

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

February 4, 2005

1:30 p.m.

MEMBERS PRESENT

Senator Gary Stevens, Chair
Senator Bert Stedman
Senator Johnny Ellis

MEMBERS ABSENT

Senator Thomas Wagoner
Senator Albert Kookesh

OTHER LEGISLATORS PRESENT

Representative Sharon Cissna
Representative Mark Newman

COMMITTEE CALENDAR

SENATE BILL NO. 77

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

MOVED SB 77 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 77

SHORT TITLE: AK REGIONAL ECONOMIC ASSISTANCE PROGRAM

SPONSOR(S): COMMUNITY & REGIONAL AFFAIRS

01/24/05	(S)	READ THE FIRST TIME - REFERRALS
01/24/05	(S)	CRA, FIN

WITNESS REGISTER

Wanetta Ayers, executive director
Southwest Alaska Municipal Conference (SWAMC)
3300 Arctic Blvd., Suite 203
Anchorage, AK 99503

POSITION STATEMENT: Supports SB 77

Murray Walsh
Southeast Conference
PO Box 21989
Juneau, AK 99801

POSITION STATEMENT: Supports SB 77

Wayne A. Stevens, President
Alaska State Chamber of Commerce
601 W. 5th Ave., Suite 700
Anchorage, AK 99501

POSITION STATEMENT: Supports SB 77

ACTION NARRATIVE

CHAIR GARY STEVENS called the Senate Community and Regional Affairs Standing Committee meeting to order at [1:30:12 PM](#). Present were Senators Ellis, Stedman and Chair Gary Stevens. Representative Neuman was also in attendance and Representative Cissna arrived during the course of the meeting.

SB 77-AK REGIONAL ECONOMIC ASSISTANCE PROGRAM

CHAIR GARY STEVENS announced SB 77 to be up for consideration and explained that it is an act to extend the termination date of the ARDOR program (Alaska Regional Development Organizations).

He asked Ms. Ayers to come forward.

WANETTA AYERS, executive director for the Southwest Municipal Conference (SWAMC), explained that they represent the Pribilof Islands, the Aleutian Chain, the Alaska Peninsula, Bristol Bay, and Kodiak. She referenced the annual report that outlines the accomplishments of the 11 ARDOR programs across the state.

Flexibility is built into the program so that the various ARDORS can develop the type of program that is needed in a particular region. The report outlines how each of the ARDORS is involved in business retention and expansion, workforce development, market development, infrastructure development, economic planning, and research.

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Collectively the ARDORS developed a three-tier funding formula to provide financial incentives for growing individual programs. It's a reward system for developing more funding from the local

community and increasing the organization's ability to do economic development by implementing specific, regional strategies.

She further explained that all certified ARDORS participate in the first 70 percent of available funds. ARDORS in Tier II participate in the next 20 percent of the funds and the ones that reach the third level participate in the final 10 percent.

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She reported that in 2004, every \$1 the state invested generated \$8 in local, federal, private sector or earned income money for economic development. She assured members there is great economic opportunity in both the existing programs and in expanding the partnership between ARDORS and the state to develop a comprehensive statewide economic development strategy to continue to work on improving the economic situation and the quality of life throughout Alaska.

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CHAIR GARY STEVENS remarked that he finds the leveraging issue particularly important and asked her to explain how it works and where the additional money comes from.

WANETTA AYERS referenced page 2 of the annual report and said the Department of Commerce, Community, & Economic Development (DCCED) looks at the ability to generate funds from sources that are unique to each ARDOR. For example SWAMC receives per person dues from each municipality and flat fee dues from associate members in the private sector.

Some ARDORS don't have membership, but they might have a tax base in the local community. Each ARDOR is different and each develops a funding formula that works.

The total combined ARDOR budget is about \$5.5 million. The state is investing \$650,000 in the program, which is an 8 to 1 leverage of state funds.

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CHAIR GARY STEVENS questioned whether the ARDOR grant, other state funds and non-state funds amounted to approximately \$5.5 million.

MS. AYERS said it did.

