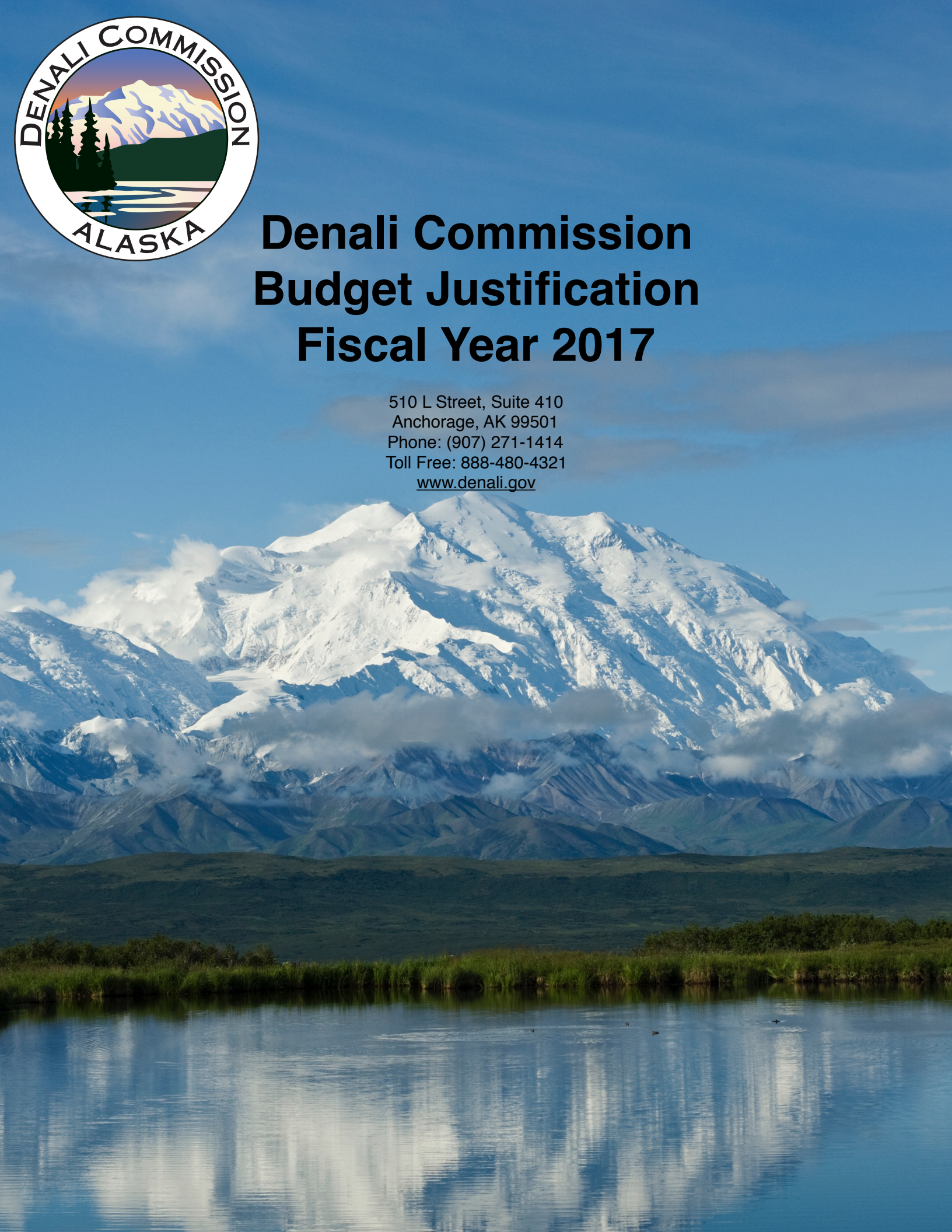


Denali Commission
Budget Justification
Fiscal Year 2017

510 L Street, Suite 410
Anchorage, AK 99501
Phone: (907) 271-1414
Toll Free: 888-480-4321
www.denali.gov

Denali Commission Fiscal Year 2017 Budget Justification
Anchorage, AK., February 2016

This report is available on the internet on the Denali Commission's website at www.denali.gov under the Finance tab at the top of the home page, or at this specific address: http://www.denali.gov/finance#Budget

To order copies of the report or to submit comments on how we could improve the report, contact:

Denali Commission
ATTN: Sabrina Cabana, Public Information Specialist
510 L Street, Suite 410
Anchorage, AK 99501
Telephone: 907-271-1414
Toll Free: 888-480-4321

Table of Contents

Section 1

Section 2

Section 3

Section 4

Section 5

Section 6

Section 1

A Message From the Federal Co-Chair

Program Partners

Denali Commission Overview

Rural Alaska Overview

Environmentally Threatened Communities Overview

Message from the Federal Co-Chair

November 16, 2016

I am pleased to present the Denali Commission's budget request for Fiscal Year 2017. The Denali Commission (Commission) requests $19.0 million to address infrastructure needs for rural Alaska communities. This request is two-fold: to carry on the agency's long-standing work to improve rural energy and transportation systems and to undertake a new Presidential assignment to serve as the lead coordinating Federal agency for dangers posed to rural Alaskan communities from erosion, flooding and permafrost degradation (i.e. accelerated thawing of frozen and often ice-rich soils). The request includes $5 million to leverage investments from other State and Federal assistance programs and to coordinate activities to address the impacts of climate change in rural Alaskan villages. The Commission is committed to improving the lives of some of our country's poorest residents through these proposed investments.

The Commission was established by the Denali Commission Act of 1998, as amended (Title III, P.L. 105-277, 42 USC 3121), which recognized the need for a coordinated approach to address the infrastructure, workforce and economic development needs of isolated rural Alaska communities. Many of these communities do not have an adequate tax base to support typical community and governmental functions and consequently are challenged to provide affordable power, adequate health facilities and other measures of economic self-sufficiency.

For the agency's energy program we will continue our recent work with rural community members and building owners to find solutions to address the high cost of electricity and heating. In the past ten years the cost of energy in rural Alaska has increased three-fold and this issue is one of the foremost sustainability challenges for many rural villages.

