

**ALASKA STATE LEGISLATURE**  
**HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE**

March 21, 2006

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**

HOUSE BILL NO. 429

"An Act reestablishing the Department of Community and Regional Affairs; relating to the Department of Commerce, Community, and Economic Development and to the membership of various boards and commissions; and providing for an effective date."

- HEARD AND HELD

**PREVIOUS COMMITTEE ACTION**

BILL: HB 429

SHORT TITLE: RESTORE DCRA AND DCED

SPONSOR(S): REPRESENTATIVE(S) CROFT

02/06/06	(H)	READ THE FIRST TIME - REFERRALS
02/06/06	(H)	CRA, L&C, FIN
03/21/06	(H)	CRA AT 8:00 AM CAPITOL 124

**WITNESS REGISTER**

REPRESENTATIVE ERIC CROFT  
Alaska State Legislature  
Juneau, Alaska

POSITION STATEMENT: Spoke as the sponsor of HB 429.

JOHN GLIVA  
Anchorage, Alaska

POSITION STATEMENT: Speaking as a former employee of DCRA and DCCED, testified that the former DCRA doesn't fit well in DCCED.

ROY ECKERT, Manager  
Ketchikan Gateway Borough  
Ketchikan, Alaska

POSITION STATEMENT: During hearing of HB 429, testified that he would like DCCED [and DCRA] to separate.

DAVID HOFFMAN, President  
Alaska Growth Capital  
Anchorage, Alaska

POSITION STATEMENT: Urged the passage of HB 429

ROSS SCHAFFER, Mayor  
Northwest Arctic Borough  
Kotzebue, Alaska

POSITION STATEMENT: During hearing of HB 429, urged the committee to reinstate DCRA.

PERCY FRISBY  
Anchorage, Alaska

POSITION STATEMENT: During hearing of HB 429, testified in support of the re-creation of DCRA.

JULIE KITKA, President  
Alaska Federation of Natives (AFN)  
Anchorage, Alaska

POSITION STATEMENT: During hearing of HB 429, related AFN's support of the re-creation of DCRA.

MIKE IRWIN, Executive Vice President  
Alaska Federation of Natives (AFN)  
Anchorage, Alaska

POSITION STATEMENT: Testified on HB 429.

KATHIE WASSERMAN  
Alaska Municipal League (AML)  
Juneau, Alaska

POSITION STATEMENT: Advocated for HB 429.

GORDAN JACKSON, Director of Business and Economic Development  
Tlingit and Haida Central Council  
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 429.

SALLY SADDLER, Legislative Liaison

Office of the Commissioner  
Department of Commerce, Community, & Economic Development  
Juneau, Alaska

POSITION STATEMENT: Relayed that DCCED believes that the state and its communities are best served by putting the money [for seven new staff positions, as necessitated under HB 429] into direct provision of services to communities.

#### **ACTION NARRATIVE**

**CO-CHAIR BILL THOMAS** called the House Community and Regional Affairs Standing Committee meeting to order at [8:04:29 AM](#). Representatives Thomas, Olson, LeDoux, and Neuman were present at the call to order. Representatives Cissna and Salmon arrived as the meeting was in progress.

#### HB 429-RESTORE DCRA AND DCED

[8:05:16 AM](#)

CO-CHAIR THOMAS announced that the only order of business would be HOUSE BILL NO. 429, "An Act reestablishing the Department of Community and Regional Affairs; relating to the Department of Commerce, Community, and Economic Development and to the membership of various boards and commissions; and providing for an effective date."

[8:05:25 AM](#)

REPRESENTATIVE ERIC CROFT, Alaska State Legislature, sponsor, recalled when the Department of Commerce & Economic Development (DCED) and the Department of Community and Regional Affairs (DCRA) were combined. The original justification, he recalled, was cost savings in the amount of \$1 million from combining the upper level administrators. He further recalled that at the time it was a difficult choice because there were specific duties of each department, and the hope was that the combination would work well. However, he opined that the merger didn't work well and now more than ever it is important for there to be a specific agency dedicated to the communities across the state.

