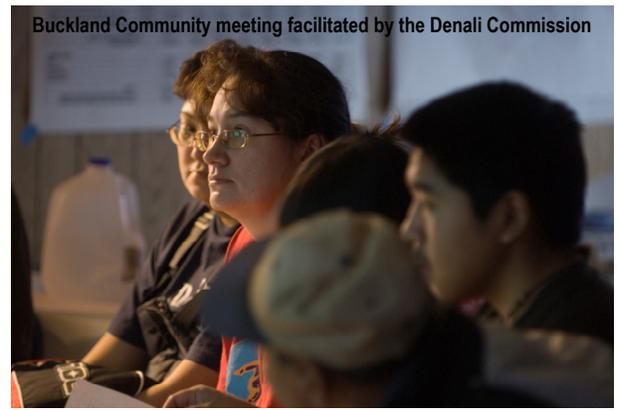
In Unalakleet, The Commission, the Corps and the Dept of Transportation & Public Facilities combined efforts on timing and logistics for three projects – we are improving local streets, the Corps is improving shoreline protection and the state is upgrading the airport. By combining efforts, money is saved and residents benefit from improved infrastructure.

In Mekoryuk, AVEC will use Denali Commission transportation funds to dredge the harbor to improve boat operations for the Bering Sea halibut fishery. The dredged materials will become the foundation for the community’s new bulk fuel facility.

We work with other federal, state and private foundations to hold regular “Funder’s Forums” at conferences across the state. We explain how someone should put together a winning proposal and how to work with the agencies to avoid duplication.

bring worthy programs to a critical mass. Mike Andrews, Director of Alaska Works, for example, says his training programs are the best anti-poverty programs in the United States.

At Senator Lisa Murkowski’s request, for example, we are coordinating the efforts of Village Safe Water, the Corps of Engineers and other agencies to bring a water & sewer system to the community of Buckland



Buckland Community meeting facilitated by the Denali Commission





in Northwest Alaska. The project had foundered without someone bringing the players together on a regular basis.

MYTH # 8 - The Denali Commission owes its existence to Senator Ted Stevens.

True! But ladies & gentlemen, he's no myth, he's a legend. It is true that a decade ago Senator Stevens saw the deplorable condition of infrastructure across our young state. It's true he saw well-meaning agencies funding heavily into our small towns and villages, but without coordination and with way too much money disappearing in administrative overhead. And I believe its true several Alaska Native leaders proposed to him a regional commission model to systemically attack these shortfalls.

MYTH #9 – Alaska has little to offer the developing world

False! Alaska has always been a laboratory for Uncle Sam. We're really the nation's "back 40" where we're free to experiment and pass along the lessons learned. The military heralds the Last Frontier as the graduate level proving ground for joint forces and new tactics.

Rural Alaska is filled with inspirational, creative, self-reliance leaders. We need to celebrate their accomplishments and pass along lessons we've learned to the developing world.

During 2007, the Commission exchanged lessons with leaders from Iceland, Canada, Russia, Mongolia and the United

Nations. We also have much to learn from the experiences of others, and we'll be working to identify and bring home the best of important breakthroughs.

MYTH #10 - Federal Funding will keep on coming at very high levels

False. The good news is we expect our FY08 funding could be as high as \$111 million. Our programs for health facilities, workforce development and rural transportation are intact.

Our Energy & Water Appropriation, however fell from \$50 million to just \$21 million. We face difficult choices since this is the only appropriation where the Commission has flexibility to fund additional programs in addition to energy. Last year, for example, we funded \$8 million to primary care clinics and \$5 million for teacher housing. This year the draft work plan proposes no extra funds into the clinic program despite that many projects have completed the planning and design phase and have matching funds in hand, and proposes only \$1 million for teacher housing. Significantly the plan recommends just \$10 million for our legacy bulk fuel and power plant upgrades, and \$9 million – almost half – to continue pushing into renewable and alternative energy solutions.

After rising from just \$20 million in 1999 to \$140 million in FY2006, we are watching a predictable decline in federal support; \$135 million in FY2007 and up to \$111 this fiscal year.

I wish I could report successful exit strategies for many of our programs. With the decline in federal funds, however, it will be a





decade or more until we see completion of our bulk fuel storage facilities. Although we're taking a number of bold risks, we won't see the tipping points in renewable and alternative energy at current funding levels. On a positive note, I can report that two regions – Kodiak and NW Alaska – are approaching completion of their primary clinic programs.

We are not sitting on our laurels. We network closely with the foundation community which has a keen interest in investing in Alaska's future. We have a new partnership with the six Community Development Quota fisheries organizations to formally compare capital projects lists and to coordinate efforts in their sixty villages.

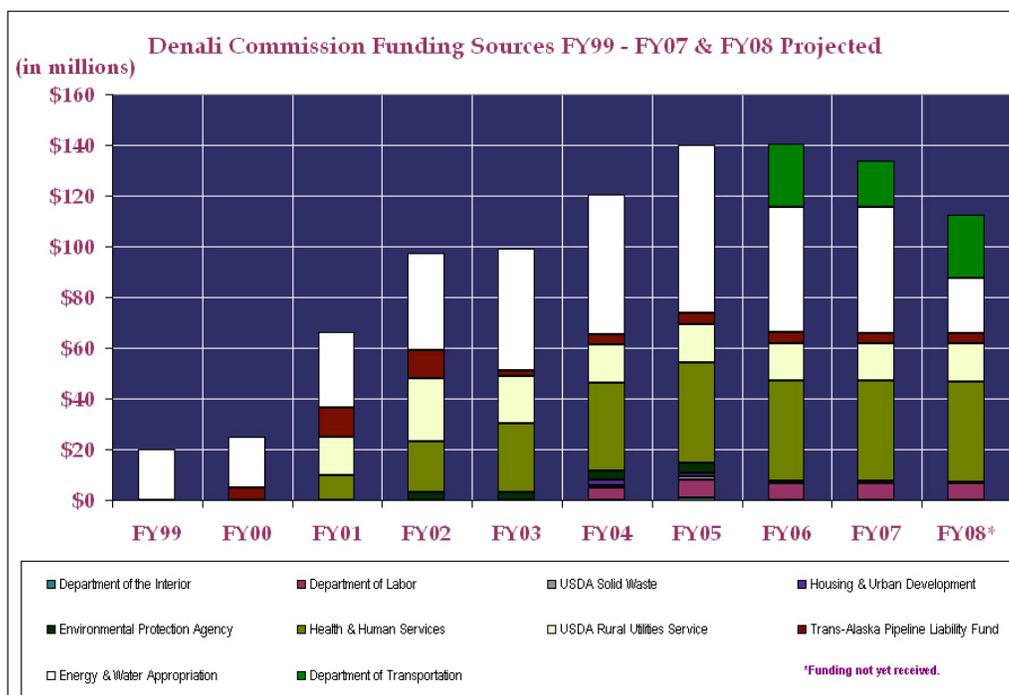
A Call for Cooperation and Action

As elected leaders, you strive to balance your constitutional responsibilities of providing basic services with political realities and limited resources. While I admire you for accepting the responsibilities of public office, I don't envy the difficult choices you must make.

Let me offer three recommendations of how the Legislature and the Commission can work more closely together.

Recommendation #1 – Coordinate on capital projects planning and delivery.

As local representatives, you have your pulse on the needs of your region. More than any other group in Alaska, you bring essential "ground truth" to the process.





We're the best agency in Alaska for project selection, planning, coordinating timing with other agencies, for advancing the concept of sustainability, and for developing financial partnerships to accelerate the delivery of projects.

We need a much better method of timely communications so that each legislator is aware of Denali Commission's proposed programs and projects impacting their districts. And likewise, if we knew in advance of key projects needed by a given legislator, we can work to see how we can take advantage of obvious synergies for the benefit of the taxpayers.

We need to work together to consider the overall impacts of multiple projects on a community, and to begin to look for regional solutions. Combining our efforts makes great sense.

Recommendation #2 – Let's craft an energy policy and strategy which catapults Alaska into the lead among developing regions of the planet

Unaffordable energy costs lead to closed facilities, stressed communities and a downward spiral of economic and social consequences. Energy is the tipping point that is foundational for community success or failure.

Alaska needs only to look at Iceland to see the power of sustained vision, political will and action. Just a generation ago, this small northern country was the poor man of Europe, almost totally dependent on importing foreign oil. Today they are 98% energy self-sufficient, thanks to an aggressive com-

bination of harnessing hydropower and geothermal resources. Iceland is one of the most prosperous countries in the world, and recently voted one of the most desirable places to live.

Alaska can do this as well! We need a bold policy and strategy that establishes Alaska as a leader in sustainable 21st century living. We need to combine the best of existing and emerging technology, work towards connecting communities on a regional basis, and aggressively push renewable and alternative energy solutions.

We've taken two risks this year in this direction:

- We joined Alaska Power & Telephone in funding the state's first in-river turbine to be installed at Eagle in the Yukon River. We did this instead of funding a replacement diesel generator. This is an exciting project we should all watch closely.
- We also funded AVEC to test and built the state's first high-voltage direct-current line between St. Mary's and Mountain Village. If successful, this technology promises to significantly reduce the cost of long-distance power lines.

Recommendation #3 – The state and federal government should fund the Denali Commission equally.

This was the original vision – a true state-federal partnership.

I firmly believe this is our best chance for Alaska to maintain a relatively robust level of federal funding. My explorations in-





side the Beltway confirm for me Congress is looking for real contributions from states that are asking for federal investments.

I also submit the Denali Commission's business model and focus on sustainability is the best yet devised. Backing up our coordination with dollars means everyone will pay more attention to the process and the results. I believe there is less likelihood for inefficiencies when all parties have "skin the game".

Finally, we can reach a critical mass where real improvements can happen quickly enough to make real differences. The Commission will celebrate its 10th anniversary in the coming months as the Denali Commission Act was passed in October 1998. A joint long-term agreement to fund the Commission would cap a decade of accomplishments and set the stage for a model that would set the

bar very high for the rest of nation.

Our challenge together is to listen closely, discern what combination of public investment best unleashes the full potential of Alaskans whether they live in Spenard or Stevens Village, Mountain View or Mountain Village, Turnagain or Tununak. Our goal together is to find the right solutions for Alaskan communities to be vital, leading examples of sustainable urban and frontier living.

And I also submit we don't have much time. As Robert Service wrote so long ago,

*"Ah, the clock is always slow
It's later than you think!"*

Thank you.



2007 Denali Commission staff photo taken at the Federal Building in Anchorage.



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SEMIANNUAL REPORT TO THE CONGRESS

FY 2007 – SECOND HALF

OFFICE OF THE INSPECTOR GENERAL

DENALI COMMISSION

ANCHORAGE, ALASKA



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INSPECTOR GENERAL

November 20, 2007

MEMORANDUM FOR FEDERAL CO-CHAIR CANNELOS

From: Mike Marsh, CPA, MPA, CFE, Esq.
Inspector General

Subject: Semiannual report to agency head and Congress for second half of FY 2007

The discussion below constitutes my report to the agency head and Congress, as required by the Inspector General Act, for the second half of FY 2007. This is the third such report for this function here at the Denali Commission.

AGENCY BACKGROUND

1. The Denali Commission

The Denali Commission is an independent federal agency with its office in Anchorage, Alaska. Congress created it in 1998 through the Denali Commission Act.¹

The commission provides rural Alaska with some of the basic local facilities that the rest of the nation has long taken for granted. The agency's "legacy" programs fund the construction of clinics, powerhouses, and fuel tanks in some of the most challenging locations in America.

In these difficult assignments, the agency must reconcile cost control, new technologies, and local preferences. These aspirations are challenged by the logistics of serving tiny, often unincorporated, settlements that are far from any road system. And, given that roughly half of the state's communities have fewer than 300 people, many locations will have an inherently limited capacity to support their own facilities in the years after the commission has given them the keys.

By the end of 2007, Congress will have funded its Denali Commission experiment with close to \$1 billion that has been applied to over 1,000 projects around the state:

The head of the Denali Commission is the "federal co-chair," who is appointed by the Secretary of Commerce. The enabling statute also provides for a seven-member board of specifically-identified state leaders to serve as the panel of "commissioners."

¹ P.L. 105-277, 42 U.S.C. § 3121.

The enabling statute says little about the purpose of this panel of commissioners, beyond its preparation of an annual “work plan” of projects and priorities that is presented for the agency head’s consideration. The further role of this expert group is evolving in practice.

The Denali Commission exemplifies downsized, contracted-out, reinvented government (today’s “hollow state”). It distributes an annual budget of around \$130 million with less than 25 employees of its own.

However, Congress has given the commission considerable operating flexibility compared to the traditional bureaucracies. The commission implements its projects through grants to various state agencies and nonprofits that function as “program partners.” And the commission supplements its limited staff with innovative details of specialists from other entities under the Intergovernmental Personnel Act.

2. Inspector general function

Both the Denali Commission Act and the Inspector General Act require the commission to have an inspector general. The commission is one of around 30 “designated federal entities” that are now statutorily required to have this oversight function.

I am the commission’s first inspector general that is full-time, in-house, and Alaska-based — and the function’s only employee at this point. The function still lacks the necessary separate budget, support staff, and equipment (e.g., fax, server, printer, home page). The commission currently spends less than one-tenth of 1% of its annual \$130 million budget on this statutory oversight function.

OVERVIEW OF ACTIVITIES SINCE LAST REPORT TO CONGRESS

Since my last report to Congress, the activities of my one-person function have been divided among the following: (1) selection and oversight of an independent public accountant to perform the annual financial audit;² (2) technical assistance concerning various accountability controls as requested by the agency head; (3) statutory reviews in anticipation of congressional reauthorization decisions; (4) presentations to the commissioners which the agency head has requested for their meetings;³ (5) pending inspection of a grant suspended by the CFO;⁴ (6) “court leave” taken for compulsory service on a state grand jury.⁵

² Required by OMB Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, secs. 4.2 and 12.

³ IG presentations to the commissioners were made at their meetings on April 9, May 31, and July 26.

⁴ The suspended grant was for construction of 12 facilities around rural Alaska. Three other funders have been reviewing their experience with one or more of these same facilities. The commission’s program staff is internally assessing its “lessons learned” from this grant and has also contracted with a researcher to assess the agency’s impact in the subject area. I am taking care to coordinate the scope and timing of my inspection procedures with these other efforts.

⁵ Alaska law has no automatic exemptions from jury service for professions such as attorneys, CPAs, or inspector generals. Over the past summer, every third week was substantially devoted to my service as a grand juror.

GAO'S PENDING GOVERNANCE STUDY

Last August, GAO briefed a meeting of the ECIE inspector generals and indicated that Congress' auditor had started a review of the governance and accountability processes — including inspector generals — of small agencies classified as “designated federal entities.” The Denali Commission is one of around 30 agencies that Congress has statutorily placed in this category.⁶

The designated federal entities encompass a considerable spectrum of legal forms: independent federal agency; government corporation; private for-profit corporation; private nonprofit corporation; regional commission.

GAO indicated that its new review would employ the methodology from its recent study of two of these agencies — private nonprofit corporations known as the Legal Services Corporation and the Corporation for Public Broadcasting.⁷ The studied concepts were defined in that report as follows:

EXHIBIT 1 FACTORS PERTINENT TO GOVERNANCE AND ACCOUNTABILITY AT DESIGNATED FEDERAL ENTITIES
Role of multiperson board in agency governance
Ethics regulation and training
Audit committee
Annual financial audit
Transparency statutes: GISA, FOIA, APA
Federal spending controls
Quality of grantees' single audits
Program performance evaluation and reporting
Independence of inspector general function
Core competencies justifying an agency's existence

For both governmental and nonprofit entities, governance can be described as the process of providing leadership, direction, and accountability in fulfilling the organization's mission, meeting objectives, and providing stewardship of public resources, while establishing clear lines of responsibility for results. Accountability represents the processes, mechanisms, and other means — including financial reporting and internal controls — by which an entity's management carries out its stewardship and responsibility for resources and performance. . . .⁸

⁶ The agency head received an engagement letter from GAO on October 12. It says, “During the course of our work we plan to contact the Denali Commission as well as all other designated federal entities.”

⁷ GAO, *Legal Services Corporation: Governance and Accountability Practices Need to Be Modernized and Strengthened*, GAO-07-993 (August 2007). Though entitled as a study of the Legal Services Corporation, comparisons to the Corporation for Public Broadcasting are common in the report.

⁸ Page 11.

GAO's insights as to optimal governance structures are of timely interest to the Denali Commission. Statutory changes can be considered by Congress when it addresses the commission's reauthorization.⁹

Given the inspector general's role in reviewing legislation, I consulted GAO's team about their pending study in a visit to their office last October. At my suggestion, management has invited GAO to brief the commission's financial management advisory committee about the pending study when it meets in Washington, DC next month.

My best distillation of GAO concerns about small agencies would be the factors that I list in Exhibit 1.

Last May, the U.S. Comptroller General addressed a coordination meeting between GAO and the federal inspector generals. As a key concept in his recommended oversight, he advised that "[a]ccountability organizations should employ a 'constructive engagement' approach while maintaining their independence." He elaborated that "constructive engagement typically involves GAO sharing its considerable knowledge and government-wide perspective, including related methodologies and best practices to help agencies help themselves."¹⁰

Similarly, a longstanding policy statement by the federal inspector generals notes their aspiration to be "agents of positive change." More specifically, that policy provides:

The opportunity to facilitate positive change within government is greatest when IGs assist managers by identifying systems deficiencies and making recommendations designed to assure that programs and activities achieve desired results. To this end, we will . . . [o]ffer advice and technical assistance as managers implement IG recommendations and make other changes designed to improve program management and service delivery."¹¹

Consistent with these aspirations for "constructive engagement" and "positive change," I have provided the Denali Commission with a spectrum of services under the Inspector General Act. The implicit framework for GAO's study of small agency governance (Exhibit 1) doubles as a timely outline for the following discussion of my activities.

1. Role of Multiperson Board in Agency Governance

The Denali Commission functions as an independent federal agency. It directly submits its annual budget request to OMB and receives a direct appropriation from Congress. The U.S. Treasury processes its transactions under an account symbol for independent offices. And OPM has classified it as an independent agency for personnel purposes.

⁹ The Denali Commission is currently authorized through September 30, 2008. See P.L. 108-7, 117 Stat. 158, sec. 504.

¹⁰ Comptroller General David Walker's presentation to the IG-GAO coordination meeting held May 8, 2007 in Washington, D.C. (excerpt from slides) (emphasis added).

¹¹ PCIE/ECIE, *Inspectors General Vision and Strategies to Apply Our Reinvention Principles* (Jan. 1994) (emphasis added).