In FY 2016 the agency sought Congressional authority to expand the use of Trans-Alaska Pipeline Liability (TAPL) interest funds to provide improvements to barge mooring points and barge landing sites to facilitate pumping fuel from fuel transport barges into bulk fuel storage tanks. Congress provided this expanded authority beyond the existing authority to repair and replace bulk fuel storage tanks in Alaska which are not in compliance with Federal law. The agency will now incorporate barge mooring points into our long-standing bulk fuel programming. In addition, with less Federal and State of Alaska funding available, the agency and our program partners (Alaska Energy Authority and the Alaska Village Electric Cooperative) have identified funding strategies that focus more on refurbishment or repair of existing equipment and bulk fuel tankage as opposed to full replacement. This approach will allow the limited funding to more readily serve the remaining 56 rural Alaska villages that require bulk fuel improvements.

In September 2015, President Obama tasked the Commission as the lead federal agency for building climate resilience in Alaska. The assignment envisions that the agency will play a lead coordinator role for Federal, State, Tribal, local government, regional, and non-profit partners to assist communities in developing short and long-term solutions to address the impacts of erosion, flooding, and permafrost degradation. The Commissioners for the Denali Commission are enthusiastic about this assignment and they stand ready to serve in the capacity as a lead coordinating body, but also as an implementer of solutions where appropriate. This can include relocating or protect in place solutions for core community infrastructure that is threatened and is within the agency's core historic work (i.e. energy, transportation, etc.). In addition, the Commission has been a "boots on the ground" service provider for other Federal agencies and

Message from the Federal Co-Chair

can serve in this function, too, for solutions that may not be within our historic portfolio of work. This vision of the agency implementing solutions would be done through our historic program partners that we have developed working relationships with for the past 17 years. The Commission looks forward to the assignment to help and support Alaskans residing in environmentally threatened communities as they chart a path forward to support opportunity for future generations and protect their traditional way of life.

Please see the table on page 7 that enumerates the budgeted line items for FY 2017 in accordance with our requested $19.0 million. The request for Grants and Reimbursable Agreements shows two line items: $5 million for the Environmentally Threatened Community (ETC) program and $5.9 million for the agency's traditional investments. Many villages lack the tax base to provide the match requirement for other federal and state assistance programs and the $5 million in ETC funds will provide funds to bring additional assistance to the area, as well as, deliver direct support. The funding proposed for the ETC program will be used to leverage investments from other Federal agencies and coordinate activities to address climate change impacts in rural Alaskan villages. Some example investments follow to provide a spectrum of likely Commission work.

- Complete "global" environmental reviews for village relocations and protect in place solutions that will allow other Federal agencies to use the Commission's work to shorten the time and effort to complete NEPA reviews,
- Providing cost share match to other Federal agencies to meet required local match requirements, thus leveraging additional Federal resources,
- Work with the local communities to complete Hazard Mitigation Plans and other Federal Emergency Management Administration (FEMA) documents so that the communities can be eligible for FEMA resources,
- Work with the State of Alaska, the local communities and other stakeholders in developing realistic project scoping, budgeting and scheduling documents for proposed protect in place solutions,
- Developing a project level prioritization process for ETC projects and activities that can then be used by the family of Federal agencies to identify resources through their own Congressional authorities and appropriations to carry out the proposed projects and activities, and
- Develop a web-based portal for local communities and stakeholders to access relevant Federal programs that can provide assistance.

FY 2017 Budget Request	**Discretionary**	**Trans-Alaska Pipeline Liability**	**Total**
10 Personnel Compensation and Benefits	1,600,000	200,000	**$1,800,000**
20 Contractual Services and Supplies	2,495,500		**$2,495,500**
30 Acquisition of Assets			
40 Grants and Reimbursable Agreements	5,904,500	3,800,000	**$9,704,500**
40 Grants and Reimbursable Agreements for Environmentally Threatened Communities	5,000,000		5,000,000
Total	**$15,000,000**	**$4,000,000**	**$19,000,000**

The Denali Commission would like to thank you for your support. Should you have any questions please do not hesitate to call me at (907) 271-1414.

Sincerely,

Joel Neimeyer

Denali Commission Program Partners

- Alaska Center for Energy and Power (ACEP)
  www.uaf.edu/acep
- Alaska Department of Labor and Workforce Development
  http://labor.state.ak.us
- Alaska Department of Transportation and Public Facilities
  www.dot.state.ak.us
- Alaska Energy Authority
  www.aidea.org/aea
- Alaska Native Tribal Health Consortium
  www.anthc.org
- Alaska Village Electric Cooperative
  www.avec.org
- Alaska Works Partnership
  www.alaskaworks.org
- Community Development Quota Organizations
  www.wacda.org
- Construction Education Foundation Associated General Contractors of Alaska
  www.agcak.org
- First Alaskans Institute
  www.firstalaskans.org
- National Energy Technology Laboratory (NETL)
  www.netl.doe.gov
- State of Alaska Village Safe Water Program
  www.dec.state.ak.us/water/vsw/index.htm
- U.S. Army Corps of Engineers
  www.poa.usace.army.mil
- U.S. Bureau of Indian Affairs
  www.doi.gov/bia
- U.S. Department of Agriculture Rural Utilities Service
  www.usda.gov/rus/electric
- U.S. Department of Energy
  www.doe.gov
- U.S. DOT Federal Highway Administration
  www.fhwa.dot.gov
- U.S. DOT Western Federal Lands Highway Division
  www.wfl.fhwa.dot.gov
- U.S. Environmental Protection Agency
  www.epa.gov
- U.S. Indian Health Service
  www.ihs.gov
- U.S. Department of Labor
  www.dol.gov
- University of Alaska
  www.alaska.edu
- University of Alaska Fairbanks-Bristol Bay Campus
  www.uaf.edu/bbc
- University of Alaska Fairbanks-Interior-Aleutians Campus
  ww.uaf.edu/iac
- Yuut Elitnaurviat
  www.yuut.org

Denali Commission Overview

In 1998, national attention was focused on the immense infrastructure and economic challenges faced by rural Alaskan communities by the passage of the Denali Commission Act (full text available at http://www.denali.gov/images/denali_commission_act_of_1998.pdf). The Act became law on October 21, 1998 (Title III of Public Law 105-277, 42 USC 3121) thus establishing the Denali Commission (Commission).

The Commission is an independent federal agency that acts as a regional commission focusing on the basic infrastructure, economic development, and workforce training 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 and innovative ways to make a lasting difference.

