

ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

January 27, 2005

8:04 a.m.

MEMBERS PRESENT

Representative Kurt Olson, Co-Chair
Representative Bill Thomas, Co-Chair
Representative Gabrielle LeDoux
Representative Mark Neuman
Representative Sharon Cissna
Representative Woodie Salmon

MEMBERS ABSENT

Representative Pete Kott

COMMITTEE CALENDAR

OVERVIEWS: ALASKA DEPARTMENT OF COMMERCE, COMMUNITY, and
ECONOMIC DEVELOPMENT; DEPARTMENT OF TRANSPORTATION, ALASKA
MARINE HIGHWAY

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

EDGAR BLATCHFORD, Commissioner
Department of Commerce, Community, and Economic Development
(DCCED)

Juneau, Alaska

POSITION STATEMENT: Presented an overview of DCCED.

GREG WINEGAR, Director
Division of Investments
Department of Commerce, Community, and Economic Development
Juneau, Alaska

POSITION STATEMENT: Answered questions regarding DCCED's loan
programs.

JOELLEN HANRAHAN, Director
Division of Administration Services

Department of Commerce, Community, and Economic Development
Juneau, Alaska

POSITION STATEMENT: Answered questions regarding DCCED's funding.

MIKE BLACK, Community Development Section Chief
Division Of Community Advocacy
Alaska Department of Commerce, Community, and Development
Anchorage, Alaska

POSITION STATEMENT: Answered questions regarding DCCED's land transfer programs.

TOM BRIGGS, Deputy Commissioner/Director of Marine Operations
Alaska Marine Highway System (AMHS)
Department of Transportation & Public Facilities (DOT&PF)
Juneau, Alaska

POSITION STATEMENT: Presented an overview of the AMHS.

JOHN TORGERSON
Special Assistant
Department Of Transportation & Public Facilities
Juneau, Alaska

POSITION STATEMENT: Reported on the status of current labor negotiations regarding the Alaska Marine Highway System.

ACTION NARRATIVE

CO-CHAIR KURT OLSON called the House Community and Regional Affairs Standing Committee meeting to order at [8:04:06 AM](#). Representatives Neuman, Salmon, Olson, and Thomas were present at the call to order. Representatives Cissna and LeDoux arrived as the meeting was in progress.

[8:04:33 AM](#)

DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

EDGAR BLATCHFORD, Commissioner, Department of Commerce, Community, and Economic Development (DCCED), defined DCCED as a "regulatory and advocacy" agency. He described its history and said that DCCED is now large in terms of its responsibilities, but small in terms of its allocation of general funds. Commissioner Blatchford added that DCCED's mission is to promote healthy economies in communities, protect consumers, and promote a stable business climate. The department also assists local governments with self-governance and promotes the expansion of new and existing businesses.

COMMISSIONER BLATCHFORD listed the six divisions of DCCED, and noted that there are six agencies that are closely affiliated with the department, which include the Alaska Seafood Marketing Institute, the Alaska Aerospace Development Corporation, the Alaska Industrial Development and Export Authority, the Alaska Energy Authority, the Alaska Railroad Corporation, and the Regulatory Commission of Alaska. Commissioner Blatchford added that, by law, he serves on a "good number of other boards and commissions." The department employs 493 employees, located in Anchorage, Bethel, Dillingham, Fairbanks, Juneau, Kotzebue, Nome, and Tok. There is also a Seattle office maintained by the Alaska Seafood Marketing Institute. He said last year the total budget was \$125.4 million, of which \$7.8 million came from the general fund.

COMMISSIONER BLATCHFORD stated that the Division of Community Advocacy is the "heart and soul" of the department. The division promotes healthy economies by providing technical and financial assistance, training, and "other capacity building resources." For example, the division helped communities with the "bulk fuel issue;" provided on-site utility management assistance to 102 communities; partnered with the National Marine Fisheries Service to provide assistance with a new fisheries program called Community Quotas Entity; administered over \$65 million in federal funds to rural communities; provided a web-based assistance program for local governments; continued to provide extensive support to local boundary commissions; and assisted Delta in mitigating the impacts of the deployment of the missile defense system at Fort Greely.

