Denali Commission

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. Cannelos
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.

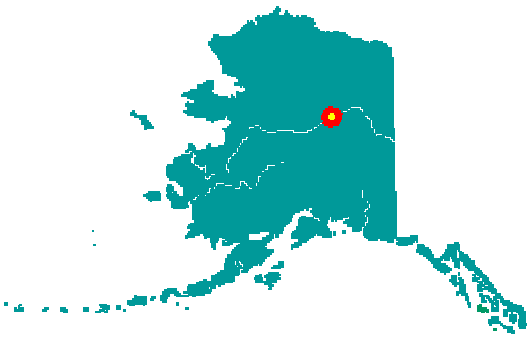
And as Alaskans we're all in this together!

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

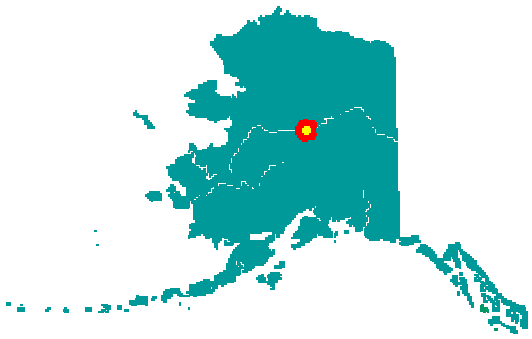
move back to the community. We are undertaking the road study, and believe that if connected the cost of freight, groceries, energy and the ability to commute for many jobs would be very positive.

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-

Chena Hot Springs geothermal power plant.

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.

Elder Housing, Central Peninsula Health Center

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-

Walden Point Road

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-

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

(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 Cattanach,*** **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**

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 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

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.

Buckland Community meeting facilitated by the Denali Commission

in Northwest Alaska. The project had foundered without someone brining 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.

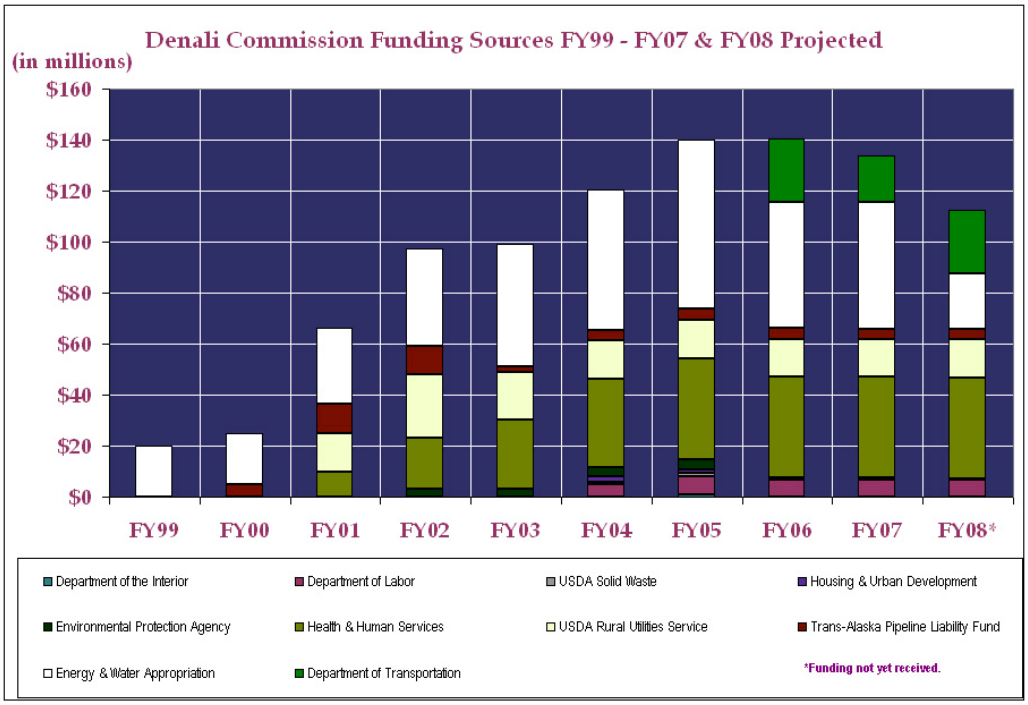
A Call for Cooperation and Action

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 combination 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.