In 2015, the Commission's authority was expanded during President Obama's trip to Alaska to include that as lead Federal coordinator for building climate resilience in Alaska. In this role, the Commission will play a lead coordination role for Federal, State, and Tribal resources to assist communities in developing and implementing both short- and long-term solutions to address the impacts of climate change, including coastal erosion, flooding, and permafrost degradation. The Commission will act as a one-stop-shop for matters relating to coastal resilience in Alaska.

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.
- Serves as a lead coordinator for Federal, State, and Tribal resources to assist communities in developing and implementing solutions to address the impacts of climate change in Alaska.

Mission

The Denali Commission will partner with tribal, federal, state, and local governments and collaborate with all Alaskans to develop basic public infrastructure and enhance the quality of life in Alaska's communities.

Denali Commission Overview (continued)

The Commission Act designates seven leading Alaskan policy makers, identified by their privately held positions, as the Denali Commissioners:

Federal Co-Chair appointed by the U.S. Secretary of Commerce *(Joel Neimeyer)*
- The Governor of Alaska, who serves as the State Co-Chair* *(Lieutenant Governor Byron Mallott)*
- Executive President of the Alaska American Federation of Labor and Congress of Industrial Organizations *(Vince Beltrami)*
- resident of the Alaska Federation of Natives *(Julie Kitka)*
- President of the Alaska Municipal League *(Kathie Wasserman)*
- President of the Associated General Contractors of Alaska *(John MacKinnon)*
- President of the University of Alaska *(Dr. Jim Johnson)*

*The Governor has delegated this authority to the Lieutenant Governor.

Rural Alaska Overview

Alaska is 656,425 square miles (2 1/2 times the size of Texas), has 3 million lakes over 20 acres in size (compared with Minnesota's 10,000 lakes), has an estimated 10,000 glaciers (covering nearly 5% of the state), holds 80% of all active volcanoes in the U.S. and 39 mountain ranges containing 17 of the 20 highest peaks in the United States. Alaska is home to 229 of the 564 federally recognized tribes. Alaska's terrain of vast wilderness creates natural barriers to transportation. Most cities and villages in the state are accessible only by sea or air, including Juneau, the state capital. In most rural Alaska communities electricity is expensive, at times is unreliable, and almost solely dependent on diesel to generate power. Fuel delivery is limited to one or two annual shipments via barge and purchasing and storing enough fuel to last a community for 12 months can be daunting.

Of Alaska's 735,000 residents nearly 20 percent live in rural Alaska where steady employment, dependable utilities, and easy access to the rest of the state is a challenge. Unorganized boroughs, areas that are unincorporated, account for 97 cities and 100 unincorporated communities in rural Alaska. Typical services found throughout much of the United States, like utilities, are provided by a mix of cities, boroughs, tribes, regional corporations and non-profits in many rural Alaska communities.

The Denali Commission regularly publishes a Distressed Communities Report. For a community to qualify as distressed, it must meet two of three criteria: 1. the average market income is less than minimum wage, $16,120 annually, 2. more than 70 percent of residents 16 and older earn less than minimum wage, or 3. less than 30 percent of resident 16 and older were employed all four quarters of the year. The most recent Distressed Communities Report listed 170 communities in Alaska as distressed.

Environmentally Threatened Communities Overview

Since 2003, officials at the State of Alaska have identified the growing impacts of climate change throughout the state. Impacts of climate change in Alaska include melting polar ice, permafrost degradation, increasing storm intensity and coastal flooding. State officials believe that the effects of climate change are growing in Alaska and have the greatest impacts on Alaska Native villages and the subsistence lifestyle of the residents in those villages.

Permafrost (permanently frozen subsoil) is found in approximately 80 percent of Alaska and literally helps hold the land together. Increasing temperatures in Alaska have caused widespread thawing of permafrost soil which causes village shorelines and riverbanks to slump and erode. These changes in the landscape threaten housing and infrastructure in rural Alaska. Rising temperatures have also impacted the thickness, extent, and duration of sea ice along the western and northern coasts of Alaska. The loss of sea ice leaves shorelines more vulnerable to waves and storm surges. Both permafrost degradation and loss of sea ice have accelerated the erosion on the coast lines and threaten Alaskan Native villages and the way of life there. Additionally, the loss of sea ice has changed the habitat for many marine mammals and the accessibility of these animals by Alaska Natives who depend on them for subsistence.

In 2008, the U.S. Army Corps of Engineers (USACE) conducted an Alaska erosion baseline study to coordinate and plan assistance for Alaskan villages with the greatest need. The study found that the villages of Kivalina, Newtok and Shishmaref had 10-15 years before their current locations are lost to erosion. The USACE estimated the cost of relocating these villages between $80 and $200 million.

In September 2007, the Governor of Alaska established the Climate Change Sub-Cabinet to lead the preparation and implementation of an Alaska climate change strategy. As part of the Sub-Cabinet an Immediate Action Workgroup was created to assess and develop an action plan for addressing climate change impacts on vulnerable Alaskan communities. These efforts have begun to address the immediate needs for some of the most imminently threatened villages but more work needs to be done. In 2007, a Congressional field hearing in Anchorage, Alaska identified obstacles faced by Federal agencies and villages. These obstacles include the inability of many villages to meet the financial and other criteria for federal assistance, the high cost of implementing protection or relocation projects and activities, and the lack of scientific erosion data for sound decision making. A 2009 Government Accountability Office (GAO) report[2] noted that limited progress had been made on relocating villages threatened by flooding and erosion in Alaska. The same report identified 31 imminently threatened villages but noted that the assessment of need was incomplete. GAO also stated that a lack of a lead federal entity to prioritize and coordinate assistance left agencies unable to adequately address the growing threat to relocating villages.

On September 2, 2015 President Obama announced that the Denali Commission will play a lead coordination role for Federal, State, and Tribal resources to assist communities in developing and implementing both short- and long-term solutions to address the impacts of climate change, including coastal erosion, flooding, and permafrost degradation. In this role the Denali Commission will act as a one-stop-shop for matters relating to coastal resilience in Alaska.