REPRESENTATIVE CROFT highlighted that an agency dedicated to helping city governments is the only agency specifically mentioned in the Alaska State Constitution in Article X, Section 14. He related his belief that the constitution intended for there to be a separate and distinct agency for rural and local

governments to seek assistance. Therefore, he expressed concern regarding whether the current combined structure complies with the constitution. Aside from the constitution, Representative Croft opined that now more than ever it's very important that rural governments of all kinds have a specific, identifiable, and comfortable agency from which to seek assistance. He attributed the need for a separate agency for communities to be supported by the following: the tremendous impacts on communities, the increasing complexity of requirements, and the recent emphasis on areas to incorporate. In conclusion, Representative Croft urged the committee to have a fair hearing and pass out HB 429.

8:11:36 AM

REPRESENTATIVE NEUMAN questioned why it's necessary to have one department that works specifically with rural or "regional" Alaska. He opined that there is already a rural/urban divide.

REPRESENTATIVE CROFT explained that larger communities can, to some extent, defend themselves. Although the proposed Department of Community & Regional Affairs would serve all communities, the impact of losing such a department is felt most by smaller communities with few resources.

REPRESENTATIVE NEUMAN related his understanding that there's a division or agency within the current DCCED that addresses the aforementioned.

REPRESENTATIVE CROFT answered that for many communities, they know that there is a place somewhere in state government that is supposed to help them. However, prior to the consolidation of the departments, it was an identifiable location. He highlighted that the constitution specifies that such "an agency shall be established". The constitution further highlights the importance of having such an agency at the department level. Representative Croft opined that it's difficult for any community, but particularly smaller communities, to face state government. Therefore, there should be a department with community-level staff who recognize and understand the communities' problems.

8:15:30 AM

REPRESENTATIVE LEDOUX said that she agreed with Representative Croft in regard to the need for there to be a comfortable place for cities and villages to go. However, she opined that would

be the function of the staff. She questioned the need to re-create an entire department versus having a large advertising campaign to educate the public as to where the services for communities exist.

REPRESENTATIVE CROFT said that he agreed that the staff does matter the most. However, he maintained that a department is necessary in this case because it acknowledges the importance [of community issues] and allows the handling of the issues in a more standard and uniform manner rather than a fragmented fashion. With regard to Co-Chair Thomas' legislation to encourage local governments, Representative Croft said that's a good course. He reiterated the need for a cabinet-level post dedicated to [community and regional].

[8:19:15 AM](#)

REPRESENTATIVE LEDOUX inquired as to the number of positions this proposed department would require.

REPRESENTATIVE CROFT recalled the \$1 million in savings when the departments were merged in 1999, and the fiscal notes "here are about \$1.8 [million] so it's somewhere between those." He added that the legislation would establish the office and people to refer, help, and guide [communities].

REPRESENTATIVE LEDOUX opined that rather than creating another department with a high paid commissioner, it would be more appropriate to "beef up" the division in which the work currently occurs.

REPRESENTATIVE CROFT explained that commissioners are important in regard to defending the mission. He suggested that if there had been a commissioner, an advocate, when revenue sharing began to decline, [the legislature] wouldn't have eliminated municipal assistance and revenue sharing.

[8:21:39 AM](#)

REPRESENTATIVE CISSNA recalled 1999 when the merger occurred and the rural communities related that they felt best with the separate department. She characterized the merger as a demonstration project, and inquired as to how rural Alaska was changed and made better under that structure.

REPRESENTATIVE CROFT said that as an experiment, the departmental merger was a failure with some fairly dramatic

negative impacts to rural Alaska, such as lack of incorporation. Although he said that he didn't know how significant the elimination of DCRA is to the negative impacts in rural Alaska, he said that there have been negative impacts that need to be addressed with the funds available today.

REPRESENTATIVE CISSNA related her belief that there must be a way to obtain an analysis of the effects of the 1999 departmental merger. She related the [increase] in camps in the Chesterfield area in Anchorage and the serious problems with [increases] in homeless populations. She related her belief that urban Alaska is being impacted by the aforementioned problems.

