Denali Commission
Agency Financial Report (AFR)
Fiscal Year 2009

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www.denali.gov

Denali Commission Performance and Accountability Report, Agency Financial Report Fiscal Year 2009.

Anchorage, AK., November 2009

This report is available on the internet at www.denali.gov under the Administration, Finance section.

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Alternative Agency Financial Report

Agency Financial Report (AFR)

A Message from the Director of Administration

Director of Administration
Corrine E. Eilo

Once again, the Denali Commission has opted to produce an alternative to the consolidated *Performance and Accountability Report (PAR)*. The Denali Commission (Commission) Agency Financial Report (AFR) will soon be followed by our Annual Performance Report and our Summary of Performance and Financial Information. The Commission has chosen to participate in the FY 2009 Pilot pursuant to Circular A-136. We will soon add our FY 2009 Annual Performance Report and FY 2011 performance plan with our Congressional Budget Justification and will post it on the Commission's website at www.denali.gov. In addition, the Commission will produce a "Summary of Performance and Financial Information" document and post it on the Commission's website as well.

There has been a lot of activity at the Commission this past fiscal year. Most notably, George J. Cannelos is no longer with the Commission effective October 3, 2009 when George's appointment officially concluded. We bid George farewell at the close of FY09 and we now await the official appointment of our next federal co-chair. I have been tasked with speaking on behalf of the Commission for this year's AFR and am very excited to share our past year's activities, accomplishments and future goals. You will find discussions in our financial section on some recent changes at the Commission, including changes to address some prior material weaknesses and some important corrective actions. We are proud that our FY 2009 audit resulted in an unqualified opinion with no material weaknesses and no significant deficiencies. Additionally you will soon see a comprehensive assessment of our programs in our upcoming Annual Performance Report which will include program outcomes.

While Alaskans continue to face many economic hardships, especially those in rural communities and remote villages, none has been more pressing than the recent energy crisis. Despite these severe challenges, we are excited to report our activities in rural energy last year. The Commission allocated over $10 million towards scientific research, emerging energy technology, alternative and renewable energy projects, and energy efficiency programs. These projects focus on innovation and collaboration, and are implemented through strategic partnerships with the State of Alaska, the University of Alaska, the U.S. Department of Energy, the power industry, tribes and local government. The Commission is a leader in the innovative development of alternative-renewable energy sources in the state of Alaska. We believe that these initiatives will not only promote energy independence in some of the nation's harshest environments, but will also drive economic growth, build sustaining communities and improve quality of life.

Congress created the Denali Commission 11 years ago with a vision to deliver services of the federal government in the most cost-effective manner. The Commission has been

Message from the Director of Administration (continued)

charged to move quickly and tackle systemic issues of rural poverty. The Commission's infrastructure projects proceed in an efficient, transparent manner with the involvement of the people they serve.

The Commission plays a key role in coordinating the myriad of federal, state and tribal programs that affect rural Alaska. Through workgroups and advisory committees, we work effectively to leverage dollars, produce meaningful outcomes, and deliver innovative and sustainable projects.

As a convener and coordinator, in 2009 we established the **Alaska Clearinghouse** to inform the public on the opportunities within the **American Recovery and Reinvestment Act (ARRA)**. This effort has won praise from all sectors and helped Alaskans secure funding for deserving projects which promote economic recovery.

The Commission has funded over 1,900 projects with program areas including energy, healthcare facilities, transportation, training, economic development, community multi-use facilities, teacher housing, public broadcasting, and government coordination. There is an urgent need to continue providing this basic infrastructure for the state of Alaska.

In addition to our numerous program accomplishments, the Commission has also worked very hard to improve and enhance our program delivery in house. On October 1, 2009 the Commission implemented the **Financial Line of Business** through the **U.S. Treasury, Bureau of Public Debt**. This significant change has already enhanced controls over financial reporting and provided **Federal Managers' Financial Integrity Act** compliance. Also the Commission, in accordance with the **National Institute of Standards and Technology (NIST)** under the **Federal Information Security Management Act (FISMA)** of 2002, has completed all requirements for 2009 security certification and accreditation of information systems supporting the agency's mission. Implementation of these types of important procedures enhances the Commission's program delivery and strengthens Commission grants management practices.

The Denali Commission continues to improve access to healthcare for rural Alaskans, provide greater environmental safeguards around fuel storage, improve efficient power generation systems, enhance transportation needs in rural communities and provide a better-trained workforce. We continue to address the disparities in the social and economic conditions of rural Alaska. We still have much to accomplish, but I hope you recognize the accomplishments thus far in our PAR Pilot report.

Sincerely,

Corrine E. Eilo
Director of Administration

Agency Financial Report (AFR)

Management Discussion and Analysis

Overview of the Denali Commission

In 1998, national attention was focused on the immense infrastructure and economic challenges faced by rural Alaskan communities by passing the Denali Commission Act. The Act became law on October 21, 1998 (Title III of Public Law 105-277, 42 USC 3121).

Commissioners:

(Seated Left to Right) -Kathie Wasserman, Executive Director - Alaska Municipal League, *George J. Cannelos,* Former Federal Co-Chair and *Karen Rehfeld,* State Co-Chair, Director of the Office of Management & Budget - State of Alaska
(Standing Left to Right) - Julie Kitka, President - Alaska Federation of Natives, *Vince Beltrami,* Executive President - Alaska AFL-CIO, *Karen Perdue,* Associate Vice-President for Health - University of Alaska, and John MacKinnon, Executive Director - Associated General Contractors of Alaska

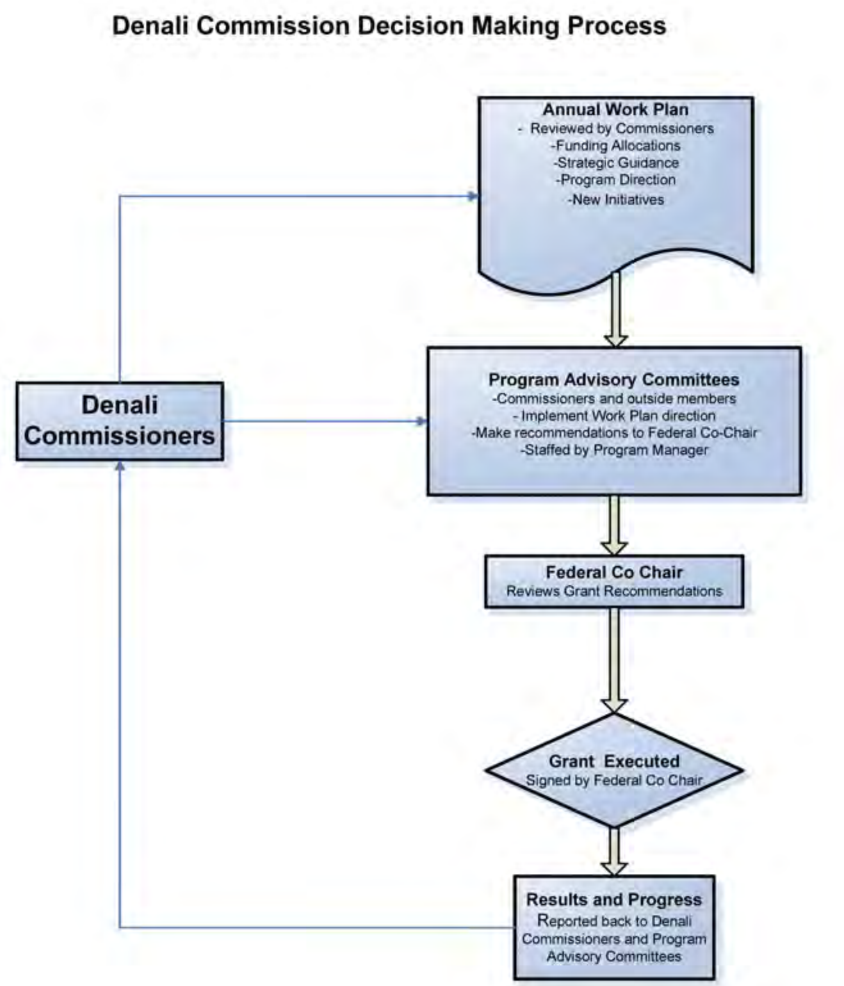
The Denali Commission (Commission) is an independent federal agency that acts as a regional commission focusing on the basic infrastructure needs of rural Alaska. Working as a federal-state-local partnership, the Commission provides critical utilities, infrastructure and support for economic development in Alaska by delivering federal services in the most cost-effective manner possible. By creating the Commission, Congress intended for those involved in addressing the unique infrastructure and economic challenges faced by America's most remote communities to work together in new ways to make a lasting difference.

Purpose:

- To deliver the services of the federal government in the most cost-effective manner practicable by reducing administrative and overhead costs.
- To provide job training and other economic development services in rural communities, particularly distressed communities (many of which have a rate of unemployment that exceeds 50%).
- To promote rural development and provide power generation and transmission facilities, modern communication systems, bulk fuel storage tanks, and other infrastructure needs.

The Commission Act required that seven leading Alaskan policy makers form a team as the Denali Commission:

- Federal Co-Chair appointed by the U.S. Secretary of Commerce
- State Co-Chair who is the Governor of Alaska
- Executive President of the Alaska, American Federation of Labor and Congress of Industrial Organizations
- President of the Alaska Federation of Natives
- President of the Alaska Municipal League
- President of the Associated General Contractors of Alaska
- President of the University of Alaska

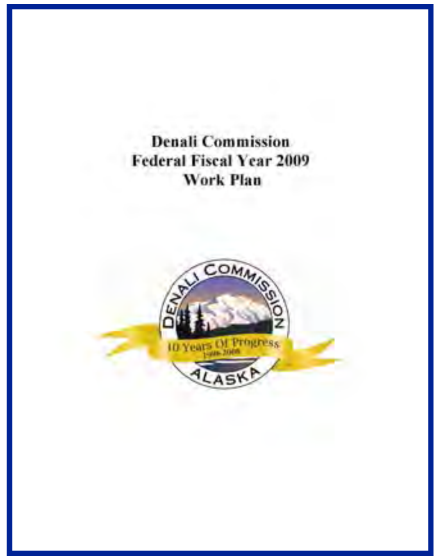


Commissioners meet at least twice a year to develop and monitor annual work plans that guide its activities. Commissioners draw upon community-based comprehensive plans as well as comments from individuals, organizations and partners to guide funding decisions. This approach helps provide basic services in the most cost-effective manner by moving the problem solving resources closer to the people best able to implement solutions.

The Commission is staffed by a small number of employees, together with additional personnel from partner organizations. The Commission relies upon a special network of federal, state, local, tribal and other organizations to successfully carry out its mission.

Work Plan

The Denali Commission Act outlines specific duties of the Commission primarily focused upon the development and implementation of an annual work plan. The Commission must develop an annual proposed work plan that solicits project proposals from local governments and other entities and organizations; and provides for a comprehensive work plan for rural and infrastructure development and necessary job training in the areas covered under the work plan.


Denali Commission
Federal Fiscal Year 2009
Work Plan

This proposed plan is submitted to the Federal Co-Chair for review who then publishes the work plan in the Federal Register, with notice and a 30 day opportunity for public comment.

The Federal Co-Chair takes into consideration the information, views, and comments received from interested parties through the public review and comment process, and consults with appropriate Federal officials in Alaska including but not limited to Bureau of Indian Affairs, the Department of Housing and Urban Development, Economic Development Administration, and USDA Rural Development.

The Federal Co-Chair then provides the plan to the Secretary of Commerce who issues the Commission a notice of approval, disapproval, or partial approval of the plan.

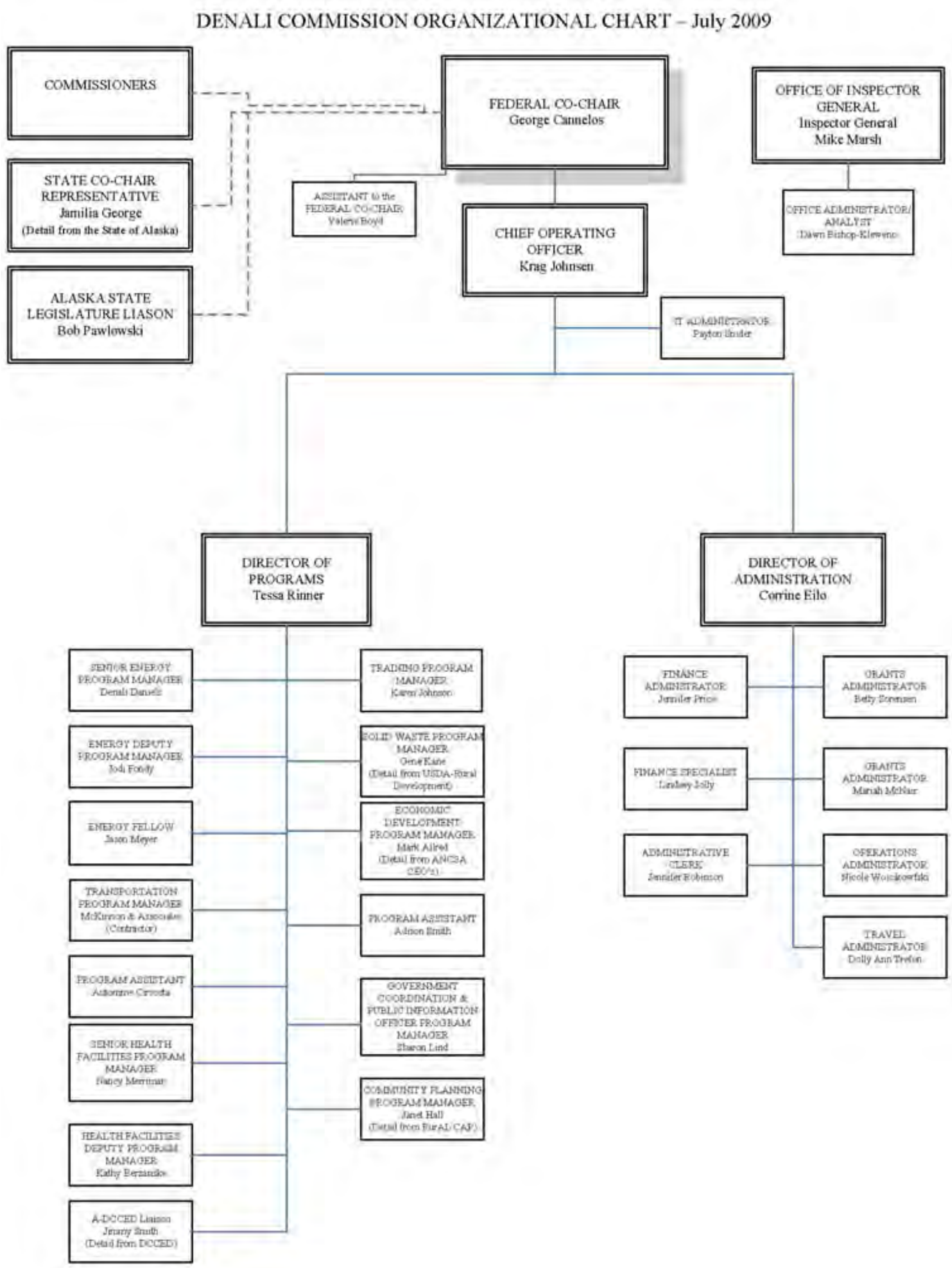
Vision, Mission and Organizational Structure

Vision

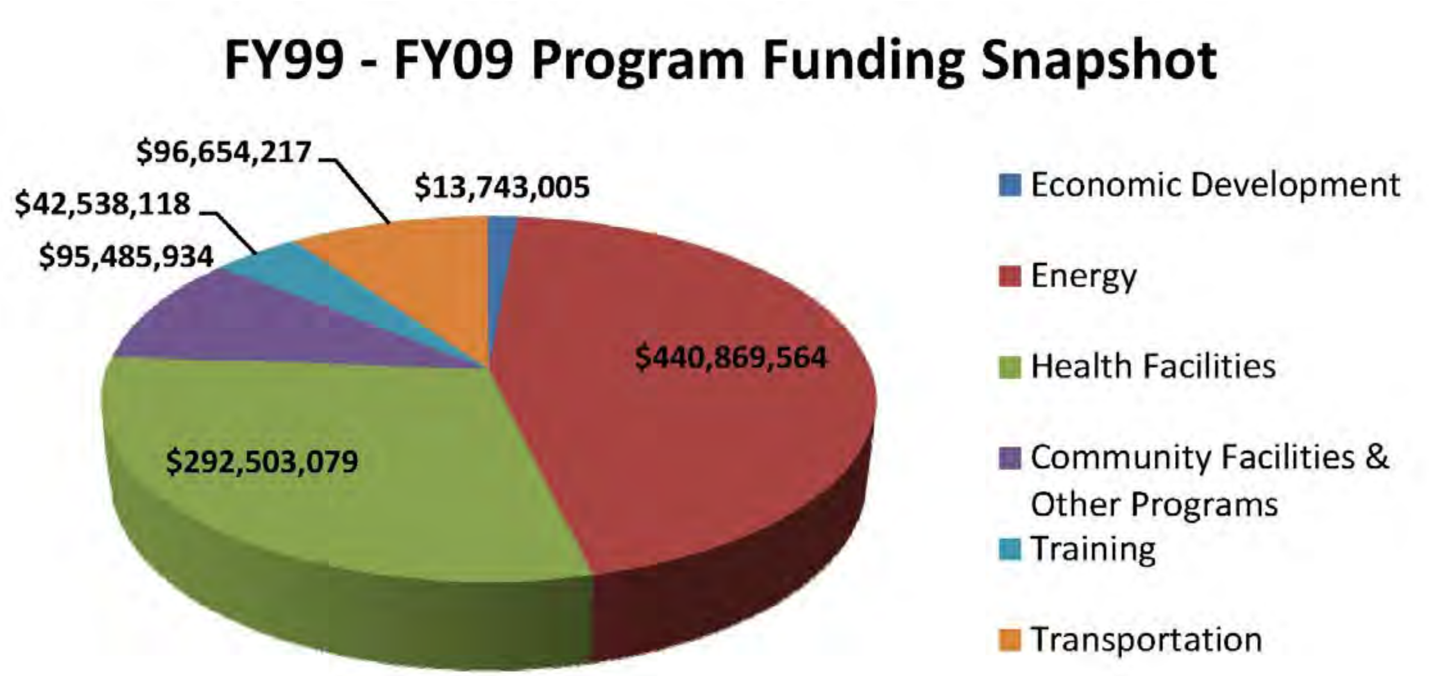
Alaska will have a healthy, well-trained labor force working in a diversified and sustainable economy that is supported by a fully developed and well-maintained infrastructure.