GAO's recent report notes that "[a] common form of governance for independent federal agencies and U.S. government corporations is a multiperson body consisting of either a board of directors (agencies and corporations) or a commission (only agencies) . . ." ¹²

However, though named the Denali *Commission*, this agency is not actually headed by a multiperson body. Rather, the enabling act places it under the sole control of an agency head, known as the "federal co-chair," who is appointed to four-year terms by the Secretary of Commerce. ¹³

The enabling act does indeed establish a seven-member panel of "commissioners," which is composed of the agency head, five ex-officio statewide leaders from key organizations, ¹⁴ and the state's governor. With the exception of the agency head, they serve the commission on a very intermittent, part-time basis and are physically present at the commission's office only when needed for meetings.

The statutorily-prescribed membership of this board reflects the agency's structure as an experimental collaboration of players from the federal, state, and nonprofit sectors. The agency has historically been partly staffed by technical specialists detailed from these players, ¹⁵ and some of these entities have key roles as the commission's implementing "program partners" (major grantees).

But the enabling act actually says very little about Congress' envisioned role for this prescribed panel of highly-respected leaders. Procedurally, the act provides that they will "*meet at the call of the Federal Co-chairperson,*" who will provide them with "*any proposals for discussion and consideration, and any appropriate background materials.*" ¹⁶

Substantively, the legislation — literally read — only specifies that the commissioners as a group will recommend an annual "*proposed work plan for Alaska,*" with projects and funding priorities, to the federal co-chair, who acts on behalf of the Secretary of Commerce. The statute directs the federal co-chair to either accept the work plan or return it to the panel for revision. ¹⁷

In short, the panel of commissioners does not function as an oversight board that supervises the agency head. The latter has usually accorded great deference to the panel's recommendations over the past decade, but the group is still only an advisory board in practice. And only the federal co-chair has the legal authority to sign grant agreements. ¹⁸

¹² Report GAO-07-993, page 13.

¹³ Denali Commission Act (P.L. 105-277, 42 U.S.C. § 3121) § 303(b)(2).

¹⁴ The respective CEOs of the Alaska Federation of Natives, the Alaska AFL-CIO, the Associated General Contractors of Alaska, the Alaska Municipal League, and the University of Alaska.

¹⁵ See Denali Commission Act § 306(d) and Intergovernmental Personnel Act, 5 U.S.C. §§ 3372, 3374.

¹⁶ Denali Commission Act § 303(d).

¹⁷ Denali Commission Act § 304.

¹⁸ Denali Commission Act § 305(d).

To put it another way, the roles of the federal co-chair and the board are structurally reversed from what they would be if the commission was in fact headed by a multiperson governing body.

The Denali Commission is statutorily listed with the Appalachian Regional Commission (and two other entities) as the nation's "regional commissions."¹⁹ Though commonly compared to each other, the roles of the commissioners at the Denali Commission and the Appalachian Regional Commission (ARC) differ significantly. The oversight role of ARC's panel of commissioners is well-defined in its enabling act.²⁰ If commissioners at the Denali Commission are to have that role, Congress will need to specify it with the necessary amendments during reauthorization.

There are other significant structural differences between the Denali Commission and the often-compared ARC. The latter represents 13 states; Denali serves only Alaska. ARC's statute directs that "[a]dministrative expenses of the Commission shall be paid equally by the Government and the States in the Appalachian region . . ."²¹ Denali's statute does not require such a state contribution.

ARC's statute says, with a few exceptions, that "[m]embers, alternates, officers, and employees of the Commission are not federal employees for any purpose . . ."²² In contrast, most of Denali's staff are federal employees, and the Department of Justice has advised that the commissioners themselves have the status of "special government employees." For ARC, the panel of commissioners appoints the CEO. For Denali, the "federal co-chair" functions as the CEO.

There are also some substantive differences. ARC addresses water treatment, the educational system, telecommunications, and the construction of a major highway network. Denali addresses rural electrification.

In short, the historical model for ARC would not seem a ready template for the Denali Commission's permanent statutory structure. The destinies of these two agencies appear to lie on different paths.

The classic governance role for a multiperson body is a corporation's board of directors, and Congress could conceivably restructure the Denali Commission as a government corporation. While, in practice, government corporations have been established for many reasons,²³ GAO recently summarized the ideal, theoretical setting as follows:²⁴

¹⁹ See 42 U.S.C. § 3122(8).

²⁰ See 40 U.S.C. §§ 14302, 14322.

²¹ See 40 U.S.C. § 14306(d) (emphasis added). However, there is an exception to this in ARC's statute: the states do not pay the expenses of the federal co-chair and that position's staff.

²² See 40 U.S.C. § 14301(f).

²³ See GAO, *Profiles of Existing Government Corporations*, GAO/GGD-96-14 (Dec. 1995).

²⁴ GAO, *Pension Benefit Guaranty Corporation: Governance Structure Needs Improvements to Ensure Policy Direction and Oversight*, GAO-07-808 (July 2007), page 6.

According to public administration experts, a government corporation is appropriate for the administration of governmental programs that

- *are predominately of a business nature,*
- *produce revenue and potentially are self-sustaining,*
- *involve a large number of business-type transaction with the public, and*
- *require greater budget flexibility than a government department or agency.*

The commission's top management seems to have begun a gradual transition that suggests a goal of marshalling funding in the style of large-scale philanthropic foundations. If this is indeed to be the long-term role for the agency, Congress may wish to statutorily convert it to a corporate form that accommodates both non-appropriation self-support and greater operating flexibility.

Despite the comparatively limited role of Denali's multiperson body, I've repeatedly noted that this commission's most untapped resource is the commissioners themselves. They're no ordinary advisory board. In the enabling act, Congress has assembled the most esteemed "dream team" of statewide experts since the drafting of the Alaska Constitution.

Denali's panel of statutory commissioners could collectively evolve into Alaska's think tank that brainstorms breakthroughs — the solutions-in-waiting that lie somewhere beyond the classic federal "just add money." The fact that this has so far not been their role is symptomatic of Congress' need to reconsider the agency's basic statutory structure during reauthorization.

2. Ethics Regulation and Training

Detailed employees from other entities²⁵ and the commission's own employees (including the federal co-chair) understand that they are subject to the federal ethics regulations administered by the U.S. Office of Government Ethics (OGE). These rules²⁶ cover such key areas as conflicts of interest, misuse of position, gifts, and the resolution of ethics questions.

However, the enabling act's combination of a FACA exemption²⁷ and an uncertain role for commissioners previously left the latter in an uncomfortable state of ethical "limbo." On one hand, the statute names them as ex-officio commissioners due to their organizations' presumed abilities to facilitate the commission's work around the state. On the other hand, federal conflict-of-interest rules disfavor serving two masters.

²⁵ See 5 CFR § 2635.102(h) and Intergovernmental Personnel Act, 5 U.S.C. § 3374.

²⁶ 5 CFR parts 2634-2641.

²⁷ Denali Commission Act § 308.

To protect all concerned, the federal co-chair and I jointly asked the Department of Justice (DOJ) in 2006 for clarification of the ethics regulations applicable to the commissioners. DOJ advised that they are “special government employees” subject to the federal rules against conflicts of interest. Exclusion from these restrictions would require explicit guidance from Congress through a statutory amendment.

A longstanding policy statement by the federal inspector general notes our aspiration to “[c]ooperate with agency officials in developing integrity awareness training.”²⁸ Over the past 18 months, employees and commissioners have received the ethics training listed in Exhibit 2. The agency head has readily accepted my recommendations on this subject without the entry of formal findings.

Through an Economy Act MOU, the regional counsel for the FAA now serves as the commission’s designated agency ethics official.²⁹ The commissioners and top management file their OGE disclosure forms with this ethics official.

A “desk officer” at OGE has also been identified for the commission. This assures that local ethics advice will be coordinated with positions of the agency that writes and interprets the ethics regulations that apply across the federal system.

GAO’s work on small agencies³⁰ emphasizes the need for employee training about the Whistleblower Protection Act enforced by the U.S. Office of Special Counsel (OSC).³¹ I have confirmed with the latter that this statute applies to the Denali Commission.³²

EXHIBIT 2
PUBLIC ACCOUNTABILITY TRAINING
AT DENALI COMMISSION

Management training on federal spending restrictions by GAO attorneys (Washington, DC)

Staff training on federal spending restrictions by a contract trainer (Anchorage)

Staff and grantee training on grant restrictions by OMB technical manager (Anchorage)

Staff training on federal ethics rules by the Department of Commerce ethics division (Anchorage)

Staff training on federal ethics rules by the U.S. Office of Government Ethics (Anchorage)

Staff training on federal ethics rules by the commission’s ethics officer.

Staff training on the Hatch Act by the U.S. Office of Special Counsel (Anchorage)

Commissioner training on federal ethics rules by the U.S. Office of Government Ethics (Juneau)

Observation of a public meeting of commissioners by trainers from the U.S. Office of Government Ethics (Juneau)

Commissioner training on board processes by retired state court judge (Anchorage)

²⁸ PCIE/ECIE, *Inspectors General Vision and Strategies to Apply Our Reinvention Principles* (Jan. 1994).

²⁹ The Commission’s enabling statute (sec. 305(a)) explicitly provides that “[a]gencies may, upon request by the Commission, make services and personnel available to the Commission to carry out the duties of the Commission.” The FAA is one of the largest civilian agencies in Alaska, and its assistance to its tiny neighbor down the street has been exemplary.

³⁰ Report GAO-07-993, pages 63-64.

³¹ 5 U.S.C. § 2302.

³² Chief of OSC’s Washington field office, Oct. 4, 2007.

OSC has previously trained the commission's employees about the Hatch Act and appears willing to assist with future training on whistleblower protections.

3. Audit Committee

Despite the limited formal role of the commissioners, the Denali Commission is a pioneer among small federal agencies in its establishment of a "financial management advisory committee."³³ This group — which includes two of the commissioners — meets to proactively advise the agency head and inspector general on key financial controls related to accountability and governance.

Per tradition, the commission's CFO functions as the committee's coordinator. She and I have actively drawn upon the national expertise of those instrumental in establishing these groups at other federal agencies. We recently attended the committees at GAO and SBA for comparison purposes.³⁴

The commission's financial management advisory committee is fortunate to have expertise from around the country:

Peter Aliferis, national director of AGA's CGFM program (Virginia)
Richard Cattanach, PhD / CPA, commissioner (Alaska)
Mary Heath, assoc. director of VA financial consulting (Texas)
Joseph Kull, CPA (Virginia)
Karen Rehfeld, state OMB director and commissioner (Alaska)

Meetings are conducted via live videoconferencing due to the "transcontinental" nature of the group.

The Denali Commission is statutorily exempt from FACA. As this new committee meets in the months ahead, the agency head will need to carefully ration the experts' limited time among technical problem-solving, long-term brainstorming, guest presentations, and "housekeeping" details. Members' perception that advice translates into action will no doubt be critical to their continued participation.³⁵

³³ The concept of these committees is discussed at KPMG, *Financial Management Advisory Committees for Federal Agencies: Suggested Practices* (March 2003) and GAO, *Inspectors General: Enhancing Federal Accountability*, GAO-04-117T (Oct. 8, 2003), pages 11-12.

³⁴ We appreciate the assistance that Ed Mazur, a member of the committees at both GAO and SBA, has provided us in understanding their role in the federal system.

³⁵ The agency head ("federal co-chair") should continue to chair this group for two reasons. First, only he has the authority to issue the administrative orders that will translate the group's advice into decisions implemented by the commission's staff. Second, for purposes of sunshine law interpretations, his role as chair underscores that he is obtaining informal advice from other commissioners on functions that lie within his administrative discretion and do not require their formal approval. See 42 U.S.C. § 15911(c) and Richard K. Berg, Stephen H. Klitzman, and Gary J. Edies, *An Interpretative Guide to the Government in the Sunshine Act*, 2d ed. (American Bar Assn., 2005), page 17.

The new committee should serve as a constructive forum for resolving some important accountability issues — such as grant monitoring, funding suspensions, program impact evaluations, the quality of grantees' single audits and, last but not least, "lessons learned" from the commission's own financial audit. Regulators, grantees, co-funders, and auditors should be invited to the forum as needed to advance these resolutions.

At my suggestion, management has invited GAO to brief the commission's financial management advisory committee about the pending study when it meets in Washington, DC next month.

4. Annual Financial Audit

The Denali Commission records transactions using the accounts prescribed for federal agencies by the *Standard General Ledger*. For the past two fiscal years, the annual financial statements have been reported using the FASAB paradigm for GAAP.

For the past four fiscal years, the Denali Commission has contracted with a CPA firm to audit its financial statements as required by OMB regulation.³⁶ Both contractors have been CPA firms from the Washington, DC area that are listed as qualified on the GSA schedule and have experience in auditing small federal agencies.

All four of these financial audits have resulted in an unqualified opinion. The most recent audit had one finding: a "significant deficiency" (but not a "material weakness") indicating the need for improved policies and procedures concerning the accounting for grants.

In my selection of the current auditor, I assembled a technical review panel of five accountants whose expertise spans both the profession and the country. To maximize the independence of the audit, I also arranged for a contracting officer from a federal agency beyond the one from which the commission regularly obtains its contracting, HR, and payroll services (i.e., key cycles to be audited).

In my oversight of the FY 2007 audit, I went to the CPA firm's office and physically inspected its workpapers using the FAM 650 and FSAN³⁷ monitoring procedures recommended for inspector generals. And I much appreciate the advice that three long-time ECIE inspector general offices³⁸ have offered me as to how to apply these procedures with appropriate rigor.

The FY 2007 audit report has been published within the PAR submitted to OMB within 45 days of the end of the fiscal year. The Denali Commission appears to be the only civilian federal agency that is participating, as I've recommended, in all three of the following voluntary initiatives related to the PAR: (1) OMB's PAR "pilot project" for user-friendly reporting; (2) the CEAR review by an expert panel from the Association of Government Accountants (AGA); (3) the AGA "citizen centric" reporting project for succinctly briefing the public. (The commission

³⁶ OMB Bulletin 07-04 and its predecessors.

³⁷ Financial Statement Audit Network of the Federal Audit Executive Committee.

³⁸ Federal Election Commission; National Science Foundation; Smithsonian Institution.

also explored the availability of a Mercatus PAR review, a process that is currently limited to larger agencies.)

5. The Transparency Trilogy: GISA, FOIA, APA

In 2005, Congress enacted an open meetings law specifically applicable to the commission (42 U.S.C. § 15911(c)).³⁹ The wording of this law is not original; rather, Congress has adapted parts of the Government in the Sunshine Act (GISA)⁴⁰ that has been applied over 30 years to many other agencies. Authoritative interpretations of that act are thus applicable to the statute that Congress enacted specifically for the commission.

Under the direction of the Inspector General Act to review legislation,⁴¹ I issued in 2006 a detailed analysis of the new law's application to the commission's meetings. Based upon the best interpretations available,⁴² I reported the boundaries that define the gatherings of commissioners that require public notice and public access.

However, it is important to remember that the commission-specific statute prescribes only the minimum level of openness required by law. In the context of any particular gathering, the commissioners are usually free to offer the public more access than the legally required minimum.⁴³

The commissioners sometimes struggle with the circumstances and process for closing part of a meeting. Counsel or the inspector general should be encouraged to attend any closed sessions as corroboration of the closure's legality.⁴⁴ This is especially desirable since the commissioners lack certain protections found in the full-fledged Government in the Sunshine Act (advance certification by counsel; a transcript of the closed portion).

The low incidence of FOIA requests at the commission is not surprising. The agency's work simply doesn't involve the processes such as adjudications, regulation, and military security that trigger access restrictions. Financial records and grant files are routinely available to the public during the ordinary business day without backlog, delay, or any formal FOIA request. And the commission's online public database (www.denali.gov) continues to offer extensive detail as to what's been built, where, for whom, and for how much.

³⁹ Though not an amendment to the Denali Commission Act, the commission's open meetings statute is codified as a permanent part of the United States Code at 42 U.S.C. § 15911(c). There is no legislative history available concerning Congress' decision to enact this provision for the Denali Commission.

⁴⁰ 5 U.S.C. § 552b.

⁴¹ Sections 2 and 4.

⁴² Authoritative interpretations of GISA are detailed in Richard K. Berg, Stephen H. Klitzman, and Gary J. Edies, *An Interpretative Guide to the Government in the Sunshine Act*, 2d ed. (American Bar Assn., 2005) (referred to hereafter as *Interpretative Guide*). The key U.S. Supreme Court precedent is *FCC v. ITT World Communications*, 466 U.S. 463 (1984).

⁴³ See *Interpretative Guide* 68-69.

⁴⁴ See *Interpretative Guide* 23, 144.

Nevertheless, the prior lack of an experienced FOIA officer at the commission has now been remedied through an Economy Act MOU with the FAA's regional counsel. A specialist in the latter's local office now serves as the commission's FOIA officer as the need arises. And the commission's CFO has obtained guidance from GAO concerning the required preservation of agency records.

The Administrative Procedures Act (APA)⁴⁵ provides the public with the opportunity to comment on regulations that covered agencies propose to issue. While public testimony is a feature of the commission's meetings, the APA's application to its processes remains uncertain at this point. The agency's management should pursue guidance from its legal counsel as to whether the APA requires a more formal rulemaking process for policies such as grant applications and funding criteria.

6. Federal Spending Controls

The Denali Commission is funded through both a direct congressional appropriation and transfers from other agencies. An annual budget request is processed through OMB, and the commission's CFO regularly meets with OMB's assigned examiner for planning purposes.

The commission's management, certifying officer, and inspector general have attended GAO training on the application of appropriation laws such as the Purpose Statute and Antideficiency Act (see Exhibit 2). And management plans to attend it again in 2008.

As necessary, the commission's CFO has obtained informal guidance from GAO's appropriation law experts. One of those attorneys has assisted the CFO in clarifying the point at which grant funds are considered to be "obligated" under some nuances of the commission's decision-making.

The commission applies the Federal Travel Regulation (FTR), the Prompt Payment Act, and the Federal Acquisition Regulation (FAR) in its control over spending. However, under FAR § 1.404, the agency head may be able to adopt a customized, more-flexible purchasing policy for certain classes of purchases below various thresholds. That possibility should be explored with legal counsel and the GSA official that administers the FAR.

7. Quality of Grantees' Single Audits

Grantees that receive at least \$500,000 in federal assistance are required to have an annual "single audit" from a CPA firm. OMB expects the awarding agency's management to review these audit reports and "[i]ssue a management decision on audit findings within six months after receipt of the audit report and ensure that the recipient takes appropriate and timely corrective action."⁴⁶ GAO has recently noted some national problems with the quality of these audits.⁴⁷

⁴⁵ 5 U.S.C. § 553.