[8:28:12 AM](#)

REPRESENTATIVE SALMON opined that HB 429 would probably help with the urban/rural divide that currently exists. There has to be a connection between the cities that are created and the appropriate state agency. He noted that many of the village government officials aren't familiar with the entire governmental process, and some assistance [from departmental staff] is necessary to continue the village government.

[8:29:42 AM](#)

REPRESENTATIVE NEUMAN noted his agreement with Representative Salmon, but related that there is a division that provides such services already within DCCED. He questioned whether it's appropriate to create a separate department to accomplish the same purpose.

REPRESENTATIVE CROFT opined that making the former DCRA a division within a larger department places the only constitutionally mandated department in a subsidiary role. The aforementioned, he further opined, results in the division never getting the attention it deserves.

[8:30:54 AM](#)

CO-CHAIR THOMAS referred to the Articles included in the legislation and asked if those are services that DCRA provided in the past.

REPRESENTATIVE CROFT said that the legislation proposes a fairly small and bare bones DCRA and the Articles specified were provided under the former DCRA. Other programs, such as

Headstart and Rural Energy, haven't been included. Therefore, he characterized his proposal as a fairly limited reconstitution of DCRA. In further response to Co-Chair Thomas, Representative Croft clarified that the legislation doesn't create any new programs as those programs are in the current division and the former DCRA.

8:33:04 AM

JOHN GLIVA, speaking as a former employee of DCRA and DCCED, related that DCRA served as a clearing house for information for rural local governments and individuals. The entire staff of DCRA had a good working knowledge of the issues in the communities, rural or urban. He opined that DCRA did a good job. However, some of the interest in contacting people has been lost due to the way the programs and the issues have evolved, he further opined. Mr. Gliva related his belief that the former DCRA doesn't fit well in DCCED with its commissioner that would likely have more of a worldwide and national focus of promoting commerce within the state. With such a focus, he opined that [DCRA] isn't receiving the attention it should, even as a division within DCCED. Due to the merger of 1999, the state lost the place where rural communities could go for attention, which seemed to attribute to the rural/urban divide. He reminded the committee that DCRA was the smallest department, which meant that budget cuts by the state were strongly felt. Therefore, he suggested that if the legislation passes, then a department that can sustain itself and compete with other departments within the state should be built. He recalled that when revenue sharing was disappearing and the departments merged, tribal governments seemed to step to the forefront. The aforementioned has created conflict in some communities in relation to which form of government is best for the communities.

8:39:01 AM

REPRESENTATIVE SALMON asked if tribal governments are stronger throughout the state.

MR. GLIVA said he wasn't sure whether the tribal government presence is present throughout the state, although he recalled that it was the case in the Yukon Kuskokwim Delta. He related that there were three influencing factors [that led to tribal governments stepping to the forefront], as follows: the loss of revenue sharing; the loss of DCRA; and an increase in federal

funds for tribal entities. The largest difficulty for rural communities was the loss of revenue sharing, he opined.

8:40:11 AM

MR. GLIVA, in response to Representative Cissna, recalled that after the transition of DCRA to the Department of Commerce there was also an internal transition with regard to the focus of the remaining staff providing daily local government assistance. The aforementioned staff were transferred to the Rural Utility Business Assistance (RUBA) and they continue to provide day-to-day government operation support, although it's a lower priority. The main focus of RUBA, which receives a lot of federal money, is to help communities better handle utilities that are put in the cities. Moreover, the planning arm of DCRA was redirected into other activities and the staff decreased.

8:43:24 AM

ROY ECKERT, Manager, Ketchikan Gateway Borough, said that he found the discussion regarding the urban/rural divide as interesting because as compared to [the Lower 48] all of Alaska is considered to be rural. Mr. Eckert, drawing upon his 28 years of municipal management experience, said that he would like DCCED to separate. He likened the combined department to merging the police and fire departments under one entity, which usually doesn't work due to the entirely different criteria and standards. He said it's critical for areas to be classified as rural because of the ability to have lower interest rates for homes, which becomes a critical piece to consider when cities and boroughs contemplate consolidation.

