

ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

February 8, 2005

8:04 a.m.

MEMBERS PRESENT

Representative Kurt Olson, Co-Chair
Representative Bill Thomas, Co-Chair
Representative Pete Kott
Representative Gabrielle LeDoux
Representative Mark Neuman
Representative Woodie Salmon

MEMBERS ABSENT

Representative Sharon Cissna

COMMITTEE CALENDAR

OVERVIEW: MUNICIPAL ENTITLEMENTS

HOUSE BILL NO. 119

"An Act extending the termination date of the Alaska regional economic assistance program; and providing for an effective date."

- MOVED HB 119 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 119

SHORT TITLE: AK REGIONAL ECONOMIC ASSISTANCE PROGRAM

SPONSOR(S): COMMUNITY & REGIONAL AFFAIRS

01/28/05	(H)	READ THE FIRST TIME - REFERRALS
01/28/05	(H)	CRA, FIN
02/08/05	(H)	CRA AT 8:00 AM CAPITOL 124

WITNESS REGISTER

BOB LOEFFLER, Director
Division of Mining, Land and Water
Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Reviewed municipal land entitlement program.

DICK MYLIUS, Deputy Director
Division of Mining, Land and Water
Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: During review of municipal land entitlement program, answered questions.

KACI SCHROEDER, Staff
to Representative Thomas;
House Community and Regional Affairs Standing Committee
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 119 on behalf of the House Community and Regional Affairs Standing Committee, sponsor.

ROLLO POOL, Executive Director
Southeast Conference
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 119.

WAYNE STEVENS, President
Alaska State Chamber of Commerce
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 119.

SALLY SADDLER, Legislative Liaison
Office of the Commissioner
Department of Commerce, Community, & Economic Development
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 119.

JEFF COOK, Director
External Affairs
Flint Hills Resources;
Member, Fairbanks North Star Borough Economic Development
Commission
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 119.

DEB HICKOK, President/CEO
Fairbanks Convention and Visitors Bureau
Fairbanks, Alaska

POSITION STATEMENT: During hearing on HB 119, testified in support of reauthorizing the ARDORS.

WANETTA AYERS

Southwest Alaska Municipal Conference
Anchorage, Alaska

POSITION STATEMENT: During hearing on HB 119, urged reauthorization of the ARDOR program.

ACTION NARRATIVE

CO-CHAIR KURT OLSON called the House Community and Regional Affairs Standing Committee meeting to order at [8:04:32 AM](#). Representatives Salmon, LeDoux, Neuman, Olson, and Thomas were present at the call to order. Representative Kott arrived as the meeting was in progress.

OVERVIEW: MUNICIPAL ENTITLEMENTS

BOB LOEFFLER, Director, Division of Mining, Land and Water, Department of Natural Resources (DNR), pointed out that [the municipal entitlements program] has progressed from a program in the doldrums to one that is making great strides. A few years ago there was a 50-year backlog of municipal entitlements, which will be worked through over the next four to five years.

MR. LOEFFLER reviewed the legal framework of the state's municipal entitlements program, AS 29.65, which established the formula and set the entitlement acreage for some of the state's largest boroughs. He explained that AS 29.65 set the municipal entitlement acreage for 11 boroughs and created the concept of vacant, unappropriated and unreserved (VUU) lands. That statute created conveyable and nonconveyable categories in 1978. Those municipalities existing in 1978 received 10 percent of the VUU lands within their boundaries. The aforementioned was used to determine the entitlements for the Northwest Arctic Borough, the Aleutians East Borough, and the Denali boroughs. This law also guides DNR's processing and provides a standard for rejection. He related that the standard for rejection is: "The director may disapprove a selection only upon a finding that the public interest in retaining state ownership of the land outweighs the municipality's interest in obtaining the land." Therefore, there is a strong presumption to convey those categories to a municipality. However, due to litigation there are some school trust lands, university lands, and Mental Health Trust lands that aren't available for conveyance. He noted that municipalities pay for the survey of the land, which can be a major cost for the municipalities. Therefore, land typically isn't surveyed until there is a real need to do so.

MR. LOEFFLER specified that the constitution, court decisions, and some state law provides [the framework for how municipal entitlements are done]. He pointed out that the [department] is required to perform a best interest finding with public notice and comment. The minerals and access, to other state lands and navigable waters, are reserved for the state as well as other items of state interest. Therefore, on a daily basis those at the Division of Mining, Land and Water perform title work, which is a significant amount of work. Lately, the division has been reviewing whether land should be returned to the boroughs. If it should, then reclassification will take place.