COMMISSIONER BLATCHFORD reported that the department plays a "technical role" in the Denali Commission, the purpose of which he described as "the delivery of federal services of the federal government in the most cost-effective manner [practicable] by reducing the administrative overhead costs." He said the Denali Commission also provides "job training and other economic development services in rural communities, particularly distressed communities." The Denali Commission provides economic development services such as power generation, transmission facilities, water and sewer systems, and "addresses other infrastructure needs."

COMMISSIONER BLATCHFORD related that the Division of Investments plays a key role in fisheries issues by providing loans in areas "not adequately served" by the private sector. In fact, the division approved 133 loans totaling \$15.2 million, including

loans for promoting resident fisheries, fisheries enhancement, and rural develop initiatives. He expressed pride in the volunteer tax and loan program effort, which assisted 5,800 people in preparing tax returns. He opined that the most successful federal/state program is the Community Development Quota System (CDQ), which assists with the development of sustainable fisheries economies. He said the CDQ has provided over \$100 million in employment, education, and training benefits since the program was created in 1992.

[8:18:31 AM](#)

COMMISSIONER BLATCHFORD spoke of the Fisheries Revitalization Program, a multi-tiered program to increase innovation and productivity within the salmon industry. He said the Division of Banking, Securities and Corporations regulates the new payday-lending program. He reported that the Alaska Industrial Development and Export Authority (AIDEA) funded \$78 million in loans and sold its interest in the Seward coal loading facility. He said AIDEA also negotiated an operating agreement with Alaska Ship and Dry Dock for the Ketchikan shipyard, and it accepted offers for the sale of the Alaska Seafood International property. He pointed out that AIDEA issued revenue bonds for the Fairbanks Memorial Hospital.

[8:23:30 AM](#)

COMMISSIONER BLATCHFORD highlighted some of the department's initiatives for the upcoming two years, including creating seafood processing and harvesting opportunities in the Gulf of Alaska and Southeast communities; continuing to administer about 150 existing grants; promoting tourism in new areas; and working with communities on competitive grants through the federal Economic Development Administration to assist distressed communities.

[8:28:02 AM](#)

COMMISSIONER BLATCHFORD related that the department is also working on a web-based international marketing program for selling local arts and crafts, he noted. He described the Alaska Regional Development Organization (ARDOR), some of which are created where there is no regional government. He explained that ARDORs support economic development opportunities for local people. He mentioned that the department continues to play a key role as an advocate of mining.

8:30:56 AM

CO-CHAIR OLSON asked if DCCED had a representative in Anchorage at the Board of Fisheries meetings.

COMMISSIONER BLATCHFORD answered that someone was there; the department "pays very close attention to the activities" of both the Board of Fisheries and the Board of Game.

REPRESENTATIVE NEUMAN inquired as to how closely DCCED works with job-related groups like the Division of Vocational Rehabilitation, local small-business development organizations, and community centers. He expressed concern that there might be duplication of these activities.

COMMISSIONER BLATCHFORD explained that the governor has divided the cabinet into sub-cabinets of which DCCED is part of a sub-cabinet with the Department of Labor & Workforce Development. He added that the major initiative of the current administration is to avoid duplication of effort or services.

REPRESENTATIVE NEUMAN related that he has worked with some of the small-business and job-training groups, which he thought were very beneficial. He expressed his hope that DCCED would help with programs that "provide opportunities for small businesses."

REPRESENTATIVE CISSNA noted her interest in how health relates to the economies of small communities, where seniors are key to the inner workings of these small communities. In fact, she related that the "welfare to work program" was extremely successful, partly because of the role of seniors.

8:35:13 AM

COMMISSIONER BLATCHFORD said that DCCED pays attention to what is happening and what is successful in local communities. A primary goal of the department, he related, is to "re-instill the entrepreneurial spirit." Elders have a close tie to that spirit, he said, and DCCED's major objective is to engage senior entrepreneurs.