Mission

The Denali Commission will partner with tribal, federal, state, and local governments and collaborate with all Alaskans to improve the effectiveness and efficiency of government services, to develop a well-trained labor force employed in a diversified and sustainable economy, and to build and ensure the operation and maintenance of Alaska's basic infrastructure.



Summary of Performance

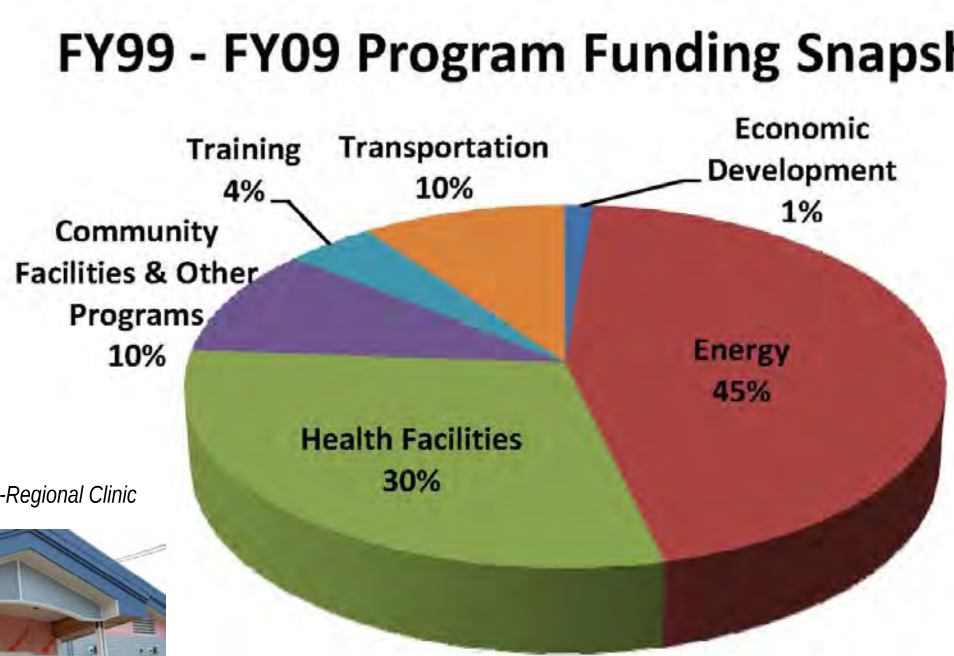


The Fiscal Year 2009 (FY09) Work Plan was developed based on the appropriations approved by Congress for FY09. (See Work Plan Appendix for the Denali Commission's complete Work Plan document.) The Commission has historically received several federal funding sources.

In FY09 no project specific earmarks were provided in any appropriations to the Commission. The Energy and Water Appropriations (commonly referred to as Commission base funding) are eligible for use in all programs, but has historically been used substantively to fund the Energy Program. The Energy Policy Act of 2005 established new authorities for the Commission's Energy Program, with an emphasis on renewable and alternative energy projects. No new funding accompanied the Energy Policy Act, and prior fiscal year Congressional direction has indicated that the Commission should fund renewable and alternative Energy Program activities from the available base appropriation.

All other appropriations outlined may be used only for the specific program area and may not be used across programs. For example, the U.S. Health Resources and Services Administration (HRSA) funding, which is appropriated for the Health Facilities Program, may not be moved to the Economic Development Program. The

Management Discussion and Analysis




Unalakleet Bulk Fuel

Chignik Bay, Sub-Regional Clinic



Unalakleet, Wind Turbine

figures appearing in the funding sources table include an administrative deduction of 5%, which constitutes the Commission's 5% overhead. A comprehensive discussion of all FY2009 program activities will be discussed in the Commission's Annual Performance Report. This report will include a history of the major programs, significant program outcomes and a funding history for each program area. The Commission funded the following program areas in FY09:

Energy Program

- **Bulk-Fuel Storage**
- **Community Power Generation and Distribution System Upgrades**
- **Energy Cost Reduction Projects**
- **Renewable and Alternative Energy**
- **Power Line Interties**


Gambell, Bulk Fuel

Management Discussion and Analysis

Health Facilities Program

- **Primary Care Facilities**
- **Behavioral Health Facilities**
- **Elder Housing/Assisted Living Facilities**
- **Primary Care in Hospitals**

Transportation Program

- **Local Roads, Boardwalks**
- **ATV Roads**
- **Community Connection and**
- **Economic Development Roads**
- **Regional Ports and**
- **Local Small Boat Harbors**
- **Barge Landings**

Port St. Nicholas Road, Craig

Training Program

- **Allied Health Professions**
- **Construction Trades**
- **Facility Operations and Maintenance**
- **Administration of Public Infrastructure**
- **Youth Initiatives**

Economic Development Program

- **Mini-grants**
- **Business Financial Assistance**
- **Business Technical Assistance**
- **Essential Community Mapping**

AKSourceLink

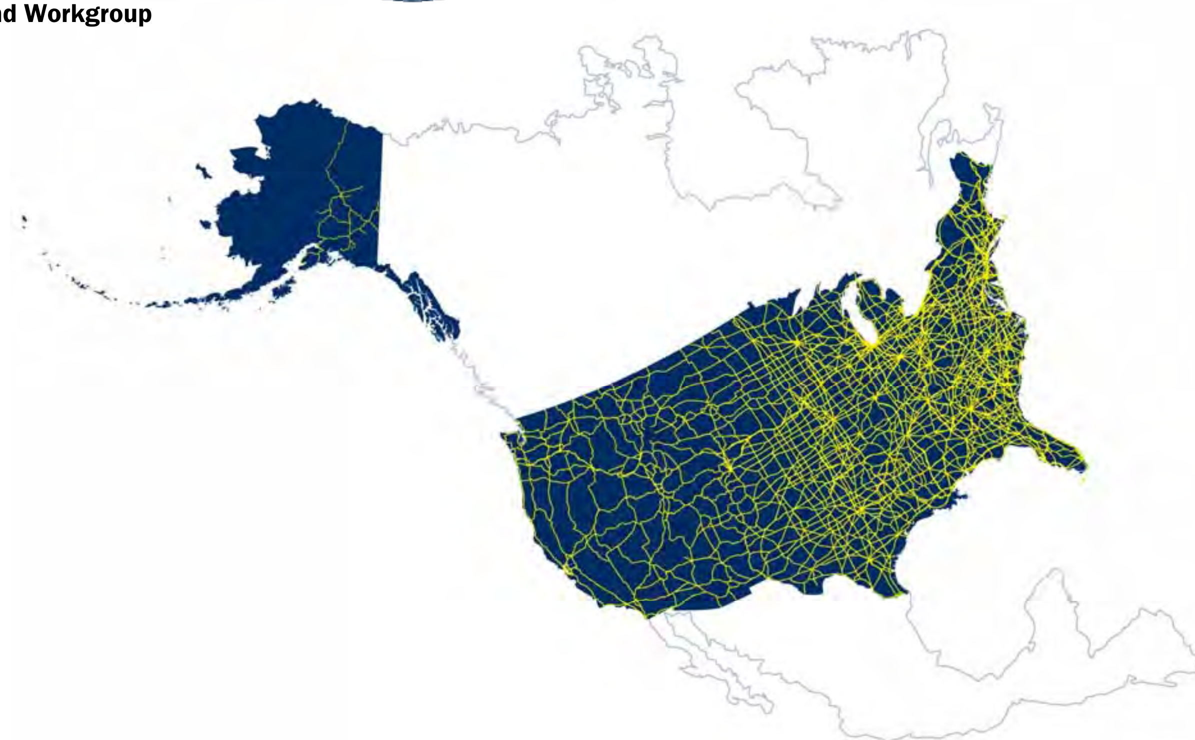
Other:

- **Teacher Housing**
- **Solid Waste**
- **Multi-Use Facilities**
- **Washeteria**
- **Public Broadcasting**


Teacher Housing, Scammon Bay

Government Coordination

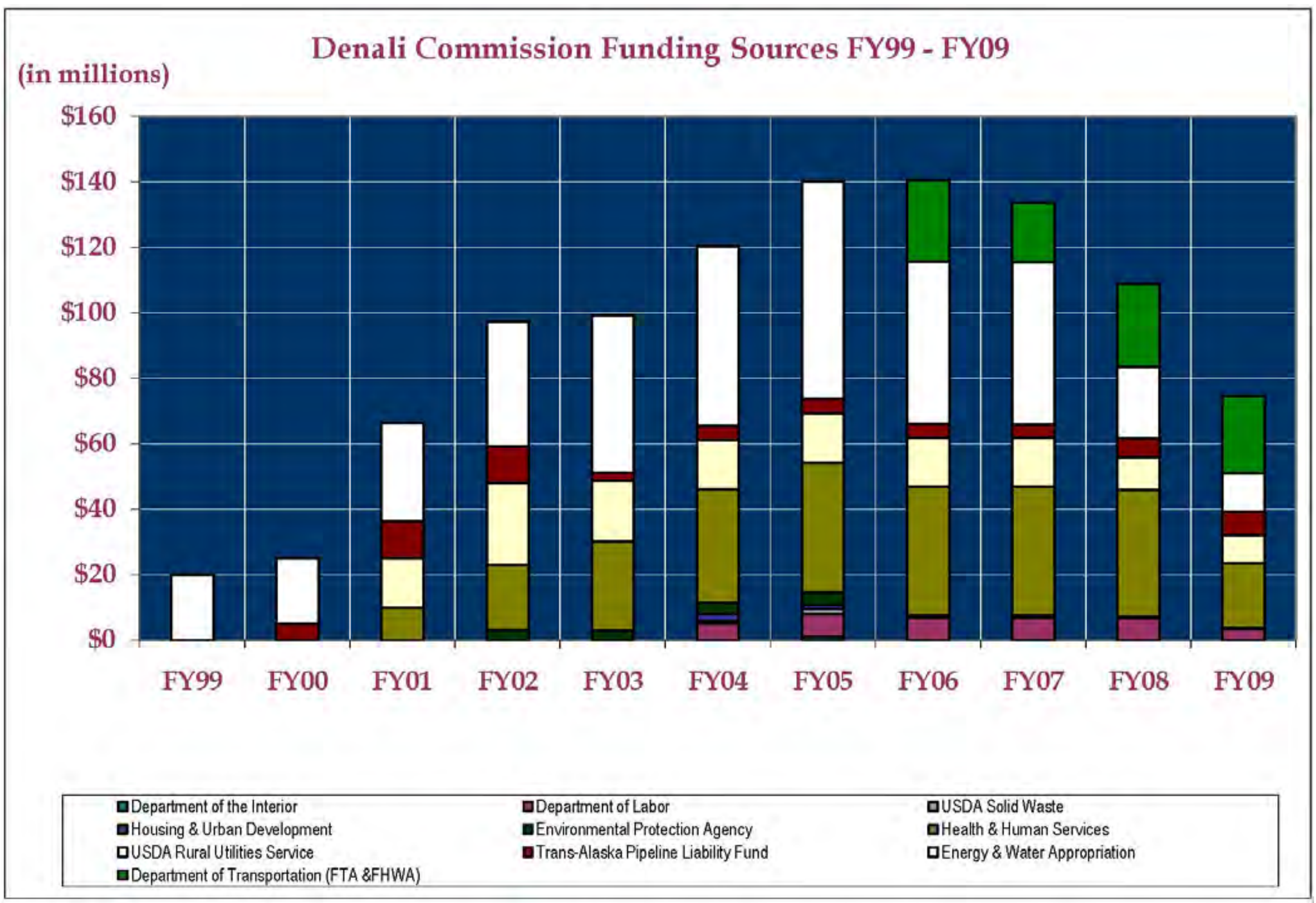
- **Alaska Clearinghouse**
- **Planning Workgroup**
- **MOU Partners**
- **Buckland Workgroup**



Financial Performance Overview

As of September 30, 2009 the financial condition of the Denali Commission was sound with respect to having sufficient funds to meet program needs and adequate control of these funds in place to ensure obligations did not exceed budget authority. Agency audits are conducted in accordance with auditing standards generally accepted in the United States of America, OMB Bulletin 07-04 (*Audit Requirements for Federal Financial Statements)* and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Sources of Funds



The Denali Commission is funded through several appropriations. Primary is the Energy and Water Appropriation. In FY 2009, the US Department of Agriculture transmitted funds by appropriation transfer for solid waste program activities. Both of these sources are direct budget authority; funds are available until expended.

Denali Commission gained spending authority through expenditure transfers from three agencies, with the following appropriation limitations:

- The USDA (Rural Utilities Service). (No-year appropriation)
- The Federal Transportation Administration. (No-year appropriation)
- The Department of Health and Human Services. (Annual appropriation)
- The Department of Labor (Annual appropriation, with a July through June program year)

Finally, Denali Commission is the recipient of a portion of the interest earned on the trust fund for the Trans-Alaska Pipeline Liability fund. In FY 2009, $7.3 million was transferred to Denali Commission to assist in efforts to make bulk fuel tanks in Alaska EPA code-compliant.

FY 09 Budgetary Authority	
Appropriations Received	$19,113,272
Offsetting Collections	29,621,787
Nonexpenditure Transfers	434,000
Total Budget Authority	$49,169,059

In FY 2009, Denali Commission's total budget authority was $112.3 million which includes $63.1 million from prior year appropriations was available to obligate in FY 2009.

Contract Authority from the US Department of Transportation, Federal Highway Administration (FHWA) in the amount of $23.5 million was transferred to the Commission in FY 2009. These funds are held in a joint account with the US DOT, and they are included in the US DOT's financial statements.

Uses of Funds by Function

The Denali Commission incurred obligations of $89.9 million in FY 2009 for program operations. An additional $5.8 million was obligated for administration (including personnel, office lease and office operations).

Unobligated funds in the amount of $16.6 million were carried forward, for obligation in FY 2010.

Financial Statement Highlights

The Denali Commission's financial statements summarize the financial activity and financial position of the agency. The financial statements, footnotes, and the balance of the required supplementary information appear in the Financial Section of this document.

Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 USC 3515 (b). While the statements have been prepared from the books and records of the entity in accordance with GAAP for Federal entities and the format prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the US Government, a sovereign entity.

Balance Sheet

Assets

The Commission's assets were $174.1 million as of September 30, 2009. This is a decrease of $43.7 million from the end of FY 2008. The assets reported in the Denali Commission's balance sheet are summarized in the accompanying table.