⁴⁶ OMB Circular A-133 § 400(c)(5).

⁴⁷ GAO, *Single Audit Quality: Actions Needed to Address Persistent Audit Quality Problems*, GAO-08-213T (Oct. 25, 2007).

The commission's management has traditionally cited its reliance on grantee single audits as a monitoring control. However, the commission currently has no system in place for reviewing these audit reports or assuring that the issuing CPAs are covering the commission's funding in their fieldwork.

Last spring, the commission's CFO suspended seven grants to one recipient over various compliance issues. I contacted the recipient's auditor and learned that the commission's funding was not among the federal grants that the auditor had examined.

Future direct communication between the CFO and recipients' CPAs can alert the latter as to any increased risks concerning the commission's grants that the auditors should consider in planning their fieldwork. The following excerpts from OMB Circular A-133 encourage such cooperation:⁴⁸

The auditor's determination should be based on an overall evaluation of the risk of noncompliance occurring which could be material to the Federal program. . . [A]s part of the risk analysis, the auditor may wish to discuss a particular Federal program with auditee management and the Federal agency . . .

Weaknesses in internal control over Federal programs would indicate higher risk. Consideration should be given to the control environment over Federal programs and such factors as the expectation of management's adherence to applicable laws and regulations and the provisions of contracts and grant agreements and the competence and experience of personnel who administer the Federal programs. . . When significant parts of a Federal program are passed through to subrecipients, a weak system for monitoring subrecipients would indicate higher risk. . .

Oversight exercised by Federal agencies or pass-through entities could indicate risk. . . [M]onitoring which disclosed significant problems would indicate higher risk. . . Federal agencies, with the concurrence of OMB, may identify Federal programs which are higher risk. . .

Another proactive approach could be an invitation to a recipient and its auditor to review needed coordination with the commission's financial management advisory committee.

A less proactive approach, of course, would be after-the-fact "quality control reviews" of auditor workpapers by myself, or by another inspector general whose agency funds the same recipient.

8. Program Performance Evaluation and Reporting

In the case of the Denali Commission, the most significant deviation from GAO's implicit expectations would seem to be the commission's lack of a program evaluation function. This deficiency repeatedly resurfaces in several contexts.

⁴⁸ OMB Circular A-133 § 525 (emphasis added).

In FY 2006, two conditions caused OMB to rate the commission as merely “adequate” in the publicly-reported PART evaluation:

“The program lacks adequate evaluations that assess program impact.”

“[T]he program's activities are duplicative of other federal programs that address the same needs and provide the same types of assistance.”⁴⁹

In regards to the first condition, OMB elaborated as follows:

The Denali Commission has not created a schedule of independent impact evaluations of its programs. Currently, Commissioners conduct a review on a quarterly basis, the Inspector General conducts project audits and an independent advisory committee reviews energy facility program development and health care issues. However, these do not qualify as evaluations of sufficient quality, scope, and independence. While many of these reviews highlight important issues, they do not assess how Denali's collective activities are improving economic conditions in rural Alaskan communities. Rather, the Denali Commission should look to conduct a program evaluation that assesses the impact of programs on Alaskan communities by focusing on how Denali affects and influences the desired outcomes (e.g., health care, jobs, safety, etc.).⁵⁰

During FY 2007, the commission contracted with a research firm for a \$200,000+ review of the agency's accomplishments. That review detailed the agency's structure, the buildings built, the populations trained, and the interviewees that were pleased to get the commission's funding. The review did not measure the degree to which the commission's projects are making “bush” Alaska a better (e.g., healthier) place to live.

A whole federal “industry” has arisen to investigate perceived abuses of flood-related assistance after recent hurricanes in southern states. Here at the Denali Commission, the lack of an evaluation function invites Katrina-like accountability criticism.

Compounding the issue is the lack of an Alaskan consensus as to the role of evaluation among planners, social scientists, and the commission's own staff. The following are some of the justifications offered by various parties around the state for the lack of outcome measurements for programs like the Denali Commission: (1) outcomes are not measurable; (2) criteria (benchmarks) are not available; (3) assistance is a right (or reparation) given the policy area or the history; (4) data is not available; (5) data collection should be specified up front; (6) grantees should do their own evaluations; (7) Congress funds physical uses rather than results; (8) evaluations are the inspector general's problem.

A further complexity arises when one or more federal agencies are funding a project in addition to the Denali Commission. The co-funders need to coordinate their monitoring to assure that accountability isn't diffused among different tracking systems (or simply doesn't occur).

⁴⁹ OMB, *Program Assessment of Denali Commission*, at www.expectmore.gov.

⁵⁰ OMB, *Program Assessment of Denali Commission*, sec. 2.6, at www.expectmore.gov.

Nevertheless, other rural development agencies — both large and small — have evaluation functions. The Millennium Challenge Corporation (annual budget \approx \$1.7 billion) has a “department of accountability.” The Inter-American Foundation (annual budget \approx \$25 million) has an “office of evaluation.” The Denali Commission may be able to share the evaluation expertise of agencies such as these through Economy Act MOUs.

In May 2007, the comptroller general addressed a coordination meeting between GAO and the federal inspector generals. Within his list of accountability challenges were the following two concerns:

“The failure to link resources and authorities to results (outcomes).”

“Rising expectations for demonstrable results and enhanced responsiveness.”⁵¹

In September 2007, OMB alerted federal CFOs and inspector generals that “OMB and agency officials with responsibility for performance management will develop a separate framework for independent verification and validation of performance data starting for fiscal year 2008.”⁵²

However, no draft of such a new requirement has been issued so far. It thus remains to be seen whether “independent verification and validation” will translate in practice as new audit procedures by CPAs, expanded oversight by inspector generals, or program evaluations by research contractors. Thus, to the extent possible, the commission should explore the compatibility of any plans for an evaluation function with new OMB requirements that seem to lie just over the horizon.

Here at the Denali Commission, one of the most difficult, uncomfortable, and avoided evaluation subjects concerns the size of community that warrants public support (versus self-support). While national lore may abstractly decry construction to “nowhere,” the choices are very real, and very serious, for rural families that must go without what most of America takes for granted.

The commission’s strategic plan idealistically aspires that “[a]ll Alaska, no matter how isolated, will have the physical infrastructure necessary to protect health and safety and to support self-sustaining economic development [emphasis added].” This idealism is challenged by the logistics of serving tiny, often unincorporated settlements that are far from any road system. Given that roughly half of the state’s communities have fewer than 300 people, many locations will have an inherently limited capacity to support their own facilities in the years after the commission has given them the key.

For instance, my inspection reports for FY 2007 recount the commission’s choice to spend \$3.6 million to build four facilities to serve the fuel and electricity needs of approximately 20 households in a tiny, unincorporated, mountain settlement located deep in Alaska’s interior. The commission has also paid for the design of a new clinic there, with construction estimated to cost \$1 million. And the state’s transportation department is planning to spend \$12 million on a new airstrip.

⁵¹ Comptroller General David Walker’s presentation to the IG-GAO coordination meeting held May 8, 2007 in Washington, D.C. (excerpt from slides).

⁵² OMB Bulletin 07-04, transmittal letter.

A similar dilemma can arise when the commission funds a facility that supports a settlement's public school. When schools fall below 10 students in rural Alaska, they lose their lifeblood of state funding and may need to close. My inspections noted one location where the state counted only 11 students. Yet the commission chose to spend around \$450,000 to provide the school with a new fuel tank.

These tensions concerning serviceable size are not isolated anecdotes. Other examples of small settlements with Denali-funded energy facilities are Tenakee Springs (est. pop. 98), Chuathbaluk (est. pop. 95), Sleetmute (est. pop. 92), Atka (est. pop. 90), Hughes (est. pop. 69), Stevens Village (est. pop. 68), Clark's Point (est. pop. 65), Stony River (est. pop. 42), Alatna (est. pop. 41), Nikolski (est. pop. 31), and Lime Village (est. pop. 28).

The commission's grants for clinics are also challenged by the effort to serve such "micro-settlements." The commission's home page publicly presents its goal to build over 200 clinics around the state. This paradigm of a clinic in every village is based upon a 2000 study by other agencies that assumes a need for settlements from 20 to 100 people to have a 1,500 square-foot clinic, complete with pharmacy and morgue.⁵³

Examples of small settlements that have received Denali grants to construct clinics are Sleetmute (est. pop. 92), Egegik (est. pop. 81), Twin Hills (est. pop. 71), Clark's Point (est. pop. 65), Stevens Village (est. pop. 68), Beaver (est. pop. 64), and Alatna (est. pop. 41).

Despite the small population served by such clinics, diagnostic code data is commonly collected by the regional health corporations in the ordinary course of treating patients. Analysis of this data for a sample of small clinics could reveal whether the paradigm of a clinic in every village results in better care and better health. The commission has so far, though, declined to attempt any analyses of diagnostic and treatment data.

As the commission builds away, it would be invaluable to know whether such "infrastructure" is making rural Alaskans any freer of past physical scourges and modern behavioral ones. The third world conditions of the "other Alaska" are still out there in the land beyond the tourism commercials.

9. Independence of Inspector General Function

Both the Denali Commission Act and the Inspector General Act require the commission to have an inspector general. The commission is one of approximately 30 "designated federal entities" (DFE) that are now statutorily required to have this oversight function.

The "federal co-chair" functions as the agency head per the enabling act. As envisioned by the Inspector General Act and OMB memo M-93-01 (the "Hodsoll letter"), the inspector general here is appointed by, and subject to the "general supervision" of, the federal co-chair rather than the panel of commissioners.

⁵³ See Alaska Native Tribal Health Consortium, Alaska Dept. of Health & Social Services, and Indian Health Service, *Alaska Rural Primary Care Facility Needs Assessment Project Final Report*, vol. I (Oct. 2000), pages 10, 23-25.

The agency head and I concur that the commission's inclusion among DFEs signals Congress' intent that the agency have its own full-time, Alaska-based, onsite inspector general. Such oversight for this agency is not surprising given the annual spending of around \$130 million for projects totally within a remote state far from Washington, DC. In fact, I appear to be the only DFE inspector general that is not based in Washington, DC.

Congress could have instead specified the Denali Commission as just a "federal entity," and thereby left it to management's election to obtain inspector general services as needed.⁵⁴ Or Congress could have specified that the inspector general for a particular cabinet-level department would serve the agency — as Congress did in linking the Delta Regional Authority to the USDA inspector general.⁵⁵

I am the commission's first inspector general that is full-time, in-house, and Alaska-based — and the function's only employee at this point. The function still lacks the necessary separate budget, support staff, and equipment (e.g., fax, server, printer, home page). The commission currently spends less than one-tenth of 1% of its annual \$130 million budget on this statutory oversight function.

In June 2007, GAO reported to Congress concerning various legislative proposals to improve the Inspector General Act.⁵⁶ An appendix to that report lists the budget of all inspector general offices, and shows the function at the Denali Commission to lack its own budget.

I have discussed this deficiency with GAO and ECIE members. The agency head and I are working to correct this shortcoming in the interest of improving both the function's independence and its service level.

10. Core Competence Justifying An Agency's Existence

The federal system is populated with many small, specialized agencies. Implicitly lurking in GAO discussions is the perennial issue of whether it would be more efficient and effective "governance" for any given task to be directly accomplished by a cabinet-level department.

To draw upon the popular saw, the above nine factors all consider whether the studied agency is "doing things right" (playing by the rules). But this final factor asks the tougher question whether an agency is "doing the right things" (producing public value).

Uncomfortable as the issue is for any small agency, a proposed amendment to the Inspector General Act that recently passed the House of Representatives signals that Congress likes to see the matter considered. Section 11 of H.R. 928 instructs inspector generals to recommend "*whether an abolishment, reorganization, consolidation, or transfer of existing Federal programs and agencies is necessary.*"

⁵⁴ See 5 U.S.C. Appendix — Inspector General Act §§ 8G(a), 8G(h).

⁵⁵ See 7 U.S.C. § 2009aa-10.

⁵⁶ GAO, *Inspectors General: Proposals to Strengthen Independence and Accountability*, GAO-07-1021T (June 20, 2007).

By the end of 2007, Congress will have funded its Denali Commission experiment with close to \$1 billion. The omnipresent question thus looms as to what Alaskans have received through this experiment that they would otherwise have gone without. In other words, what outcomes made the commission more than a ceremonial layer?

Three possibilities have traditionally been assumed, and argued, as the “value added” over the commission’s short history: (1) synergies from interagency coordination; (2) innovative solutions that would have been left undiscovered by traditional agencies; (3) enhanced mechanisms of accountability to the American public for what was done with what was given.

On the other hand, two commentators on governmental coordination observed over 30 years ago:

To coordinate is not necessarily to simplify. The innovations that have been introduced over the past decade for purposes of coordination have given us a more complicated federal system — one with five, six, or even seven levels of government where three or four sufficed before. . .⁵⁷

The commission provides rural Alaska with some of the basic local facilities that the rest of the nation has long taken for granted. The agency’s “legacy” programs fund the construction of clinics, powerhouses, and fuel tanks in some of the most challenging locations in America.

Nevertheless, scrutiny for a distinctive core competence suggests the broader issue of whether the commission’s “legacy” programs should be defined in terms of innovative rural electrification and health care — or just the methodical addressing of longstanding state lists of needed clinics, generators, and tank farms.

But Alaska has six opportunities-in-waiting if the commission wants to distinguish itself.

First, in-river turbines may be a potent antidote to the paradigm of diesel dependency (basically a generator and a fuel tank in every village). The commission has funded the state’s first demonstration project of this invention (Eagle on the Yukon). Given the diversity of our rivers, it should try some more. And the commission should consider the potential for training rural Alaskans to build and market these devices to the world.

Second, geothermal sources of various heat levels exist around the state. The commission has funded a resort’s power plant (near Fairbanks) that innovatively demonstrates the ability to harness lower-temperature hot springs in a small setting. Again, the commission should try some more to offset the skyrocketing cost of shipping fuel into bush Alaska.

Third, Alaska has just opened one of 20 national quarantine stations operated by the U.S. Public Health Service.⁵⁸ To the extent that the network of rural health clinics can partner with this facility as a “biological DEW line,”⁵⁹ those clinics will have significance to the Lower 48.

⁵⁷ James L. Sundquist & David W. Davis, *Making Federalism Work: A Study of Program Coordination at the Community Level* (1969), page 242.

⁵⁸ See www.cdc.gov/ncidod/dq/quarantine_stations.htm. The Alaska quarantine station is at the Anchorage International Airport.

⁵⁹ The DEW line was an early Cold War radar network in Alaska and Canada that was designed to detect Soviet bombers heading toward the Lower 48.

Fourth, another new “DEW line” may be the hundreds of self-sustaining, satellite-linked, data sensors that various agencies are installing for various purposes around rural Alaska. They guide aircraft, report the weather, predict wildfires, watch highway traffic, register earthquakes, and will track climate warming over the next 50 years. Rural students may be inspired to careers in technology to the extent that the Denali Commission can expand its training efforts to include the servicing of these facilities by local residents.

Fifth, I note again that an entire federal “industry” has arisen to investigate perceived abuses of government assistance after recent natural disasters in the Lower 48. Alaskans can certainly argue that their state has been comparatively more accountable (and less controversial) in its application of federal aid to some of its natural disasters (e.g., earthquakes, wildfires, volcanic eruptions). To the extent that the Denali Commission can export the “lessons learned” to other states, the agency’s value to the rest of the nation is demonstrated.

Sixth, the local public school is often the dominant structure and the dominant employer in Alaska’s rural settlements. Exhibit 3 lists eight ways in which the commission can potentially partner with the local school when implementing a remote project. The agency head should found an interagency coordinating council for this purpose.

FINALE

No matter how the commission evolves, it should never forget its foundation to serve the “other Alaska” that most visitors never see.

I agree with GAO that the question of the optimal governance and accountability structure is a timely one for the Denali Commission. The combination of statutory framework, funding, and management ingenuity will decide the commission’s fate as the little agency that *could* — or the little agency that *could have been*.

EXHIBIT 3

EIGHT SCENARIOS FOR COORDINATION BETWEEN THE DENALI COMMISSION AND RURAL SCHOOLS

Concurrent construction mobilization for separate projects by school and Denali Commission in same remote community

Collocation of new non-school facility (clinic, community center) within a school building

School contributions of “in kind” equipment or services

School as major beneficiary of local facility (tank farm, power plant, teacher housing)

Risk of school closure due to low attendance after Denali funds associated facility

Use of former school buildings, rather than new construction, for Denali projects

School’s management of construction of associated Denali-funded facility

School’s operation of associated Denali-funded facility after construction

Mike Marsh

MIKE MARSH, CPA, MPA, CFE, ESQ.
INSPECTOR GENERAL

First Alaskans Institute

The following highlights are based on preliminary findings from research commissioned by First Alaskans Institute in the form of its 2007 Attitudinal Survey.

In 2006 the FAI Board of Trustees decided to conduct an attitudinal survey; FAI commissioned the survey in the Spring of 2007 to provide to provide accurate, objective measurement of Alaska Native and non-Native attitudes, values, beliefs, conditions, and priorities over time, presented in the context of the overall Alaska environment.

The Board felt the survey will fill a critical gap. Currently the Native Community does not have an ongoing program for understanding what Alaska Natives think about issues and conditions in the state, nor does there exist a program which understands what non-Natives think or feel about Alaska Natives.

This project will provide objective and accurate information for Native leaders and public policy makers to use as an additional tool to develop appropriate policy initiatives to address issues of concern to Alaska Natives and the state as a whole. The following highlights are presented in the context of the Denali Commission February 2008 Quarterly Meeting, and in conjunction with the “Fuel costs, migration, and community viability” research project that the Institute of Social and Economic Research is undertaking with the Alaska Native Policy Center.