MR. ECKERT commented that [DCCED] doesn't care about rural issues and it shouldn't because it deals with providing jobs and bringing commerce and industry to a community, while DCRA deals with the political side. He recalled his three years working with the University of Tennessee in the Municipal Technical Advisory Service (MTAS), which was a streamlined department that provided municipal technical assistance to all 400 or so cities in Tennessee. The MTAS was successful because it didn't address personnel issues, although it did planning, zoning, water, and sewer. The program was funded from a portion of a state sales tax. The point was to help those cities without a full-time manager, engineer, certified public accountant, sewer and water manager, et cetera by providing technical expertise rather than revenue sharing.

MR. ECKERT opined that he doesn't like a large combined department because it quickly loses its vision and purpose. Often, such a large department hires unqualified or less qualified people over time and devolves into a faceless government the sole purpose of which is to keep people employed while the service aspect falls to the wayside. Therefore, he suggested that Alaska needs to provide true economic development and commerce services in [one department] and community and regional affairs matters, such as planning and incorporations [in another department]. With regard to staff, he acknowledged that staff may be helpful or they may be rude. However, when speaking with staff in a combined department, one may not be knowledgeable or have expertise with regard to a political issue. In conclusion, Mr. Eckert said that he would like [for HB 429 to pass] because rural Alaska is hard hit economically and has political and economic issues that are addressed by entirely separate groups of people.

[8:51:39 AM](#)

DAVID HOFFMAN, President, Alaska Growth Capital, informed the committee that prior to running Alaska Growth Capital he was the chief operating officer of UIC, the chief executive officer of Sitnasuak Native Corporation in Nome, and the commissioner of DCRA from 1987-1990. He explained that Alaska Growth Capital is a company that provides business loans and consulting services to businesses that don't typically have access to bank financing. The company is budgeted to do about \$50 million worth of loans this year and the primary target is rural Alaska. He urged the passage of HB 429 because since Alaska achieved statehood, local government and rural development have been critical issues for the state. The need today is even greater, especially since the long-term funding for rural communities is probably decreasing, which means the problems will increase. Traditionally, DCRA was a problem solving agency that addressed the problems in local communities.

MR. HOFFMAN identified the following issues that could be addressed more successfully by a separate department: development and promotion of a private sector in rural Alaska; local governance and organization of boroughs; and coordination of federal and state services. He then expressed the importance of the state finding local level mechanisms to promote the coordination of tribal and municipal governments. He highlighted that expertise is necessary to solve those problems. He then recalled his time as the commissioner of DCRA, which he likened to the office of the ombudsman in that there was an on-

the-ground problem solving. He opined that when DCRA was merged with the Department of Commerce, the aforementioned problem solving was diminished. The DCRA, he further opined, was very successful with the coordination of programs. Again, what's been lost is the entrepreneurial problem-solving approach of DCRA. Mr. Hoffman related his belief that having two separate departments provides a greater value because services are more effective when an organization has a singular focus.

[8:57:55 AM](#)

REPRESENTATIVE CISSNA inquired as to what might make it reasonable to have a separate and new administrative expense. She inquired as to the financial advantage for the state that would compensate for the administrative expenses of a separate department.

MR. HOFFMAN, as a business person, suggested that one should review the value for the services. He recalled his past experience and his belief in the development of the private sector, which is difficult in the smaller communities. He recalled a conversation with a Galena resident who sold his smoked fish for years and needed a way to work legally with a loan. The aforementioned was accomplished and the agreement was that the intellectual property was available for those interested. The aforementioned was valuable and could've been replicated had the salmon run not crashed. However, the problem is that it's difficult for a department to focus on such projects when it's also charged with the larger, global projects.

[9:03:23 AM](#)

ROSS SCHAFFER, Mayor, Northwest Arctic Borough, opined that the villages are broke and many don't have an adequate tax base due to low population. He cited Kobuk and Ambler as examples. He related that Kotzebue does the paperwork for communities that can't afford to hire someone to do so. He further opined that rural communities don't have any voice in the government, as far as at the cabinet level. He then turned attention to global warming and the lack of an agency to review this and its impacts on rural communities. The current focus of DCCED is resource and international trade development, while rural issues have taken a back seat. Although he said he respected the governor's intent to save money through the single department of DCCED, he said that a healthy urban Alaska has to have a healthy rural Alaska. Therefore, he urged the committee to reinstate DCRA.