REPRESENTATIVE NEUMAN asked about the default level of the loans to which Commissioner Blatchford referred earlier.

8:37:22 AM

GREG WINEGAR, Director, Division of Investments, Department of Commerce, Community and Economic Development, responded that the total delinquency rate is 14 percent. There are several programs to deal with delinquency, such as the "soft collection program," the loan extension program, and foreclosure. The department does everything it can to seek solutions [before foreclosure], he stated.

REPRESENTATIVE NEUMAN asked if DCCED works with the program that utilizes retired people to help with developing small business plans for others.

MR. WINEGAR replied that the department did not work directly with that program.

[8:38:55 AM](#)

REPRESENTATIVE SALMON recalled that the Denali Commission was to improve the bulk fuel facilities for the Yukon Flats area several years ago, but he has not seen any improvements. He asked how closely DCCED works with the Denali Commission on the bulk fuel facilities for Alaska villages.

COMMISSIONER BLATCHFORD responded that DCCED has a staff person in the offices of the Denali Commission, so it works as closely as possible. However, he acknowledged that more work needs to be done because it is a large challenge.

[8:41:18 AM](#)

COMMISSIONER BLATCHFORD, in response to Co-Chair Thomas, said that DCCED is funded by business receipts, federal funds, and licensing fees.

[8:41:34 AM](#)

JOELLEN HANRAHAN, Director, Division of Administration Services, Department of Commerce, Community, and Economic Development, listed the percentages of funding sources for the department.

CO-CHAIR THOMAS asked who was in charge of transferring land during the Local Boundary Commission process.

COMMISSIONER BLATCHFORD noted that there are several land programs in the state government, and most of the programs are in the Department of Natural Resources (DNR). He pointed out that DCCED has a responsibility with 14(c)(3) lands under the

Alaska Native Claims Settlement Act. Commissioner Blatchford noted that DCCED manages the part of the Statehood Act which requires that lands be transferred from the federal government to the state. He acknowledged there is a backlog.

[8:44:02 AM](#)

MIKE BLACK, Community Development Section Chief, Division of Community Advocacy, Alaska Department of Commerce, Community and Economic Development, suggested that Co-Chair Thomas was referring to the land entitlements for newly incorporated municipalities, which is the responsibility of DNR.

CO-CHAIR THOMAS said there appears to be a disincentive to form a new borough if no land is transferred, and he inquired as to whom, in DNR, the legislature needs to talk with regarding this.

[8:46:03 AM](#)

MR. BLACK said he assumes it is the Division of Lands.

COMMISSIONER BLATCHFORD added that community sustainability in rural Alaska hinges on the amount of private land that can provide a tax base or natural resource development income.

[8:47:32 AM](#)

CO-CHAIR THOMAS said he supports programs that "bring people back to the villages," and he is excited about the Community Development Quota (CDQ) program.

[8:49:21 AM](#)

REPRESENTATIVE NEUMAN asked Commissioner Blatchford if there is anything that the legislature could provide.

COMMISSIONER BLATCHFORD responded that he is a firm believer in local control and local people having the "opportunity to seize the local resources, the opportunities." He mentioned CDQs and expressed his philosophy that local control results in the best outcomes. The state's role is to "look over their shoulders and ... discourage the outward migration of capital and the outward migration of employment opportunities."

[8:52:27 AM](#)

CO-CHAIR THOMAS announced that he and Co-Chair Olson have bill language to reauthorize the ARDORs and to request funds for "additional things."

COMMISSIONER BLATCHFORD offered assistance from the department.

REPRESENTATIVE CISSNA asked about prioritizing the desires of the communities.

COMMISSIONER BLATCHFORD said the department looks to local initiative to take the lead, and then DCCED will work with [the local entity]. The locals have to own the idea, he said, but DCCED needs to help re-establish entrepreneurial spirit.

REPRESENTATIVE CISSNA asked about developing facilities that change the nature of how communities work.