Not counting going away to school or for training, have you ever left rural Alaska to live elsewhere, or not?	Alaska Native respondents	Non-natives
Yes	31%	15%
No	67%	79%
Can't say	2%	5%

What, if anything, would it take for you to move back to your rural community? What would prompt you to go back to live there?	Alaska Native respondents	Non-natives
Nothing/don't know	67%	76%
Opportunities	19%	7%
Family	4%	14%
Other needs	7%	4%

Why did you move away from your rural community? What motivated you to go live somewhere else?	Alaska Native respondents	Non-natives
Work-related reasons	58%	67%
Family	22%	5%
Other opportunities	15%	17%
New experiences	12%	23
Other needs	5%	5%

Have you already or do you intend to return to live in your rural community some day, or not?	Alaska Native respondents	Non-natives
Yes, intend to	11%	4%
Yes, have already	30%	36%
No	40%	46%
Not sure	20%	15%

How long have you lived in your community?	Alaska Native respondents	Non-natives
Less than one year	1%	1%
1 to 5 years	9%	5%
6 to 10 years	12%	21%
11 to 20 years	20%	20%
20 to 30 years	19%	27%
31 to 40 years	17%	10%
More than 40 years	21%	16%

Why did or do you intend to return to your rural community? What is it that motivates you to live there?	Alaska Native respondents	Non-natives
Home, family, and friends	49%	38%
Prefer rural life	46%	37%
Opportunities	5%	34%

In the big, remote stretches of northern and western Alaska, many households keep themselves going with a mix of cash, subsistence, sharing, and other non-cash trading. That's a world away from the state's urban economy, and under standard measures like income, the remote rural economy lags far behind.

Over the years there have been many efforts to improve the remote rural economy—but there's a lot we don't know about it. Standard economic measures don't capture all the activity in an economy where subsistence, sharing, and non-cash trading play important parts. Some kinds of data don't even exist.

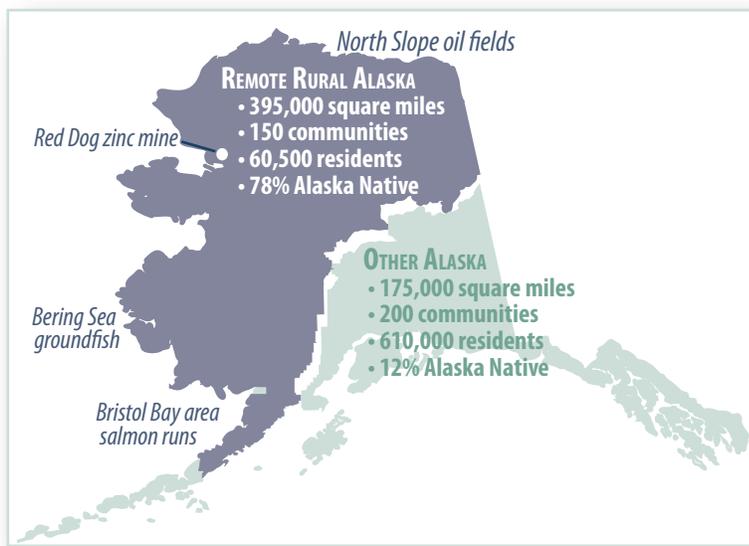
But to develop effective strategies, Alaskans need to understand the economic realities of the remote region. This paper is an overview of the remote economy, based on published data. It's at best an approximation, because the data are so limited. Still, it's a first step—and it highlights the many gaps in information.

Stretching from the North Slope to the Alaska Peninsula, the remote region covers 395,000 square miles and is large enough to hold Japan, Germany, and Great Britain. Alaska Natives, the region's aboriginal people, still make up most of the population—although thousands have moved to urban areas in recent times. The 60,500 residents live in five regional centers and about 150 small communities.

Most of Alaska's natural resource wealth is produced in the remote region—but largely in enclaves like the North Slope oil facilities. Outside the enclaves, the region's isolation, difficult terrain, and harsh climate have historically limited economic growth.

Commercial salmon fishing was the region's largest private industry for much of the last century, and thousands of residents still depend on it. But changes in world markets have hurt that industry. Oil has been by far the most valuable resource since the 1970s. Pollock and other groundfish harvested offshore are also valuable, making up much of the world's groundfish catch. And with rising prices, zinc produced in the region has also recently become much more valuable.

But with some important exceptions, this resource wealth bypasses the regional economy, and it's government that accounts



for most income of residents. Regional unemployment is high and cash incomes are low. Figure 1 tells the story of the remote economy.

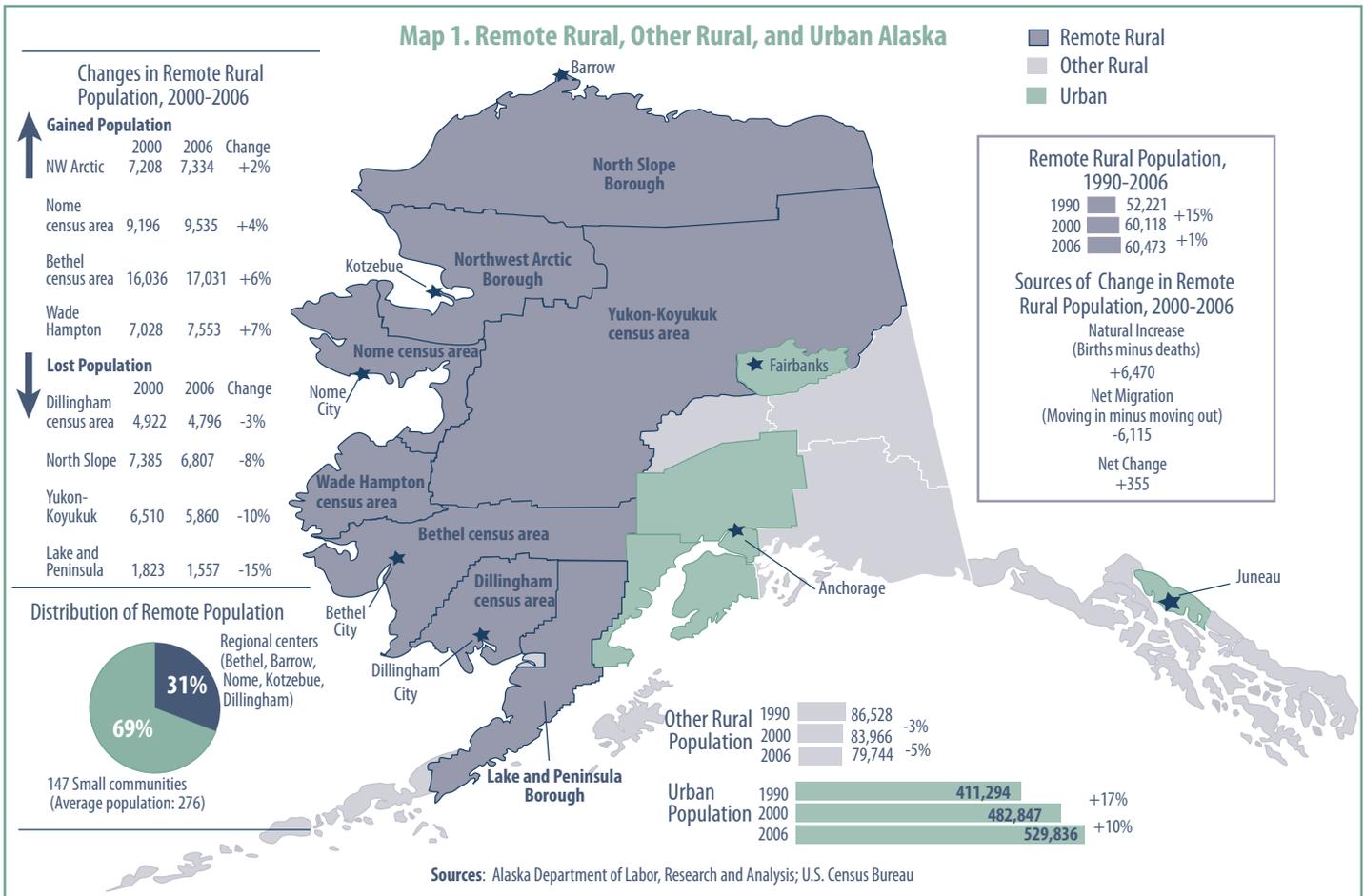
- *Despite the high value of resources produced in remote areas—nearly \$17 billion in 2006—local residents depend on government for 71% of their personal income.* That share would likely be closer to 90% if it also included income that indirectly depends on government spending. Government supports not only public but also many private jobs.
- *Some residents and a few areas do benefit from resource production—through local taxes, jobs, and Alaska Native corporations that own resources or do business with resource industries.*
- *The locations and types of jobs available in remote areas often don't match the local labor supply—which means many local residents are unemployed, while at the same time about 40% of workers are non-locals, either from other areas of Alaska or outside the state.*
- *Combining cash-paying jobs and subsistence activities is the way most households in remote areas get along.* A recent survey found, for example, that 78% of Inupiat households in northern Alaska combine jobs and subsistence fishing, hunting, and other activities.

Figure 1. The Remote Rural Economy: What Makes It Different?



*Zinc was the most valuable metal produced in remote rural Alaska in 2006, but smaller quantities of lead, silver, and gold were also produced.

Sources: Alaska Departments of Labor, Natural Resources, Fish and Game, and Commerce, Community and Economic Development; National Marine Fisheries Service; Bureau of Economic Analysis; Survey of Living Conditions in the Arctic, 1998-2001; author's estimates. Note: Resource production value based on wellhead value of oil, market value of zinc, and price paid fishermen for salmon and groundfish.



THE REMOTE RURAL REGION

We define the remote rural region as the North Slope, Northwest Arctic, and Lake and Peninsula boroughs and the Wade Hampton, Bethel, Nome, Dillingham, and Yukon-Yoyukuk census areas.¹ Most communities in this region are small and along the coast or on rivers, far off the state's main road and ferry systems.²

The people, the way of life, the local government structure, and the Alaska Native corporations in remote rural Alaska all influence the regional economy. Data about this region are spotty at best, and some figures we include here are estimates. The huge size, isolation, and small population of the region—and the complexity of the economy—make collecting data expensive and difficult. That complexity also means that standard measures—income, employment, and consumption—are useful but don't give the whole economic picture. They don't account for the contributions of subsistence and other non-market activities, or differences in spending patterns and other factors that complicate comparisons of living conditions between remote rural and urban places.

THE PEOPLE

We used population data from both the U.S. census, last done in 2000 but still the only available source for some data, and the Alaska Department of Labor's Research and Analysis section, which estimates population between federal censuses.³

● *One in eleven Alaskans lives in remote areas—about 60,500 in 2006.* A third live in the regional centers of Barrow, Bethel, Dillingham,

Kotzebue, and Nome—towns with populations in the thousands. The rest live in nearly 150 small communities with average populations of about 280.

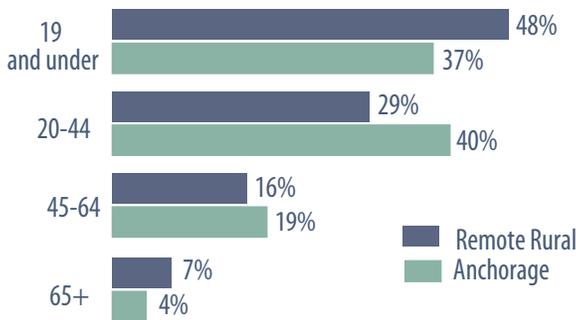
- *Close to 80% of regional residents are Alaska Native. That share is higher in small places.* Non-Natives are concentrated in the regional centers, where they made up a third of the population in 2000.
- *The remote rural population increased only about 1% between 2000 and 2006, despite thousands of births, and population actually declined in several areas.* Nearly 6,500 more people were born in the region than died between 2000 and 2006. But at the same time, 6,100 more people moved out than in (Map 1).
- *Much of that movement is accounted for by Alaska Natives moving from remote to urban areas.*⁴ The Alaska Department of Labor estimates that from 2000 to 2006, the number of Alaska Natives dropped about 3% in the remote region but was up nearly 25% in Anchorage. Lack of jobs in the smaller remote places is a big reason for this migration, but other factors likely also contribute—better access to specialized medical care, higher education, or technical training, for instance.

Figure 2. Estimated Changes in Alaska Native Population in Remote Rural Region and Anchorage, 2000-2006

	2000	2006	Change
Remote Rural	48,490	47,182	-3%
Anchorage	24,025	29,730	+24%

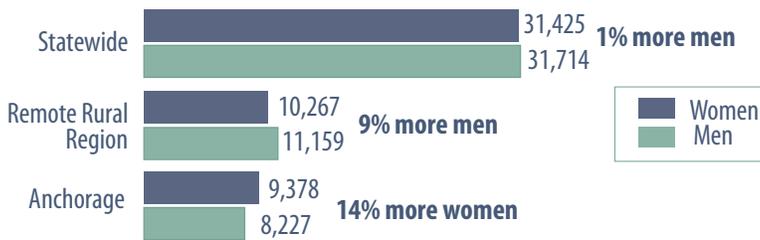
Source: Alaska Department of Labor, Research and Analysis, bridge estimates

Figure 3. Age Distribution, Alaska Natives, Anchorage and Remote Rural Areas, 2006



Source: Alaska Department of Labor, Research and Analysis, bridge estimates

Figure 4. Numbers of Working-Age (20-64) Alaska Native Men and Women, 2006



Source: Alaska Department of Labor, Research and Analysis, bridge estimates

- Until recently, gains from natural increase were considerably larger than losses from migration. In the 1990s, the remote rural population grew 15%—almost as fast as growth in urban areas.
- Other rural areas—outside the remote region—have also lost population (Map 1). Those areas, typically on the state road or ferry systems, have been hurt by declines in the timber and fishing industries.
- Nearly half the Alaska Natives in remote areas are under 20, compared with 37% in Anchorage (Figure 3). High birth rates in remote areas partly account for that difference, but migration of working-age Alaska Natives from remote to urban areas also plays a part.
- Working-age Alaska Natives (20 to 64) make up 59% of the Native population in Anchorage but just 45% in remote places—another sign that Alaska Natives are moving to urban places (Figure 3).
- Alaska Native women of working age are especially likely to live in urban areas. Numbers of working-age Alaska Native men and women statewide are about equal. But in Anchorage, there are 14% more women and in remote areas 9% more men (Figure 4).
- Non-Native residents of the remote region are concentrated among working-age adults and are most likely to live in regional centers.

THE MIXED ECONOMY

Some analysts wonder if the cash economy is replacing the traditional subsistence economy in remote rural Alaska. According to the evidence so far, the answer is no.

Subsistence activities—hunting, fishing, berry picking, and preserving meat and fish, among others—are part of the Alaska Native culture, as is sharing those subsistence foods. Both the subsistence activities themselves and the sharing among families and friends also have substantial economic value.

The Alaska Department of Fish and Game estimated in 2000 that among remote rural households (including both Alaska Native and non-Native households), 60% harvest game and 80% fish, and that annual harvests are several hundred pounds per person.⁵

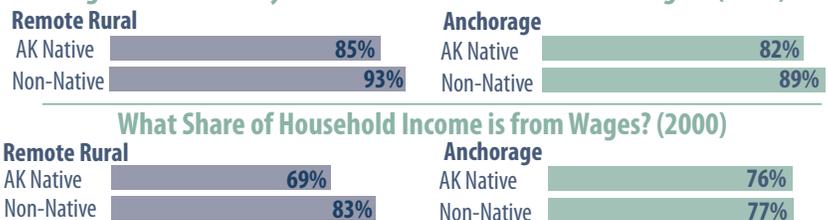
But the U.S. Census Bureau reported in 2000 that most households in the remote rural region—85% of Alaska Native and 93% of non-Native—also had at least some income from wage work, and that wages made up most household income among both Alaska Native and non-Native households (Figure 5).

So it's clear, given the large subsistence harvests and the prevalence of wage-work, that remote rural households routinely combine work and subsistence. Evidence of that pattern is in the recent Survey of Living Conditions in the Arctic, an international survey of indigenous people around the Arctic. It found that in northern Alaska (including the North Slope and Northwest Arctic boroughs and the Nome census area), 78% of Inupiat households combined subsistence activities and jobs.⁶ (See Figure 1 on the front page).

There's also an "informal" economy, not captured in statistics, in remote places. Families and neighbors may trade services, share goods, or make cash payments not reported to the IRS. Such activities outside the standard market economy go on nationwide. But they are especially important in remote rural Alaska, where both cash and local businesses are scarce. Small remote communities can't support most of the service businesses—everything from vehicle repair to hair-cutting shops—found in urban areas.

No estimates exist of how much time residents spend in the informal economy. But such activities clearly add to households' economic well-being.

Figure 5. How Many Households Have Income From Wages? (2000)



Source: U.S. Census Bureau

PRICES AND LIVING COSTS

Prices in remote rural places are much higher than in urban areas. Transportation costs, severe climate, small local markets, inefficiencies, lack of competition, and other structural problems all add to prices in remote areas.

The limited available information about how residents of remote places spend their money suggests that most cash spending, especially in the smallest villages, is for food from stores, utilities (including fuel), and transportation.

Rising energy prices have made it more expensive for all Alaskans to heat their homes and keep the lights on. But most remote rural places rely on fuel oil for both heating homes and generating electricity. Fuel oil is far more expensive than natural gas, which is available in Anchorage and a few other communities.

In mid-2007, energy from fuel oil in Bethel was roughly four times more expensive than energy from natural gas in Anchorage (Figure 6). And fuel oil is even more expensive in smaller remote places than in regional centers like Bethel.

Rising energy costs have also increased the costs of transporting food and everything else to remote places. For example, in 1990 the cost of buying the same market basket of foods was 45% higher in Bethel than in Anchorage, but by mid-2007 it was 92% higher (Figure 7). Again, prices are higher in smaller remote places than in Bethel and other regional centers.

Keep in mind that higher prices for individual items don't necessarily mean overall living costs are equally high. Comparing living costs in urban and remote rural Alaska is complicated, because households in remote places don't typically buy the same kinds and quantities of things urban households do.

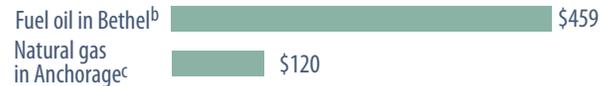
A big difference is that people in remote places are more likely to buy gear and supplies for subsistence hunting and fishing. (That doesn't mean urban Alaskans don't hunt and fish—just that the percentage who do is smaller.) In turn, harvests of fish and game mean that people in remote places often don't have to buy as much meat and fish as most urban Alaskans do.

Transportation and other kinds of everyday expenses also differ. For instance, most urban Alaskans own cars, while snow machines and all-terrain vehicles are common in remote villages.

Another thing affecting spending patterns is that a majority of people in remote areas are Alaska Natives, who as indigenous people are eligible for federal health care, housing, and other programs. Such programs can reduce costs for Alaska Natives—but availability of specialized health care and other services is limited in small remote places.

Still, even though we know about some of these differences in spending patterns, there isn't enough specific information to estimate overall living costs for remote rural households. Estimating those costs would require knowing much more—for example, about what remote rural households typically buy, how much subsistence harvests offset food and other costs, and how much informal economic activities contribute to the well-being of households.

