

JOINT
HOUSE & SENATE FINANCE COMMITTEE
MEETING
January 21, 2004
1:43 P.M.

TAPE HFC 04 - 8, Side A

CALL TO ORDER

Co-Chair Harris called the House Finance Committee meeting to order at 1:43 P.M.

MEMBERS PRESENT

HOUSE

Representative John Harris, Co-Chair
Representative Bill Williams, Co-Chair
Representative Kevin Meyer, Vice-Chair
Representative Mike Chenault
Representative Eric Croft
Representative Hugh Fate
Representative Richard Foster
Representative Mike Hawker
Representative Carl Moses

SENATE

Senator Gary Wilken, Co-Chair
Senator Fred Dyson
Senator Lyman Hoffman
Senator Donny Olson
Senator Ben Stevens

MEMBERS ABSENT

Representative Reggie Joule
Representative Bill Stoltze

Senator Lyda Green, Co-Chair
Senator Con Bunde, Vice-Chair

ALSO PRESENT

Senator Gary Stevens; Loren Leman, Lieutenant Governor, State of Alaska; Jeffrey Staser, Federal Co-Chair, Denali Commission; Yuri Morgan, Legislative Representative, Denali Commission

PRESENT VIA TELECONFERENCE

None

GENERAL SUBJECT(S):

OVERVIEW: DENALI COMMISSION

The following overview was taken in log note format. Tapes and handouts will be on file with the House Finance Committee through the 23rd Legislative Session, contact 465-2156. After the 23rd Legislative Session they will be available through the Legislative Library at 465-3808.

LOG	SPEAKER	DISCUSSION
		TAPE HFC 04 - 8, SIDE A
000	Co-Chair Harris	Convened the Joint House and Senate Finance Committee meeting at 1:43 P.M. to hear the overview presented by the Denali Commission.
		DENALI COMMISSION
132	LOREN LEMAN, LIEUTENANT GOVERNOR, STATE OF ALASKA	Provided a brief history of the Denali Commission. The Governor named the Lt. Governor to be the state Co-Chair of the Denali Commission. Mr. Staser is the counter-part as the federal Co-Chair. There are five other commissioners representing statewide entities in Alaska that have significant input in dealing with infrastructure needs. They are: <ul style="list-style-type: none">• Alaska Federation of Natives• Associated General Contractors of Alaska• Alaska Municipal League• Organized Labor• University of Alaska. He added that the commission was established in 1998. In 1999, it was a \$30 million dollar program. It has grown to the current level of \$110 million dollars. The Commission is to be a collaborative effort between State and federal agencies. The staff is composed of people loaned from these other agencies. Yuri Morgan on the Denali Commission represents the Legislature.
423	Lieutenant Governor Leman	Continued, the investments to date have been primarily in energy projects & primary health care facilities. The Commission has substantial investments in the work force training programs.
535	Lieutenant Governor Leman	The goal of the Commission is sustainability. The investments made, need to be able to maintain themselves.

		Communities need to demonstrate that they will be able to maintain their facilities.
602	Senator Wilken	Noted that Senator Green would be late for the meeting.
619	JEFFREY STASER, FEDERAL CO-CHAIR, DENALI COMMISSION	Offered to answer questions of the Committee. He applauded comments made by Lieutenant Governor Lemman noting that he had captured the work of the Commission in a "nut-shell".
704	Co-Chair Harris	Pointed out that Denali Commission projects should be self-sustainable and able to stand on their own. He inquired that process.
726	Mr. Staser	Responded that the originally guidelines consist of making sure that any projects will be around for future generations. That is the philosophy of all the work of the Commission. Public dollars should not be invested without some sort of common sense & accountability in the future.
812	Mr. Staser	Elaborated on "common sense". The draft investment policy determines what is sustainable. Referenced projects at Shishmaref and decided as a Commission that it would be more problematic to renovate an existing clinic than build a new one. The commissioners then discussed how the public would know that certain projects are sustainable.
917	Mr. Staser	Sustainability has been described as a goal. That differs from affordability. The policy includes good faith & natural circumstance criteria that the Commission looks at. Each project is unique and includes those considerations.
958	Senator Wilken	Asked about the future and the way in which the Denali Commission is funded by the federal government and is there a system by which the Commission is guaranteed on-going funding.
1030	Mr. Staser	Responded that all agencies go through reauthorization hearing every six years. The Commission has recently been reauthorized. The funding streams come from five separate appropriations bills. <ul style="list-style-type: none"> • One comes from Trans Alaska Pipeline Liability Trust Fund • Currently legislation pending, the National Energy Bill, which will endow the Commission with royalties,