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SENATOR JOHNNY ELLIS paid tribute to former Senator Arliss Sturgulewski as one of the original ARDOR program architects. He then expressed appreciation for US Senator Steven's ability to "bring my federal tax dollars home to Alaska."

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He asked Ms. Ayers whether she ever had an experience in which federal money inexplicitly appeared or whether a system exists for coordinating appropriations.

WANETTA AYERS replied they typically look to the Denali Commission for the coordination function, but SWAMC did receive special 11th hour earmarked funds to help mitigate a \$130 million economic loss caused by a federal fisheries closure. It was a last minute earmark and they had no advance warning that the funds were coming, she said.

They have discussed broadband deployment and believe that is a vital component for economic development. She acknowledged that it would be advantageous if the compartmentalized funding streams that come into the state could be pooled and reviewed on a statewide basis. She advised she is a member of the taskforce the Legislature established last year to work on that issue.

She suggested the state develop better outreach and provide a better profile for small businesses by changing its web presence from a governmental/department perspective to a market perspective. She emphasized that it's confusing for small businesses to have to navigate multiple department web pages. For example, opening a wilderness lodge entails visiting the Department of Environmental Conservation (DEC), the Department of Labor and Workforce Development (DOLWD), the Department of Commerce, Community, and Economic Development (DCCED) at the very least. Some of the difficulty could be alleviated with one stop shopping.

She concluded, "There are multiple streams of federal funds and other situations too that maybe could be coordinated better. It's not necessarily an ARDOR function, but it's something we've talked to the Denali Commission about."

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SENATOR ELLIS reemphasized his appreciation for the federal money coming to Alaska, but better coordination and more communication about how it all fits would be helpful. "I think Senator [Ted] Stevens has an outstanding vision for the future of our state, but it concerns me that it seems compartmentalized and [that there seems to be] a lack of communication sometimes." He urged working in a more coordinated way to better use those tax dollars.

WANETTA AYERS agreed and said Alaska is fortunate to have US Senator Ted Stevens in Washington D.C. and she appreciated Senator Ellis' mention of Ms. Sturgulewski because she too had tremendous vision when the program was established.

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CHAIR GARY STEVENS noted that Representatives Cissna joined the meeting. He said she and Representative Neuman are members of the House CRA Committee and were welcome to pose questions.

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REPRESENTATIVE MARK NEUMAN asked which community councils are in Tier I.

WANETTA AYERS told him the Lower Kuskokwim Economic Development Council is the only ARDOR in the Tier I category.

REPRESENTATIVE NEUMAN asked how many are in Tier II

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WANETTA AYERS replied she might miss some but included are: Prince William Sound, Fairbanks North Star Borough, Mat-Su RC&D, and three others.

REPRESENTATIVE NEUMAN asked whether a program exists to help other councils to rise to the top tier.

WANETTA AYERS said they do have a program and one criterion for moving up is to conduct a peer review. The review panel consists of an individual named by the program manager, an individual from the ARDOR that's being reviewed, and a director from a different ARDOR. The ARDOR that's reviewed gathers information showing how they're meeting the criteria within the tiers and

the panel gives an evaluation. The process is designed to get everyone to the same level.

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WANETTA AYERS said the best outcome would be to have all ARDORS be a Tier III so the funding would be level.

CHAIR GARY STEVENS questioned whether ARDORS could move up or down between the tiers.

WANETTA AYERS explained that when an organization is certified as an ARDOR, it is a Tier I. It maintains that certification for 18 months while establishing regional economic development strategies. After that, the ARDOR has two years to satisfy Tier II criteria. Depending on the resources in the community and/or the scope of the program, the ARDOR may stay in Tier II indefinitely. Moving into Tier III requires the ARDOR to continue growing its program until it is working in all four main areas of economic development. Those include business retention and expansion, workforce development, infrastructure and market development

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CHAIR GARY STEVENS asked whether she was with SWAMC when the Bristol Bay salmon issue arose.

WANETTA AYERS said she's been involved a long time and a number of salmon issues have come up.