[8:10:41 AM](#)

MR. LOEFFLER then turned to the history of the program, which began in 1978. In the 1980s, a large amount of land was transferred to municipalities and 70 percent of the state was classified in larger area plans. Therefore, most of the acreage is now conveyed. In the 1990s, budget cuts resulted in the program dwindling to almost nothing when municipal entitlements were suspended for several years. In 2001, after the land disposal program started up, [the division] discovered it was making more money with land disposal than projected. Therefore, the legislature used some of that increment to fund the current program. Currently, the existing entitlement for existing boroughs is about 1.4 million acres, of which almost 850,000 acres has been conveyed and about 500,000 acres remain. Stated in a different way, 44 municipalities have entitlements and 26 have all their land approved. He then referred to a document entitled "MUNICIPAL LAND ENTITLEMENTS - AS 29.65", which specifies the municipality and the certified entitlement, approved patented acreage, and estimated remaining entitlement.

[8:12:40 AM](#)

MR. LOEFFLER moved on to the future of the municipal land entitlement program. In 1999, calculations specified that at the rate [the program was moving], it would take three years to get everything done. However, the legislature reallocated some money and the division performed some significant reclassifications. He highlighted that the Bristol Bay area plan has had a significant reclassification, and therefore the division expects to convey a lot of land to the Aleutians East Borough and the Lake & Peninsula Borough. Next year, the division is beginning a reclassification for the Northwest Arctic Borough. The larger entitlements should be completed over the next two to three years.

8:14:00 AM

REPRESENTATIVE LEDOUX surmised that if the estimated remaining entitlement specified zero, then that particular borough's entitlements are complete.

MR. LOEFFLER replied yes.

8:14:18 AM

CO-CHAIR THOMAS pointed out that the Local Boundary Commission's (LBC) report this year specified that the Municipality of Anchorage has 44,000 acres to be conveyed, although the division specifies zero.

MR. LOEFFLER specified that the Municipality of Anchorage has had its entire entitlement for some time now. The same is true of the Mat-Su Valley as well. Mr. Loeffler offered that when the [division] conveys the land the borough has management authority, although the land isn't patented until the land has been surveyed. Since surveys are expensive, municipalities typically don't survey until there is a good reason to do so. Therefore, [the LBC] could be reporting the acreage remaining to be patented. In further response to Co-Chair Thomas, Mr. Loeffler confirmed that the [certified entitlement] for the Northwest Arctic Borough is 285,438 and the North Slope Borough is 89,850.

CO-CHAIR THOMAS recalled that the LBC referred to the North Slope Borough as the grandfather of boroughs and said it hasn't received an entitlement yet.

MR. LOEFFLER said that the North Slope Borough has received a [small] entitlement and [some entitlements in that area] are being done now. He explained that the North Slope Borough lost its entitlement because prior to 1978 when ANCSA was passed, there were a number of lawsuits. As part of the Municipal Entitlement Act, there was a poison pill aspect that specified that municipalities that wanted their entitlement had to drop their lawsuits against the state. The North Slope Borough didn't drop its lawsuits, and therefore lost its entitlement. The North Slope Borough, he related, regained its entitlement in the mid 1980s.

DICK MYLIUS, Deputy Director, Division of Mining, Land and Water, Department of Natural Resources, recalled that the North

Slope Borough regained its entitlement in 1986, essentially the same timeframe the Northwest Arctic Borough formed.

[8:17:54 AM](#)

CO-CHAIR OLSON inquired as to the acreage the North Slope Borough has received.

MR. MYLIUS confirmed that the North Slope Borough has received about 16 acres, but there are some contentious issues in the area.

[8:18:46 AM](#)

CO-CHAIR THOMAS inquired as to who makes the presumptions.

MR. LOEFFLER answered that the law says that DNR may only disapprove a municipal entitlement if state interest clearly outweighs the interest of the borough.

[8:19:23 AM](#)

CO-CHAIR THOMAS surmised that any natural gas findings in the Cook Inlet area would belong to the state.

MR. LOEFFLER reiterated that all minerals belong to the state.

[8:19:41 AM](#)

CO-CHAIR OLSON asked if the mineral rights of the Red Dog mine were conveyed to the [Native] regional corporation.

MR. LOEFFLER explained that the mineral rights never came to the state; those rights transferred directly from the federal government to the Native corporations. He highlighted that under the Statehood Act, the state isn't allowed to convey mineral rights out of state ownership.