[9:08:12 AM](#)

REPRESENTATIVE NEUMAN focused on the charge that rural communities don't have a voice in state government, and inquired as to who isn't doing his/her job in representing rural communities. With regard to the charge that DCCED is focusing mainly on economic development, Representative Neuman highlighted the importance of the Red Dog Mine and development, in general.

MAYOR SCHAFFER said that DCCED doesn't have the time to spend on rural issues when the focus is on resource development and international development. Mayor Schaffer acknowledged that the Red Dog Mine was developed such that the Northwest Arctic Borough was formed. He further acknowledged that the borough receives quite a bit of funding from the Red Dog Mine. However, he echoed earlier testimony that the rural communities, particularly the smaller communities, have very little voice in the governor's cabinet.

REPRESENTATIVE NEUMAN surmised then that DCCED is doing what it can with what it has.

MR. SCHAFFER explained that without a commissioner for DCRA, the rural communities don't have a voice [in the governor's cabinet].

[9:11:31 AM](#)

PERCY FRISBY, speaking as the 1994-2000 director of energy of DCRA, pointed out that DCCED has very little to do with energy issues because those issues were placed under the Alaska Industrial Development and Export Authority (AIDEA), which is a lending institute under DCCED. However, under DCRA energy was addressed and was a large portion of the focus. With regard to the comment that tribal governments are becoming more of an influence, he opined that when DCRA was eliminated, the tribal governments began working with federal agencies to address the losses experienced after losing DCRA. He echoed earlier comments that rural Alaska doesn't have an agency or department to advocate on its behalf. He pointed out that today more small communities face bankruptcy than ever. He concluded by noting his support of the re-creation of DCRA.

[9:15:39 AM](#)

JULIE KITKA, President, Alaska Federation of Natives (AFN), related AFN's support of the re-creation of DCRA. She highlighted the geographic issues and diverse communities in Alaska that require different models to appropriately and successfully address the needs of the communities. She expressed the need to take the best of what is in communities, build on it, share the successes, and replicate them. Ms. Kitka acknowledged that the economic development is of vital importance to the state and an important mission of DCCED, but governance in small communities is not a mission of DCCED. Furthermore, the rural governance commission report of a few years ago characterizes DCCED as a significant step back in state government models in regard to the inclusion of people all over the state. In conclusion, Ms. Kitka urged the committee to look at re-creating DCRA and focusing it on successful models for small communities and implementing good governance because without it economic development can't occur.

[9:20:23 AM](#)

MIKE IRWIN, Executive Vice President, Alaska Federation of Natives (AFN), began by reminding the committee that he was the last commissioner of DCRA. He highlighted the advocacy component of DCRA and its commissioner, who provided a comfort level for people from rural Alaska looking for [help] from state government. Recalling his time sitting in the cabinet room, he related that there is limited time for 15 commissioners to get the attention of the entire body, let alone the governor. Therefore, the commissioners have to choose what issues to bring forward. With regard to Representative Neuman's earlier query regarding who isn't doing their job, Mr. Irwin said that it's not a matter of who isn't doing their job but rather the mission of DCRA has been lost within DCCED. Furthermore, the single commissioner for DCCED with a limited amount of time and resources has to determine the real issues, mission, and objective of the department. Although Mr. Irwin acknowledged the importance of the macro economic and commerce function within state government, it has come to be the dominant mission of DCCED. Therefore, it's not surprising that the commerce and macro economic side is the choice to present. Regarding whether it's discriminatory to have an agency focused on the specific needs and requirements of rural Alaska, he said he hoped people would not view it that way because DCRA served every municipality in the state based on the varying needs of each. Mr. Irwin concluded by emphasizing that nothing can substitute for having a seat at the cabinet table.

[9:25:29 AM](#)

MR. IRWIN, in response to Co-Chair Thomas, related that Edgar Blatchford served as the commissioner of DCRA and the commissioner of DCCED during its first years.