1. http://climatechange.alaska.gov/docs/iaw_USACE_erosion_rpt.pdf
2. http://www.gao.gov/products/GAO-09-551

Section 2

Financial Performance Overview

Program Impacts

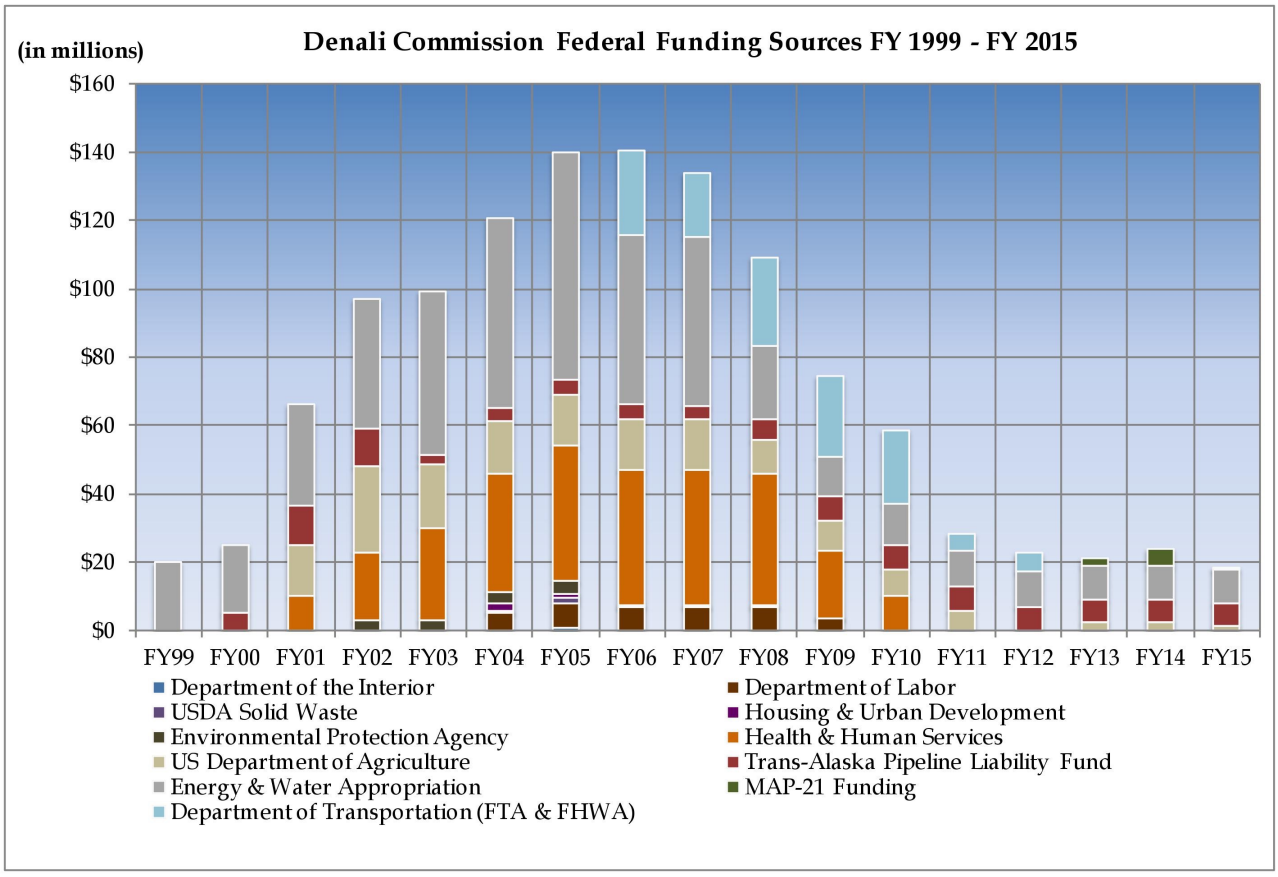
2015 Project Highlights

2017 Budgetary Use by Statutory Purpose

2017 Budgetary Use by Presidential Announcement

Financial Performance Overview

As of September 30, 2015 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.



Program Impacts

Energy

To date, the Commission has provided 49,729 people in 169 communities with safe reliable energy. The Energy Program is staffed by one Program Manager and typically receives funding from both energy and water appropriations and the Trans Alaska Pipeline Liability Fund (TAPL). In FY 2015 the Commission:

- Completed 2 bulk fuel facilities, 3 rural power system upgrades and 2 emerging energy projects.
- Funded 1 bulk fuel facility, 2 rural power system upgrades, and 3 rural power upgrade/bulk fuel facility designs.
- Produced an annual update to the comprehensive universe of need report for bulk fuel facilities and rural power system upgrade universe, which provides current, reliable resources to the Denali Commission and program partners for future projects.
- Partnered with the Alaska Native Tribal Health Consortium to complete energy audits and energy efficiency improvements in rural Alaska communities.

Health Facilities

Through Commission investments nearly 158,000 people across Alaska have improved access to healthcare in their communities. One Senior Program Manager staffs the Health Facilities Program as part of her portfolio of work at the Commission. The Health Facilities Program received its last direct appropriation in FY 2010. In FY 2015 the Commission completed the construction of two new clinics. With no additional direct appropriations the Health Facilities Program now focuses on technical assistance in rural Alaska.

Transportation

Over 123,000 people in 119 communities have improved transportation options as a result of the Commission Roads and Waterfront Transportation Programs. Since FY 2005, the Transportation Program has contributed to the planning, design and/or construction of 85 rural road projects and 88 waterfront development projects and participated in the opening of 62 road and 66 waterfront development projects. The program currently has 2 active road projects and 11 active waterfront projects in the planning, design or construction phases. The Transportation Program is managed by one Senior Program Manager. In FY 2015, the Commission completed 5 road projects, and 10 waterfront projects.

Training

Providing over 19,000 job training opportunities in construction, facility maintenance, rural administration, allied health services and youth initiative has increased rural capacity to better manage, operate and maintain critical local infrastructure and has enabled better employment opportunities within rural Alaska communities. The Training Program is managed by one Program Manager. In FY 2015 without any direct appropriation for job training the Training

Program focused on two initiatives, the Rural Alaska Maintenance Partnership (RAMP) and the Alaska Rural Manager Initiative (ARMI).

RAMP's mission is to create self-sustaining facility operation and maintenance systems that develop the capacity of rural Alaskans to operate and maintain their infrastructure in a manner that protects and enhances the health, safety and sustainability of rural communities and their residents. In FY 2015, the RAMP alliance continued to collaborate with Alaska's Centers of Excellence for building maintenance to develop more advanced facility maintenance courses. In 2015, these schools graduated the first class of Facility Maintenance Technician-I's.