ASSET SUMMARY (in millions)		
	FY 2009	FY 2008
Fund balance with Treasury	$174.1	$216.1
Other assets	0	1.8
Total assets	$174.1	$217.9

Liabilities

The Denali Commission's liabilities were $18.5 million as of September 30, 2009, an increase of $1.4 million from the end of FY 2008. This increase is a direct result of a more accurate grant accrual methodology.

LIABILITIES SUMMARY (in millions)		
	FY 2009	FY 2008
Accounts payable, intragovernmental	$0.08	$0
Other intragovernmental liabilities	0.01	.78
Accounts payable, public	0.10	0.03
Other public liabilities	18.29	16.25
Total liabilities	$18.48	$17.06

Net Position

The difference between total assets and total liabilities, net position, was $155.7 million as of September 30, 2009. This is a decrease of $45.1 million from the FY 2008 year-end balance.

NET POSITION SUMMARY (in millions)		
	FY 2009	FY 2008
Total Net Position	$155.7	$200.8

Statement of Net Cost

The Statement of Net Cost reports the cost of conducting the Denali Commission programs during the reporting period. The accompanying table displays the net cost for FY 2009 and 2008. These costs consist of $4.4 million of intragovernmental costs; and $89.9 million in direct costs.

NET COST (in millions)		
	FY 2009	FY 2008
Program costs	$94.4	$119.2
Less: earned revenue	0	0
Net Costs of Operations	$94.4	$119.2

Statement of Changes in Net Position

The Net Position for the year ended September 30, 2009 is $155.7 million, a decrease of $45.1 million over FY 2008. This decrease is primarily due to a reduction in funding in FY 2009.

Statement of Budgetary Resources

The Statement of Budgetary Resources shows what budget authority the Denali Commission possesses and compares the status of that budget authority. The Commission had $112.3 million in total budgetary resources for FY 2009 – comprised of direct appropriations, expenditure transfers from other federal agencies, and an unobligated balance available from FY 2008. During the fiscal year, $89.9 million was obligated for program purposes; $5.8 was obligated and expended on administrative functions; $16.6 million in funds were carried forward, and will be available for obligation in FY 2010. Net outlays in FY 2009 amounted to $64.4 million.

Reconciliation of Net Cost of Operations to Budget

The Reconciliation provided ensures that the proprietary and budgetary accounts in the financial management system are in balance. The Reconciliation takes budgetary obligations of $95.7 million and reconciles to the net cost of operations of $94.4 million by deducting non budgetary resources, costs not requiring resources, and financing sources yet to be provided.

Systems, Controls and Legal Compliance

Management Assurances

Federal Managers' Financial Integrity Act (FMFIA)

The FMFIA (or the Integrity Act) provides the statutory basis for management's responsibility for and assessment of accounting and administrative internal controls. Such controls include program, operational, and administrative areas, as well as accounting and financial management. The FMFIA requires federal agencies to establish controls that reasonably ensure that obligations and costs are in compliance with applicable laws; funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenditures are properly recorded and accounted for to maintain accountability over the assets. The FMFIA also requires the agency head to annually assess and report on the effectiveness of internal controls that protect the integrity of federal program and whether financial management systems conform to related requirements.

FMFIA Statement of Assurance

The Denali Commission management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). I am able to provide an unqualified statement of assurance that the Denali Commission internal controls and financial management systems meet the objectives of FMFIA. The Commission's internal controls provide for effective and efficient program operations, reliable financial reporting, and compliance with laws and regulations. The Denali Commission conducted its assessment of the effectiveness of the Commission's internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, the Denali Commission can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2009, was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

Corrine E. Eilo

Corrine E. Eilo

Director of Administration

Federal Financial Management Improvement Act

The Federal Financial Management Improvement Act (FFMIA) is designed to improve financial and program managers' accountability, provide better information for decision-making, and improve the efficiency and effectiveness of federal programs. The FFMIA requires agencies to have financial management systems that substantially comply with the federal financial management systems requirements, applicable federal accounting standards, and the US Standard General Ledger at the transaction level.

FFMIA Compliance Determination

The Commission is responsible for maintaining its financial management system in compliance with government-wide requirements. These requirements are set forth in OMB Circular A-127 and are mandated in the Federal Financial Management Improvement Act (FFMIA). The Commission can attest that the system is substantially compliant with FFMIA.

Summary of Material Weaknesses, Non-Conformances and Corrective Action Plans

Material Weakness, Non-Conformance and Corrective Actions

For FY 2009, the Commission received an unqualified opinion in its annual financial audit. The results of this audit also found no material weaknesses and no significant deficiencies. The auditor stated that the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles; that the Commission had effective internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations, along with no reportable noncompliance with laws and regulations with the items that were tested. The FY 2008 financial audit report contained four findings, three categorized as material weaknesses and one as a significant weakness. The three material weaknesses were Restatement of FY 2007 Financial Statements; Controls over financial reporting; and the Federal Managers' Financial Integrity Act compliance and reporting. The one significant weakness was Information Technology. All four findings were based on a consolidation of individual deficiencies that have been addressed by management. The applicable recommendations have been satisfied by the implementation of the Financial Line of Business through US Treasury, Bureau of Public Debt, at the beginning of FY 2010. Progress on the one prior year finding of lack of grants management procedures was noted in the FY 2008 audit report. The Denali Commission received no audit opinion on its FY 2008 financial statements.

Financial Management Trends

The Denali Commission has been strengthening its grants management practices over the past several years. Quarterly financial status reports have encouraged improved cash management on the part of grant recipients. All grant partners are now receiving reimbursement payments rather than advances, a move that has simplified accounting while still delivering the resources necessary to get the project done timely. As a small agency, the Denali Commission values partnership and collaboration. Commission leadership understands and appreciates the vision and goals of the Financial Management Line of Business (FMLOB) initiative – to improve the cost, quality and performance of financial management systems by implementing shared services solutions. The agency has implemented a FMLOB, through the US Treasury, Bureau of Public Debt, as of October 1, 2009.

Improper Payments Information Act (IPIA)

The Improper Payments Information Act (IPIA) requires executive branch agencies to review all programs and activities they administer and identify those that may be susceptible to significant improper payments. Significant improper payments are defined by OMB as annual improper payments in a program exceeding both 2.5 percent of program payments and $10 million.

In accordance with IPIA, the Commission assessed its programs and activities for susceptibility to significant improper payments. Based on this review, the Commission determined that none of its programs or activities is at risk for significant improper payments of both 2.5 percent and $10 million.

Agency Financial Report (AFR)

Financial Section

DENALI COMMISSION
ANCHORAGE, ALASKA

Financial Statements
September 30, 2009

DENALI COMMISSION
ANCHORAGE, ALASKA

Contents

Inspector General's Transmittal Letter

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INSPECTOR GENERAL

November 12, 2009

To: Denali Commission's Management

From: Mike Marsh, Inspector General

The inspector general contracted with the independent certified public accounting firm of SB & Company to audit the FY 2009 financial statements of the Denali Commission.

The contract required that the audit for FY 2009 be done in accordance with generally accepted government auditing standards and OMB Bulletin 07-04, *Audit Requirements for Federal Financial Statements*. This audit by SB & Company was limited to FY 2009. SB & Company was not retained to audit any previous year.[1]

The attached audit report by SB & Company describes its opinion for FY 2009 as follows:

> *"In our audit of Denali Commission (the Commission) for fiscal year ending September 30, 2009, we found:*
>
> - *the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles;*
> - *the Commission had effective internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations; and*
> - *no reportable noncompliance with laws and regulations we tested."*

In connection with the contract, the inspector general reviewed SB & Company's report and related documentation and inquired of its representative. Our review, as differentiated from an audit in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on the Denali Commission's financial statements, internal controls, or compliance with laws and regulations. SB & Company is responsible for the attached auditor's report dated November 4, 2009 and the conclusions expressed in the report. However, our review disclosed no instances where SB & Company did not comply with the contract's requirements.

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[1] The audit for the prior year (FY 2008) concluded with a disclaimer. The opinion for FY 2009 contains the following statement by SB & Company:

> *Management has elected to include the 2008 financial statements. The 2008 financial statements have not been subjected to the auditing procedures applied in the audit of the 2009 financial statements and, accordingly, we express no opinion on the 2008 financial statements.*

The FY 2008 disclaimer was discussed in the inspector general's *Semiannual Report to the Congress* (May 2009) that was provided to the agency head, OMB officials, and congressional oversight committees.

SB & COMPANY, LLC
EXPERIENCE • QUALITY • CLIENT SERVICE

Report of Independent Public Accountants

Office of the Inspector General
Denali Commission
Anchorage, AK

In our audit of Denali Commission (the Commission) for fiscal year ending September 30, 2009, we found:

- the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles;

- the Commission had effective internal control over financial reporting (including safeguarding assets) and compliance with laws and regulations; and

- no reportable noncompliance with laws and regulations we tested.

The following sections discuss in more detail (1) these conclusions and our conclusions on Management's Discussion and Analysis and other supplementary information and (2) the scope of our audit.

Opinion on Financial Statements

The financial statements including the accompanying notes present fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, the Commission's assets, liabilities, and net position; net costs; changes in net position; and budgetary resources as of September 30, 2009 and for the year then ended.

Consideration of Internal Control

In planning and performing our audit, we considered the Commission's internal control over financial reporting and compliance. The objectives of internal control are to that provided reasonable assurance that misstatements, losses, or noncompliance material in relation to the financial statements or to stewardship information would be prevented or detected on a timely basis. We did this to determine our procedures for auditing the financial statements and to comply with OMB audit guidance, not to express an opinion on internal control. Accordingly, we do not express an opinion on internal control over financial reporting and compliance. However, for the controls we tested, we found no material weaknesses in internal control over financial reporting (including safeguarding assets) and compliance. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors, fraud, or noncompliance in amounts that would be material to the financial statements may occur and not be detected promptly by employees in the normal course of performing their duties. Our internal control work would not necessarily disclose all material weaknesses.

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Compliance With Laws and Regulations

Our tests for compliance with selected provisions of laws and regulations disclosed no instances of noncompliance that would be reportable under U.S. generally accepted government auditing standards or OMB audit guidance. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Consistency of Other Information

Management's Discussion and Analysis, and other accompanying information contain a wide range of data, some of which are not directly related to the financial statements. We do not express an opinion on this information. However, we compared this information for consistency with the financial statements and discussed the methods of measurement and presentation with the Commission's officials. Based on this limited work, we found no material inconsistencies with the financial statements or nonconformance with OMB guidance.

Management has elected to include the 2008 financial statements. The 2008 financial statements have not been subjected to the auditing procedures applied in the audit of the 2009 financial statements and, accordingly, we express no opinion on the 2008 financial statements.

Objectives, Scope, and Methodology

Management is responsible for (1) preparing the financial statements in conformity with generally accepted accounting principles, (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of the Federal Managers' Financial Integrity Act are met, (3) ensuring that the Commission's financial management systems substantially comply with FFMIA requirements, and (4) complying with applicable laws and regulations.

We are responsible for obtaining reasonable assurance about whether the financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles.

We are also responsible for (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit, (2) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and laws for which OMB audit guidance requires testing, and (3) performing limited procedures with respect to certain other information appearing in the Accountability Report.

SB & COMPANY, LLC
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In order to fulfill these responsibilities, we (1) examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements, (2) assessed the accounting principles used and significant estimates made by management, (3) evaluated the overall presentation of the financial statements, (4) obtained an understanding of internal control related to financial reporting (including safeguarding assets), compliance with laws and regulations (including execution of transactions in accordance with budget authority), and performance measures reported in Management's Discussion and Analysis of the Accountability Report, (5) tested relevant internal controls over financial reporting, and compliance, and evaluated the design and operating effectiveness of internal control, (6) considered the process for evaluating and reporting on internal control and financial management systems under the Federal Managers' Financial Integrity Act, and (7) tested compliance with selected provisions of the laws and regulations applicable to the Commission.

We did not evaluate all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to the Commission. We limited our tests of compliance to those laws and regulations required by OMB audit guidance that we deemed applicable to the financial statements for the fiscal year ended September 30, 2009. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We performed our work in accordance with U.S. generally accepted government auditing standards and OMB audit guidance.

Agency Comments and Our Evaluation

In commenting on a draft of this report, the Commission concurred with the facts and conclusions in our report.

Hunt Valley, MD
November 4, 2009

SB's Company, LLC

DENALI COMMISSION
Balance Sheet
As of September 30, 2009
(in dollars)

	2009
ASSETS (Note 2)	
Intragovernmental assets	
Fund balance with Treasury (Note 3)	$174,094,819
Total intragovernmental assets	174,094,819
Accounts Receivable (Note 4)	41,667
Other assets (Note 5)	-
TOTAL ASSETS	**$174,136,485**
LIABILITIES AND NET POSITION	
Intragovernmental liabilities	
Accounts payable	$82,353
Other intragovernmental liabilities (Note 2,6 and 7)	10,453
Total intragovernmental liabilities	92,806
Accounts payable	98,315
Other liabilities (Note 1, 6 and 7)	18,290,322
Total liabilities	**18,481,444**
Net position (Note 1)	
Unexpended appropriations – other funds	72,814,877
Cumulative results of operations - earmarked fund (Note 9)	9,205,566
Cumulative results of operations – other funds	73,634,598
Total net position	**155,655,041**
TOTAL LIABILITIES AND NET POSITION	**$174,136,485**

The accompanying notes are an integral part of these financial statements.

DENALI COMMISSION
Balance Sheet
As of September 30, 2008
(in dollars)

	(Unaudited) 2008
ASSETS (Note 2)	
Intragovernmental assets	
Fund balance with Treasury (Note 3)	$216,054,320
Total intragovernmental assets	216,054,320
Accounts Receivable (Note 4)	954
Other assets (Note 5)	1,830,887
TOTAL ASSETS	**$217,886,161**
LIABILITIES AND NET POSITION	
Intragovernmental liabilities	
Accounts payable	$-
Other intragovernmental liabilities (Note 2,6 and 7)	776,949
Total intragovernmental liabilities	776,949
Accounts payable	34,509
Other liabilities (Note 1, 6 and 7)	16,246,079
Total liabilities	**17,057,537**
Net position (Note 1)	
Unexpended appropriations – other funds	98,700,503
Cumulative results of operations - earmarked fund (Note 9)	8,322,736
Cumulative results of operations – other funds	93,805,385
Total net position	**200,828,624**
TOTAL LIABILITIES AND NET POSITION	**$217,886,161**

The accompanying notes are an integral part of these financial statements.

DENALI COMMISSION
Statement of Net Cost
For the Year Ended September 30, 2009
(in dollars)

	2009
Program costs	$94,359,605
Less: earned revenue (Note 10)	-
NET COSTS OF OPERATIONS	**$94,359,605**

The accompanying notes are an integral part of these financial statements.

DENALI COMMISSION
Statement of Net Cost
For the Period Ended September 30, 2008
(in dollars)

	(Unaudited) 2008
Program costs	$119,185,297
Less: earned revenue (Note 10)	-
NET COSTS OF OPERATIONS	**$119,185,297**

The accompanying notes are an integral part of these financial statements.

DENALI COMMISSION
Statement of Changes in Net Position
For the Year Ended September 30, 2009
(in dollars)

	2009		
	Earmarked Fund	**Other Funds**	**Total**
CUMULATIVE RESULTS OF OPERATIONS, BEGINNING	$8,322,736	$93,805,385	$102,128,121
Budgetary Financing Sources (Note 1)			
Appropriations used	-	38,119,626	38,119,626
Transfers without reimbursement	7,313,272	29,546,380	36,859,651
Other			
Other Financing Sources:			
Imputed Financing from Costs Absorbed by Others	-	92,371	92,371
Total financing sources	7,313,272	67,758,377	75,071,648
Net cost of operations	6,430,442	87,929,164	94,359,605
Net change	882,830	(20,170,787)	(19,287,957)
CUMULATIVE RESULTS OF OPERATIONS,	$9,205,566	$73,634,598	$82,840,164
UNEXPENDED APPROPRIATIONS, BEGINNING		$98,700,503	$98,700,503
Budgetary financing sources (Note 1)			
Appropriations received		11,800,000	11,800,000
Appropriations transferred		434,000	434,000
Other adjustments		-	-
Appropriations used		(38,119,626)	(38,119,626)
Total Budgetary Financing Sources		**(25,885,626)**	**(25,885,626)**
UNEXPENDED APPROPRIATIONS, ENDING		**72,814,877**	**72,814,877**
NET POSITION	**$9,205,566**	**$146,449,475**	**$155,655,041**

The accompanying notes are an integral part of these financial statements.