[9:25:58 AM](#)

KATHIE WASSERMAN, Alaska Municipal League (AML), thanked the sponsor and the staff of the Division of Community Advocacy within DCCED who have picked up what an entire department once did and have done a good job doing so. However, as the problems of the communities have grown, the amount of people and resources to help have decreased. She recalled attending two committee hearings in which the commissioner or deputy commissioner testified in support of commerce issues, which was actually in conflict with what's good for communities. Furthermore, a couple of weeks ago a legislative staffer inquired as to who in the state would help with communities in need. As a former mayor, Ms. Wasserman recalled the ties with those in DCRA and pointed out that now there are fewer local government specialists and it's difficult to find out where they are and if they have the time. Furthermore, the DCRA staff served as the staff that local governments couldn't hire, such as attorneys. Ms. Wasserman advocated for HB 429 and noted that there seems to be a direct relation between high oil prices and difficulties in rural communities.

[9:29:26 AM](#)

GORDAN JACKSON, Director of Business and Economic Development, Tlingit and Haida Central Council, informed the committee that he was one of the original staff of DCRA in 1973. He recalled that DCRA was a small department, but a committed group. He reviewed the various divisions in DCRA and the services they provided. He then echoed Ms. Wasserman's comments regarding the high oil prices and the difficulties in rural communities. Mr. Jackson recalled references to DCRA as a problem-solving division, with which he agreed. Therefore, when DCRA was eliminated, many looked to the federal government for answers. The aforementioned has led to the current situation in which communities are going directly to the federal government to solve their problems and bypassing the state government altogether. Therefore, re-establishing DCRA is important in providing an opportunity to shrink the urban/rural divide, he opined. He wholeheartedly endorsed re-creation of DCRA.

[9:33:55 AM](#)

SALLY SADDLER, Legislative Liaison, Office of the Commissioner, Department of Commerce, Community, & Economic Development, assured the committee that she is taking the concerns to the department to address. She then reviewed DCCED's mission, which is to promote healthy economies and strong communities. Furthermore, [the department] believes the integration of economic development and community development is inextricably linked, logical, and economical. From today's comments she surmised that the department is busy in the trenches providing the services and doing the work, but not getting the message out. Therefore, she assured the committee that the department would work on getting the message out to the people. There are several programs, such as the fisheries revitalization program, on which the department has been working. The hope is that DCCED is providing communities with the skills and abilities they need to be successful in maximum self governance. In fact, the administration has introduced the community dividend legislation. In closing, Ms. Saddler related that the department has conservatively estimated that seven new staff positions would be necessary if HB 429 were to pass. Essentially, an administrative services office and a commissioner's office would be created around the Division of Community Advocacy. Ms. Saddler relayed that DCCED believes that the state and the communities are best served by putting the money [necessary for seven new staff positions] into direct provision of services to communities.

[9:36:37 AM](#)

REPRESENTATIVE NEUMAN recalled the witnesses who expressed concerns, and said they need to be contacted. He also recalled the testimony expressing that [rural communities] don't feel they have a voice "at the table."

MS. SADDLER opined that the department does a good job working with the entities and organizations to leverage expertise, talent, and resources. In fact, when the commissioner meets with the governor, he often presents community issues. To the extent to which that can be improved, Ms. Saddler said the department looks forward to doing so.

[9:38:23 AM](#)

CO-CHAIR THOMAS closed public testimony.

[9:38:26 AM](#)

REPRESENTATIVE CISSNA commented that she has been impressed with the staff of all the departments, including those of DCCED. However, there is a crisis and HB 429 is one way to address it.

[9:39:32 AM](#)

REPRESENTATIVE SALMON commented that Alaska has a bridge to build in relation to the rural/urban divide and DCRA is one portion of it. He expressed the need to balance money and services, which he said can't be achieved when there is only interest in money. In rural communities, the governments are small and have limited expertise. This legislation would be a good instrument for the state and the rural areas to come together.

[9:41:28 AM](#)

CO-CHAIR THOMAS announced that HB 429 would be held over. He also noted that there have been no complaints from the 48 communities he represents. He also noted that if HB 429 moves forward, the tribal organizations will have to scale back and work with the state.

[9:42:20 AM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 9:42 a.m.