In FY 2015, the Commission received a contribution from the Department of Energy/Indian Energy to conduct an occupation analysis to identify skills sets needed for rural utility, tribal and municipal administrators. With this analysis, ARMI education partners intend to develop relevant curriculum for rural administrators and ultimately deliver this education via distant delivery or in-community. This analysis began towards the end of FY 2015. ARMI's goal is to improve rural manager capacity so that rural residents are able to manage all aspects of their community including projects, services, utilities, roads, and Federal/State investments such as buildings, water, sewer and energy systems. ARMI's ultimate goal is provide cost savings to local governments and local utilities through training and education and to build strong, healthy sustainable Alaskan communities through well trained rural administrators.

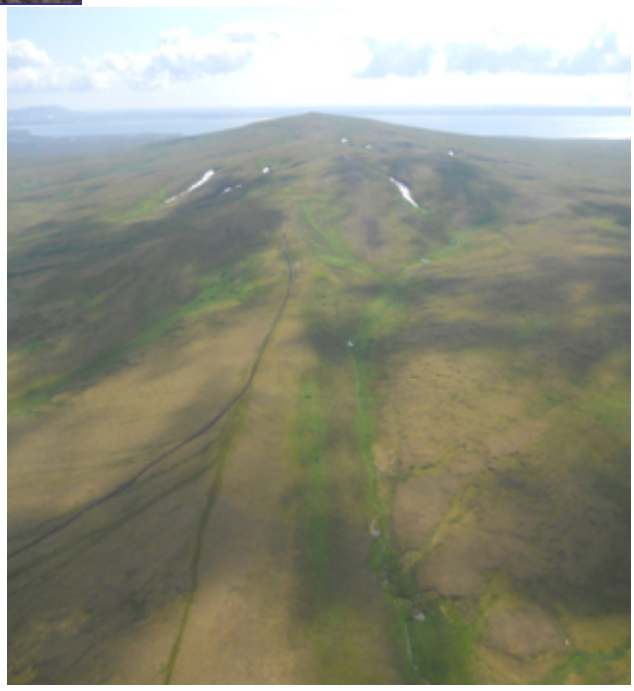
2015 Project Highlights

Tununak Board-Road

The Commission provided approximately $1.9 million to Western Federal Lands Highway Division to design and construct a 7 mile geo textile board-road between the communities of Toksook Bay and Tununak in western Alaska. The route is used by All Terrain Vehicles (ATVs) to access medical care, subsistence sites, and general commerce. The road was specifically designed using local input and knowledge and also utilized the labor of the local work force in Tununak. The geo-grid textile system is designed to adhere to the tundra with limited long-term impact and a substantially lower cost to construct. Operations and maintenance on the road will also be completed by local residents.

(LEFT) CROSSING ON THE TUNUAK-TOKSOOK ROUTE PRIOR TO PROJECT COMPLETION

(RIGHT) AERIAL VIEW OF TUNUAK-TOKSOOK BOARD-ROAD



2015 Project Highlights

Scammon Bay Bulk Fuel Refurbishment

The Alaska Village Electric Cooperative (AVEC) bulk fuel tanks at the power plant in Scammon Bay were determined to be good candidates for a pilot refurbishment project. Of the eighteen tanks, twelve were salvageable and sandblasted, painted, and modified with new ports and valves. In addition, new controls, secondary containment barrier, improved drainage and fencing were installed for code-compliance and safety. This life-extending refurbishment was designed to substantially improve the safety and reliability of the AVEC tank farm, at approximately one quarter of the cost of a complete replacement would require.

(ABOVE) SCAMMON BAY TANK FARM BEFORE REFURBISHMENT

(BELOW) SCAMMON BAY TANK FARM AFTER REFURBISHMENT

2017 Budgetary Use by Statutory Purpose

The Denali Commission Act of 1998, as amended, outlines three purposes for the Denali Commission:

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.

2017 Budgetary Use by Presidential Announcement

Environmentally Threatened Communities Initiatives: President Obama announced the Denali Commission as a Federal coordinator for building climate resilience in Alaska.

The Denali Commission will use these purposes to discuss the budgetary uses of Fiscal Year 2017 appropriations. As presented in the Budget Summary in section one, the Denali Commission receives money from both Discretionary Energy and Water Appropriations and Trans-Alaska Pipeline Liability (TAPL) funds. TAPL funds can, at this time, only be used for bulk fuel facilities and mooring points. As such, funding for any projects outside of bulk fuel facilities and mooring points will be from the $10.9 million of discretionary Energy and Water funds available for grants.

Purpose One: Cost Effective Federal Government Services

Community Scale Energy Efficiency

Between 1999 and 2016 huge strides were made in getting rural Alaska homes access to adequate sanitations services, in fact the number of homes without adequate sanitation was cut nearly in half from 34% in 1999 to 17% in 2015. Adequate sanitation lowers the risk of disease and improves the quality of life in a community. In that same 17 years the cost of energy has more than tripled and these same communities are now facing a new crisis, affording the operational and maintenance costs of their sanitation systems.

Many sanitation systems built in Rural Alaska were completed in a time when energy was much less costly and capital funding could go much further. This resulted in sanitation systems built with an emphasis on designs that would hold up to long harsh winters. The downside of these rigorous designs is poor energy efficiency. As energy costs skyrocketed, communities faced the inability to pay for both routine operations, as well as, preventative maintenance. To compound the issue Alaska is the only state where water must be heated and circulated for use in sanitation systems so that the systems themselves do not freeze.

While sanitation systems are often the number one user of energy in most Rural Alaska communities, it comes as no surprise that many other buildings are also energy inefficient. In a time when energy costs are so high, inefficiency is crippling to communities and utility operators.

The Denali Commission plans to attack this crisis by implementing community scale energy efficiency plans. These community scale energy efficiency plans will provide a cost effective and efficient solution by bundling contractors and efficiently using their time in each rural community. Community scale energy efficiency plans work by assessing all of the main energy users in a community (sanitations systems, schools, utilities, health clinics, and more) for energy efficiency at the same time and providing an overall plan for energy efficiency upgrades throughout the community. Some of these recommendations will be easily implemented, for example, recommendations on heat settings that can be quickly and cheaply changed. Those recommendations that require more time and resources would be carried out when the community is ready by bringing in all of the supplies, materials and contractors at the same time thereby reducing shipping and travel costs associated with such projects. The overall goal is to improve energy efficiency in the community as much as possible, lowering over all energy costs in the most efficient, low cost manner available.