Figure 6. Cost of 100 Gallons of Fuel Oil and Equivalent Energy from Natural Gas in Anchorage, 2007^a

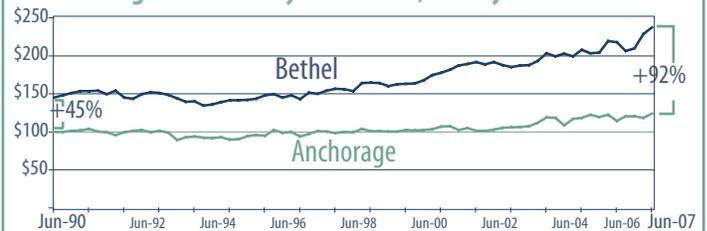


^a Author's calculation: 100 gallons of fuel oil equals 138 therms of natural gas

^b Fuel oil at \$4.59 per gallon, reported by Cooperative Extension Service, University of Alaska Fairbanks, June 2007

^c Contract price for 2007, reported by Enstar Natural Gas Company

Figure 7. Weekly Food Costs, Family of Four*



*Based on grocery store prices

Source: Cooperative Extension Service, University of Alaska Fairbanks

LOCAL GOVERNMENT

Local governments of several kinds play a big part in the remote rural economy, accounting for more than a quarter of all jobs. Borough and city governments are authorized under state law. Boroughs are regional governments similar to counties. School districts are also considered local government entities. Tribal governments for Alaska Native communities are authorized under federal law.

Many but not all remote places have city governments, which typically collect some local taxes—most often sales taxes. Alaska school districts get about two-thirds of their operating money from the state, and the rest comes from a combination of local and federal money. Tribal governments, supported by federal money, exist in Alaska Native communities throughout remote rural areas. They account for nearly 20% of local government jobs in remote places.

Borough governments have never been established in many parts of remote rural Alaska—because most remote places don't have adequate tax bases to support regional governments. There are, however, three borough governments in the remote rural region (as defined in this paper)—the North Slope, Northwest Arctic, and Lake and Peninsula boroughs (Map 1). They exist because resource production provides tax bases that other remote rural areas don't have.

The North Slope Borough, formed in 1972, collects taxes on petroleum property on the North Slope—which for 30 years has been the largest onshore oil-producing area in the country. Inupiat leaders realized early on that a borough government would help local people capture some benefits of oil production. It was the first non-tribal regional government in the U.S. controlled by Native Americans.

The Northwest Arctic Borough was established in 1986, after a very large mineral deposit was confirmed on land owned by NANA, the Alaska Native regional corporation representing northwest Alaska. The borough collects payments in lieu of taxes from the operators of the Red Dog mine, which primarily produces zinc but also smaller quantities of lead and silver.

The Lake and Peninsula Borough was established in 1989 and includes major commercial salmon fishing districts. It operates mostly with revenues from a tax on raw fish, but also collects taxes related to recreational hunting and fishing and tourism.⁷

Figure 8 compares local tax revenues among Alaska's urban and remote rural boroughs. The North Slope Borough, with the oil facilities around Prudhoe Bay as a tax base, collected nearly \$200 million in property taxes in 2006. It is second only to Anchorage in local tax revenues—and on a per-capita basis, it is the wealthiest borough in Alaska and among the wealthiest regional governments in the country.

The Northwest Arctic Borough collected \$8.6 million in payments in lieu of taxes from the Red Dog mine in 2006. The Lake and Peninsula Borough collected about \$1 million in local taxes, mostly from a fish tax.

Taxes boroughs collect are one way local residents benefit from resource production, because they fund local services and create local jobs. That's especially true of the North Slope Borough, which employs several hundred people. The two other boroughs, with much smaller tax bases, employ fewer people—Northwest Arctic about 30 and the Lake and Peninsula 6 full-time employees in 2006.

ALASKA NATIVE CORPORATIONS

Alaska Native corporations—both for-profit and non-profit—are unique to Alaska and have become very important to the remote rural economy (as well as the state economy). The for-profit corporations were established under the 1971 Alaska Native Claims Settlement Act, which awarded Alaska Natives 44 million acres and \$1 billion, to settle aboriginal land claims.

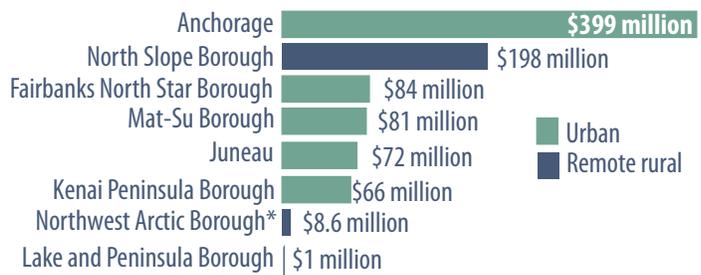
The act established 13 for-profit regional corporations (12 in Alaska and one outside), as well as more than 200 village corporations within the regions.⁸ Those corporations manage the land and money on behalf of their Alaska Native shareholders. Six regional corporations—Arctic Slope, Bristol Bay, Bering Straits, NANA, Calista, and Doyon—represent shareholders from remote rural areas. (Some areas within the Doyon and Bristol Bay corporation boundaries are outside our defined remote rural region.)

The non-profit corporations often grew out of older Native associations. They administer health, housing, and other programs the U.S. government provides Alaska Natives and other Native Americans. They are among the largest employers in remote areas (see Figure 11, page 7). Although funded largely with federal money, they are in the private non-profit sector.

The six for-profit regional corporations in remote rural areas own businesses in many industries, inside and outside Alaska. All six are involved—some much more than others—in resource industries in remote rural Alaska.

It's beyond the scope of this paper to try to sort out the regional corporations' many business

Figure 8. Local Tax Revenues, Urban and Remote Rural Boroughs, 2006



*These are not taxes but payments in lieu of taxes, paid by the operators of the Red Dog mine.

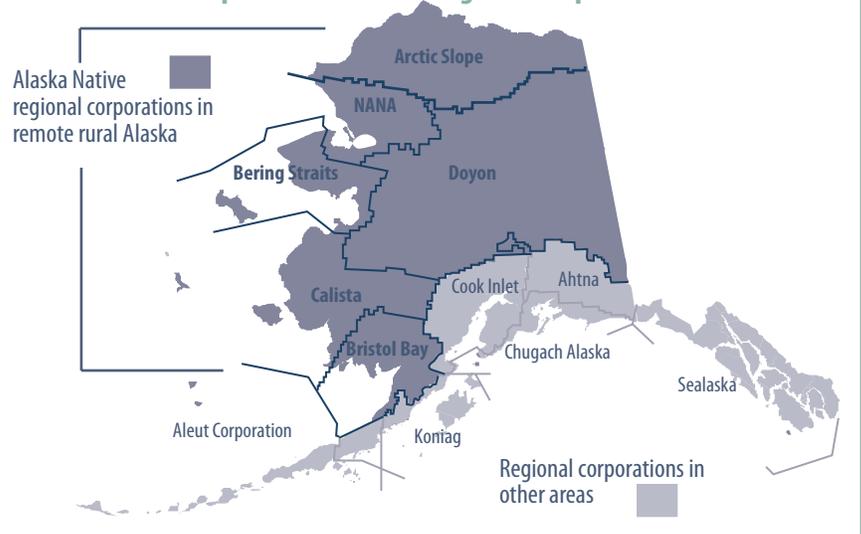
Sources: Alaska Division of Community Advocacy, *Alaska Taxable*; Northwest Arctic Borough

ventures. Instead, we'll cite a few examples, to show the ways they benefit from resource development—and in turn contribute to the remote rural economy. Broadly speaking, the corporations benefit when resources they own are developed or when they provide services to resource developers.

- *All Native regional corporations benefit when any corporation collects revenues from developing its subsurface minerals or timber.* That's because a provision of the claims settlement act (7i) requires the regional corporations to share 70% of the net revenues they collect from production of subsurface minerals or logging on their lands. That provision was included to account for the fact that some regions have more minerals and timber than others. From 1971 through 2004, about \$675 million was distributed among the corporations under the revenue-sharing requirement.⁹

- *The recent spike in oil prices has been good for Arctic Slope Regional Corporation.* ASRC is part owner of the Alpine oil field on the North Slope, and its royalties increase with higher oil prices. It also owns ASRC Energy Services, which was ranked number 6 among the top private employers in Alaska in 2006.¹⁰ It provides oil field services on the North Slope and in other places. ASRC also owns refineries in Fairbanks and Valdez. Shareholders working for various ASRC businesses—in remote rural Alaska and elsewhere—collected \$61 million in wages in 2006. The corporation reports that profits related in one way or another to high oil prices contributed to a fall 2007 shareholder dividend of \$42.21 per share, or \$4,221 for the average shareholder owning 100 shares.

Map 2. Alaska Native Regional Corporations



- A recent big increase in zinc prices has benefited NANA regional corporation, which owns the land where the Red Dog zinc mine is located. NANA collects royalties from the mine operators based on the price of zinc. As part of the lease agreement with mine operators, NANA also requires that shareholder hire be a priority—and in early 2007, NANA shareholders made up about 55% of the mine’s 370 employees. NANA also owns businesses that provide a range of services for the North Slope oil fields and the Red Dog mine.

- The fortunes of both ASRC and NANA depend heavily on resource prices. As Figure 9 shows, as recently as 2002 oil and zinc prices were a small fraction of what they were in 2006—as were revenues of those corporations.

- Other Native regional corporations in remote areas also benefit but in more limited ways from resource development. Examples include Doyon, the corporation in interior Alaska, which owns a number of drilling rigs on the North Slope. Calista and Kuskokwim Corporation (representing 10 village corporations that merged) have an agreement with mining companies planning to develop a large gold deposit on corporation-owned land in southwest Alaska. A subsidiary of Bristol Bay provides construction and other services for North Slope operators. Bering Straits corporation, in western Alaska, owns part of the Rock Creek gold mine, being developed outside Nome.

The corporation activity described above is by no means comprehensive, but it gives an idea of the growing role of regional corporations in the remote rural economy.¹¹ It also reflects their vulnerability to volatile oil and mineral prices.

ECONOMIC DRIVERS

LARGE-SCALE RESOURCE PRODUCTION

The oil, zinc, salmon, and groundfish from remote rural Alaska or offshore waters were worth nearly \$17 billion in 2006 (Figure 1, front page) and will be worth more in 2007, with prices climbing even higher. But resource prices are famously volatile. Figure 9 compares 2002 and 2006 prices. Oil and zinc prices in 2006 were three to four times what they had been in 2002. Salmon prices hit highs in the 1980s and then began a long decline through 2002, when they began to recover somewhat. Prices for pollock from the Bering Sea were also up considerably between 2002 and 2006.

What prices will be next year or the year after depends on market, political, and environmental factors Alaska can’t control. It’s important to keep that in mind, because the benefits the remote rural economy gets from resource production—through industry jobs, borough governments, and Alaska Native corporations—also rise and fall with prices.

- Figures from the Alaska Department of Labor show that around 1% to 2% of the several thousand oil company and support workers in the North Slope oil fields are residents of remote rural areas.¹² Most work for subsidiaries of Alaska Native regional corporations.

- More than half the workers producing zinc in northwest Alaska are shareholders of NANA corporation, but employment at the zinc mine is less than 400—compared with the thousands of jobs in oil production. Also, not all NANA shareholders are local residents. As of 2005, about 46% of mine employees lived in remote areas.¹³

- The commercial salmon fisheries employ far more regional residents than any other resource industry. But the season is short—and as prices fell from the late 1980s to 2002 employment also fell. These are limited entry fisheries centered in Bristol Bay but extending out along the Alaska Peninsula and along rivers flowing into the Bering Sea.

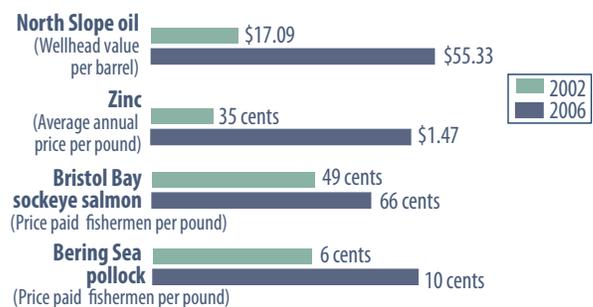
The Research and Analysis section of the Alaska Department of Labor estimates that about 4,000 residents of remote rural areas worked seasonally either as permit holders or crew members in the salmon fisheries in the 2005 season. In small fisheries of the Northern and Yukon Delta areas, most captains and crew members are local residents, but in the more lucrative Bristol Bay area fisheries only about 20% of permit holders and crew live in the remote region.¹⁴

- Seafood processing also creates thousands of seasonal jobs in remote rural Alaska, primarily in the Bristol Bay area. But non-locals (either from other areas of Alaska or outside Alaska) hold most processing jobs in that area—more than 80% in 2005, according to the Department of Labor. But local residents hold a larger share of the much smaller number of processing jobs in other remote rural areas.

- Most coastal communities in western Alaska also share in the revenue from bottom fishing through the federal Community Development Quota (CDQ) program. The program allocates a share of the seafood catch—including pollock, cod, halibut, and crab from the Bering Sea and Aleutian Islands—to six groups representing 65 western Alaska villages, including many in the remote rural region. Some groups own their own vessels and harvest their own allocation, but others lease their harvest rights and collect royalties.

In 2005, the CDQ program generated 2,025 seasonal jobs, a payroll of \$16.5 million, and \$120 million in net revenues and royalties for CDQ communities. Accumulated net revenues and royalties for CDQ groups totaled nearly \$820 million from 1992 through 2005.¹⁵ Most of that total is attributable to villages within the remote rural region.

Figure 9. Natural Resource Prices, 2002 and 2006



Sources: Alaska Departments of Fish and Game, Revenue, and Natural Resources; National Marine Fisheries Service

The CDQ groups have invested income in the local harvesting and processing sectors, in harbor improvements and other infrastructure, and training programs. This spending contributes to local income and economic activity. But much of this investment likely doesn't stay in the local economy. For example, the construction of boats purchased outside the region doesn't directly create local jobs.

- *State and federal services supported by taxes and royalties from resource production also benefit regional residents*—in addition to the benefits from borough governments, discussed earlier.

SMALL-SCALE RESOURCE-BASED ACTIVITIES

Smaller resource-based activities also take place in remote areas, including sport fishing and hunting lodges and guiding, as well as other tourism and recreation, small-scale mining, hand-craft manufacture, resource management, logging, trapping, and agriculture.¹⁶ Their combined contribution to economic activity in the region (as measured by income for resident households) is modest—perhaps \$100 million to \$200 million annually.

But that is just a ball-park estimate. Jobs in these activities are often held by self-employed people, are mostly seasonal, and are often part-time—so many of them don't show up in the state's official employment figures.

Also, as with the major resource industries, it's likely that a large share of the income, particularly from small-scale mining and recreation, goes to non-locals. Still, these activities are valuable because they add to the region's jobs, income, and economic diversity.

GOVERNMENT SPENDING

- *Excluding resource development, the largest source of cash flowing into remote rural Alaska is the federal government* (Figure 10). Grants, purchases from businesses, payments to individuals, and wages totaled \$900 million in 2005. Grants made up more than two-thirds of that total, with the largest for Medicaid and the Alaska Area Native Health Service. Alaska Native non-profit corporations administer much of the federal grant money related to health care—and are among the largest employers in remote areas (Figure 11). Payments to individuals include retirement and disability payments, as well as food stamps and other assistance.

- *State general fund spending in the remote rural region was roughly \$250 million in 2005*—assuming that the share of state spending equals the share of the population. Available data don't allow us to precisely calculate general fund spending in remote areas. The largest component of state operating spending is for education. The state pays most of the costs for school districts—and school districts are among the largest employers in the remote rural region (Figure 11).

- *A share of federal grants to the state*—an estimated \$100 million—was also spent for remote rural projects in 2005.

- *Permanent Fund dividends provide a floor for household income in remote areas and accounted for 3% of all personal income in 2005.* These are payments the state makes annually to all Alaska residents from the earnings of the state's big savings account, the Permanent Fund (see Figure 18, page 11). Because every Alaskan gets equal payments, the dividends mean all households have at least some level of cash income.¹⁷

Figure 10. Estimated Federal, State, and Other Cash Flows into Remote Alaska, 2005 (Excluding Resource-Based Activities)

(In Millions of Dollars)

Total	\$1,400
Federal Money	
• Grants	\$640
• Purchases	\$73
• Payments to individuals	\$158
• Wages	\$29
State Money	
• General Fund	\$250
• Flow-through federal grants	\$100
• Permanent Fund dividends	\$50
Other*	\$100

* Includes private investment income, dividends paid by Alaska Native corporations, pensions, and cash brought in by residents who work elsewhere.

Source: Author's calculations

Figure 11. Number of Employees, Large Government-Supported Organizations in Remote Rural Alaska, 2006

School Districts

Lower Kuskokwim School District	1,104
Northwest Arctic Borough School District	648
Lower Yukon School District	592
Bering Strait School District	552
North Slope Borough School District	500

Private Non-Profit Organizations

Yukon Kuskokwim Health Corporation	1,292
Maniilaq Association	555
Norton Sound Health Corporation	478

Source: Alaska Department of Labor

OTHER SOURCES OF CASH

- *Cash coming into the region from other sources is modest, perhaps in the range of \$100 million.* It includes investment income, dividends paid shareholders by Alaska Native corporations, private pensions, and earnings of residents who work outside the region.

^aThis figure is an estimate of the general pattern of employment in remote rural Alaska. We relied on several sources that measure employment in somewhat different ways, and we made some adjustments in the figures so we could fit all the pieces together. It includes all jobs in the region, held by both local residents and non-locals. It is a count of the average number of jobs, not workers, over the year.