DENALI COMMISSION
Statement of Changes in Net Position
For the Year Ended September 30, 2008
(in dollars)

	(Unaudited) 2008		
	Earmarked Fund	Other Funds	Total
CUMULATIVE RESULTS OF OPERATIONS, BEGINNING	$4,205,698	$103,904,257	$108,109,955
Budgetary Financing Sources (Note 1)			
Appropriations used	-	43,195,052	43,195,052
Transfers without reimbursement	5,830,934	64,075,814	69,906,748
Other			
Other Financing Sources:			
Imputed Financing from Costs Absorbed by Others	-	101,662	101,662
Total financing sources	5,830,934	107,372,528	113,203,462
Net cost of operations	1,713,896	117,471,401	119,185,297
Net change	4,117,038	(10,098,873)	(5,981,834)
CUMULATIVE RESULTS OF OPERATIONS,	**$8,322,736**	**$93,805,385**	**$102,128,121**
UNEXPENDED APPROPRIATIONS, BEGINNING		$119,661,614	$119,661,614
Budgetary financing sources (Note 1)			
Appropriations received		21,800,000	21,800,000
Appropriations transferred		437,000	437,000
Other adjustments		(3,059)	(3,059)
Appropriations used		(43,195,052)	(43,195,052)
Total Budgetary Financing Sources		**(20,961,111)**	**(20,961,111)**
UNEXPENDED APPROPRIATIONS, ENDING		**98,700,503**	**98,700,503**
NET POSITION	**$8,322,736**	**$192,505,888**	**$200,828,624**

The accompanying notes are an integral part of these financial statements.

DENALI COMMISSION
Statement of Budgetary Resources
For the Year Ended September 30, 2009
(in dollars)

	2009
BUDGETARY RESOURCES	
Unobligated balance, brought forward, October 1	$58,286,790
Recoveries of prior year unpaid obligations	4,870,804
Budget authority	
Appropriations received	19,113,272
Spending authority from offsetting collections	
Collected	29,621,787
Budget authority subtotal	48,735,058
Nonexpenditure transfers, net, actual	434,000
Permanently not available	-
Total budgetary resources	**112,326,652**
STATUS OF BUDGETARY RESOURCES	
Obligations incurred (Note 11)	
Direct	59,007,451
Reimbursable	36,688,110
Subtotal	95,695,561
Unobligated balance available	14,196,470
Unobligated balance not yet available	2,434,621
Total status of budgetary resources	**112,326,652**
CHANGE IN OBLIGATED BALANCES	
Unpaid obligated balance, brought forward, October 1	155,888,970
Obligations incurred	95,695,561
Less: gross outlays	94,060,382
Less: Recoveries of prior year unpaid obligations	4,870,804
Unpaid obligated balance, net, end of period	152,653,345
NET OUTLAYS	
Gross outlays	94,060,382
Offsetting collections	(29,621,787)
Net outlays	**$64,438,595**

The accompanying notes are an integral part of these financial statements.

DENALI COMMISSION
Statement of Budgetary Resources
For the Year Ended September 30, 2008
(in dollars)

	(Unaudited) 2008
BUDGETARY RESOURCES	
Unobligated balance, brought forward, October 1	$36,378,120
Recoveries of prior year unpaid obligations	
Budget authority	
Appropriations received	27,630,934
Spending authority from offsetting collections	
Collected	64,075,814
Budget authority subtotal	91,706,748
Nonexpenditure transfers, net, actual	437,000
Permanently not available	(3,059)
Total budgetary resources	**128,518,809**
STATUS OF BUDGETARY RESOURCES	
Obligations incurred (Note 11)	
Direct	6,268,481
Reimbursable	63,963,539
Subtotal	70,232,020
Unobligated balance available	50,353,272
Unobligated balance not yet available	7,933,517
Total status of budgetary resources	**128,518,809**
CHANGE IN OBLIGATED BALANCES	
Unpaid obligated balance, brought forward, October 1	197,725,298
Obligations incurred	70,232,020
Less: gross outlays	112,068,348
Less: Recoveries of prior year unpaid obligations	
Unpaid obligated balance, net, end of period	155,888,970
NET OUTLAYS	
Gross outlays	112,068,348
Offsetting collections	(64,075,814)
Net outlays	**$47,992,534**

The accompanying notes are an integral part of these financial statements.

DENALI COMMISSION
Notes to the Financial Statements
For the Years Ended September 30, 2009 and 2008 (unaudited)

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

The Denali Commission (the Commission) was established under the Denali Commission Act of 1998 (P.L. 105-277, Division C, Title III), as amended and 42 U.S.C. Chapter 38, Sec. 3121. The Commission, a "designated" federal entity as published by the Office of Management and Budget under the Inspector General Act of 1978, functions as a unique federal-state-local partnership to address crucial needs of rural Alaskan communities, particularly isolated Native villages and other communities lacking access to the national highway system, affordable power, adequate health facilities and other impediments to economic self-sufficiency.

The Commission is comprised of seven members who are appointed by the Secretary of the U.S. Department of Commerce. The Federal Co-chair serves a term of four years and may be reappointed. The other six Commissioners are the heads of Alaskan state and non-governmental organizations and have been appointed for the life of the Commission. The position of Federal Co-chair became vacant as of October 3, 2009 and has yet to be filled.

The mission of the Denali Commission is to partner with tribal, federal, state, and local governments and collaborate with all Alaskans to improve the effectiveness and efficiency of government services, to develop a well-trained labor force employed in a diversified and sustainable economy, and to build and ensure the operation and maintenance of Alaska's basic infrastructure.

The Denali Commission provides approximately 95 percent of its funding to projects in the areas of economic development, energy, health care, training, and other infrastructure. Funding for the projects is provided from general federal appropriations as well as funds from the Department of Health and Human Services, the USDA Rural Utilities Service and the Department of Labor. Matching funds comprise approximately 80 percent of total project costs.

The Department of Transportation, Federal Highway Administration, has a parent-child relationship with the Denali Commission. The Commission follows strict guidance that determines how child accounts operate with the parent account, the roles and responsibilities of the parent and child agencies and specific accounting instructions on how to record financial transactions.

DENALI COMMISSION
Notes to the Financial Statements
For the Years Ended September 30, 2009 and 2008 (unaudited)

B. Basis of Accounting and Presentation

The accompanying financial statements have been prepared to report the financial position, net cost, changes in net position, budgetary resources and reconciliation of net cost to budgetary obligations of the Commission as required by the Accountability of Tax Dollars Act of 2002. These financial statements have been prepared from the books and records of the Commission in accordance with accounting principles generally accepted in the United States of America (GAAP) and the form and content requirements of the Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB), which is the official standard-setting body of the Federal Government. These financial statements present propriety and budgetary information. The financial statements should be read with the realization that they are for a component of the United States Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides resources and legal authority.

The accounting structure of Federal agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds.

C. Fund Balance with Treasury

Cash receipts and disbursements for operations are processed by the Department of Treasury. Funds held by the Department of Treasury represent funds available for operations.

D. Liabilities Not Covered by Budgetary Resources

Liabilities represent the amount of monies or other resources that are likely to be paid by the Commission as the result of a transaction or event that has already occurred. No liability can be paid by the Commission absent an appropriation. Liabilities for which an appropriation has not been enacted and for which there is no certainty that an appropriation will be enacted are classified as liabilities not covered by budgetary resources.

DENALI COMMISSION
Notes to the Financial Statements
For the Years Ended September 30, 2009 and 2008 (unaudited)

E. Accrued Benefits

Annual leave is accrued as it is earned, and the accrual is reduced as leave is taken. At least once a year, the balance in the accrued annual leave account is adjusted to reflect current pay rates of cumulative annual leave earned but not taken. Sick and other types of leave are expensed as taken.

F. Retirement and Other Benefit Plans

The Commission participates in the Federal Employees Retirement System (FERS) for federal employees, which is administered by the United States Office of Personnel Management (OPM). The Commission makes contributions at rates applicable to agencies of the federal government. The contributions do not equal the full service cost of the pension expense, which is the actuarial present value of benefits attributed to services rendered by covered employees during the accounting period. The measurement of service costs requires the use of actuarial cost methods to determine the percentage of the employees' basic compensation sufficient to fund their projected pension benefit. These percentages (cost factors) are provided by OPM. The excess of total pension expense over the amount contributed by the Commission and Commission employees represents the amount which must be financed directly by OPM.

Several employees also participate in the Federal Employees Health Benefit plan (FEHB) and the Federal Employees Group Life Insurance program (FEGLI), also administered by OPM. The Commission pays the cost of current employees. Post-retirement benefits are paid by OPM.

The Commission does not report in its financial statements FERS, FEHB or FEGLI assets, accumulated plan benefits or unfunded liabilities, if any, applicable to its employees.

G. Net Position

Unexpended appropriations include the unobligated balances and undelivered orders of the Commission's appropriated funds. Unobligated balances associated with appropriations that expire at the end of the fiscal year remain available for obligation adjustments, but not new obligations, until that appropriation is closed, five years after the appropriations expire. Multi-year appropriations remain available to the Commission for obligation in future periods. No-year appropriations are available until expended. Cumulative results of operations include the accumulated historical difference between expenses consuming budgetary resources and financing sources providing budgetary resources.

DENALI COMMISSION
Notes to the Financial Statements
For the Years Ended September 30, 2009 and 2008 (unaudited)

H. Financing Sources

The Commission receives annual, no-year and multi-year Federal appropriations to fund program grants and its operations. Funds are available until expended or until the time period expires. Intragovernmental funds transferred from other Federal agencies are used to carry out Commission programs. Intragovernmental funds transferred for 2009 totaled $36,859,651. The Commission uses USSGL (5750- Expenditure Financing Sources - Transfers-In) to record Intragovernmental funds transferred in.

I. Use of Estimates

The preparation of the accompanying financial statements requires management to make estimates and assumptions that affect certain amounts and disclosures included in the financial statements. Accordingly, actual results may differ from those estimates.

J. Allocation Transfers

The Commission is a party to allocation transfers with Federal Highway Administration as a receiving (child) entity. Allocation transfers are legal delegations by one department of its authority to obligate budget authority and outlay funds to another department. A separate fund account is created in the U.S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. Generally, all financial activity related to these allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations and budget apportionments are derived.

Note 2 - Non-Entity Assets

The Denali Commission Act of 1998 states that one of the purposes of the Commission is to deliver the services of the federal government in the most cost-effective manner practicable by reducing administrative and overhead costs. In the spirit of this legislation, the Commission has offered a service to other federal agencies whereby a federal agency may utilize the Commission to make payments to non-federal organizations in Alaska on the agency's behalf. No fee is collected for this service. Amounts received but not disbursed are recorded on the Balance Sheet in the Fund Balance with Treasury line and are offset by a liability on the Other Intragovernmental Liabilities line. This balance is $4,810,383 and $1,878,560 as of September 30, 2009 and September 30, 2008, respectively.

DENALI COMMISSION
Notes to the Financial Statements
For the Years Ended September 30, 2009 and 2008 (unaudited)

Note 3 - Fund Balance with U.S. Treasury

Funds with U.S. Treasury at September 30 consisted of the following:

Fund Balance:	**2009**	**2008**
General Funds*	$163,259,567	$207,626,229
Trust Funds	10,835,252	8,428,091
	$174,094,819	$216,054,320
Status of Fund Balance:		
Unobligated Balance	$16,631,091	$58,286,790
Obligated Balance Not Disbursed	152,653,345	155,888,970
Non-Budgetary	4,810,383	1,878,560
Total	$174,094,819	$216,054,320

*Includes $4,810,383 and $1,878,560 in non-entity fund balance with Treasury as of September 30, 2009 and September 30, 2008, respectively.

Note 4 - Accounts Receivable, Net

Outstanding accounts receivable is $41,667 and $954 as of September 30, 2009 and September 30, 2008, respectively.

Note 5 - Other Assets

Other Assets consist of advance payments to grantees. Disbursements are made at the grant recipient's request. The draw (disbursement) is recorded as an advance payment. The quarterly Financial Status Report (FSR) submitted by the recipient is recorded as the grant expense, and the difference between the advances and actual expenses is tracked as an advance or a liability. Advances included on the balance sheet are $0 and $1,830,887 as of September 30, 2009 and September 30, 2008, respectively.

Note 6 - Liabilities Not Covered by Budgetary Resources

The unfunded accrued annual leave liability for the Commission reported as other liabilities on the balances sheet was $78,648 and $101,381 as of September 30, 2009 and September 30, 2008, respectively.

DENALI COMMISSION

Notes to the Financial Statements
For the Years Ended September 30, 2009 and 2008 (unaudited)

Note 7 - Other Liabilities

Current other liabilities on the balance sheet for the Commission are for accrued payables to vendors and grantees and for accrued salaries payable to staff. The non-current unfunded annual leave liability is described in Note 6. The liability for pass through funding is the ASAP draw-downs for the Alaska Department of Transportation & Public Facilities (Note 2).

Other liabilities at September 30, 2009 and September 30, 2008 consist of the following:

Intragovernmental	**2009**	**2008**
Accrued Services	$10,453	$386,466
Liability for Pass-through Funding	-	390,483
Total Intragovernmental	$10,453	$776,949
Public		
Accrued Services and Grants Payable	$13,285,983	$14,238,134
Accrued Salaries and Benefits	115,308	28,004
Deposit Fund Liability	4,810,383	1,878,560
Unfunded Annual Leave	78,648	101,381
Total Public	$18,290,322	$16,246,079

Note 8 - Operating Leases

The Commission's lease for its office commenced on February 1, 2003 and extends through July 31, 2010. It provides for increases in annual base rent of 2 percent per year beginning August 1, 2003, and every year thereafter for the remainder of the lease term. The lease future minimum lease payments required under this lease are as follows:

	Amount
2009	$114,427
2010	356,577
Total	$471,004

DENALI COMMISSION
Notes to the Financial Statements
For the Years Ended September 30, 2009 and 2008 (unaudited)

Note 9 - Earmarked Funds

The Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999 established the annual transfer of interest from the Oil Spill Liability Trust Fund to the Denali Commission. The Coast Guard and the Environmental Protection Agency enlist the assistance of the Commission to help in bringing bulk fuel tanks in Alaska up to environmental and safety standards as set by the two agencies. The Commission accounts for and reports on the use of these Permanent Indefinite funds separately through its annual budget execution reporting.

Condensed financial information for the quarter ended September 30, 2009 is:

Balance Sheet	
As of September 30, 2009	
Assets	
Fund balance with Treasury	$10,835,252
Other assets	-
Total assets	$10,835,252
Liabilities and Net Position	
Liabilities	$1,629,686
Cumulative results of operations	9,205,566
Total liabilities and net position	$10,835,252
Statement of Net Cost	
Program costs	$6,430,442
Less: earned revenues	-
Net cost of operations	$6,430,442
Statement of Changes in Net Position	
Net position, beginning of period	$8,322,736
Net cost of operations	(6,430,442)
Financing sources	7,313,272
Change in net position	882,830
Net position, end of period	$9,205,566

DENALI COMMISSION
Notes to the Financial Statements
For the Years Ended September 30, 2009 and 2008 (unaudited)

Note 10 - Intragovernmental Costs and Exchange Revenue

Intragovernmental costs and revenue from Federal entities are for purchases of goods and services. There is no exchange revenue with the public. (Note1)

	June 30, 2009	2008
Intragovernmental		
Costs	$4,381,166	$3,692,509
Revenue	-	-
Public		
Costs	$89,978,439	$115,492,788

Note 11 - Statement of Budgetary Resources

Apportionment Categories of Obligations Incurred

Obligations incurred reported on the Statement of Budgetary Resources in September 30, 2009 and September 30, 2008, respectively, consisted of the following:

	2009	2008
Direct obligations		
Category A	$4,751,514	$3,676,606
Category B	54,255,937	2,591,875
Total Direct obligations	59,007,451	6,268,481
Reimbursable obligations	36,688,110	63,963,539
Total obligations	$95,695,561	$70,232,020

DENALI COMMISSION
Notes to the Financial Statements
For the Years Ended September 30, 2009 and 2008 (unaudited)

Note 12 - Legal Arrangements Affecting Use of Unobligated Balances

Unobligated balances represent the cumulative amount of budget authority that is not obligated and that remains available for obligation under law, unless otherwise restricted. The use of unobligated balances is restricted based on annual legislation requirements and other enabling authorities. Funds are appropriated on an annual, multi-year, and no-year basis. Appropriated funds shall expire on the last day of availability and are no longer available for new obligations. Unobligated balances in unexpired fund symbols are available in the next fiscal year for new obligations unless some restrictions had been placed on those funds by law. Amounts in expired fund symbols are unavailable for new obligations, but may be used to adjust previously established obligations.

Note 13 - Undelivered Orders at the End of the Period

The open undelivered orders for the Commission are $143,075,942 and $143,032,744 as of September 30, 2009 and September 30, 2008, respectively.