[8:20:22 AM](#)

CO-CHAIR THOMAS turned to Native allotments. He recalled that there were several Native allotment applications from Haines that somehow the state obtained title to and it took quite some time to reconvey those. Therefore, he inquired as to the normal timeframe for reconveyance.

MR. LOEFFLER acknowledged that it's a long process. He explained that Native allotments come up frequently years after the state has owned the land. In fact, in some cases Native allotments have come up decades after the land was sold to other people. The aforementioned has resulted in the state buying back subdivisions. He recalled a case in which the Native allotment arose 17 years after the land had been sold to individuals.

CO-CHAIR THOMAS interjected that he knew of some Native allotments that were filed in the 1920s, and the individuals never did obtain the title. He inquired as to how a showing can be made so many years later, when people are dead.

MR. LOEFFLER specified that the showing has to be made to the Bureau of Land Management (BLM), which will determine whether it's a valid Native allotment. Once the Native allotment is determined to be valid, the division has to reconvey it. Typically, the division tries to reconvey land because these are Alaskan citizens. However, if there is a great state interest in not reconveying, then the allotment is critically viewed and sometimes the allottee goes to a different location or the division may contest [reconveyance]. Mr. Loeffler said it has been a horribly long process; but the division, along with BLM, is attempting to speed up [and complete] all of the ANCSA and state conveyances by 2009.

[8:23:31 AM](#)

CO-CHAIR THOMAS commented that he has been privy to situations in which a Native allotment was filed on federal land at the head of a lake, where the state created a park. The individual didn't receive title to the land, although the individual was offered land in the vicinity because \$3 million of improvements were made to the Native allotment.

MR. LOEFFLER said that he wasn't aware of that.

[8:24:47 AM](#)

MR. LOEFFLER concluded by reviewing the issues facing the program. One issue is the large amount of land to transfer. The biggest issue is competing priorities for title work. Another issue is the fact that the state can't transfer what it doesn't own and can't patent what BLM hasn't yet patented to the state. Therefore, some lands will be [unavailable] for a while because the boroughs want to withhold land. Furthermore, there

are reclassification needs because of borough selection of non-VUU land or land that is tied up by other state agencies. Mr. Loeffler turned to the public concerns of the program. He pointed out that municipal land is often viewed as development land by nearby residents and there is a NIMBY [not in my backyard] factor. Mr. Loeffler concluded by relating his belief that it's important to get land to boroughs.

HB 119-AK REGIONAL ECONOMIC ASSISTANCE PROGRAM

CO-CHAIR OLSON announced that the next order of business would be HOUSE BILL NO. 119, "An Act extending the termination date of the Alaska regional economic assistance program; and providing for an effective date."

[8:27:52 AM](#)

KACI SCHROEDER, Staff to Representative Thomas, Alaska State Legislature; House Community and Regional Affairs Standing Committee, paraphrased from the following written sponsor statement [original punctuation provided]:

The Alaska Regional Development Organizations (ARDOR's) were created in 1988 by the Alaska Legislature. ARDOR's are non-profit organizations comprised of local volunteers working together to promote economic development in their regions. The advantages of having a program like this working on the regional level are that the ARDOR's are able to coordinate with other economic development activities and collect and distribute economic information within their regions. In addition, ARDOR's serve as a liaison between the region and the state and federal governments.

Today, there are 11 ARDOR's assisting 11 regions in the state. Each ARDOR has a board whose members are appointed by various organizations within the region. It is the responsibility of the board to ensure that an annual work plan is executed.

Each ARDOR's grant is approximately \$50,000. This money is not earmarked for a specific use. Rather, the ARDOR's are free to use the money where they need it most. This allows them to be more flexible and efficient in achieving their goals. To date, this funding formula has been especially effective

resulting in substantial economic growth throughout the state.

The ARDOR's program has repeatedly presented itself to the Alaska State Legislature and has repeatedly proven itself a worthy investment of the state's resources. Further, in order to continue the achievements of the ARDOR's program, it is necessary that the program be able to count on a certain level of funding in the future. It is for these reasons that HB 119 extends the sunset date for the program to 2013 allowing for eight more years of growth of this valuable program. I strongly urge your support of HB 119.