The Alaska Native Tribal Health Consortium (ANTHC), a long standing partner of the Denali Commission, would carry out much of the work associated with community scale energy efficiency plans as they are skilled in this type of work and have a team assembled and ready to take action. In addition ANTHC is the primary agent in carrying out sanitation energy efficiency improvements in rural Alaska.

With the implementation of community scale energy efficiency plans not only would Rural Alaska communities with implemented plans see immediate cost savings, they would then be able to use some of that cost savings to pay for preventative and ongoing maintenance ensuring that their utility and sanitation systems continue to work efficiently and effectively for community members.

Alaskan "Boots on the Ground" and Shared Services

In FY 2015, the Commission used its unique transfer authority (Section 311 of the Denali Commission Act of 1998, as amended) to issue grants on behalf of the Maritime Administration (MARAD) to build a cultural site, the Department of Energy to further an innovative training initiative and the Centers for Disease Control and Prevention to conduct studies on preventing water-borne skin infections that are common in rural Alaska. The Commission also continued its partnership with the Department of Health and Human Services (HHS) providing shared services to more efficiently administer federal grant programs.

In FY 2016 and beyond, the Commission expects to continue the effort to be the Alaskan "boots on the ground" for other Federal agencies particularly in light of President Obama's tasking to facilitate and coordinate Federal efforts to mitigate the impacts of permafrost degradation, flooding and erosion in rural Alaskan communities. The Commission also expects its partnership with HHS on the grants shared services to expand as Federal agencies take advantage of the efficiencies gained by managing their grants through GrantSolutions.

Small Nimble Staff

The Denali Commission operates with a small staff of 13 full time employees and one part time employee. The Commission also has at its disposal a small group of intermittent employees with specialized knowledge of rural Alaska and professional skill sets like arctic engineering and rural project management. Having this group allows the Commission to quickly respond to community and program partner evaluations of prospective projects. Intermittent employees are only paid for work preformed, do not receive benefits and only work when their expertise is necessary to carry out a program activity. When you combine the abilities of the Commissions staff and its program partners the Commission has a statewide network available to carry out program activities in a quick cost effective manner.

Propose Two: Job Training and Other Economic Development Services

Alaska Rural Managers Initiative

Rural Alaskan communities operate with a small staff that may include utility managers, a city manager and a tribal manager. The Denali Commission and other agencies realize that rural managers are responsible for not only managing rural facilities, but the community as a whole, and a successful manager in rural Alaska can make a huge difference for small rural communities. While each community may have a different combination of managers many of their core responsibilities require similar skill sets like interviewing and hiring, training employees, budgeting and reporting. The Commission sees that 60-75% of the core skills needed by these different types of managers require the same basic training to be successful.

Recruiting, hiring and retaining competent managers in a small village is difficult and many rural manager jobs are filled by local residents who have no more than a high school diploma. The effort to help enhance rural manager stability is the Alaska Rural Manager Initiative (ARMI). In 2015, the Denali Commission continued to work with the ARMI partners to improve rural manager capacity so that rural residents are appropriately hired and/or trained to manage all aspects of a rural community including projects, human resources, utilities, roads, and investments including local buildings, water, sewer and energy systems. The ultimate end result being cost savings to local governments and healthy, sustainable Alaskan communities.

In FY 2017 the successful Facility Maintenance Technician-I curriculum that was developed as part of the Rural Alaska Maintenance Partnership (RAMP), coordinated by the Commission, will serve as a model to create a curriculum for rural manager training. Once the rural manager training curriculum has been developed the Commission will work to make this training available to current rural managers through methods like distance delivery. The Commission will also explore the public-private partnership model for improved maintenance of utilities and non-residential buildings.

Purpose Three: Promote Rural Development and Address Infrastructure Needs

Bulk Fuel Tank Farms

The Denali Commission's very first task upon inception was to find a solution to the failing and non code-compliant bulk fuel storage facilities in rural Alaska so that bulk fuel storage could be environmentally sound. Equally important, these improvements ensured continuous delivery of bulk fuel allowing for a minimum standard of living in rural Alaska that included power generation and heating. In 1999, the need was great and it was determined that virtually every bulk fuel farm in rural Alaska needed to be upgraded because virtually all were non-compliant with applicable State and Federal codes. The Commission took on this daunting task with its Energy Program partners by creating a universe of need list and ranking communities based on urgency of need. Since then, the Commission and its partners have worked down the list upgrading bulk fuel storage facilities for increased efficiencies and code compliance. At this time, over 100 rural communities now have code compliant bulk fuel storage.

Fifteen years later with so much accomplished it is time for the Commission and its partners to reprioritize energy investments. Bulk fuel facilities need to continue to remain code compliant but with the current tight fiscal environment more cost efficient alternatives need to be explored. One alternative is to refurbish bulk fuel tanks rather than replace where the situation allows. In exploring this option, the Commission and its partners have investigated refurbishment as an option in several communities. In Scammon Bay, for example, refurbishment was a good option resulting in code compliant tanks for an investment of $850,000 instead of $3 million, the estimated cost of a new tank farm for the community. In Pilot Station however, refurbishment would have been almost the same cost as building new. Refurbishment will need to be explored on a case-by-case basis in each community.

To undertake this realignment of priorities the Commission has created a Bulk Fuel Plan Work Group to write a new plan for addressing bulk fuel storage in Alaska. This work group will take into account alternatives like refurbished tanks, as well as, exploring the bulk fuel supply chain as a whole instead of looking at individual parts. The work group will undertake a comprehensive analysis of fuel shipping, delivery, storage, usage, and management of bulk fuel infrastructure by rural Alaska owners and operators, and provide policy and funding recommendations for the inclusion in the agency's future annual work plan and strategic planning processes.

The Transportation Energy Connection

With years of experience in improving bulk fuel storage and transportation in rural Alaska the Commission has come to realize that safe delivery of bulk fuel to rural Alaska begins with the barges that the fuel is delivered on and that the entire chain of supply from barge to bulk fuel storage tank is potentially vulnerable to fuel spills. Since environmental contamination from diesel fuel is the impetus for the Commission's creation it follows that the Commission should step in to address the vulnerabilities that are present where transportation and energy intersect.

Bulk fuel delivery occurs approximately three months out of the year in many rural Alaska communities. When available, barges carrying fuel tie off to mooring points, which prevent free movement of the barge, allowing for safe transport of fuel from the barge to storage facilities. When no mooring points are available to prevent free movement of the barge, tug boats run the

barge aground on the rivers edge and then remain attached and running during unloading. This practice limits free movement of the barge but also increases the risk of fuel spills, causes erosion and navigational shoaling problems in rivers, and wear and tear on the tugs (e.g. propellers).