DENALI COMMISSION
Notes to the Financial Statements
For the Years Ended September 30, 2009 and 2008 (unaudited)

Note 14 - Reconciliation of Net Cost of Operations to Budget

	2009	2008
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resources Obligated		
Obligations Incurred	95,695,561	70,232,020
Less: Spending Authority from Offsetting Collections and Recoveries	34,492,591	64,075,814
Obligations Net of Offsetting Collections and Recoveries	61,202,970	6,156,206
Net Obligations	61,202,970	6,156,206
Other Resources		
Imputed Financing from Costs Absorbed by Others	92,371	101,662
Other Resources	-	-
Net Other Resources Used to Finance Activities	92,371	101,662
Total Resources Used to Finance Activities	**61,295,341**	**6,257,868**
Resources Used to Finance Items not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but not yet Provided	3,971,812	50,826,494
Resources that fund expenses recognized in Prior Periods	(40,713)	(954)
Budgetary Offsetting Collections and Receipts - Others	29,546,380	64,075,814
Other Resources or Adjustments to Net Obligated Resources that Do not Affect Net Cost of Operations	(390,483)	(1,998,562)
Total Resources Used to Finance Items not Part of the Net Costs of Operations	**33,086,997**	**112,902,792**
Total Resources Used to Finance the Net Cost of Operations	**94,382,338**	**119,160,660**
Components of the Net Cost of Operations that Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	(22,733)	24,637
Components not requiring or generating resources		
Total Components that Will Not Require or Generate Resources	-	-
Total Components that Will Not Require or Generate Resources in the Current Period	**(22,733)**	**24,637**
Net Cost of Operations	**$94,359,605**	**$119,185,297**

Other Accompanying Information

Other Accompanying Information

Management & Performance Challenges Facing the Denali Commission - Inspector General

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INSPECTOR GENERAL

INSPECTOR GENERAL'S PERSPECTIVE ON MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE DENALI COMMISSION

The OMB-required Performance and Accountability Report (the "PAR") is designed to give the public reassurance of an agency's *performance*, that is, what's been *done* with what's been *given*. Though the PAR is largely a book authored by the agency's management, OMB reserves one of the final sections for the inspector general's perspective:

> *The PAR shall include a statement prepared by the agency's Inspector General (IG) summarizing what the IG considers to be the most serious management and performance challenges facing the agency and briefly assess the agency's progress in addressing those challenges.*

I have written a few of these inspector general "epilogues" for PARs over the years, and I used to confidently conclude them with *"Alaskans look forward to reading some more of the answers same time and place next year."* But I'll forego that closing this time, for Denali's *"most serious management and performance challenge"* at the moment is to justify to Congress why the agency should continue to exist.

This locally-sensitive question is often misinterpreted as a debate over whether Congress should continue to send Alaskans their "fair" share of the federal treasury. However, the question is not whether Alaska should get larger or smaller appropriations (the business of the political process and the state's delegation). Rather, the issue is what value is added by sending Alaska's share *through* a regional commission that serves only a single state (an anomaly in the federal system).

Congress can certainly send its money *directly* from cabinet-level departments to cities, tribes, nonprofits, businesses, and the State of Alaska. For instance, DHHS could directly send its clinic funding to the Alaska Native Tribal Health Consortium. USDA could directly send its rural electrification funding to the Alaska Energy Authority and the AVEC cooperative. And the U.S. Department of Labor could directly fund training grants administered by the state government.

EXHIBIT 1

DENALI'S TYPICAL FUNDING "FOOD CHAIN"

Congressional appropriation
↓
Cabinet-level department
↓
Denali Commission
↓
Major grantee
↓
Sub-awardee
↓
Project management firm
↓
Contractors
↓
Local employees

However, over the past decade, Congress has chosen to pass just under a billion dollars through the Denali Commission. Though this support has originated in a variety of appropriations, the funding "food chain" of Exhibit 1 is typical for the many facilities that Denali has constructed around the state.

THE OMB PERSPECTIVE

In preparing the President's budget request to Congress for FY 2010, OMB issued its report of recommended *Terminations, Reductions, and Savings.*[1] Of the 57 "discretionary terminations" on OMB's national list (page 2), three specifically targeted the Denali Commission:

Denali Access, Department of Transportation
Denali Job Training, Department of Labor
Denali Commission, Department of Health and Human Services

While a string of quotes makes tedious reading, I will in this case quote the original materials at some length in hopes of sidestepping interpretation issues faced in the press accounts (as well as the inherent subjectivity of any writer's summarization and paraphrasing).

OMB prefaced its FY 2010 *Terminations* report (page 1) with this explanation:

> *[T]he Administration has been going through the Budget line by line so that taxpayer dollars are used wisely on programs that work.*
>
> *This volume is the first report of that effort. In it, the Administration identifies programs that do not accomplish the goals set for them, do not do so efficiently, or do a job already done by another initiative—and recommends these programs for either termination or reduction. . . No matter their size, these cuts and reductions are all important to setting the right priorities with our spending, getting our budget deficit under control, and creating a Government that is as efficient as it is effective.*

The report section entitled *"Termination: Denali Access"* (page 20) then asserts OMB's position as follows:

> *This program is duplicative of other highway formula funding that can be used for the same activities. Regional set asides such as this one are over and above formula allocations that allow States to set their own priorities and address local and regional needs.*

The report section entitled *"Termination: Denali Job Training"* (page 21) asserts OMB's position as follows:

> *This narrow-purpose funding is redundant and unnecessary, and there is no evidence that Denali Commission training programs improve employment outcomes for participants. . .*

[1] See *www.budget.gov.*

> *The Denali earmark is duplicative of funding that Alaska receives through other Federal workforce development programs. . .*
>
> *Furthermore, there is little accountability for job training activities funded through this earmark. Unlike other Department of Labor programs, the Denali Commission job training initiatives are not required to report on the employment outcomes of participants, so there is little information to determine whether these initiatives are producing positive results.*

And the report section entitled *"Termination: Health Resources and Services Administration Earmarks (3 Terminations)"* (page 33) asserts OMB's position as follows:

> *The Budget proposes to eliminate funding for congressionally-directed earmarks in the Health Resources and Services Administration (HRSA), including Health Care Facilities and Construction, the Denali Commission, and the Delta Health Initiative.*

OMB then supports the latter position by citing a GAO report[2] to Congress entitled *"Multiple Federal Programs Fund Similar Economic Development Activities."* A close look at that GAO report, though, shows that it was written back in 2000 (not 2008 as asserted by OMB) and that the Appalachian Regional Commission was the only regional commission included in the study. And the bottom line in GAO's study was the need for further studies to determine whether the overlap between federal programs was actually undesirable.

However, OMB's criticism of the Denali Commission did not originate with the current administration. Back 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.*[3]

In regards to the first condition, OMB (again, back in FY 2006) 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*

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[2] GAO/RCED/GGD-00-220 (September 2000).

[3] OMB, *Program Assessment of Denali Commission,* at *www.expectmore.gov.*

impact of programs on Alaskan communities by focusing on how Denali affects and influences the desired outcomes (e.g., health care, jobs, safety, etc.).[4]

On the other hand, it's important to note that OMB's criticism of some Denali programs has so far not translated into a request that Congress totally eliminate the agency. In preparing the President's budget request to Congress for FY 2010, OMB recommended "base" funding of \$11,965,000 — and that's exactly what the President just signed into law on October 28, 2009.[5]

THE CONGRESSIONAL BUDGET OFFICE (CBO) PERSPECTIVE

The Congressional Budget Office (CBO) is the professional staff agency in Congress that advises the body on budgetary options. In August 2009, CBO issued a report that explicitly identifies elimination of the Denali Commission as an option for the reduction of federal spending.[6] CBO described the argument in support of this option as follows:

> *The federal government provides annual funding to three regional development agencies: the Appalachian Regional Commission (ARC), the Denali Commission, and the Delta Regional Authority. . .*
>
> *The three agencies' programs are intended, among other things, to create jobs, improve rural education and health care, develop utilities and other infrastructure, and provide job training. However, it is difficult to assess whether such outcomes can be attributed to those programs rather than to the work of other governmental and nongovernmental organizations or to market forces and the effects of general economic conditions.*
>
> *An argument in favor of this option is that ending federal funding of the agencies would shift more responsibility for supporting local or regional development to the states and communities whose citizens benefit most from that development. Another rationale is that Appalachia, rural Alaska, and the Mississippi Delta are three among many needy regions in the United States, and they should not have a special claim to federal support. In that view, any federal development aid they do receive should come from nationwide programs, such as those overseen by the Economic Development Administration.*

CBO above cites the argument for increased state and local contributions. This is a particularly sensitive issue for Denali's defenders since its federal funding hasn't historically been leveraged with state money to the degree found at other major regional commissions.[7]

[4] OMB, *Program Assessment of Denali Commission,* sec. 2.6, at *www.expectmore.gov.*

[5] H.R. 3183.

[6] See Congressional Budget Office, *Budget Options,* vol. 2 (August 2009), sec. 450-5, page 106 at *www.cbo.gov.*

[7] Appalachian Regional Commission and Delta Regional Authority.

As discretionary congressional spending continues to contract, the state with the biggest savings account — and the most limited taxes on its citizens — may need to increasingly support the only regional commission that serves a single state. If this is Congress' intent, it will need to specify the expected financial hard-match by non-federal sources in the appropriations for Denali's work.

THE LORE OF THE LAYER

The federal system is populated with many small, specialized agencies. Implicitly lurking in the OMB and CBO analyses 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.

As noted above, OMB cites a GAO study from 2000 in support of the proposed termination of one Denali program (construction of rural clinics). However, when carefully read, GAO's report recognizes that there is a time and place for overlap in the coverage of federal programs.

There is similarly a time and a place to add layers to get the job done right. Leaner is not always publicly better. This observation on the costs of coordination was made four decades ago, and it remains valid today:

> *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. . .*[8]

EXHIBIT 2

KEY QUESTIONS FROM DENALI'S DECADE AND A BILLION

Are better clinic buildings resulting in better health care?

Are Denali-provided power plants resulting in cheaper "bush" electricity?

Are Denali-provided tank farms resulting in cheaper "bush" fuel?

Is training for construction projects resulting in long-term careers?

Are Denali-provided facilities reducing — versus extending — the dependence on future federal funding?

Has Denali pioneered "silver bullet" solutions applicable to other states?

Do projects function as capacity-building "barn raisings" (versus mere short-term cash infusions)?

Has Denali leveraged rural schools as the major local facility?

Has Denali effectively partnered with the military as the state's largest employer?

Has Denali effectively leveraged federal single audits as a grants monitoring tool?

Has Denali strengthened regional hubs as an alternative to urban migration?

Has Denali pioneered interventions for troubled projects (versus just adding money)?

Is Denali helping coastal communities benefit from the opening of new arctic shipping routes?

Have Denali projects preserved "priceless" qualities of Alaska that are valued by the rest of the nation?

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

On the other hand, Alaskans sometimes argue that the mere presence of the Denali Commission results in greater overall funding from Congress than would be received in the agency's absence. But whether Congress wants to send additional money to Alaska would seem more a function of the political process and the state's delegation.

In other words, Alaska's share of the federal pie seems a separate question from whether such money should be filtered through the Denali Commission on its way down to the ultimate beneficiaries.

Alaskans sometimes argue that facilities have been constructed that would still be missing but for Denali's presence on the scene. While there is no question that Denali has built many buildings in many remote places, this also misses the real question.

To draw upon the popular saw, whether a little agency is "doing things right" (correctly moving money) differs from the tougher question as to whether an agency is "doing the right things" (solving long-term public problems).

The most critical questions may be the dozen or so listed in Exhibit 2. As I've looked at Denali's presence (or absence) in places from Red Devil (pop. ≈ 50) to Unalakleet (pop. ≈ 725) to Telida (pop. exactly 3), I've reported my concerns for such questions.[9] Sometimes, Denali's management has been receptive to my recommendations. Sometimes they haven't.

Regardless, the PAR report is the annual opportunity for Denali's management to make their best case to the nation that they're answering the right questions.

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

[9] Inspector general reports on Denali projects are available online at *www.denali-oig.org*.

Agency Financial Report (AFR)

Other Accompanying Information
Appendix A:
Denali Commission Act of 1998

Appendix A: Denali Commission Act of 1998

Updated 9/25/2005

Denali Commission Act of 1998.
PL 105-277 42 USC 3121.

TITLE III--DENALI COMMISSION

SEC. 301. SHORT TITLE.

This title may be cited as the ``Denali Commission Act of 1998''.

SEC. 302. PURPOSES.

The purposes of this title are as follows:

(1) To deliver the services of the Federal Government in the most cost-effective manner practicable by reducing administrative and overhead costs.

(2) To provide job training and other economic development services in rural communities particularly distressed communities (many of which have a rate of unemployment that exceeds 50 percent).

(3) To promote rural development, provide power generation and transmission facilities, modern communication systems, water and sewer systems and other infrastructure needs.

SEC. 303. ESTABLISHMENT OF COMMISSION.

(a) Establishment.--There is established a commission to be known as the Denali Commission (referred to in this title as the ``Commission'').

(b) Membership.—

(1) Composition.--The Commission shall be composed of 7 members, who shall be appointed by the Secretary of Commerce (referred to in this title as the ``Secretary''), of whom—

> (A) one shall be the Governor of the State of Alaska, or an individual selected from nominations submitted by the Governor, who shall serve as the State Co-chairperson;
>
> (B) one shall be the President of the University of Alaska, or an individual selected from nominations submitted by the President of the University of Alaska;
>
> (C) one shall be the President of the Alaska Municipal League or an individual selected from nominations submitted by the President of the Alaska Municipal League;
>
> (D) one shall be the President of the Alaska Federation of Natives or an individual selected from nominations submitted by the President of the Alaska Federation of Natives; [1]

[1] PL 106-31, SEC. 105, 1999

(E) one shall be the Executive President of the Alaska State AFL-CIO or an individual selected from nominations submitted by the Executive President;

(F) one shall be the President of the Associated General Contractors of Alaska or an individual selected from nominations submitted by the President of the Associated General Contractors of Alaska; and

(G) one shall be the Federal Co-chairperson, who shall be selected in accordance with the requirements of paragraph (2).

(2) Federal Co-chairperson.—

(A) In general.--The President *pro temporare* of the Senate and the Speaker of the House of Representatives shall each submit a list of nominations for the position of the Federal Co-chairperson under paragraph (1)(G), including pertinent biographical information, to the Secretary.

(B) Appointment.--The Secretary shall appoint the Federal Co-chairperson from among the list of nominations submitted under subparagraph (A). The Federal Co-chairperson shall serve as an employee of the Department of Commerce, and may be removed by the Secretary for cause.

(C) Federal Co-chairperson vote.--The Federal Co-chairperson appointed under this paragraph shall break any tie in the voting of the Commission.

(4) Date.--The appointments of the members of the Commission shall be made no later than January 1, 1999.

(c) Period of Appointment; Vacancies.—The Federal Co-Chairperson shall serve for a term of four years and may be reappointed. All other members shall be appointed for the life of the Commission. Any vacancy in the Commission shall not affect its powers, but shall be filled in the same manner as the original appointment.[2]

(d) Meetings.—

(1) In general.--The Commission shall meet at the call of the Federal Co-chairperson not less frequently than 2 times each year, and may, as appropriate, conduct business by telephone or other electronic means.

(2) Notification.--Not later than 2 weeks before calling a meeting under this subsection, the Federal Co-chairperson shall—

(A) notify each member of the Commission of the time, date and location of that meeting; and

(B) provide each member of the Commission with a written agenda for the meeting, including any proposals for discussion and consideration, and any appropriate background materials.

[2] PL 106-31, SEC. 105, 1999

(e) Quorum.--A majority of the members of the Commission shall constitute a quorum, but a lesser number of members may hold hearings.

SEC. 304. DUTIES OF THE COMMISSION.

(a) Work Plan.—

(1) In general.--Not later than 1 year after the date of enactment of this Act and annually thereafter, the Commission shall develop a proposed work plan for Alaska that meets the requirements of paragraph (2) and submit that plan to the Federal Co-chairperson for review in accordance with the requirements of subsection (b).

(2) Work plan.--In developing the work plan, the Commission shall—

> (A) solicit project proposals from local governments and other entities and organizations; and
>
> (B) provide for a comprehensive work plan for rural and infrastructure development and necessary job training in the area covered under the work plan.

(3) Report.--Upon completion of a work plan under this subsection, the Commission shall prepare, and submit to the Secretary, the Federal Co-chairperson, and the Director of the Office of Management and Budget, a report that outlines the work plan and contains recommendations for funding priorities.