[8:29:32 AM](#)

ROLLO POOL, Executive Director, Southeast Conference, began by explaining that the Southeast Conference is the ARDOR for the Southeast region. He related that the Southeast Conference is in support of HB 119, which is one of the organization's top legislative priorities for 2005. Mr. Pool acknowledged that a couple of years ago there were some issues regarding how the Southeast Conference accounted for the work it did. Therefore, [the Southeast Conference] developed a tiered system for obtaining funding. Also, some competitive grants were created. Mr. Pool informed the committee that the Southeast Conference is 50 years old and deals with various industries. This money would allow [the Southeast Conference] to pay for meetings, staff, and associated costs that grants don't allow. In fact, the amount of money leveraged outside of this grant is about 18:1, while he recalled that the ratio for the other ARDORs is about 8:1 and thus for every dollar of the ARDOR grant, the ARDOR was able to bring in \$8 more in terms of other grants and funding sources. Mr. Pool said that he views [the ARDORs] as a partner with the state, a partner that he viewed as underutilized. He said, "We would like to be a link ... in the stream of issues that connect our state on economic development."

[8:31:52 AM](#)

REPRESENTATIVE NEUMAN asked if [the ARDORs] are taking steps to include the public.

MR. POOL suggested that a better organization within the ARDOR group would be appropriate. He informed the committee that last week the ARDORs met in Juneau and discussed collaboration

efforts in which the stronger ARDORs can help the others rise to a higher performance level. He said that the ARDORs must also work on educating state agencies and the legislature. He related that the ARDORs should lead by example and work with state and federal agencies in order to become a partner.

8:33:25 AM

REPRESENTATIVE SALMON inquired as to why [the ARDORs] seem to only be located in population centers and not in central Alaska.

MR. POOL explained that [ARDORs] are formed by groups within the area. If a group of communities wants to form an ARDOR, the state will work with it to do so. The group forms first and then approaches the state. Mr. Pool related that some groups in the Interior communities have discussed forming an ARDOR.

8:34:51 AM

REPRESENTATIVE NEUMAN asked if there is a mechanism in place to help expand the boundaries of the current [ARDORs] in order to include other nearby areas.

MR. POOL pointed out that the Southeast Conference area abuts the Prince William Sound group. He acknowledged that there are issues, such as the ferry system, that transcend boundaries. He opined that there might be some resentment if one group takes over another regional group's area. He indicated that [the Southeast Conference] would help any group interested in forming [an ARDOR].

8:36:24 AM

REPRESENTATIVE NEUMAN commented that it might be difficult for one community to organize, and therefore he indicated that perhaps [existing ARDORs] could expand and include one community at a time.

MR. POOL said that he isn't aware of how the boundaries were formed in other areas. The boundary for the Southeast Conference is a natural boundary between Yakutat and Ketchikan. The Southeast Conference doesn't have the ability to expand without moving into the boundary of others. Mr. Pool agreed that perhaps the Fairbanks borough could take on some other communities, if there was support in those other communities. He highlighted that most of the staff for ARDORs are volunteers.

There has to be some momentum and energy in the community in order for the [group to form/expand].

[8:37:29 AM](#)

MR. POOL, in response to Representative Salmon, confirmed that each ARDOR has a Board of Directors. He specified that he didn't know how others select their board, but the Southeast Conference has 13 directors in Southeast Alaska. According to Southeast Conference's bylaws a majority of the directors must be city/borough employees or elected officials.

[8:38:12 AM](#)

REPRESENTATIVE SALMON surmised then that would be the reason why [there aren't ARDORs] in the Interior.

MR. POOL said he didn't know. He specified that Southeast Conference's board of directors is selected by its membership. The board membership attempts to be a representative sample of the region.

[8:39:46 AM](#)

WAYNE STEVENS, President, Alaska State Chamber of Commerce, stated:

The Alaska State Chamber of Commerce supports the reauthorization and funding of the Alaska Regional Development Organization Program to engage in economic development planning, strategizing and implementation through effective public and private sector collaboration on local, regional, and state levels.

MR. STEVENS related that he has been involved for 16 years with Southwest Alaskan Municipal Conference, and even served as the chair of that [ARDOR] from 2001-2003 when U.S. Senator Ted Stevens provided \$30 million for stellar sea lion mitigation. The ARDOR has had tremendous impact in bringing together diverse sections of the Southwest region. He opined that the [ARDOR] process works and is collaborative. Mr. Stevens concluded by urging passage of HB 119.

[8:41:31 AM](#)

SALLY SADDLER, Legislative Liaison, Office of the Commissioner, Department of Commerce, Community, & Economic Development,

related that the department views economic development as a partnership. She further related that the department looks forward to working with ARDORs, which are uniquely positioned to represent local communities and regional ideas for economic development. Ms. Saddler highlighted that the ARDORs have created a performance-based measurement system that seems to identify a unique system by which the ARDOR takes on the identity of the services and opportunities in the region. Ms. Saddler concluded by urging passage of HB 119.