COMMISSIONER BLATCHFORD responded that the CDQ program helps communities define their own needs, and then DCCED can step in to assist.

The committee took an at-ease from 8:50 a.m. to 9:02.

[9:02:54 AM](#)

DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES, ALASKA MARINE HIGHWAY SYSTEM

TOM BRIGGS, Deputy Commissioner/Director of Marine Operations, Department of Transportation & Public Facilities, stated that the Alaska Marine Highway System (AMHS) consists of 10 vessels with an additional vessel coming in late spring. The AMHS is the only marine highway in the United States adopted as a scenic byway, which helps attract tourists. He stated that AMHS's primary directive under Title 19 is to provide basic essential service to the coastal communities of Alaska, and to provide economic stimulus to those communities. The system has 33 terminals from Bellingham, Washington to Dutch Harbor, Alaska, and about half of the docks are owned by the state while the other [half] are owned by communities. He informed the committee that AMHS carries about 300,000 passengers and 100,000 vehicles each year, and generates about half of its operating budget. Mr. Briggs stated that AMHS is an extension of the interstate highway system, providing access to isolated communities. Although the system is criticized for being frugal and cutting back service in the wintertime, service is reduced in winter because ridership decreases and the vessels are

required to be dry docked and overhauled for safety reasons, he said. He pointed out that although AMHS has an aging fleet, it has just added the Fairweather and the Lituya.

9:15:43 AM

MR. BRIGGS related that the biggest issue of AMHS is fuel costs. He stressed that AMHS is a road system and it's the only link to many communities. Therefore, he can't see reducing the budget, which [has led] AMHS to do more aggressive marketing that it will ask the legislature to support. Mr. Briggs estimated that the amount invested in marketing can bring in double the money in revenues. He said most corporations spend 5 to 8 percent of their operating budget for marketing, and AMHS does not have "any where near that," and the state needs to do better. He mentioned some challenges AMHS has faced and continues to face, including fuel [costs]; labor costs; labor issues, which have tied up the Fairweather; and the grounding of the LeConte.

MR. BRIGGS expressed concerned about what Alaskans have to pay to ride the ferries, although increases have been necessary because of the unpredictable price of fuel. A recent rate study has shown that AMHS is a bargain, so rates are unlikely to decrease, he said. Mr. Briggs noted labor contracts as a key issue. He further noted that the system is reviewing overtime costs, and it may add employees to reduce overtime. Although AMHS has more staff than required by the Coast Guard, he expressed his belief that AMHS is not overstaffed because it provides food and lodging services on board. He commented on the challenge of adding vessels without additional funds.

9:35:49 AM

JOHN TORGERSON, Special Assistant, Department of Transportation & Public Facilities, discussed the three maritime unions with which AMHS works. He said there are master and supplemental agreements; the latter are being negotiated. He told the committee that recent bargaining was declared to be at an impasse.

REPRESENTATIVE CISSNA said she spent three weeks on the ferry system this summer and would recommend the experience. She inquired as to the level of foot traffic on the Chenega last year.

MR. BRIGGS estimated that there were 140 passengers.

[9:44:48 AM](#)

CO-CHAIR THOMAS said he was familiar with the need for ferries in Southeast and has received complaints regarding the negotiations delaying service. He asked if there is there a way to avoid being sued for providing emergency services.

MR. TORGERSON offered to research that issue.

[9:48:09 AM](#)

REPRESENTATIVE NEUMAN expressed his support of AMHS and asked what the impacts on the system will be if the proposed road to Juneau is built.

MR. BRIGGS responded that a road between Skagway and Juneau will oblige the ferries to turn around at Juneau, so they will no longer go up Lynn Canal.

REPRESENTATIVE NEUMAN asked if Mr. Briggs thinks this road will have a positive effect on AMHS.

MR. BRIGGS voiced his support for such a road, but said it is difficult to measure its impact on AMHS. He surmised that a decrease in ridership will be negligible because AMHS will be increasing marketing and increasing ridership in the Southwest.

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at [9:51:25 AM](#).