(b) Review by Federal Co-chairperson.—

(1) In general.-- Upon receiving a work plan under this section, the Secretary, acting through the Federal Co-chairperson, shall publish the work plan in the Federal Register, with notice and an opportunity for public comment. The period for public review and comment shall be the 30-day period beginning on the date of publication of that notice.

(2) Criteria for review.--In conducting a review under paragraph (1), the Secretary, acting through the Federal Co-chairperson, shall—

> (A) take into consideration the information, views, and comments received from interested parties through the public review and comment process specified in paragraph (1); and
>
> (B) consult with appropriate Federal officials in Alaska including but not limited to Bureau of Indian Affairs, Economic Development Administration, and Rural Development Administration.

(3) Approval.--Not later than 30 days after the end of the period specified in paragraph (1), the Secretary acting through the Federal Co-chairperson, shall—

> (A) approve, disapprove, or partially approve the work plan that is the subject of the review; and

(B) issue to the Commission a notice of the approval, disapproval, or partial approval that—

(i) specifies the reasons for disapproving any portion of the work plan; and

(ii) if applicable, includes recommendations for revisions to the work plan to make the plan subject to approval.

(4) Review of disapproval or partial approval.--If the Secretary, acting through the Federal Co-chairperson, disapproves or partially approves a work plan, the Federal Co-chairperson shall submit that work plan to the Commission for review and revision.

SEC. 305. POWERS OF THE COMMISSION.

(a) Information From Federal Agencies.--The Commission may secure directly from any Federal department or agency such information as it considers necessary to carry out the provisions of this Act. Upon request of the Federal Co-chairperson of the Commission, the head of such department or agency shall furnish such information to the Commission. Agencies must provide the Commission with the requested information in a timely manner. Agencies are not required to provide the Commission any information that is exempt from disclosure by the Freedom of Information Act. Agencies may, upon request by the Commission, make services and personnel available to the Commission to carry out the duties of the Commission. To the maximum extent practicable, the Commission shall contract for completion of necessary work utilizing local firms and labor to minimize costs.

(b) Postal Services.--The Commission may use the United States mails in the same manner and under the same conditions as other departments and agencies of the Federal Government.

(c) Gifts.--The Commission may accept, use, and dispose of gifts or donations of services or property.

"(d) The Commission, acting through the Federal Co-Chairperson, is authorized to enter into contracts and cooperative agreements, award grants, and make payments necessary to carry out the purposed of the Commission. With respect to funds appropriated to the Commission for fiscal year 1999, the Commission, acting through the Federal Co-chairperson, is authorized to enter into contracts and cooperative agreements, award grants, and make payments to implement an interim work plan for fiscal year 1999 approved by the Commission."[3]

SEC. 306. COMMISSION PERSONNEL MATTERS.

(a) Compensation of Members.--Each member of the Commission who is not an officer or employee of the Federal Government shall be compensated at a rate equal to the daily equivalent of the annual rate of basic pay prescribed for level IV of the Executive Schedule under section 5315 of title 5, United States Code, for each day (including travel time) during the time such member is engaged in the performance of the duties of the Commission. The Federal Co-Chairperson shall be compensated at the annual rate prescribed for a level IV of the Executive Schedule under section 5315, of title 5, United States Code.[4] All members of the Commission

[3] PL 106-31, SEC. 105, 1999
[4] PL 106-31, SEC. 105, 1999

who are officers or employees of the United States shall serve without compensation that is in addition to that received for their services as officers or employees of the United States.

(b) Travel Expenses.--The members of the Commission shall be allowed travel expenses, including per diem in lieu of subsistence, at rates authorized for employees of agencies under subchapter I of chapter 57 of title 5, United States Code, while away from their homes or regular places of business in the performance of services for the Commission.

(c) Staff.—

(1) In general.--The Federal Co-chairperson of the Commission may, without regard to the civil service laws and regulations, appoint such personnel as may be necessary to enable the Commission to perform its duties.

(2) Compensation.--The Federal Co-chairperson of the Commission may fix the compensation of personnel without regard to the provisions of chapter 51 and subchapter III of chapter 53 of title 5, United States Code, relating to classification of positions and General Schedule pay rates.[5]

(d) Detail of Government Employees.--Any Federal Government employee may be detailed to the Commission without reimbursement, and such detail shall be without interruption or loss of civil service status or privilege.

(e) Procurement of Temporary and Intermittent Services.--The Federal Co-chairperson of the Commission may procure temporary and intermittent services under section 3109(b) of title 5, United States Code, at rates for individuals which do not exceed the daily equivalent of the annual rate of basic pay prescribed for level V of the Executive Schedule under section 5316 of such title.

(f) Offices.--The principal office of the Commission shall be located in Alaska, at a location that the Commission shall select.

(g) Administrative Expenses and Records. The Commission is hereby prohibited from using more than 5 percent of the amounts appropriated under the authority of this Act or transferred pursuant to section 329 of the Department of Transportation and Related Agencies Appropriations Act, 1999 (section 101 (g) of division A of this Act) for administrative expenses. The Commission and its grantees shall maintain accurate and complete records which shall be available for audit and examination by the Comptroller General or his or her designee.

(h) Inspector General. Section 8G(a)(2) of the Inspector General Act of 1978 (5 USC App 3, Section 8G(a)(2)) is amended by inserting 'the Denali Commission,' after 'the Corporation for Public Broadcasting,'.[6]

SEC. 307. SPECIAL FUNCTIONS.

(a) Rural Utilities.--In carrying out its functions under this title, the Commission shall as appropriate, provide assistance, seek to avoid duplicating services and assistance, and complement the water and sewer wastewater programs under section 306D of the Consolidated

[5] PL 106-31, SEC. 105, 1999

[6] Subsections g & h derived from PL 106-31, SEC. 105, 1999

Farm and Rural Development Act (7 U.S.C. 1926d) and section 303 of the Safe Drinking Water Act Amendments of 1996 (33 U.S.C. 1263a).

(b) Bulk Fuels.-- Funds transferred to the Commission pursuant to section 329 of the Department of Transportation and Related Agencies Act, 1999 (section 101(g) of division A of this Act) shall be available without further appropriation and until expended. The Commission, in consultation with the Commandant of the Coast Guard, shall develop a plan to provide for the repair or replacement of bulk fuel storage tanks in Alaska that are not in compliance with applicable—[7]

(1) Federal law, including the Oil Pollution Act of 1990 (104 Stat. 484); or

(2) State law

(c) Demonstration Health Projects- In order to demonstrate the value of adequate health facilities and services to the economic development of the region, the Secretary of Health and Human Services is authorized to make grants to the Denali Commission to plan, construct, and equip demonstration health, nutrition, and child care projects, including hospitals, health care clinics, and mental health facilities (including drug and alcohol treatment centers) in accordance with the Work Plan referred to under section 304 of Title III – Denali Commission of Division C – Other Matters of Public Law 105-277. No grant for construction or equipment of a demonstration project shall exceed 50 percentum of such costs, unless the project is located in a severely economically distressed community, as identified in the Work Plan referred to under section 304 of Title III – Denali Commission of Division C – Other Matters of Public Law 105-277, in which case no grant shall exceed 80 percentum of such costs. To carry out this section, there is authorized to be appropriated such sums as may be necessary.[8]

SEC. 308. EXEMPTION FROM FEDERAL ADVISORY COMMITTEE ACT.

The Federal Advisory Committee Act shall not apply to the Commission.

SEC. 309. DENALI ACCESS SYSTEM PROGRAM.[9]

(a) ESTABLISHMENT OF THE DENALI ACCESS SYSTEM PROGRAM.—Not later than 3 months after the date of enactment of the SAFETEA–LU, the Secretary of Transportation shall establish a program to pay the costs of planning, designing, engineering, and constructing road and other surface transportation infrastructure identified for the Denali access system program under this section.

(b) DENALI ACCESS SYSTEM PROGRAM ADVISORY COMMITTEE.—

(1) ESTABLISHMENT.—Not later than 3 months after the date of enactment of the SAFETEA–LU, the Denali Commission shall establish a Denali Access System Program Advisory Committee (referred to in this section as the 'advisory committee') .

(2) MEMBERSHIP.—The advisory committee shall be composed of nine members to be appointed by the Governor of the State of Alaska as follows:

(A) The chairman of the Denali Commission.

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[7] PL 106-31, SEC. 105, 1999
[8] PL 106-113, SEC 701, 1999
[9] PL 109-59-Aug. 10, 2005 119 STAT. 1517

(B) Four members who represent existing regional native corporations, native nonprofit entities, or tribal governments, including one member who is a civil engineer.

(C) Four members who represent rural Alaska regions or villages, including one member who is a civil engineer.

(3) TERMS.—

(A) IN GENERAL.—Except for the chairman of the Commission who shall remain a member of the advisory committee, members shall be appointed to serve a term of 4 years.

(B) INITIAL MEMBERS.—Except for the chairman of the Commission, of the 8 initial 11 members appointed to the advisory committee, 2 shall be appointed for a term of 1 year, 2 shall be appointed for a term of 2 years, 2 shall be appointed for a term of 3 years, and 2 shall be appointed for a term of 4 years. All subsequent appointments shall be for 4 years.

(4) RESPONSIBILITIES.—The advisory committee shall be responsible for the following activities:

(A) Advising the Commission on the surface transportation needs of Alaska Native villages and rural communities, including projects for the construction of essential access routes within remote Alaska Native villages and rural communities and for the construction of roads and facilities necessary to connect isolated rural communities to a road system.

(B) Advising the Commission on considerations for coordinated transportation planning among the Alaska Native villages, Alaska rural villages, the State of Alaska, and other government entities.

(C) Establishing a list of transportation priorities for Alaska Native village and rural community transportation projects on an annual basis, including funding recommendations.

(D) Facilitate the Commission's work on transportation projects involving more than one region.

(5) FACA EXEMPTION.—The provisions of the Federal Advisory Committee Act (5 U.S.C. App.) shall not apply to the advisory committee.

(c) ALLOCATION OF FUNDS.—

(1) IN GENERAL.—The Secretary shall allocate funding authorized and made available for the Denali access system program to the Commission to carry out this section.

(2) DISTRIBUTION OF FUNDING.—In distributing funds for surface transportation projects funded under the program, the Commission shall consult the list of transportation priorities developed by the advisory committee.

(d) PREFERENCE TO ALASKA MATERIALS AND PRODUCTS.—To construct a project under this section, the Commission shall encourage, to the maximum extent practicable, the use of employees and businesses that are residents of Alaska.

(e) DESIGN STANDARDS.—Each project carried out under this section shall use technology and design standards determined by the Commission to be appropriate given the location and the functionality of the project.

(f) MAINTENANCE.—Funding for a construction project under this section may include an additional amount equal to not more than 10 percent of the total cost of construction, to be retained for future maintenance of the project. All such retained funds shall be dedicated for maintenance of the project and may not be used for other purposes.

(g) LEAD AGENCY DESIGNATION.—For purposes of projects carried out under this section, the Commission shall be designated as the lead agency for purposes of accepting Federal funds and for purposes of carrying out this project.

(h) NON-FEDERAL SHARE.—Notwithstanding any other provision of law, funds made available to carry out this section may be used to meet the non-Federal share of the cost of projects under title 23, United States Code.

(i) SURFACE TRANSPORTATION PROGRAM TRANSFERABILITY.—

(1) TRANSFERABILITY.—In any fiscal year, up to 15 percent of the amounts made available to the State of Alaska for surface transportation by section 133 of title 23, United States Code, may be transferred to the Denali access system program.

(2) NO EFFECT ON SET-ASIDE.—Paragraph (2) of section 133(d), United States Code, shall not apply to funds transferred under paragraph (1).

(j) AUTHORIZATION OF APPROPRIATIONS.—

(1) IN GENERAL.—There is authorized to be appropriated out of the Highway Trust Fund (other than the Mass Transit Account) to carry out this section $15,000,000 for each of fiscal years 2006 through 2009.

(2) APPLICABILITY OF TITLE 23.—Funds made available to carry out this section shall be available for obligation in the same manner as if such funds were apportioned under chapter 1 of title 23, United States Code; except that such funds shall not be transferable and shall remain available until expended, and the Federal share of the cost of any project carried out using such funds shall be determined in accordance with section 120(b).

"(C) $5,000,000 shall be available for each of fiscal years 2006 through 2009 for payments to the Denali Commission under the terms of section 307 (e) [Clarification: 309(e)] of the Denali Commission Act of 1998 (42 U.S.C. 3121 note) for docks, waterfront development projects , and related transportation infrastructure.

SEC. 310. AUTHORIZATION OF APPROPRIATIONS.[10]

(a) In General.--There are authorized to be appropriated to the Commission to carry out the duties of the Commission consistent with the purposes of this title and pursuant to the work plan approved under section 4 under this Act, $20,000,000 for fiscal year 1999, and such sums as may be necessary for fiscal years 2000, 2001, 2002, and 2003

(b) Availability.--Any sums appropriated under the authorization contained in this section shall remain available until expended.

SECTION 310 (no title provided)[11]

(a) The Federal Co-chairman of the Denali Commission shall appoint an Economic Development Committee to be chaired by the president of the Alaska Federation of Natives which shall include the Commissioner of community and Economic Affairs for the State of Alaska, a representative of the Alaska Bankers Association, the chairman of the Alaska Permanent Fund, a representative

[10] This was originally SECTION 309 when the Act was first passed in 1998. The SAFETEA-LU Act of 2005 renumbered this to SECTION 310.

[11] This section number was designated in the PL 108-199, SEC. 112, 2004. It now duplicates the numbering designated in the SAFETEA-LU Act above.

from the Alaska Chamber of Commerce, and a representative from each region. Of the regional representatives, at least two each shall be from Native regional corporations, Native non-profit corporations, tribes, and borough governments.

(b) The Economic Development Committee is authorized to consider and approve applications from Regional Advisory Committees for grants and loans to promote economic development and promote private sector investment to reduce poverty in economically distressed rural villages. The Economic Development Committee may make mini-grants to individuals applicants and may issue loans under such terms and conditions as it determines.

(c) The State Co-Chairman of the Denali Commission shall appoint a Regional Advisory Committee for each region which may include representatives from local, borough, and tribal governments, the Alaska Native non-profit corporation operating in the region, local Chambers of Commerce, and representatives of the private sector. Each Regional Advisory Committee shall develop a regional economic development plan for consideration by the Economic Development Committee.

(d) The Economic Development Committee, in consultation with the First Alaskans Institute, may develop rural development performance measures linking economic growth to poverty reduction to measure the success of its program which may include economic, educational, social, and cultural indicators. The performance measures will be tested in one region for two years and evaluated by the University of Alaska before being deployed statewide. Thereafter performance in each region shall be evaluated using the performance measures, and the Economic Development Committee shall not fund projects which do not demonstrate success.

(e) Within the amounts made available annually to the Denali commission for training, the Commission may make a grant to the First Alaskans Foundation upon submittal of an acceptable work plan to assist Alaska Natives and other rural residents in acquiring the skills and training necessary to participate fully in private sector business and economic and development opportunities through fellowships, scholarships, internships, public service programs, and other leadership initiatives.

(f) The Committee shall sponsor a statewide economic development summit in consultation with the World Bank to evaluate the best practices for economic development worldwide and how they can be incorporated into regional economic development plans.

(g)There is authorized to be appropriated such sums as may be necessary to the following agencies which shall be transferred to the Denali commission as a direct lump sum payment to implement this section:

(1) Department of commerce, Economic Development Administration

(2) Department of Housing and Urban Development

(3) Department of the Interior, Bureau of Indian Affairs

(4) Department of Agriculture, Rural Development Administration, and

(5) Small Business Administration

Note: The following "open meetings" language is incorporated into the Commission's energy program authorizations within the *Energy Policy Act of 2005*, PL 109-190, SEC 356. The Act does not specify it's insertion into the enabling legislation.

(c) OPEN MEETINGS-

(1) IN GENERAL- Except as provided in paragraph (2), a meeting of the Commission shall be open to the public if--

(A) the Commission members take action on behalf of the Commission; or

(B) the deliberations of the Commission determine, or result in the joint conduct or disposition of, official Commission business.

(2) EXCEPTIONS- Paragraph (1) shall not apply to any portion of a Commission meeting for which the Commission, in public session, votes to close the meeting for the reasons described in paragraph (2), (4), (5), or (6) of subsection (c) of section 552b of title 5, United States Code.

(3) PUBLIC NOTICE-

(A) IN GENERAL- At least 1 week before a meeting of the Commission, the Commission shall make a public announcement of the meeting that describes--

(i) the time, place, and subject matter of the meeting;

(ii) whether the meeting is to be open or closed to the public; and

(iii) the name and telephone number of an appropriate person to respond to requests for information about the meeting.