In previous years the Commission requested expanded authority to use TAPL funding to construct mooring points and in the FY 2016 Omnibus Appropriations, Congress did in fact expand the Commission's authority to use TAPL for the construction of mooring points. The Commission is grateful for this expanded authority. FY 2016 the Commission will initiate a mooring point program of approximately $10 million with $7.2 million of that total coming from TAPL. The unmet need for mooring points across Alaska is in excess of $50 million and the Commission anticipates using this expanded TAPL authority to meet this unmet need in FY 2017 and beyond.

2017 Budgetary Use by Presidential Announcement

The Denali Commission (Commission) was tasked with facilitation and coordination of federal efforts to address the dangers posed to rural Alaskan communities from erosion, flooding and permafrost degradation. In this role the Commission will endeavor to bring Federal, State and local communities together to formulate a common approach. Where overlap exists with existing Commission construction programs the Commission may elect to carry out the construction activity through our historic program partners.

Addressing Hurdles

The 2009 US Government Accountability Office Report No. GAO-09-551 entitled: "Alaska Native Villages: Limited Progress Has Been Made on Relocating Villages Threatened by Flooding and Erosion" identified a number of hurdles inhibiting federal involvement in village relocation and protect in place efforts. The Commission has begun efforts to address several of those hurdles:

Hurdle: The absence of a lead Federal agency to conduct an overarching environmental review consistent with the National Environmental Policy Act (NEPA).

Solution: The Commission will conduct the NEPA review for the relocation of Newtok nine miles upriver to Mertarvik. The review process is expected to begin in the fourth quarter of FY 2016 and will be completed within 12-18 months.

Hurdle: The non-Federal cost share requirement for other Federal programs was a difficult requirement for impoverished rural Alaskan communities to meet.

Solution: The Commission sought funding flexibility to meet non-Federal cost share requirements and this flexibility is included in President Obama's proposed FY 2017 budget. If passed by Congress, this funding flexibility will allow Commission funds to be used as cost share match funding for projects primarily funded by other Federal agencies.

Hurdle: Alaskan communities had difficulty meeting eligibility requirements for Federal grant funds, such as, Federal Emergency Management Administration (FEMA) pre and post disaster funds.

Solution: The Commission has committed to funding the completion of Hazard Mitigation Plans (HMP) and Emergency Operation Plans (EOP) for the 31 imminently threatened communities listed in the 2009 GAO report. This will ensure these communities qualify for FEMA grant funds, and serve as the basis for project scoping and grant applications for other Federal agency programs.

Village Relocation

The 2009 GAO report has identified the communities of Newtok, Kivalina, Shishmaref and Shaktoolik as considering relocation. Newtok, which is primarily threatened by river erosion, is the only community that has identified and started building a relocation site (Mertarvik – which means "getting water from the spring"). The other three communities have not yet identified a relocation site and are all primarily threatened by coastal flooding.

Newtok

In 2016, the Commission will take on the role of lead Federal agency to provide programmatic environmental review to ensure efficient NEPA compliance. In addition, the Commission will fund the final site planning and platting for Mertarvik so that the family of Federal agencies can use these foundational documents.

Kivalina, Shishmaref and Shaktoolik

In 2016, the Commission will work with Kivalina, Shishmaref and Shaktoolik to identify needed information to facilitate a local community decision regarding relocation, as well as, those protect in place projects necessary to preserve health, safety and infrastructure. The Commission will partner with the US Army Corps of Engineers (USACE) to conduct a flood analysis for Kivalina, and Shishmaref. The USACE has previously completed a flood analysis for Shaktoolik which identifies that the community will be flooded by over six feet during a 100-Year coastal storm event. The current HMP for Shaktoolik identifies “soft erosion” measures to protect the community and the Commission will begin exploring these measures.

Protect in Place Projects and Activities

Protect in Place projects and activities will be identified and prioritized for the 31 communities included in the 2009 GAO report.

During the remainder of 2016 the Commission will ensure all communities have a current HMP and will fund the creation of HMP for those communities without them. Once HMP have been created for all 31 communities the Commission will assemble a group of Alaskan experts to review high priority projects included in the community HMP and prioritize the projects. From this list the Commission will identify the five to 10 highest priority projects and activities. Starting in FY 2017, funding for the construction of the identified highest priority projects will be provided by other Federal agencies, or where appropriate, by the Commission.

Coordination and Facilitation

The Commission will utilize subsets of existing Alaskan and Pacific Northwest regional Federal bodies to organize Federal efforts ensuring efficient use of Federal resources to meet the needs of rural Alaskan communities

Section 3

Information and Program Evaluation

Information and Program Evaluation

The Commission will continue to undertake program evaluation efforts in FY 2017, while at the same time developing and implementing new evaluation systems for new or emerging programs.

Since its inception in 1998, the Commission has utilized an evaluation methodology in its two primary programs: Energy and Health Facilities. The Commission has worked aggressively to plan, design, equip and construct or renovate health facilities in underserved communities throughout Alaska. Similarly, the Commission and its partners have developed a needs list for bulk fuel tank farms and rural power system upgrades across Alaska. The Commission will continue to make updates to both programs. Specifically, the Health Facilities Program will continue to analyze the communities that remain throughout the state with unmet health facility needs. Moreover, staff will evaluate the benefit that has been provided in the areas of cost reduction, improved access to health care and quality of health care services to rural communities that have received new or renovated primary care clinics with Commission funding.

In FY 2017 the Commission will continue to evaluate all programs based on program progression and project outputs. Furthermore, the Commission as a whole will be examining how it may better leverage resources with other program and funding partners and perhaps most importantly, how it can better demonstrate programmatic outcome accomplishments.

In FY 2017 the Commission is developing a new five-year strategic plan to guide future agency investments. As we migrate agency investments toward the goals of addressing the climate change in Alaska, high cost of energy and maintaining, sustaining and protecting existing infrastructure, we will be mindful to incorporate evaluation methodologies. We are mindful that the lessons learned in rural Alaska can be migrated to other rural parts of America.