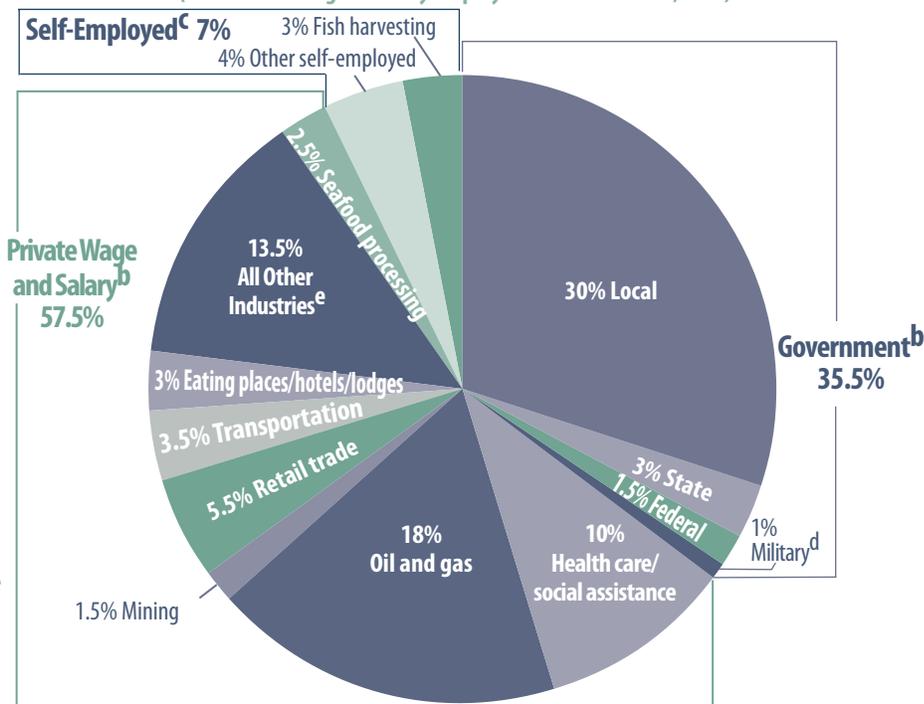
^bGovernment and private wage and salary employment are based on the Alaska Department of Labor's 2006 figures on average monthly employment by industry.

^cStandard employment figures cover wage and salary jobs but exclude self-employment, which is a significant share of all jobs. To include the self-employed for a complete and consistent picture of jobs in the region, we used the Alaska Department of Labor's estimate of annual average jobs in fish harvesting and our own estimate of other self-employment. Fish harvesting here includes average annual figures for the Northern, Yukon Delta, and Bristol Bay region fisheries, excluding those in the Bristol Bay Borough. We estimated the number of self-employed workers other than fish harvesters by subtracting fish harvesters from the total number of self-employed (proprietors) reported by the Bureau of Economic Analysis. We then converted the remaining count of proprietors to an estimate of annual average jobs, assuming the average proprietor works six months per year.

^dMilitary jobs based on the Bureau of Economic Analysis's 2005 figures by census area.

^eOther industries include construction, finance, real estate, arts, wholesale trade, and other services.

Figure 12. Estimated Employment in Remote Rural Alaska, 2006
(Based on Average Monthly Employment in 2006 of 34,729^a)



Sources: Alaska Department of Labor, Research and Analysis; Bureau of Economic Analysis; and author's estimates

TOTAL EMPLOYMENT IN THE REGION

How do all the cash sources just described translate into jobs? The region had average monthly employment of about 34,800 in 2006, including jobs held by local residents and people either from other areas of Alaska or outside Alaska. The total job count over the year would be larger than the average, because many jobs are seasonal.

Figure 12 is based on several sources, and it's not precise. Standard employment figures include only wage and salary jobs. Self-employment is estimated here. Also, some wage jobs don't show up in regional figures, because some employers report their employees where the business is headquartered rather than where they work.

- *Government (mostly local) accounts for almost 36% of jobs, self-employment 7%, and private wage and salary jobs just under 58%.*
- *One in five local government jobs is in tribal government. Others are in schools or municipal governments and utilities.*
- *The oil and gas industry accounts for 18% of employment and the mining industry 1.5%. Oil industry jobs are on the North Slope, in enclaves far from established communities—and almost all jobs are held by non-locals. Mining jobs are concentrated at the Red Dog mine, where about half the employees are local residents.*
- *About 10% of jobs are in health care or social assistance, primarily with the Alaska Native non-profits that administer federal health and other programs for Alaska Natives. Although supported by federal money, these are private jobs.*
- *Commercial fishing jobs account for an estimated 3% of jobs, on an average over the year. Fish processing accounts for another 2.5%.*
- *Other industries that contribute a significant share of private jobs are trade (mostly small general stores), transportation (mostly air) and eating places and hotels and lodges.*

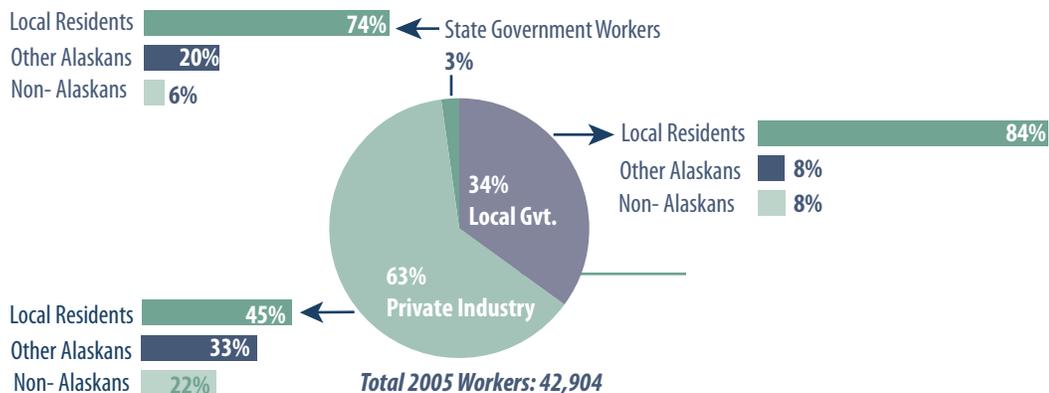
EMPLOYMENT AMONG LOCAL RESIDENTS

We know that many workers in remote areas aren't local residents, and Figure 13 shows the Alaska Department of Labor's 2005 estimate of how many workers are residents and how many are non-locals—either from other areas of Alaska or outside Alaska.

The total number of workers in the remote region—nearly 43,000 in 2005—is considerably higher than the 34,800 average monthly employment shown in Figure 12. That's because it is a count of everybody who worked at any time during the year. Two or more people can hold a single job over the course of the year. Also, the number of people who work during the summer fishing season is much larger than the annual average number of jobs in fish harvesting.

- *Nearly two-thirds of the workers in remote areas are in private industry—but less than half those workers are local residents. Alaskans from outside the region account for 33% of private workers and non-Alaskans 22%. Most oil industry and seafood processing workers are non-locals. All the other industries also have some non-local workers, but the percentages are smaller.*
- *Just over a third of the workers in remote areas have government jobs, and most are local residents. The majority of government jobs are in local government—school districts, city and borough governments, and tribal governments.*
- *Overall, local residents made up 59% of all workers in remote areas in 2005, but they collected only 44% of wages paid. Many of the highest-paying jobs—especially in the oil industry—are held by non-locals. Alaskans from other areas of the state collected 37% of the wages and non-Alaskans 19%.*

Figure 13. Workers* in Remote Rural Alaska, By Type of Job and Residence, 2005



Comparing Share of Resident Workers and Resident Share of Wages Paid, 2005



*Includes full-time, part-time, and seasonal workers covered by Alaska unemployment insurance. Excludes federal employees and self-employed people. Each worker is counted only once, even if some workers have more than one job.

most welfare recipients are limited to five years of benefits. But residents of federally recognized Alaska Native villages where more than half the adults do not have jobs are exempt from that limit.

Figure 15 shows that 120 Alaska Native villages statewide are currently classified as exempt from the five-year limit. Three quarters of those villages are in remote rural Alaska. That measure *overstates* how many people can't find jobs, because not all adults want jobs—due to age, disability, family responsibilities, or other reasons.

Still, the large number of remote rural communities where half the adults don't have wage jobs shows there must be many people who want jobs but can't find them.

UNEMPLOYMENT AMONG LOCAL RESIDENTS

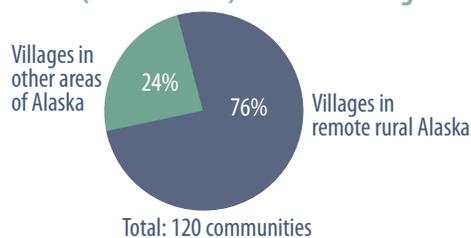
We've just seen that non-locals account for about four in ten workers in remote areas. At the same time, unemployment among local residents is high. Both the unemployment rate and the number of unemployed people rose sharply in remote areas in recent years—even though many people left for urban areas.

Government statistics show that from 2000 to 2006, the unemployment rate in the remote region increased from 9.3% to 12%. The number of unemployed people rose from 2,264 to 3,194—a jump of 41%. During the same period, the unemployment rate in Anchorage was also up, but much less—from 4.9% to 5.3%—and the number of unemployed was up about 17% (Figure 14).

But those government figures probably underestimate the number of people who want jobs in remote areas, because they include only those who say they want jobs *and* have been actively looking for work. That ignores the "discouraged worker" effect in small places with few jobs—that is, people who would like jobs may not be actively looking because they know there aren't any jobs.

Another way of assessing how many residents are without work is the number of Alaska Native villages in the region that are exempt from the standard five-year limit on welfare benefits. Since the national overhaul of the welfare system in the late 1990s,

Figure 15. Alaska Native Villages Where Half the Adults (16 and Older) Don't Have Wage Jobs*



*These are villages exempt from the standard 5-year limit on welfare benefits, as determined by the Alaska Division of Public Assistance. That determination is based on 2000 U.S. census data supplemented by the most recent reliable data from surveys, following procedures established by the Alaska Department of Labor and Workforce Development. Under federal law, Alaska Native villages where half or more of the adult population (16 and older) don't have jobs are exempt from the 5-year benefit limit.

Figure 14. Changes in Unemployment, Remote Rural Alaska and Anchorage, 2000-2006



MONEY DOESN'T STICK

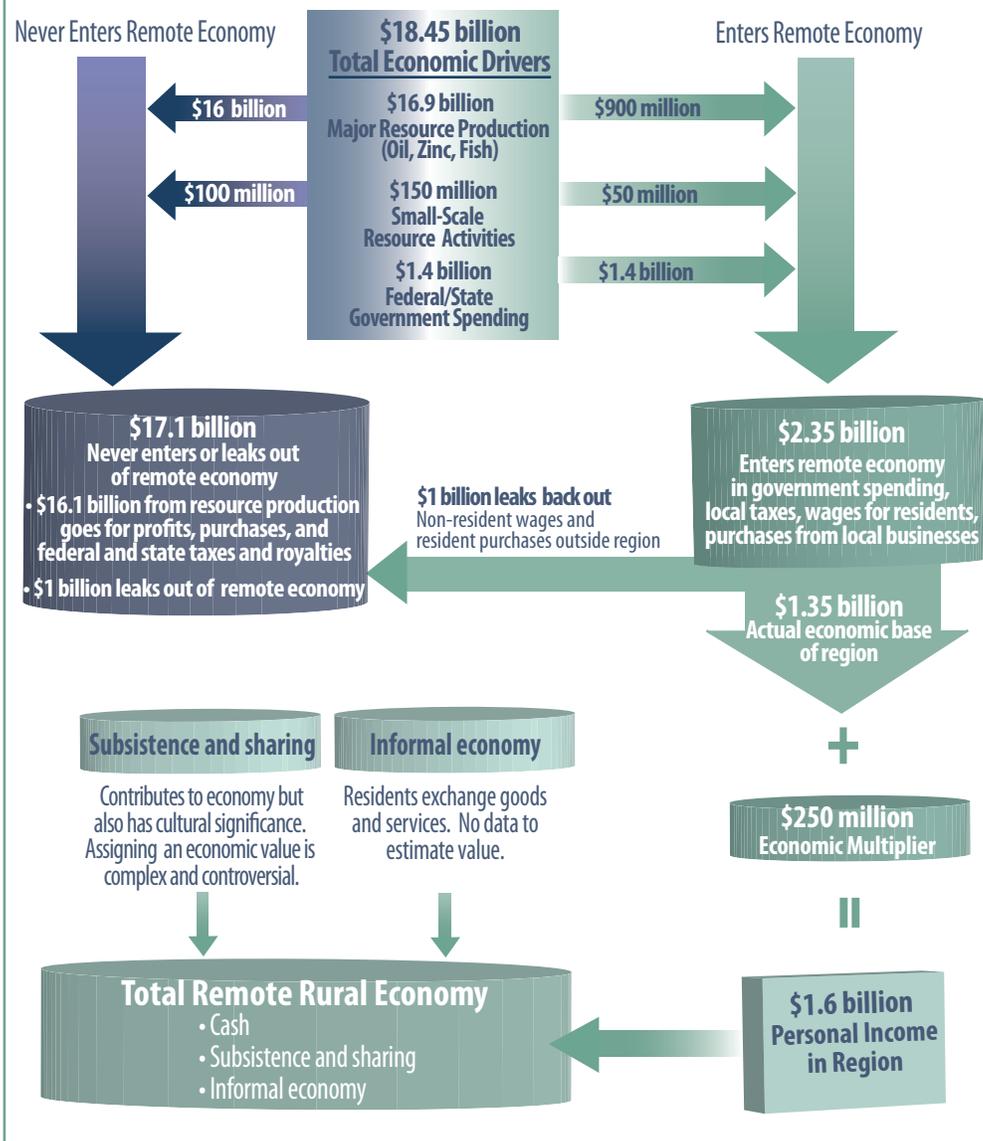
Figure 16 helps explain why the remote economy doesn't produce enough jobs for residents. It estimates cash either flowing into or generated in the region in 2006—and it shows that most cash generated in remote areas never influences the local economy at all. And of the cash that does flow into the economy, a big share doesn't stick around. The flows are approximations, based on limited data.

- Nearly \$18.5 billion was either generated in or flowed into remote areas in 2006, but only \$2.35 billion entered the local economy. The rest went directly to other areas for producer profits; purchases of labor, supplies, and services; and federal and state taxes and royalties.

- Of the \$2.35 billion that did go into the local economy in 2006, \$1 billion quickly leaked out again, because: (1) the many non-residents working in remote areas take their paychecks home when they leave, and (2) resident households and businesses can't or won't buy many things locally—and therefore spend money outside the region.

Figure 16. Schematic of Remote Rural Economy, 2006

(Author's estimates. All dollar amounts are approximations.)



- That left about \$1.35 billion as the actual economic base of the economy in 2006—the share of the \$18.5 billion that went to remote rural households, businesses, and local governments. That's the purchasing power households and businesses have to support the local economy.
- Major resource production was valued at nearly \$17 billion in 2006, but more than \$16 billion of that bypassed the local economy. Around \$900 million did go in—\$550 million in wages and \$350 million in local taxes and purchases.
- Smaller resource-based activities generated another \$150 million or so in 2006, with \$100 million bypassing the local economy and \$50 million going in.
- All the \$1.4 billion the federal and state governments spent for wages, grants, or purchases from local businesses in 2006 initially went into the local economy.
- The \$1.35 billion economic base from resource production and government spending generates more economic activity when residents, businesses, and governments buy locally. Say a resident fisherman

uses his fishing income to buy food or fuel from local businesses. That keeps cash circulating in the local economy, which helps make local businesses profitable and pay their employees. That additional activity is called the economic multiplier.

- But in small remote communities the economic multiplier is small. They can't support many businesses—so, as we just discussed, residents often can't buy what they need locally. When they buy outside the region, the economy loses the money needed to support local jobs. We estimate that in 2006 the money coming into the region from outside sources generated only about \$250 million of additional household income as it circulated.
- The economic base of \$1.35 billion and the \$250 million economic multiplier together roughly total the \$1.6 billion in personal income of residents in 2006.

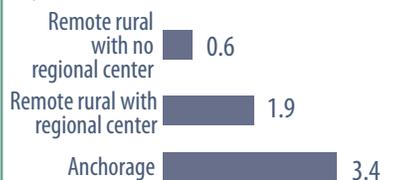
Figure 16 also recognizes that the remote economy is not based just on cash. Both subsistence and informal economic activities also contribute to the well-being of residents. But there isn't enough information to assign them monetary value. Subsistence activities also have cultural significance for Alaska Native people, making it even more complex to assign them a dollar value.

Figure 17 is another illustration of why small communities have trouble generating local jobs. In Anchorage, \$1 million of household income generates 3.4 trade jobs. With 270,000 people, Anchorage can support a range of businesses.

By contrast, remote areas with regional centers can generate only about half as many jobs—1.9 jobs per \$1 million in household income. In remote areas without regional centers, like the Wade Hampton census area, the number of jobs generated is much smaller: only 0.6 trade jobs for every \$1 million of household income.

This short characterization of the remote rural economy highlights both the challenges of economic development and the opportunities. Cash is in short supply. To increase that supply, residents and businesses have to find ways either to bring in more cash or to circulate it more before it leaks out.

Figure 17. Trade Jobs Generated by \$1 Million in Household Income



Source: Author's calculations

INCOME OF REGIONAL RESIDENTS

As we've just seen, personal income among the roughly 60,500 remote rural residents is about \$1.6 billion. Nearly all comes from outside sources, with about \$250 million from money circulating in the economy. Figures 18 to 21 show more about regional income.