(B) ADDITIONAL NOTICE- The Commission shall make a public announcement of any change to the information made available under subparagraph (A) at the earliest practicable time.

(4) MINUTES- The Commission shall keep, and make available to the public, a transcript, electronic recording, or minutes from each Commission meeting, except for portions of the meeting closed under paragraph (2).

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Denali Commission
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10 Years Of Progress
1998-2008

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INTRODUCTION

Rural Alaska is an American treasure. Scattered across vast tundra, tucked away along rugged coastlines and forests and deep within Alaska's Interior, people living in over 300 communities raise families, educate their children, and work to provide opportunities for all. Alaska Native people rely heavily on subsistence hunting, fishing and gathering as a central part of both culture and economic sustenance. Values of sharing, love of family and country and traditional cultures run deep.

Rural Alaska still resembles the United States at the time of Lewis & Clark. Major rivers are undammed, unbridged and lack even basic navigational aids. Many health and social indicators still resemble those in developing countries.

No where else in our country can people live amidst wilderness, largely disconnected from highway and road connections and from even regional power grids. Here, resilience and innovation are required both to survive and thrive. Reliance on air and river transportation is essential for everyday living. And where else in the country would women, in their third trimester of pregnancy, be required to fly into a regional center and wait to have their babies safely delivered, given the lack of local medical facilities?

The Denali Commission has now invested over a billion dollars in ten years on basic infrastructure projects at the local level. We know lives have been improved through greater access to primary health care, through safe and reliable energy projects, through job training programs, sanitation and landfill improvements and basic surface and water transportation improvements. We know the taxpayer benefits from an emphasis on coordinating the planning, construction and delivery of capital projects and through a focus on sustainability.

However, for the first time in nearly ten years the Commission's annual appropriations have been significantly reduced. As a result the Commission will be able to fund fewer critical infrastructure projects in the most remote communities, have limited resources to fund economic and workforce development initiatives, and be forced to make challenging program and policy decisions regarding the prioritization of projects that are critical foundations of community viability and sustainability.

At the same time we see innovation everywhere. The regional corporations formed by the Alaska Native Claims Settlement Act, for example, are becoming economic powerhouses in their own rights. Major investments in private-sector anchors in each region complement the Commission's work in basic community infrastructure. Many regional non-profit corporations provide an array of effective health and social services. The Alaska Marketplace competition, now in its fourth round, proves again that local people have great ideas and with a small infusion of capital and technical assistance, have real potential for making positive and lasting change. The Community Development Quota program, for example, offers opportunities for residents in over 60 coastal communities to benefit directly from offshore fishing revenues.

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We are buoyed by the sense of progress over the last ten years, at the resurgence of traditional culture, by the progress in celebrating diversity at all levels and by the awareness among leaders to reduce dependency on government and eliminate social ills that seem to come with long winters and isolation found in northern countries. We take delight in working with many progressive and innovative partners, grant recipients and local champions whose leadership and inspiration is critical for village survivability.

We are alarmed, however, at the recent convergence of several issues which threaten the survival of many Alaskan communities and provide urgent impetus for the Commission to improve our investment strategies. These issues include the impacts of climate change, unpredictable and unaffordable energy costs at the village level, the expectation of declining federal revenues to support rural investment in Alaska, evidence of out-migration from many small communities into larger regional centers and Anchorage, and the urgent need to find regional and systemic solutions to bolster long-term community viability. The global financial crisis will also strain an already thin social service delivery system and bring other consequences yet unseen.

The following are some of the pressing issues which frame the debate over the Denali Commission's FY09 Work Plan:

Climate Change

Evidence is now overwhelming that climate change is impacting Alaska and the north faster than elsewhere in the nation. Temperatures have been rising, plant and animal species have been moving north, and permafrost is melting, resulting in major challenges for all infrastructure programs. Denali Commission funded wind turbines for example, are major engineering challenges for successfully placing a vertical wind tower in a permafrost setting. The Denali Commission is committed to participating fully with the State of Alaska, the Corps of Engineers and other partners in a coordinated approach to policy formulation and the execution of adaptation measures for climate change.

The most immediate challenge is the urgent need to protect and relocate many coastal communities impacted by the lack of sea ice, the repetition of major storm events, flooding and erosion of coastlines. While Congress provides no funds to the Commission to support relocation efforts, we coordinate closely with other agencies and tribes. Our interagency Planning Work Group, for example, oversees relocation efforts in several communities, and the Commission funded a relocation community plan last year.

Unaffordable Energy at the Local Level

We recognize the urgent need to find breakthrough solutions to the widespread unaffordable energy costs in Alaska's rural communities. One study reveals that rural residents earning the lowest 20% of income spend almost half that income on home heating and electricity!

While the Commission's energy strategy remains a combination of completing bulk fuel and power system upgrades, an emphasis on conservation and energy efficiency projects and renewable energy, we continue to look for breakthrough solutions that can be replicated. We'll also focus on pursuing regional grids that can reduce the need for stand-alone generation in Alaska's small villages. We remain a strong partner as the State of Alaska prepares an overall Energy Plan for submission to the Alaska Legislature this session.

Green Building Design and Construction Cost Containment

High construction costs in rural Alaska result from a combination of vast distances, harsh climates and the rising cost of construction materials. We are committed to carrying out innovative, cost-effective and creative design and construction solutions. This year we anticipate engaging in more diverse and experimental partnerships, and we'll be seeking more innovative design, construction and program and project management practices. We may alter enhance our normal project scopes to allow for greater energy efficiencies. We anticipate undertaking several pilot projects focusing on green design, cost containment and the combined use of facility activities.

A Focus on Community, Regional Planning and Government Coordination

The Commission is committed to a greater emphasis on community and regional planning to ensure long-term viability of our infrastructure investments. Last year, we worked with the State of Alaska, for example to help reopen a tribal clinic that had closed its doors for lack of capacity. This may be the first instance of a Denali Commission project which had suspended service. Through our efforts in government coordination, we work to ensure our projects fit within a framework of a local and regional plan, and are designed, sized and placed in the most optimum locations and setting for long-term success.

BACKGROUND

The Denali Commission (Commission) is an independent federal agency based on an innovative federal-state partnership designed to provide critical utilities, infrastructure and support for economic development and in training in Alaska by delivering federal services in the most cost-effective manner possible. The Commission was created in 1998 with passage of the October 21, 1998 Denali Commission Act (Act) (Title III of Public Law 105-277, 42 USC 3121).

The Commission's mission is to partner with tribal, federal, state, and local governments and collaborate with all Alaskans to improve the effectiveness and efficiency of government services, to develop a well-trained labor force employed in a diversified and sustainable economy, and to build and ensure the operation and maintenance of Alaska's basic infrastructure.

By creating the Commission, Congress mandated that all parties involved partner together to find new and innovative solutions to the unique infrastructure and economic development challenges in America's most remote communities.

Pursuant to the Denali Commission Act, as amended, the Commission determines its own basic operating principles and funding criteria on an annual federal fiscal year (October 1 to September 30) basis. The Commission outlines these priorities and funding recommendations in an annual Work Plan. The Work Plan is adopted on an annual basis in the following manner, which occurs sequentially as listed:

- Commissioners first provide a draft version of the Work Plan to the Federal Co-Chair.
- The Federal Co-Chair approves the draft Work Plan for publication in the *Federal Register* providing an opportunity for a 30-day period of public review and written comment. During this time the draft Work Plan is also disseminated widely to Commission program partners including, but not limited to the Bureau of Indian Affairs (BIA), the Economic Development Administration (EDA), and the United States Department of Agriculture – Rural Development (USDA-RD).
- Public comment concludes and Commission staff provides the Federal Co-Chair with a summary of public comment and recommendations, if any, associated with the draft Work Plan.
- If no revisions are made to the draft the Federal Co-Chair provides notice of approval of the Work Plan to the Commissioners, and forwards the Work Plan to the Secretary of Commerce for approval; or, if there are revisions the Federal Co-Chair provides notices of modifications to the Commissioners for their consideration and approval, and upon receipt of approval from Commissioners, forwards the Work Plan to the Secretary of Commerce for approval.
- The Secretary of Commerce approves the Work Plan.

The Work Plan authorizes the Federal Co-Chair to enter into grant agreements, award grants and contracts and obligate the federal funds identified by appropriation in the chart below.

FY 09 APPROPRIATIONS SUMMARY

The Omnibus Bill was approved by Congress on March 10, 2009, and was signed by President Obama on March 11, 2009. The Omnibus Bill provides significantly different appropriations to the Commission then the FY09 Continuing Resolution, which the first draft of the FY09 Work Plan was based on.

The Denali Commission has historically received several federal funding sources (identified by the varying colors in the table below). These fund sources are governed by the following general principles:

- In FY 2009 no project specific earmarks were defined.
- Energy and Water Appropriations (commonly referred to as Commission "Base" funding) is eligible for use in all programs, but has historically been used substantively to fund the Energy Program.
- The Energy Policy Act of 2005 established new authorities for the Commission's Energy Program, with an emphasis on renewable and alternative energy projects. No new funding accompanied the Energy Policy Act, and prior fiscal year Congressional direction has indicated that the Commission should fund renewable and alternative Energy Program activities from the available "Base" appropriation.

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- All other funds outlined below may be used only for the specific program area and may not be used across programs. For instance, Health Resources and Services Administration (HRSA) funding, which is appropriated for the Health Facilities Program, may not be moved to the Economic Development Program.

Final transportation funds received may be reduced due to agency modifications, reductions and fees determined by the U.S. Department of Transportation. Final program available figures will not be provided until later this spring.

Final USDA-Rural Utility Services (RUS) funds received may be reduced based on the amount made available to the Commission. Historically, the Commission has received ~50% of the total RUS funds available nationally, and the Commission is using historic funding percentages to provide the appropriations and program available estimate for RUS in the FY09 Work Plan and funding chart below.

All Energy and Water Appropriation (Base) funds, including operational funds, designated as "up to" may be reassigned to the Legacy Energy program (Bulk Fuel and Rural Power System Upgrades (RPSU) if they are not fully expended in a program component area.

All US Department of Health and Human Services – Health Resources and Services Administration (HRSA) funds designated as "up to" may be reassigned to the primary care clinic program if they are not fully expended in a program component area.

The table below provides the following information, by fund source:

- **Total FY 09 Budgetary Resources provided in the Omnibus Bill:**
  These are the figures that appear in various colors (i.e., blue, red, orange, etc.) and are the original appropriations amounts which do not include Commission overhead deductions. These funds are identified by their source name (i.e., Energy and Water Appropriation; USDA, Rural Utilities Service, etc.). The grand total, for all appropriations appears at the end of the colored chart.
- **Total FY 09 Program Available Funding:**
  These are the figures that appear in gray and are the amounts of funding available for program(s) activities after Commission overhead has been deducted. Traditionally, the Commission's overhead rate has been limited to 5%, except in the case of RUS funds, where it is limited to 4%. The following appropriations language for the Base funds in FY09 allows the Commission to retain more than 5% of the Base for operational activities as it deems appropriate and prudent: "*. . . not withstanding the limitations contained in section 306(g) of the Denali Commission Act of 1998.*" The grand total, for all program available funds appears at the end of the colored chart.

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- **Program Funding:**
  These are the figures that appear in yellow and are the amounts of funding the Draft FY09 Work Plan recommends, within each program fund source for program components.

- **Subtotal of Program Funding**
  These are the figures that appear in white and are the subtotals of all program funding within a given fund source. The subtotal must always equal the Total FY 09 Program Available Funding.

Denali Commission FY09 Funding Table	**Totals**
FY 09 Energy & Water Appropriation *For expenses of the Denali Commission including the purchase, construction, and acquisition of plant and capital equipment as necessary and other expenses, $11,800,000, to remain available until expended, notwithstanding the limitations contained in section 306(g) of the Denali Commission Act of 1998.*	**$11,800,000**
FY 09 Energy & Water Appropriations ("Base") - Program Available (less Commission overhead – not limited to 5% in FY09 and designated as "up to")	**$8,800,000**
Energy Program: bulk fuel, RPSU, etc.	$5,800,000
Energy Program: alternative & renewable energy	$850,000 (up to)
Pre-Development Program	$150,000
Teacher Housing & Health Professional Housing Program: design & construction	$1,500,000
Economic Development Program: various	$250,000 (up to)
Healthcare Infrastructure Initiatives	$250,000 (up to)
sub-total $	$8,800,000
FY 09 USDA, Rural Utilities Service (RUS) – Estimate	**$10,000,000**
FY 09 USDA - Rural Utilities Service (RUS) - Program Available (less 4% overhead) – Estimate	**$9,600,000**
Energy Program: high cost energy communities	$9,600,000
sub-total $	$9,600,000
FY 09 Trans Alaska Pipeline Liability (TAPL) Trust	**$5,830,940**
FY 09 Trans Alaska Pipeline Liability (TAPL) – Program Available (less 5% overhead) ESTIMATE	**$5,539,393**
Energy Program: bulk fuel	$5,539,393
sub-total $	$5,539,393
FY 09 DHHS - Health Resources & Services Administration (HRSA) *Provided further, that of the funds provided, $19,642,000 shall be provided to the Denali Commission as a direct lump payment pursuant to Public Law 106-113.*	**$19,642,000**

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FY 09 DHHS- Health Resources & Services Administration (HRSA) – Program Available (less 5% Commission overhead)	**$18,659,900**
Health Program: Primary Care Clinics - Design, Planning, and Construction	$14,758,102
Health Program: Behavioral Health	$1,017,831 (up to)
Health Program: Primary Care in Hospitals	$1,526,746 (up to)
Health Program: Elder Housing/Assisted Living Facilities - Construction	$1,357,221 (up to)
sub-total $	$18,659,900
FY 09 US Department of Labor (DOL) *There is authorized to be appropriated such sums as may be necessary to the Denali Commission through the Department of Labor to conduct job training of the local workforce where Denali Commission projects will be constructed. $3,378,000 for the Denali Commission, which shall be available for the period July 1, 2009 through June 30, 2010.*	**$3,378,000**
FY 09 US Department of Labor (DOL) – Program Available (less 5% Commission overhead)	**$3,209,100**
Training Program: Various	$3,209,100
sub-total $	$3,209,100
FY 09 Federal Transit Administration (FTA) – Estimate *$5,000,000 from section 3011 (FTA) for docks and harbors;*	**$5,000,000**
FY 09 Federal Highway Administration (FHWA) – Estimate *For necessary, expenses for the Denali Access System Program as authorized under Section 1960 of Public Law 109-59, $5,700,000, to remain available until expended* **and** *$4,800,000 from section 1934 (FHWA) for docks and harbors; and $11,400,000 from section 1960 (FHWA) for Denali Access System Program.*	**$21,900,000**
FY 09 Transportation – Program Available (less 5% Commission overhead) - Estimate	$25,555,000
Transportation Program: Docks & Harbors	$5,000,000
Transportation Program: Roads	$20,555,000
sub-total $	$25,555,000
FY 09 USDA, Solid Waste *There is hereby appropriated $434,000 to remain available until expended for the Denali Commission to address deficiencies in solid waste disposal sites which threaten to contaminate rural drinking water supplies.*	**$434,000**
FY 09 USDA - Solid Waste – Program Available (less 5% Commission overhead)	**$412,300**
Solid Waste Program: planning, design and construction	$412,300
sub-total $	$412,300
TOTAL FY 09 Appropriations - Estimate	**$77,984,940**
TOTAL FY09 Program Available – Estimate	**$71,775,693**

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FY 09 PROGRAM DETAILS & GENERAL INFORMATION

The following section provides narrative discussion, by each of the Commission Programs identified for FY 09 funding in the table above, in the following categories:

- Program History and Approach
- Applicant/Grant Process
- Program Project Selection Process
- Program Policy Issues (as applicable)

In addition to the FY 09 funded program activities; the last section of the narrative provides an update on the Commission's Government Coordination Program. The Program is not funded by Commission appropriations, but is an integral component of the Commission's mission, the success of other programs, and the legacy of the Commission's work in Alaska.

The final section also includes a general summary of other program and policy issues facing the Commission, statements of support by the Commission for the funding requests and activities of other program partners which the Commission works in partnership with, and detail regarding the Commission's evaluation and reporting efforts.