Section 4

Analysis of Resources

Analysis of Resources

At any given time Denali Commission staff and partners are engaged with several hundred grants and/or projects in various stages of planning, design and construction. Program partners range from sophisticated line agencies to small village-level organizations. The ability to deliver timely, sustainable projects with the right level and type of oversight and guidance, while also being nimble and agile, requires constant attention. Commission leadership emphasizes the paramount importance of public integrity, transparency and accountability. The Commission maintains an aggressive staff training program and uses the latest in grant processing technology through the U.S. Department of Health and Human Services through its GrantSolutions software. During Fiscal Year 2015, staff received training from the Office of Management & Budget, U.S. Department of Health and Human Services and the Government Accountability Office. To keep staff size at an optimum level, the Commission contracts with other federal “lines of business” at the U.S. Department of the Treasury, Bureau of Fiscal Service to provide services in the areas of finance, human resources, procurement and travel. In addition, for the advancement of governmental accountability, the Commission relies on a network of federal experts through its Business Board Advisory Committee, which include members from various government agencies.

Grants Management Electronic Processing and Reporting Systems

The Denali Commission has two electronic web-based systems for Grants Management: GrantSolutions for processing proposed awards and post award amendments and the Commission Project Database for grantee self reporting progress on funded awards.

The Commission utilizes GrantSolutions (www.grantsolutions.gov) to manage the electronic processing of every award from start to finish. The award starts with the posting of announcements of funding opportunities, receipt and review of applications, issuance of funded awards, the generation of post award amendments, to the close out of each award.

The Denali Commission’s on-line project database (www.denali.gov/dcpdb) continues to be a transparent tool through which the Commission communicates performance to our constituents. Displaying information on every project the Commission has ever funded, this database displays funded amounts, expended amounts, narrative progress reports and photos of projects. Ultimately, the effectiveness of the Commission is measured in the number of lives that are improved as a result of the taxpayers’ investment in a particular program.

Travel

Concur Travel Solutions, the travel system used by the Denali Commission, is an end-to-end online travel service for federal agencies. Concur Travel Solutions supports the entire government travel process, which includes planning and authorizing travel, making reservations, delivering electronic tickets, calculating and approving reimbursements, and archiving data. Concur Travel Solutions increases the number of self-service transactions thus reducing travel-management costs.

Human Resources

The realm of human resource (HR) management for the federal workforce is complex and large. From position classification to employee benefits to payroll administration, HR tasks demand a level of training and experience that recognizes the personal impacts these services have on Denali Commission employees every day.

The enabling legislation of the Commission exempts the agency from some parts of federal Title 5, affording the management at the Commission uncommon flexibilities in hiring qualified personnel. This has allowed the Commission to continue to be agile and nimble, proactively responding to Alaska's needs and new federal mandates, while still maintaining a lean federal staff.

To ensure the Commission provides the best HR services to our federal staff, we have engaged the U.S. Treasury's Fiscal Service Administrative Resource Center in Parkersburg, West Virginia, to administer the official human resources duties. Fiscal Service has an entire branch of highly educated and trained human resources professionals who are available to all staff for consultation and assistance.

Procurement

When the Denali Commission needs to obtain goods or services required to operate the agency office or programs, we do so under Federal Acquisition Regulations (FAR). This set of regulations embodies the philosophy of the federal government to support, to the degree practical, small and disadvantaged businesses when procuring goods and services. Small businesses are the backbone of the American economy, and the FAR recognizes and implements guidance that encourages contracting with those small businesses. Competitive solicitations among responsible contractors results in the best value to the Government, and that has fostered new and mutually beneficial relationships between businesses and the Commission.

The federal government requires that performance-based work statements be written, to maximize the application of the contractor's knowledge and experience in achieving the Government's goals. The Denali Commission has competitively procured goods and services over the past several years which include: program management services, technical assistance services, computer software and hardware, photography services, and graphic design services.

Because the authority to obligate federal funds rests with Contracting Officers, we partner with the U.S. Treasury's Bureau of the Fiscal Service Administrative Resource Center in Parkersburg, West Virginia, which has a procurement branch staffed with highly educated and qualified contracting professionals.

Section 5

Agency Restructuring & Work Process Design

Agency Restructuring

Agency restructuring has been underway for the past several years as annual appropriations have been reduced. Effectively, the Commission has cut staff in half since 2009 through normal attrition and not backfilling the positions. It is expected that this staffing pattern will continue while being mindful that the agency must continue managing a portfolio of existing grants, as well as complete necessary due diligence for future investments.

With the assistance of the US Office of Personnel Management the Commission has identified a new personnel model. Historically, the Commission hired staff to manage specific programs and these individuals then became subject matter experts in the field. The reduced level of funding in recent years has made employing full-time subject matter experts unsustainable. Commission staff will become “generalists” who understand the nuances of how the Federal Government does business (i.e. Federal contracting, grant making, budgeting, travel, etc.). As needed, the Commission will hire subject matter experts for short duration intermittent position, or will contract for these services. The subject matter experts will provide advice and guidance to Commission staff as needed and then the agency and the subject matter expert will part ways once their professional skills are no longer needed.

The Commission is currently engaged is active discussion with the Arctic Executive Steering Committee regarding the assignment of skilled Federal employees being detailed to the Commission, on a part time or full time basis, to work on the new Environmentally Threatened Communities Initiatives.

Work Process Design

The most significant work process design change for the Commission centers on the statutorily required annual work plan, which outlines the Commission investments for the fiscal year in question. Historically, the annual work plan included a list of capital investments and some non-capital investments. With a change of investment strategy to focus on sustaining, maintaining, and protecting existing infrastructure it is appropriate to reflect this change in the work plan process. The Commission will continue to fund typical infrastructure that the Commission has historically invested in. This would include bulk fuel farms, power generation systems, etc.

Section 6

Ensuring Information is Publicly Available

Ensuring Information is Publicly Available

The Commission's project database is an integrated, online management reporting and tracking tool for Commission projects. The Project Database is used to manage the electronic reporting of award data by recipients, and is also available to the general public to view every award and project funded by the Commission. This database provides all project information, and encourages public viewing and sharing of information particularly through the reports module function. The Project Database also enables Commission staff to manage projects through the use of milestones and retrieve "at-a-glance data" of major project criteria including: the scope, award, theme, schedule, budget and reporting.

Denali Commission Budget Justification 2017

Anchorage, AK, February 2016

Denali Commission
510 L Street, Suite 410
Anchorage, AK 99501
Telephone: 907-271-1414
Toll Free: 888-480-4321