- *About 71% of personal income can be traced directly to government*—transfer payments, government payroll, and payroll for private jobs supported by federal money. Those private jobs are mostly in non-profit Alaska Native corporations that contract with the federal government to administer health and other programs for Alaska Natives.
- *The 29% of income not directly from government is private payroll and non-wage income.* But probably only about 10% of income is really independent of government. An unknown share is the indirect result of government spending—through the economic multiplier. Also, non-wage income is a government estimate of individuals' income from assets like stocks. Such income often stays in financial accounts rather than going into people's pockets.
- *Permanent Fund dividends make up 3% of personal income and other government transfers another 24%.* Those include unemployment and welfare payments and pensions, all paid directly to individuals. But by far the biggest single transfers are Medicaid payments to hospitals, doctors, and others for medical costs of low-income Alaskans. Also included are payments under Medicare, the program for older Americans. (The fact that government figures classify these medical payments as "personal income," even though they don't go to individuals, highlights why personal income is a less-than-perfect measure of cash actually available to families and communities.)
- *Per capita personal income in most remote rural areas in 2005 was anywhere from 25% to 50% below the state average*—largely due to

Figure 18. Sources of Personal Income, Remote Residents

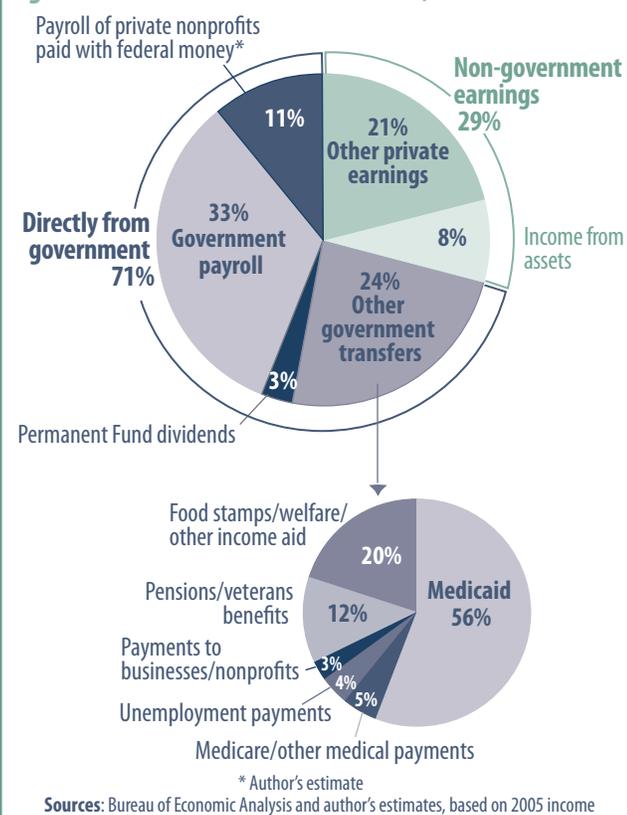


Figure 19. Per Capita Personal Income, 2005

North Slope Borough	\$42,209
Alaska	\$35,564
Dillingham census area	\$29,775
Nome census area	\$26,500
Northwest Arctic Borough	\$26,339
Lake and Peninsula Borough	\$26,027
Yukon-Koyukuk census area	\$25,674
Bethel census area	\$24,054
Wade Hampton census area	\$16,012

Source: Bureau of Economic Analysis

Figure 20. School Children Qualified for Free Meals,* 2007

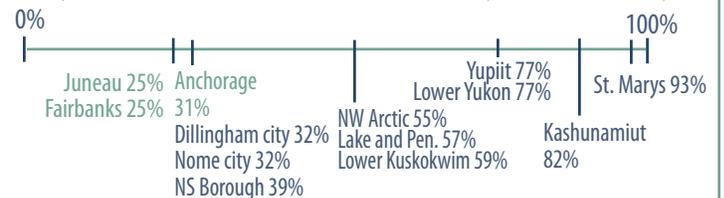
Remote rural districts	63%
Other Alaska districts	26%

*Children from families with incomes that meet federal guidelines; varies by family size

Source: Food and Nutrition Services, Alaska Department of Education and Early Development

Figure 21. Percentage of School Children From Families Receiving Public Assistance*

(Selected **Urban** and **Remote Rural** School Districts, 2006-07 School Year)



*Food stamps, Medicaid, or welfare payments.

Source: Alaska Department of Education

a combination of part-time work and lower wages (Figure 19). The exception is the North Slope, where the borough government and the Arctic Slope regional corporation employ many residents.

- *Poverty is widespread, under standard measures.* Among children in the region, 63% qualify for free meals at school, compared with 26% in other Alaska districts (Figure 20). Some areas are poorer than others. About 32% of children in the Dillingham school district are from families receiving public assistance—Temporary Aid to Families, Medicaid, or food stamps—compared with more than 80% in the Kashunamit and St. Marys districts in the Wade Hampton census area (Figure 21).

CHALLENGES AND OPPORTUNITIES

Strengthening the economy of remote rural Alaska will take work as well as creativity. We can identify a number of challenges for the region and some opportunities as well. Keep in mind that the vast remote region has three very different kinds of communities—the many small, isolated villages; the five regional centers; and the enclaves where valuable natural resources are produced. Future challenges and opportunities will be different in those three kinds of places.

- *Importing goods and services will continue to be expensive.* Improved access can reduce but not eliminate the cost difference between remote rural and urban areas.
- *The young age of the population will continue to swell the labor force.* Most opportunities for young people will be created by retirements or turnover in health, education, and government administration jobs.
- *Future government spending in the region will be constrained,* as the federal budget tightens and as oil production—the state's main source of general operating money—declines.

- *Job growth will slow down, because so many jobs depend on government spending.* New jobs will be mainly in regional centers. Innovative ways to share jobs—like village labor contracting cooperatives—might be useful.
- *Development of oil and gas and hard-rock minerals will continue to offer high-paying jobs*—but such jobs will still typically be in remote enclaves, and most will continue to go to workers from outside the region. Local benefits will still likely be concentrated in a few areas.
- *The paradox of high local unemployment at the same time non-locals hold many jobs isn't likely to change overnight.* Many jobs in resource production are not only in isolated enclaves but also require special skills.
- *Opportunities in the “knowledge economy”*—data processing, for example—will continue to increase, but will require more education.
- *Expansion of small-scale mining, tourism, recreation, handicraft manufacture, agriculture, and trapping* can potentially provide modest economic benefits for some communities.
- *The undeveloped natural environment in remote areas will become more valuable* for tourism and recreation—but high costs and isolation will still constrain growth.
- *Cash will continue to be scarce.* Informal economic activities—like exchange of services among family and neighbors—will continue to be extremely valuable, because they reduce the need for cash. Cash circulating in the local economy will still only be able to generate a few jobs in retail trade and other support businesses.
- *Finding ways to capture more of the value of resource production for local residents* would boost the cash economy in remote areas. Right now most of the multi-billion dollar value of resource production bypasses the local economy.
- *To reduce unemployment, residents will have to continue moving out* of the region or commuting to jobs in other areas.

LIMITS OF DATA

Finally, as we said at the outset, the available data on the remote economy have many shortcomings. It's important to keep those shortcomings in mind.

- *By ignoring time residents spend in subsistence and the informal economy, employment figures underestimate time residents spend working.* If such time were included, employment would be larger than official data show and would have a more complex seasonal pattern.
- *More people are unemployed than the official figures show*—because those figures only include people actively looking for work. In many villages, residents know there aren't any jobs to look for.
- *Personal income numbers don't fully measure the well-being of households, because they ignore the value of subsistence harvests and services exchanged in the informal economy.* But putting a monetary value on subsistence is fraught with conceptual and political challenges.
- *Existing cost-of-living measures don't account for the differences in urban and remote rural spending patterns.* For instance, remote households typically have to buy more equipment and supplies for subsistence—but they may also receive federal health and other services non-Native urban households have to pay for.

- *The economic base of the remote rural region can't be accurately identified with current data.* We approximated cash flow into and out of the region by piecing together data with many gaps.

Of course, it's easy to identify shortcomings and hard to fix them. It may be impossible to correct them all, given the difficulties and costs involved. But finding ways to improve the economy of the remote rural areas has been a goal of Alaskans for decades. If more information were available, it would help us all understand the realities that constrain economic development in remote areas.

ENDNOTES

1. This publication excludes the Bristol Bay Borough and the Aleutian Islands from the remote rural region, because historically these areas have been different from other remote Alaska areas. The Aleutians East and Bristol Bay boroughs overwhelmingly depend on commercial fisheries with mostly non-local fishermen. And although the naval station on Adak Island closed in the 1990s, the large military population there dominated the Aleutians West census area for several decades. Still, including those areas wouldn't appreciably change the overall patterns we see in remote rural Alaska.
2. A few have road or ferry access.
3. The job of estimating population by race became more complicated after the 2000 U.S. census, which for the first time allowed people to identify themselves as being of more than one race. Previously, respondents chose a single primary race. Now, the Alaska Department of Labor does two types of estimates by race: (1) estimates based on the 2000 U.S. census definition, which includes a multi-race category; and (2) “bridge” estimates, which attempt to replicate the previous single-race categories, using assumptions about which primary race people of more than one race would choose. When presenting numbers by race in this publication, we use the bridge estimates, because they allow us to compare changes in Alaska's population by race over time.
4. See *Status of Alaska Natives 2004*, by Scott Goldsmith, et al., ISER, May 2004. This migration of Alaska Natives from remote to urban places doesn't imply that Alaska Natives living in urban areas no longer maintain ties with remote communities or take part in subsistence activities.
5. Robert Wolfe, Alaska Department of Fish and Game, Subsistence Division, 2000.
6. The Survey of Living Conditions in the Arctic is a survey of indigenous people in Northern Alaska and Arctic areas of Canada, Russia, and Greenland, conducted between 1998 and 2001. For more information see www.arcticlivingconditions.org.
7. A deposit of gold and copper believed to be among the world's largest, the Pebble site, has also been discovered in the Lake and Peninsula Borough, potentially adding to the borough's resource tax base. But the proposed open-pit mine near river drainages that provide habitat for Bristol Bay area salmon has been very controversial. In fall 2007, campaigns for and against the proposed mine continued.
8. In 2007 there were only about 169 village corporations. Some have merged with regional corporations; in southwest Alaska, 10 village corporations banded together to form a single new corporation.
9. Cited in 2006 report of Association of ANCSA Regional Corporation Presidents.
10. Alaska Department of Labor, *Alaska Economic Trends*, July/August 2007, “The Trends 100,” by Neal Fried.
11. Information about business activities of individual corporations is from annual reports and Web sites of ASRC, NANA, Calista, Doyon, Bering Straits, and Bristol Bay corporations.
12. The Department of Labor reports that a shortcoming of these figures on workers by place of residence is that not all employers report the geographic area where their employees work. Some report all employment at their headquarters, not where the work takes place.
13. Data from ISER study of economic effects of the Red Dog zinc mine, to be published in 2008.
14. Includes the Department of Labor's Northern, Yukon Delta, and Bristol Bay region, excluding residents of the Bristol Bay Borough (which is not included in our analysis).
15. Alaska Department of Commerce, Community, and Economic Development Web site, October 2007. See www.commerce.state.ak.us/bsc/CDQ/cdq.htm.
16. Mining exploration, particularly at the Donlin Creek and Pebble sites, is included here—but development at those sites would move them into the large-scale resource production category.
17. Some households don't receive dividends because they are garnished for various reasons.

Understanding Alaska is a special series of studies looking at economic development issues, funded by the University of Alaska Foundation. This UA Research Summary is based on a longer paper by Scott Goldsmith, *The Remote Rural Economy of Alaska*, April 2007. Copies are available for \$5.00, plus postage; call 907-786-7710. It's also online at:
www.alaskanconomy.uaa.alaska.edu/economy.htm

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***** DRAFT *****

Quarterly Meeting
February 28, 2007 - Juneau, Alaska

Briefing Paper: *Community Analysis*
Prepared by: *Mark Allred*

****REVIEW ONLY - NO ACTION REQUIRED BY COMMISSION****

Issue:

Analysis regarding Denali Commission (Commission) investment and involvement in Alaska communities in response to Commissioner Kitka's inquiry at the November 2007 Quarterly Meeting in Anchorage, AK

Background:

During the last quarterly meeting the Commissioner's expressed interest in clarifying whether some communities are not receiving, or are receiving substantially reduced infrastructure and program investments from the Commission.

Findings:

Denali Commission staff conducted an initial gap analysis to determine if there are communities that have not received Denali Commission Funding. **This report is a snapshot of funding provided and is not meant to determine why these communities have not been served, nor to detail explicitly the factors that have resulted in no, or limited funding.**

Please refer to the accompanying spreadsheet (Attachment 1) of all Alaskan communities divided by Alaska Native Claims Settlement Act (ANCSA) regions listing projects completed to date.

Recommendations:

Commission staff recommend evaluating the gap analysis thoroughly, both by program area and against Commission policies to identify both those communities that do not meet Commission program or policy requirements, and further identify communities and/or regions that may require more intensive technical assistance and coordination.

Ahtna	2006 Population
Chisana	9
Copperville	191
Kenny Lake	414
McCarthy	60
Mendeltna	62
Nelchina	51
Paxson	28
Silver Springs	113
Slana	94
Tolsona	24
Tonsina	90
Willow Creek	193

Aleut	2006 Population
Attu Station	20
Belkofski	0
Pauloff Harbor	0
Shemya Station	27
Unga	0

Arctic Slope	2006 Population
Alpine	0
Prudhoe Bay	2

Bering Straits	2006 Population
Council	9
King Island	0
Mary's Igloo	0
Port Clarence	23
Solomon	2

Bristol Bay	2006 Population
Ekuk	0
Ivanof Bay	0
Pope-Vannoy Landing	6
Portage Creek	20
South Naknek	74
Ugashik	17

Calista	2006 Population
Andreafsky	140
Bill Moore's Slough	0
Chuloonawick	0
Georgetown	3
Hamilton	0
Napaimute	0
Ohogamiut	0
Paimiut	2
Umkumiute	0

Chugach	2006 Population
Lowell Point	76

Cook Inlet	2006 Population
Beluga	21
Buffalo Soapstone	755
Chase	30
Clam Gulch	165
Cohoe	1260
Cooper Landing	357
Crown Point	81
Diamond Ridge	690
Eagle River-Chugiak	30000
Farm Loop	1255
Fishhook	2917
Fox River	639
Fritz Creek	1723
Gateway	3830
Glacier View	264
Happy Valley	472
Houston	1537
Jakolof Bay	39
Kalifornsky	6914
Knik River	652
Lake Louise	89
Lakes	7901
Lazy Mountain	1347
Meadow Lakes	6492
Miller Landing	0
Moose Pass	204
Petersville	20
Point MacKenzie	232
Primrose	79

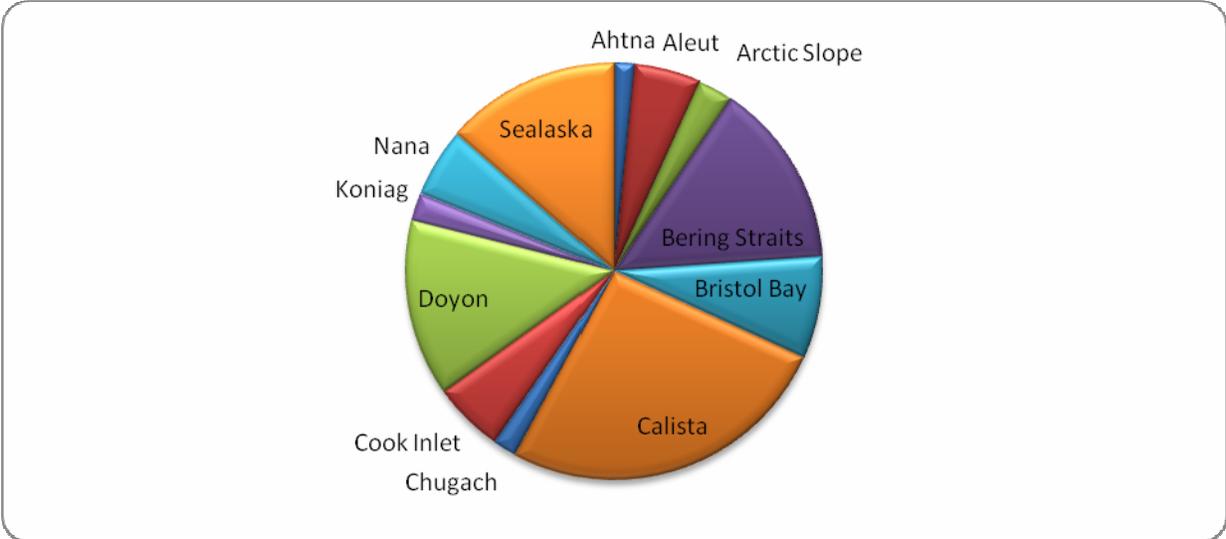
Cook Inlet Cont'd	2006 Population
Ridgeway	1961
Salamatof	906
Seldovia Village	159
Skwentna	71
Sunrise	22
Susitna	24
Sutton-Alpine	1278
Tanaina	6987
Willow	1973
Y	1085

Doyon	2006 Population
Alcan Border	12
Central	89
Chicken	22
Coldfoot	13
College	11825
Deltana	1896
Dot Lake	32
Dot Lake Village	22
Dry Creek	94
Eielson AFB	4447
Ester	1938
Ferry	31
Flat	0
Fort Greely	756
Four Mile Road	39
Fox	369
Harding-Birch Lakes	245
Healy Lake	46
Lake Minchumina	20
Livengood	25
Manley Hot Springs	78
McKinley Park	145
Moose Creek	578
New Allakaket	34
Northway Junction	61
Northway Village	87
Pleasant Valley	683
Salcha	946
Tok	1347
Two Rivers	627

Koniag	2006 Population
Afognak	0
Aleneva	46
Chiniak	44
Kaguyak	0
Kanatak	0
Kodiak Station	1941
Womens Bay	703
Woody Island	0
Port William	0

Nana	2006 Population
Red Dog Mine	33

Sealaska	2006 Population
Covenant Life	310
Cube Cove	0
Douglas	4850
Excursion Inlet	8
Game Creek	21
Hobart Bay	2
Kupreanof	32
Lutak	44
Meyers Chuck	11
Mosquito Lake	158
Mud Bay	136
Thom's Place	7
Whitestone Logging Camp	0



Denali Commission Funding

Region	2006 Population	2000 Population	% Change
Ahtna	3392	3330	1.86%
Aleut	7459	8153	-8.51%
Arctic Slope	6797	7372	-7.80%
Bering Straits	9414	9075	3.74%
Bristol Bay	7239	7809	-7.30%
Calista	24782	23125	7.17%
Chugach	11986	12051	-0.54%
Cook Inlet	429943	391179	9.91%
Doyon	67873	66867	1.50%
Koniag	9428	9922	-4.98%
Nana	7143	6929	3.09%
Sealaska	68735	71482	-3.84%



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Quarterly Meeting
February 28, 2007 - Juneau, Alaska

Briefing Paper: *Economic Development*
Prepared by: *Mark Allred*

****REVIEW ONLY - NO ACTION REQUIRED BY COMMISSION****

Issue:

Status update on the Economic Development advisory committee.

Background:

The FY07 Work Plan committed to setting up an advisory committee for the Energy, Economic Development and Training programs. The Commissioners helped to charter these committees, providing guidance and recommendations on the composition, roles, and activities expected of these committees, as well as defining the expected roles of the Commissioners with regard to the committees.

Membership:

We have a new member on our advisory committee; Mr. Doug Ward, Director of Shipyard Development at Alaska Ship & Dry-dock, Inc. in Ketchikan. Other Committee members include:

Julie Kitka – Commissioner
Kathie Wasserman – Commissioner
Berney Richert – Economic Development Administration
Wilfred “Boyuck” Ryan – Rural small business owner
Joseph Austerman – State of Alaska Commerce
Barb Nickels – State of Alaska ARDOR
Wanetta Ayers - Western Alaska Community Development Association
Christi Bell – University of Alaska
Bruce Borup – Cape Fox Corporation
Sheri Buretta – Chugach Alaska Corporation
Doug Ward – Alaska Ship & Dry-dock, Inc.