Government Coordination

The Commission is charged with the special role of increasing the effectiveness of government programs by acting as a catalyst to coordinate the many federal and state programs that serve Alaska. In FY09 the Commission will continue its role of coordinating State and Federal agencies and other partner organizations to accomplish its overall mission of developing Alaska's communities. Particular focus will be given to the collaborative efforts of the Commission's Federal and State Memorandum of Understanding (MOU) and the various workgroups and planning sessions and forums that occur as a result of the MOU meetings. The Commission intends to engage, along with MOU members, in regional forums in FY09. These sessions will be regionally focused, and will provide regional partners and community members with an opportunity to discuss projects successes, failures and opportunities, and provide direct feedback to the Commission and other funding organizations regarding their policies and funding processes.

Energy Program

The Energy Program is the Commission's oldest program and is often identified, along with the Health Program, as a "legacy" program. The Program focuses on bulk fuel facilities (BFU) and rural power system upgrades/power generation (RPSU) across Alaska. The purpose of this program is to provide code-compliant bulk fuel storage and reliable and efficient electrification throughout rural Alaska, especially for communities "off the grid" and not accessible by road or rail.

The needs for bulk fuel and power generation projects is presently estimated at $250 million and $135 million, respectively. The Commission has also funded a very successful program of competitively selected energy cost reduction and alternative

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energy projects. In three completed rounds of funding, approximately $6 million in grant funds have leveraged $8.1 million in participant funding, with estimated life-cycle cost savings (generally diesel fuel avoided over the life of the project) of $29 million.

The *Energy Policy Act of 2005* established new authorities for the Commissions Energy Program, with an emphasis on alternative and renewable energy projects, energy transmission, including interties, and fuel transportation systems. Although the 2005 Energy Policy Act did not include specific appropriations, the Commission is expected to carry out the intent of the Act through a portion of its "Base" funding. To date, the Commission has co-funded a number of renewable projects, including hydroelectric facilities, a geothermal power plant, a biomass boiler, and a number of diesel-wind power generation systems. The FY09 Work Plan outlines a strategy to balance the Energy Program in both legacy and renewable systems, providing up to $850,000 for alternative and renewable projects. About 94% of electricity in rural communities which receive Power Cost Equalization (PCE) payments is produced by diesel and about half the fuel storage in most villages is used for the power plants. Any alternative means of generating power can reduce the capacity needed for fuel storage. This reduces capital costs and operations and maintenance (O&M) and repair and renovation (R&R) costs for fuel storage facilities) and may reduce the cost of power to the community.

The Energy Program has historically used a "universe of need" model to determine project and program funding. Specifically, the Program is focused on using the existing statewide deficiency lists of bulk fuel facilities and power generation/distribution systems to prioritize project funding decisions. A program partnership model is utilized for project management and partners are actively involved in the design and construction of projects. Partners coordinate project funding requests with the Commission to balance the relative priority or urgency of bulk fuel and power generation needs against available funding, readiness of individual communities and project participants for the project(s), and capacity of the partners to carry out the work. Communities are identified by partners and through the deficiency list process. Legacy program (RPSU, bulk fuel) projects are selected and reviewed by Commission staff and program partners. Thus, a renewable project sometimes is proposed in conjunction with a deficiency list project to reduce the dependence on diesel fuel, and the concomitant fuel storage requirements. So too, an intertie, can remove the need for a new power plant, and reduce fuel storage requirements in the intertied communities. Therefore, the legacy program may also include these types of energy infrastructure. Each community and project must be evaluated holistically. Program partners also perform initial due diligence and Investment Policy screenings, as well as assisting in development of the business plans for the participants as the designs are underway. The Program is dynamic: priorities fluctuate throughout the year based on design decisions, due diligence and investment policy considerations, site availability, the timing of funding decisions, etc.

The Energy Program anticipates the revised Commission policy document, which was adopted in November of 2008, will impact the current project prioritization and development process. Specifically the Investment Guidance section that promotes regional planning and prioritizes regional or multi-community connectivity versus stand alone projects, evaluates similar infrastructure projects in communities with populations less than 100 residents, and prioritization of projects that include a cost share match. The policies will change the development and design of several communities on the Bulk Fuel Upgrade and Rural Power System Upgrade needs lists which meet the definition of having "stand alone facilities" and/or "under 100 residents" Projects that meet these definitions will require communities and partner organizations to develop multi-community solutions (i.e. Interties, cooperative management or regional management) before construction can proceed. This may lead to delays in projects on the needs list or projects not being constructed in several communities. Historically, the Bulk Fuel and Rural Power System Upgrade programs have had no cost share match requirements, under the new policy projects with cost share will be prioritized over projects without.

In 2008 the Commission completed a study on intertie/transmission lines between communities, regions and statewide. The study summarized the vast amount of research, planning and studies that have occurred to date and identified the policy and economic considerations for investment in intertie infrastructure. The program will continue to support projects where connections via intertie are feasible. The program will also be further defining the role of the Denali Commission in intertie planning, development and execution statewide as recommended in the study.

Health Facilities Program

The Denali Commission Act was amended in 1999 to provide for the "planning, constructing and equipping of health facilities." Since 1999, the Health Facilities Program has been methodically investing in the planning, design and construction of primary care clinics across Alaska.

Primary care clinics have remained the "legacy" priority for the Program. However, in 2003 the "Other Than" primary care component of the Program was adopted in response to Congressional direction to fund a mix of other health and social service related facility needs. Over time, the Program has developed Program sub-areas such as Behavioral Health Facilities, Domestic Violence Facilities, Elder Housing, Primary Care in Hospitals, Emergency Medical Services Equipment and Hospital Designs. The FY09 Draft Work Plan emphasizes the priority of the Primary Care Clinic Program as the legacy program area, with the majority of funding dedicated to clinics.

The Program utilizes a "universe of need" model for primary care and a competitive selection process for other sub-program areas. In 1999 the Program created a deficiency list for primary care clinics, which totaled 288 communities statewide in need of clinic replacement, expansion and/or renovation. Currently, 110 clinics have been completed or are in construction and approximately 40 are in design.

The Program is guided by the Health Steering Committee, an advisory body 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

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State Hospital and Nursing Home Association, the Rasmuson Foundation and the University of Alaska.

Projects are recommended for funding by Commission staff if they demonstrate project readiness, which includes the completion of all due diligence requirements. This includes an approved business plan, community plan, site plan checklist, completed 100% design, documentation of cost share match, and realistic ability to move the project forward in a given construction season.

The Health Facilities Program anticipates the Commission policy document, which was adopted in November 2008, will impact the clinic prioritization process, specifically for those communities located on the road system, and within proximity to one another, and for communities with populations less than 100. In 2008 the program identified small communities as an area for improvement in terms of cost containment and sustainability. Consequently, for communities with populations of less than 100, only projects already in the pipeline have been proceeding while the Commission has funded pilot projects to design a more cost effective, potentially re-locatable clinic prototype to serve small communities. Finally, an emphasis on renovation over new construction has emerged as a means for overcoming high construction costs.

In addition to construction challenges, the health program has indicated that a major sustainability risk to health projects is workforce recruitment and retention. Recommendations on this challenge are made in the "Other Issues" section of the FY09 Work Plan.

Training Program

In a majority of rural communities unemployment rates exceed 50% and personal capita income rates are over 50% below the national average. When job opportunities in rural Alaska do become available, rural residents often lack the skills, licensing and certifications necessary to compete and often lose those jobs to people from outside the community, region or even state. With the limited number of jobs available, the Commission believes it is imperative to ensure that local residents have the skills and essential certifications necessary to work on the construction of projects funded by the Denali Commission. Through the Training Program, the Commission builds sustainability into their investments by providing training for the long term management, operations and maintenance of these facilities and thus increasing local capacity and employment.

The Training Program's mission is to build a communities capacity through training and increase the employment and wages of unemployed or underemployed Alaskans. The Training Program's primary purpose is to support the Commission's investment by providing training for the careers related to the Commission infrastructure programs (such as Energy and Health Facilities).

The Training Program is also guided by the following principles:

- Priority on training for Denali Commission infrastructure, projects and priorities

- Training will be tied to a job
- Training for construction, operations and maintenance for other public infrastructure
- Training will encourage careers not short term employment

Each year, the Commission dedicates training funds to careers associated with infrastructure development and long-term sustainability in rural Alaska. The Commission has funded construction, operations and maintenance training in communities statewide with large success.

The Commission anticipates that the general priority areas of construction, operations and maintenance of Commission Projects; management training for Commission Projects; youth initiatives that support employability skills; and construction, operations and maintenance training of "other public infrastructure" will continue to be funded in FY09. These projects are selected through a competitive Request for Grant Application (RGA) process with partners, and at the recommendation of Commission staff, and policy guidance and priority areas for funding are set by the Training Advisory Committee.

Transportation Program

Section 309 of the Denali Commission Act 1998 (amended), created the Commission's Transportation Program, including the Transportation Advisory Committee. The advisory committee is composed of nine members appointed by the Governor of the State of Alaska including the Chairman of the Denali Commission; four members who represent existing regional native corporations, native nonprofit entities, or tribal governments, including one member who is a civil engineer; and four members who represent rural Alaska regions or villages, including one member who is a civil engineer.

The Transportation Program addresses two areas of rural Alaska transportation infrastructure, roads and waterfront development. There is a solid base of 114 projects underway, with the FY 2009 project nomination and selection process likely to add another 15 to 20 projects. Up to 10 projects currently in the design phase in the Commission program will also move to construction in FY 2009.

There is a consensus amongst agencies and communities that the Transportation Program is successfully addressing improvements to local and regional transportation systems. This is largely a function of the Transportation Advisory Committee's success at project selection and monitoring, and the success of the program's project development agencies.

The Transportation Program anticipates the adopted Commission policy document will impact the project selection process, specifically for those communities located within proximity to one another, and for communities with populations less than 100.

The program is generally a competitively-bid contractor or materials-based system grounded in Title 23 CFR. These strict project development and construction rules have presented some challenges to the Denali Commission's ability to respond quickly to targets of opportunity, but they have also had the positive effect of ensuring project design and construction is executed at a professional level. The program operates under a reimbursable payment system that requires local and state sponsors pay close attention to accounting procedures prior to their payments to contractors and vendors. This system helps ensure project payments are eligible when submitted to the Commission.

Four important trends are emerging as the program enters its fourth year of operations:

- Fewer project partners, with fully developed project development capabilities
- Narrowing focus on core project types
- Commission's use of State of Alaska General Funds to match Title 23 CFR funds
- Preparation for federal highway reauthorization legislation

Project Partners
As the transportation program began its work in FY 2006, the Commission, responding to local and regional interests sought to encourage local sponsor project development through tribal governments and regional non profits, cities and boroughs, as well as traditional state and federal transportation agencies.

Through experience, the level of project management oversight needed for small cities and tribes to succeed in the Title 23 CFR environment is not sustainable under the limited personnel resources available to the Commission. Therefore, partnerships with state and federal transportation agencies will increasingly become the Commission's primary project development partners; they have the level of expertise and resources needed to successfully execute project development.

The program will specifically increase its focus on barge landings at rural communities. These projects range from a couple of mooring piling to secure a barge, to small dock structures, depending on community size and barge operation characteristics. The value of these structures lies in improved fuel/freight transfer operations and improved worker and environmental safety. The Commission and U.S. Army Corp of Engineers have prepared a barge landing analysis that is under review at this time. This work has turned out to be an excellent analysis of barge operation needs and it is forming the basis of a design and construction program. The universe of need for the first generation of projects is in the range of $40,000,000.

Solid Waste Program

The goal of the solid waste program at the Denali Commission is to provide funding to address deficiencies in solid waste disposal sites which threaten to contaminate rural drinking water supplies. Solid waste handling and disposal is one of the most under-served arenas in the context of rural Alaska's environmental and public health.

The program employs a competitive RFP process to select and identify projects, and has utilized a multidisciplinary review panel to ensure that projects meet all Denali Commission due diligence and policy requirements. The Commission intends to utilize this same process for selection of FY09 projects.

Appendix B: Denali Commission FY09 Work Plan

The Rural Alaska Community Action Program is a program partner with the Denali Commission Solid Waste Program. The program also coordinates with USDA Rural Development's Water and Environmental Program and the U.S. Environmental Protection Agency.

Teacher Housing Program

Teaching in rural Alaska can be one of the most rewarding and challenging professions. A critical issue for rural teachers is finding safe, affordable housing during the school year. Housing availability varies by community from newer adequate homes, to old housing units with multiple safety and structural problems, to a lack of enough available housing, requiring teachers to double-up or even live in the school.

Teacher turnover rates are high in rural Alaska, with many teachers citing unavailable or inadequate housing as a factor in their decision to move. The quality of education received by students is impacted by teacher retention. By improving the availability and quality of housing for teachers, the Commission strives to also increase the quality of education received by the next generation of Alaskans.

In FY04, Congress directed the Commission to address the teacher housing needs in rural Alaska. The Commission launched a statewide survey of 51 school districts and rural education attendance areas to identify and prioritize the teacher housing needs throughout the state. Urban districts in Anchorage, Fairbanks, Mat-Su and Juneau were not included in the survey.

The Commission utilizes a program partnership model to implement the teacher housing program. An annual RFP process identifies eligible projects and other funding sources, such as debt service, available to fill the gap between the project's capacity to carry debt and the total development cost of the project. Acquisition, rehabilitation, new construction, and multi-site rehabilitation are eligible development activities under this program.

In FY09 the Commission will expand its teacher housing program to include housing for health care professionals. This change will be administered through the Commission's program partner, the Alaska Housing Finance Corporation (AHFC), and the Greater Opportunity for Affordable Living (GOAL) process. This expansion shall include the following provider types: mid-level providers, nurses, mental and dental health specialists and health aides.

Other Program and Policy Issues

At this time the Commission is not undertaking a stand-alone program for multi-use facilities. However, as opportunities arise in FY09 for the Commission to leverage federal funds for combined use facilities or to take advantage of placing community infrastructure, such as clinical facilities, within the confines of existing community buildings the Commission may utilize program funds for such efforts. Projects will be selected based on the opportunity for cost savings, construction readiness and correlation to existing Commission program activities. Funds will not be used to identify stand-alone multi use projects.

Pre-Development

The Commission intends to continue to engage in the Pre-Development program in FY09. Pre-Development is a joint collaboration between the Alaska Mental Health Trust Authority, the Denali Commission, The Foraker Group, and the Rasmuson Foundation to assist organizations with development of plans for successful capital projects.

The funding agencies are concerned that inadequate planning during the initial project development phase can result in projects that are not sustainable in the long term. The Pre-Development Program was created to provide guidance and technical assistance to ensure that proposed projects: meet documented need, are consistent with strategic and community plans, consider opportunities for collaboration, have appropriate facility and site plans and realistic project budgets, are financially sustainable and will not negatively impact the sustainability of the proposing organization. Through this partnership an agency's capital project is better equipped to proceed.

Pre-Development has historically been funded out of the Commission's operational budget; however, given its direct correlation and benefit to program functions, it has been moved to the program funding section of the Work Plan. The amount of $150,000 will provide funding for the pre-development program for the last quarter of FY09, and FY10.

Strategic Planning & Agency Evaluation

In FY09 the Commission will be creating an on-going, agency-wide evaluation system to measure the outcomes of Commission programs. It is anticipated that this work will begin January of 2009, and would be designed to provide by empirical and qualitative data regarding Commission programs, projects and overall goal accomplishments in a broad set of evaluation criteria. It is the Commission's intent to maintain high-level measures that are correlated to the Commission's goals related to improving access, reducing cost and improving the quality of services and facilities across Alaska. Program Advisory Committees, staff and Commissioners will play a critical role in shaping this evaluation methodology.

Specific evaluation and strategic planning undertakings include the following:

- Adoption and implementation of program missions and 2-3 key output and outcome measures for each program.
- Development, draft, and application of FY 2009-2015 strategic plan in accordance with GPRA provisions and Denali Commission needs.
- Production of annual performance plan per OMB requirements.
- Establishment of processes to support performance measurement improvements.

Such processes include:

- Compilation and maintenance of projects by community,
- Mechanism to obtain feedback about impact of projects,

- Semi-annual assessment by key staff and management of long and short term performance by program, and
- In-depth and comprehensive evaluation of dedicated program annually.

Healthcare Infrastructure Initiatives

Recognizing the significant need for electronic health records (EHRs) and health technology infrastructure in Alaska, and the funding that has been made available for this initiative nationally through the American Recovery and Reinvestment Act (ARRA) and the Obama administration the Commission will provide up to $250,000 to the Alaska Health Information Network (AHIN). These funds shall be used in conjunction with program funds already secured by AHIN to carry out EHR and health information technology activities in Alaska. Additionally, the funds provided by the Commission shall be used to support operational and administrative activities undertaken by AHIN in coordinating, implementing and developing a state-wide EHR and technology infrastructure system for Alaska.