		received from National Petroleum Reserve-Alaska Development, which is the federal share of royalties and that bill has not yet passed. The strength of the Commission is how credible they are with other state and federal agencies and nationally.
1200	Mr. Staser	Assessed that Alaska has a unique tale to tell. There are unique challenges and the program is becoming stronger.
1309	Lieutenant Governor Leman	Added that the President's proposed base budget funding is a small amount which has always been rebuilt in the U.S. Senate.
1354	Senator Wilken	Clarified that there are four revenue-funding streams. <ul style="list-style-type: none"> • Grant funding with a maximum of six years before reauthorized • Pipeline Liability Fund • 20% of the federal governments 50% of rents and royalties from the NPRA would accrue as long as there is a Denali Commission • other federal agencies that the Denali Commission may be able to request funds from.
1451	Representative Foster	Voiced his appreciation for all the work done by the Denali Commission in Western Alaska. He understood that initially, the intent of the Commission was repairs and then switched to health and safety and the clinics. He asked what the Commission would concentrate on in the next couple years.
1554	Mr. Staser	Clarified that the Commission begins with the bulk fuel storage tanks with an exit strategy. In collaboration with the energy program, there has been a health program created in the last two years as a part of health and human services. Total funds spent, 22% have gone into health projects. 61% have gone into energy projects. After the two main programs, projects drop off significantly.
1738	Mr. Staser	Anticipates that with the bills drafted and introduced to Congress, the Commission will be involved with transportation in the future. The Commission is currently staffing that with Mr. Yuri Morgan, the State's representative who is responsible for

		designing the transportation program. The next big item will be the access transportation arena.
1812	Representative Fate	Commented on the economic development objectives in rural Alaska. He noted that economy between FY99 - FY03 and that FY04 continues to be low. He spoke to economic activity in rural Alaska.
1901	Mr. Staser	Stated that everything depends on economic development. The private sector is "good" at that. The government is sometimes less effective. It is an essential partnership and government must create healthy infrastructure. State and Commission responsibilities are energy and then health and that the Commission will be getting more involved with economic development.
2019	Senator Ben Stevens	Commented that 50 construction projects building rural health clinics is economic development. The health care industry is the fastest growing business in the State. He requested that the Denali provide an impact statement addressing the health care clinics and their relationship on demand of the general fund-spending match.
2135	Senator Ben Stevens	stressed that the impacts should be known regarding future outcomes. The proposed project are good and yet it must be understood the long-term effect for Alaska.
2216	Mr. Staser	Offered to provide that information.
2230	Lieutenant Governor Leman	Added that objective is important to the Administration and that unfunded liabilities should not be created. Instead, the health care facilities should have the availability of better health care without increased liability costs to the State.
2304	Senator Ben Stevens	Thought that there would be an increased cost to the State. He asked that the Commission demonstrate that this would be better care and service for better value.
2332	Lieutenant Governor Leman	Commented on the dedication he attended for the new regional clinic. That clinic has better capacity than any in the past and provides better care without shipping people into Anchorage. He addressed staffing the facility.
2438	Senator Hoffman	Noted the \$32 million dollars earmarked for initiatives funding. He asked how they would be limited.

2457	Mr. Staser	Responded that the earmarks are listed in the bill. What is listed are allocations of funds as a staff recommendation to the Commission. Example: Teacher Housing - recommended up to \$10 million dollars and are looking for ways to partner with the State. The Commission does not want to compete with other housing projects unless to leverage added strength. Earmarks have been made through the congressional intent language. The Commission has the responsibility to each of the collective parties at the table.
2624	Senator Hoffman	Asked if the allocations were required to be spent in that fiscal year.
2640	Mr. Staser	Stated that normally the bills are passed with no-year language and authorized until spent. The Commission attempts to authorize the funds each year in order to demonstrate that there is a greater need. To date, all the money has been obligated each year.
2703	Co-Chair Harris	Asked about local hire requirements in the rural areas.
2717	Lieutenant Governor Leman	Responded that one of the objectives is for the locals to be hired for construction and training for on-going operations of the facilities. The manner in which the projects are designed will maximize the local hire and has been successful.
2822	Mr. Staser	The reason that the Commission got involved with training was to guarantee that there is a local hire. Worked with the contractors to guarantee specific jobs.
2856	Mr. Staser	Added that the University also supports local hire. That will keep salaries in State while maintaining services.
2930	Co-Chair Harris	Acknowledged how important that is. He noted the joint chairmanship between federal and State government. He questioned the amount of cooperation in reference the State budget.
3011	Lieutenant Governor Leman	Commented that the goal is that there is "a lot of cooperation". In the past year, it has improved greatly. At this time, there has been a lot of cooperation between the departments. Commissioner Blatchford and Commissioner Gilbertson have been supportive and they are the two most involved with the projects.
3227	Mr. Staser	The legislature has had a "hands on"

		since inception. The Commission attempts to understand and identify the priorities. He added that the Denali Commission has worked with the Legislative Budget and Audit Committee (LBA). The State continues to have a major roll in determining the priorities.
3249	Representative Foster	Reiterated his appreciation of the work done by the Commission. He pointed out that in Western Alaska, there are only 142 State jobs. Of the 14 departments, there are none. The most important presence in Western Alaska is the Denali Commission. He emphasized that without the Denali Commission, western Alaska would be in dire straights.
3419	Lieutenant Governor Leman	Reminded Representative Foster of the statewide presence in the Nome area. He added that the Denali Commission does have their annual report available on CD and accessible through the website with updated information on the Commission.
3521	Mr. Staser	Concluded that if the Commission is working, everyone in the State is represented. All information is shared. He agreed that there are not enough people to travel statewide and that is why the collaboration is necessary.
3619	Co-Chair Harris	<u>ADJOURNMENT</u>
		The meeting was adjourned at 2:20 P.M.