Two meetings have been held in Anchorage with great participation by the advisory committee. It was determined at our last meeting to request letters of interest (LOI) in economic development projects. The purpose was to determine areas of need and interest by communities and individuals in Alaska in the areas of economic development. The deadline for LOI response is February 15th, 2008. Commission staff will provide Commissioners with a summary of the submitted LOI's during the Quarterly meeting in Juneau on the 28th. The advisory committee members will review the submitted applications at our next meeting to be held in March 2008.



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Quarterly Meeting
February 28, 2008-- Juneau, Alaska

Briefing Paper: *Energy Advisory Committee*
Prepared by: *Kathy Prentki*

****REVIEW ONLY - NO ACTION REQUIRED BY COMMISSION****

Issue:

Status update on the Energy Advisory Committee.

Background:

In our FY07 Work Plan the Denali Commission (Commission) committed to setting up advisory committees for the Energy, Economic Development and Training programs. The Commissioners helped to charter these committees, providing guidance and recommendations on the composition, roles, and activities expected of these committees. The Committee is comprised of both Commissioners and members of the public, and will serve in an advisory capacity to the full Commission. The Committee will not conduct individual project selections. The expected tasks of the Energy Advisory Committee include review and update of existing policies and helping craft our direction in developing a more robust alternative energy program. We continue to work on defining the expected roles of the Commissioners with regard to the committee.

Analysis:

The Energy Advisory Committee (EAC) has held two meetings in Anchorage, November 9, 2007 and January 22, 2008. Initial meeting provided an introduction of the team members to each other and to the Denali Commission history and policies. The Alaska Energy Authority (AEA) provided information on successful experiences in Commission energy projects, and challenges they have faced due to some changes Commission policies have made across the state (sustainability, investment policy, etc.). They also briefed on the cost reduction RFP's the Commission has funded, which show over 1.1 million gallons of diesel fuel saved per year. The team members then provided good recommendations for reasonable limitations for our first ever RFP for alternative and renewable energy projects:

- Highest amount should be \$1 million with at least 1:1 match, for construction only.
- Pre-construction activities, including permits should be capped at \$100K, but only require a 20% match.
- Commission should not fund R&D through this RFP, but might consider a separate funding avenue for R&D, with technical advisors to evaluate proposed projects.
- Ensure variety of projects are funded if possible (considering economic analysis and technical evaluation) to learn from all areas of alternative energy

Other recommendations from the first meeting:

- Energy should remain the Commission's top priority. No other rural programs can be sustained if the community cannot afford fuel for power and heat to the facility.
 - The State of Alaska needs a statewide energy policy, which can then help guide the Commission's investment under such a policy. The EAC and Commission should provide feedback and recommendations to the State in this regard.
- Appropriate allocation of Commission funding to legacy (bulk fuel and power plant upgrades) versus alternative renewable projects needs to be fleshed out.
 - Cannot stop the legacy program
 - Alternative energy projects should have widespread potential for rural communities.
- Investment policy and sustainability policies need to be updated, with strong guidance, not just suggestions for when to change scope or decline project(s).

The second meeting continued a similarly lively discussion. Commission Chief Operating Officer Krag Johnson presented the draft Denali Commission FY08 Work Plan which had just been published for public comment. Nearly all the Base funding was being recommended for energy projects, with \$10M for legacy program and up to \$9M for the alternative-renewable energy program. Alaska Energy Authority, Rural Alaska Fuel Service (RAFS) and Alaska Village Electric Cooperative (AVEC) all provided very informative briefings on the programs and projects they have undertaken. Comments and suggestions include:

- We need to focus on the future, get ahead for next year with a strategic plan.
- Re-emphasize the need for Alaska to implement a statewide Energy Plan.
- Need to evaluate how far down the deficiency lists the legacy program should continue, and whether to add new communities or go back with other projects anywhere.
- Determine how to deal with communities that cannot meet sustainability or investment policy criteria (not just Commission, but state involvement in solutions).
 - Implement secondary operator role in communities that are struggling to meet the obligations of their new facilities.
 - Consider a strong intervention effort with 'at-risk' communities—mentoring, hands-on training, multiple visits and follow-up.
- Cookie cutter approach doesn't work—set reasonable goals, re-evaluate business plans.
- This committee can help the Denali Commission and the State pick appropriate options in legacy program and alternative technology.
- Continue to support regional energy solutions, not just one isolated community at a time. Sometimes this means fewer new infrastructure projects, but more affordable, reliable and efficient operations for everyone.

Staff and Commission management will work with the two commissioners on the EAC to set priorities for the committee in future meetings. The next two scheduled meetings are March 17th and May 28th, about six weeks ahead of each known Quarterly Commission Meeting date.

Action Required: Information only—no action required.

Attachment:

1. Energy Advisory Committee Members as of February 2008
2. Agendas from first two meetings.

Energy Advisory Committee Members as of February 2008*

Richard ‘Dick’ Cattanach, Executive Director of Associated General Contractors of Alaska and Denali Commission Commissioner

Vince Beltrami, Executive President Alaska AFL-CIO and Denali Commission Commissioner

Nels Anderson, Jr., Retired--formerly of Dillingham and the Governor’s Rural Energy Action Council 2005: Anchorage and SW Alaska

Eric Marchegiani, P.E., Electrical Engineer, USDA-Rural Development: Anchorage and Rural Alaska

Bob Martin, Vice President Operations, Goldbelt Corporation: Juneau and SE Alaska

Brad Reeve, General Manager, Kotzebue Electric Association: NW Alaska

Dan Salmon, Village Administrator, Igiugig Village Council: SW Alaska

Buck Sharpton, Vice Chancellor for Research, University of Alaska: Fairbanks

**Orie Williams, President/CEO, Doyon, Limited in Fairbanks had initially agreed to serve on the committee, but stepped down in November. Commissioners Beltrami and Cattanach concurred with staff that the committee still is very strong and representative as now comprised, so Mr. Williams’ position will not be refilled on the committee.*



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Energy Advisory Committee Agenda
November 9, 2007
9am- 4pm in the East Conference Room

- Housekeeping Items
 - Emergency exits and gathering point, restrooms
 - Working Lunch (provided ~12:00)
 - Photos (before lunch), phoning in, breaks
 - Parking lot issues to set aside
 - Partners and program managers dropping in

- Expectations for Day
 - Get to know each other
 - Get familiar with the Energy Program and policies
 - Lots of brainstorming

- Outcomes for Day
 - Consider structure and selection criteria for Alternative Renewable Energy RFP currently under development jointly with AEA
 - ID issues or other policies that we should consider for the Energy Program
 - Prioritize Committee's work on policies/issues for or during future meetings
 - Schedule next two meetings—date, place, agenda (Mid January and Mid March for starters)

- Welcome and Introductions of the New Energy Advisory Committee
 - Richard 'Dick' Cattanach, Executive Director of Associated General Contractors of Alaska and Denali Commission Commissioner
 - Vince Beltrami, Executive President Alaska AFL-CIO and Denali Commission Commissioner
 - Nels Anderson, Jr.; Anchorage, (formerly of Dillingham and the Governor's Rural Energy Action Council 2005)
 - Eric Marchegiani, P.E., Electrical Engineer, USDA-Rural Development; Anchorage and Rural Alaska
 - Bob Martin, Vice President Operations, Goldbelt Corp.; Juneau and SE Alaska
 - Brad Reeve, General Manager, Kotzebue Electric Association: NW Alaska
 - Dan Salmon, Village Administrator, Igiugig Village Council; SW Alaska
 - Buck Sharpton, Vice Chancellor for Research, University of Alaska Fairbanks
 - Orié Williams, President/CEO, Doyon, Limited; Fairbanks and Interior Alaska
 - Staff invited: George, Krag, Tessa, Jodi, Mark and Karen

- Energy Program Introduction –
 - Krag Johnsen presentation—statewide and commission overview
 - Kathy Prentki—Energy Program history and progress to date
- Overview of FY07 Work Plan and funding
- Overview of Denali Commission Policies
 - Brainstorming on policies to revise, tweak, add, drop and issues to add to the list
 - Prioritize List
- Consideration of RFP for alternative renewable projects
- Other items to discuss???
- Schedule next meeting—date, time, place
- RECAP of Day’s discussion, recommendations and future action
 - Adjourn



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Energy Advisory Committee Agenda
January 22, 2008
10 am- 3:30 pm in the East Conference Room

- **Housekeeping Items**
 - Emergency exits and gathering point, restrooms, breaks
 - Working Lunch (provided ~12:30)
 - Parking lot issues to set aside
- **Expectations for Day**
 - Continue to get to know each other—everyone is planning to be present this time.
 - Review and discuss FY08 Draft Work Plan.
 - Meet and hear from program partners on issues important to Energy Program.
 - Continue discussions of existing policies and directions we should move with them.
 - Lots of brainstorming
- **Outcomes for Day**
 - Identify philosophy in funding FY08 Draft Work Plan with \$10M for legacy energy program and up to \$9M for alternative-renewable energy projects
 - Current status of legacy program (short version)
 - Outlying legacy communities not on original inventory
 - Consider processes for selecting FY08 alternative energy projects.
 - (Mid May to mid June, after second Commission meeting in Cordova).
- **Welcome and introductions around the room**
 - Staff invited: George, Krag, Tessa, Automme and program managers
 - Ori Williams has stepped down
 - Review of first meeting discussions and direction
 - Outcomes of first meeting to date
 - Approval of agenda
- **Overview of Draft FY08 Work Plan and funding (Tessa Rinner, Director of Programs)**
- **Meet Program Partners: ~15 minute briefing on their programs and relationship with Commission**
 - AVEC (Alaska Village Electric Cooperative, Meera Kohler calling in from Germany)
 - RAFS (Rural Alaska Fuel Services, Del Conrad)
 - AEA (Alaska Energy Authority, Chris Mello)

- Update on Ultra Low Sulfur Fuel changes for Alaska (ADEC on phone too)
- **Overview of Denali Commission Policies**
 - Priorities from first meeting—suggestions on revisions to those policies
 - Brainstorming and gut-check priorities based on briefing paper from November Commission meeting.--policies to revise, tweak, add, drop and issues to add to the list
 - (re-)prioritize List as needed
- **Status of RFP for alternative renewable projects**
- **Other items to discuss???**
 - Confirm next meeting—March 17th, where?
 - Schedule third meeting—date, time, place (Mid May to Mid June—please bring your calendars)
- **RECAP of Day's discussion, recommendations and future action**
- **Adjourn**

INFORMATION PROVIDED:

1. Record of Previous meeting recommendations and parking lot issues
2. FY08 Draft Work Plan
3. Briefing paper on Commission Policies from November 29th Quarterly Meeting
4. Briefing paper on Legacy Program status and prognosis (coming soon, to a theater near you).



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Quarterly Meeting
February 28, 2008 – Juneau, Alaska

Briefing Paper: *Health Steering Committee*
Prepared by: *Denali Daniels*

****REVIEW ONLY - NO ACTION REQUIRED BY COMMISSION****

Issue:

Health Steering Committee membership and activities.

Background:

The Health Steering Committee (HSC) has been in place for several years, dating back to the beginning of the health facilities program in 2001.

The HSC is an advisory body to the Commission and staff comprised of the following membership organizations: the State of Alaska, Alaska Primary Care Association, the Alaska Native Tribal Health Consortium, the Alaska Mental Health Trust Authority, the Alaska Native Health Board, the Indian Health Service, the Alaska State Hospital and Nursing Home Association, and the University of Alaska.

The HSC was initially chaired by the Division Director of the State Division of Public Health. In 2005, in response to the expansion of the program to the “other than” primary care program areas, a co-chair structure was adopted between the Deputy Commissioner of the State Department of Health and Social Services and the Division Director of the Division of Public Health.

As of the November 2007 Quarterly Meeting the HSC had not yet met to endorse the proposed funding strategy for FY08.

Analysis:

The HSC typically meets three times annually to provide staff guidance on policies and to develop annual funding strategies for the program. The membership positions have been established by virtue of the positions, therefore as individuals move out of their professional roles they move out of their appointment to the HSC. This is consistent with the Denali Commissioner appointments. The Federal Co-chair approves appointments to the Health Steering Committee.

The HSC met in January 2008 and the FY08 funding strategy was approved and recommended for inclusion in the FY08 Work Plan forwarded for public comment and Commissioner approval.

Denali Commission Staff Recommendation:

The HSC is a valuable model for providing policy and funding advice to Commission staff and to the Commissioners. Staff recommends the existing model continue. Additionally, staff recommends concurrence with the recommended FY08 funding strategy for the Health Facilities program.



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Commission Quarterly Meeting
February 28, 2008

Briefing Paper: **Training Program**
Prepared by: **Karen Johnson**

****REVIEW ONLY - NO ACTION REQUIRED ****

Issue:

This briefing paper will provide the current status of the Training Advisory Committee

Background:

The FY07 Work Plan committed to setting up advisory committees for the Energy, Economic Development and Training Programs. The Commissioners have been involved in establishing these committees, providing guidance and recommendations on the composition, roles, and activities expected of these committees, as well as defining the expected roles of the Commissioners with regard to the committees.

Analysis:

On November 7, 2008, the Training Committee convened in Anchorage. Attending were committee members Dick Cattnach, Vince Beltrami, Bernice Joseph, Rose Heyano, Wanetta Ayers and Click Bishop. The meeting was facilitated by Krag Johnsen and Karen Johnson and assisted by Jodi Fondy. Other program managers who made brief presentations to the group were Kathy Prentki, Denali Daniels and Mark Allred. An oral overview of this meeting was presented at the November 2007 quarterly meeting in Anchorage by Karen Johnson.

The Training Advisory Committee will meet quarterly prior to the Commissioners quarterly meetings except for the summer strategic planning meeting. The next Training Committee meeting will be held in Anchorage on February 20, 2008 from 9am-3pm. The agenda is attached and a meeting briefing will be presented at the quarterly meeting in Juneau on February 28, 2008.

Functions of the Training Advisory Committee are to provide guidance and recommendations in regards to policy and strategic planning to the Commission that are aligned with the current Denali Commission work plan and other on-going Denali Commission projects.

Denali Commission Staff Recommendation:

None

Action Required:

None

Attachment(s):

Training Committee Agenda

Denali Commission – Training Committee Meeting
February 20, 2008: 9:00 a.m. – 3:00 p.m.
Denali Commission Offices, East Conference Room

9:00 - 9:30	Welcome Introductions of Committee, Staff and Guests Agenda Discussion	Karen Johnson
9:30 – 12:30	Partner Reports <ul style="list-style-type: none"> • Associated General Contractors of Alaska • Alaska Works Partnership (AWP) • Cape Fox Heritage Foundation • First Alaskans Institute • University of Alaska 	Bob Cress Mike Andrew David Landis Memry Dahl Jan Harris and Mia Oxely
12:30-1:00	BREAK – Lunch arrives	
1:00 – 1:30	DOLWD – Partner Report DTF and Youth review	Karen Johnson Gerry McDonagh
1:30 – 3:00	FY07 / FY08 Funding Strategy Committee Action Plan	Karen Johnson Committee Members
3:00	Adjourn	



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Denali Commission Quarterly Meeting
February 28, 2008 – Juneau, Alaska

Briefing Paper: *Transportation Advisory Committee Update*
Prepared by: *Mike McKinnon*

****REVIEW ONLY - NO ACTION REQUIRED BY COMMISSION****

Issue:

This briefing is an update on activities of the Transportation Advisory Committee (Committee). The Committee, now in its third year of operation, is central to the demonstrated success of the transportation program. This briefing outlines issues and activities the committee is engaging in during calendar year 2008.

Background:

Committee membership, as appointed by the Governor of the State of Alaska, includes:

- The Federal Co-Chair of the Denali Commission, George J. Cannelos
- Four members who represent regional native corporations, native nonprofit entities, or tribal governments, including one member who is a civil engineer
- Four members who represent rural Alaska regions or villages, including one member who is a civil engineer

Committee responsibilities include:

- Advise the Denali Commission on surface transportation needs in rural Alaska
- Assist in coordinated rural transportation planning efforts
- Establish an annual list of transportation project priorities, including funding recommendations

In calendar year 2008, the Committee has three primary tasks:

- Review and approve a preliminary, multi-year construction phase capital budget
- Conduct a regional projects field review in Southeast Alaska
- Review and amend as needed, the FY 2009 Project Nomination and Selection Process

The FY 2008 project selection meeting held December 12-13, 2007 was very successful. Through policy discussions and staff reports regarding FHWA rules effecting project selection, the Committee was able to focus its attention on practical and highest-priority projects across the state. The Committee continues to demonstrate the highest standards of integrity in project selection and a genuine expertise in local transportation needs.

The FY 2008 Project List was developed, notifications about project selections were sent to sponsors who submitted projects, and project assignments have been made to partners and sponsors. This closes the FY 2008 project selection process, and now the Committee is turning its attention to the three tasks outlined above.

Analysis:

The first committee task in calendar year 2008 is to review and approve a preliminary construction-phase capital budget for roads and waterfront developments. The draft will be prepared for the Federal Co-Chair by May 1. This task is critical for developing the range of overall construction costs over the next two to three years. Denali Commission is carrying funds forward in anticipation of the expensive construction phases coming up at the end of the significant design effort currently underway in both program elements.

In addition to the capital budget development, staff will report to the Federal Co-Chair on FY 2006 projects that have not have not moved toward completion. This report will also be prepared for the Federal Co-Chair by May 1.

There are a number of these non-action projects currently under review. The Committee will recommend a course of action for each project to the Denali Commission management team. Actions will generally fall into three categories:

- Continue with the project, based on a new schedule
- Putting project funds back into the fund pool with the understanding that when the project moves forward funding will be available for construction
- Withdraw the funds, close the project and put the funds back in the fund pool

An important opportunity as part of the capital budget and non-action project reviews is to review capital projects submitted for FY 2008 that were not quite ready for construction in December, but may be ready for construction in June 2008. The committee may choose to fund construction of those projects that were considered high priority projects during the last project selection meeting.

These reviews will likely take place on June 3 in Ketchikan during the summer TAC meeting.

The second task is to conduct a field review of Southeast Alaska projects. The Committee will visit a road project in Craig and a boat dock Naukati on Prince of Wales Island, a boardwalk project in Pelican, the commercial fisheries dock and uplands in Juneau, and the Skagway harbor breakwater project.

The third task is to review and amend, as needed, the FY 2009 Project Nomination and Selection process in anticipation of process startup in August. This year there are issues surrounding the ranking system that needs discussion and evaluation. Staff will prepare a briefing for the Federal Co-Chair on these subjects prior to a meeting during the field review.

These tasks will set the base for the remaining years of the current program and will provide data for the upcoming highway reauthorization legislation set to get underway early in FY 2009.