[8:42:53 AM](#)

JEFF COOK, Director, External Affairs, Flint Hills Resources; Member, Fairbanks North Star Borough Economic Development Commission; urged the committee to reauthorize the ARDORs. He specified that the Fairbanks North Star Borough Economic Development Commission is the ARDOR in Fairbanks. Mr. Cook said he is impressed with the dedication to economic development the local governments involved with this ARDOR have. Mr. Cook informed the committee that the areas of accomplishment for the North Star Borough Economic Development Commission have been in the area of cold climate housing research, hosting the Alaska Federation of Natives convention, and working with VISTA volunteers.

[8:45:01 AM](#)

DEB HICKOK, President/CEO, Fairbanks Convention and Visitors Bureau, had her comments read by Catherine Dodge, as follows:

I have been in the business of economic development, specifically destination marketing, for a number of years In order for organizations like ours to be successful, it is critical to have the support of local government. The ARDOR facilitates are an even better scenario, programs that augment (indisc.) or give impetus to our success as well as economic development throughout our community. It is imperative that the state invest economic development monies on the local level, where we can partner to focus our efforts on successes that are identified as needed by the local community. This morning Fairbanks is welcoming 325 Japanese guests on a charter direct from Narida(ph) airport. That event was made possible by the cooperative partnerships with local government. I urge you to reauthorize the ARDORs for eight years

and continue the \$650,000 bonding. Thank you for your hard work in Juneau on our behalf.

[8:46:42 AM](#)

WANETTA AYERS, Southwest Alaska Municipal Conference, explained that the Southwest Alaska Municipal Conference represents the Alaska Peninsula, Aleutian Islands, Bristol Bay, Kodiak archipelago, and the Pribilof Islands. She mentioned that the members should've received a copy of the ARDOR annual report, which details accomplishments of the ARDORS in the areas of business retention and expansion, work force development, market development, infrastructure development, and economic development planning and research. Since the last reauthorization, the ARDORS have developed a tiered funding formula, which provides the department a tool by which it can access and monitor the progress of each ARDOR. The tiered formula provides a 70:20:10 split of ARDOR funding. She explained that all of the certified ARDORS participate in the 70 percent funding while those meeting the Tier II criteria participate at an additional 20 percent, and those meeting the Tier III criteria participate in the 10 percent. This tiered formula was a direct response to the legislative inquiries received during the last reauthorization process. She opined that the tiered formula provides the flexibility to develop organizational structure to meet the needs of the community the ARDOR serves. "The report, as you've heard, details the leveraging of every state dollar by generating an additional \$8 from other sources," she stated.

MS. AYERS related that the Southwest Alaska Municipal Conference works across many state and federal agencies to implement and pursue the economic development priorities of the region. In addition to the Southwest Alaska Municipal Conference's board of directors, there are numerous volunteers who serve on committees. Furthermore, the Southwest Alaska Municipal Conference is in the process of establishing a new regional workforce development council that will work collaboratively to address some of the region's work force development issues. In regard to comments about some areas not being represented with an ARDOR, Ms. Ayers informed the committee that in the past there were 14 ARDORS, of which 3 weren't recertified because they couldn't maintain the criteria state regulations require. Of the three areas that didn't recertify, one group has expressed interest in re-forming an ARDOR. In terms of the Interior, Ms. Ayers related that the Tanana Chiefs Conference is

interested in establishing an ARDOR. In conclusion, Ms. Ayers urged the committee to reauthorize the ARDOR program.

[8:51:20 AM](#)

CO-CHAIR OLSON closed public testimony.

[8:51:24 AM](#)

REPRESENTATIVE NEUMAN recalled his own experience in which it was difficult to obtain contact with an ARDOR. Therefore, he suggested that the ARDORs look into ways to reach the public regarding what ARDORs are working on and how to contact ARDORs. He recommended passage of HB 119.

[8:52:20 AM](#)

REPRESENTATIVE SALMON opined that the [existing ARDORs] should try to include more of the rural areas. He opined that it seems that the [existing ARDORs] are bypassing the rural areas, although the rural areas need help as well.

[8:53:02 AM](#)

CO-CHAIR OLSON requested that Ms. Saddler discuss Representative Salmon's concerns after the meeting.

[8:53:14 AM](#)

CO-CHAIR THOMAS moved to report HB 119 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 119 was reported out of the House Community and Regional Affairs Standing Committee.

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at [8:53:29 AM](#).