CHAIR GARY STEVENS clarified he was referring to the extraordinary situation in which funds were transferred at the eleventh hour and then had to be distributed. That situation, he said, was beyond the scope of what an ARDOR is usually expected to do.

WANETTA AYERS agreed then mentioned the \$30 million Stellar Sea Lion mitigation funds referenced earlier. US Senator [Ted] Stevens helped them get \$30 million and then Board President Wayne Stevens helped devise a way to distribute the funds and mitigate the losses. SWAMC took less than a year and used less than one percent for administrative costs. "SWAMC is rightfully proud of its performance in responding to that challenge," she concluded.

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MURRAY WALSH, Southeast Conference President, identified himself as a planning consultant with firsthand knowledge of what it takes to get any development started in Alaska. He described ARDORs as organizations that provide important services that aren't a natural function of local government. He urged members to maintain the services across the state.

He referred to the Southeast Conference and pointed out that for every \$1 it receives in ARDOR funds, it receives \$18 in other funds including membership contributions. Board members volunteer their time and meet twice a year. He reported that two hundred people attended last year's Southeast Conference summit.

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CHAIR GARY STEVENS noted that Robert Wells with the Mat-Su ARDOR and John Parker with the Kenai Peninsula Borough Economic Development District were in the audience.

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WAYNE STEVENS, President and CEO of the Alaska State Chamber of Commerce, stated for the record that he is related to Vince Stevens and no other Stevens in the state.

He expressed support for the reauthorization and funding of the ARDOR program so they could engage in economic development planning, strategizing, and implementation through effective public/ private sector collaboration on local, regional, and state levels. He advised that he also sent a letter to the committee stating support for SB 77.

He told members that he was SWAMC board chair in 2002-2003 during the Stellar Sea Lion mitigation years and that US Senator Ted Stevens was very helpful.

He urged members to pass SB 77.

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CHAIR GARY STEVENS asked him to elaborate on the Stellar Sea Lion mitigation project because it was such an extraordinary situation that went far beyond what is typically expected of an ARDOR.

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WAYNE STEVENS explained that at the close of the 2001 session US Senator Ted Stevens inserted language in a bill awarding SWAMC \$30 million to mitigate Stellar Sea Lion issues related to the fishery that closed as a result of the lawsuits brought in a Seattle court.

The board had to make fair and equitable decisions while recognizing that hundreds of millions of dollars would never be mitigated. The board is justifiably proud that it received the authorization and was able to disburse \$30 million in just over a year and used less than one percent for overhead.

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CHAIR GARY STEVENS stated that it's remarkable that the program was completed with so little cost.

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CHAIR GARY STEVENS asked Ms. Saddler to come forward.

SALLY SADDLER, Legislative Liaison for the Department of Commerce, Community and Economic Development (DCCED), reported that the department is excited about the partnership it has with ARDORs because economic development isn't just a grassroots function or a top down function. Successful economic development requires both working together. ARDORs are poised to coordinate and ensure a coordinated economic development strategy around the state.

DCEED is well pleased with the performance-based system ARDORs have developed. Each is unique and has taken on the flavor of the region it serves to fill a niche and to work with other partner organizations.

She urged the committee to pass SB 77.

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CHAIR GARY STEVENS called for questions and commented that he was sorry Mayor Whitaker wasn't available, but he was sure he supports the program.

SENATOR BERT STEDMAN announced he has concern about stretching the authorization out to 2013 and suggested reining it in to address accountability.

CHAIR GARY STEVENS asked Ms. Ayers to return to the witness stand to justify the eight year extension.

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MS. AYERS told members that Legislative Budget and Audit indicated eight year cycles are cost effective and anything less than that for this level of review wouldn't be cost effective. "You always have the annual budget process as a discipline tool for any program you think is not performing," she said.

The ARDOR program received a two year authorization last time because Senator Wilken had performance related questions. Those were addressed by initiating the tier formula.

In conclusion she said, "We look to your leadership on that issue, but more than anything, I think, it was that LB&A recommendation that we had heard - that eight years was what was cost effective for the state."

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CHAIR GARY STEVENS asked whether Senator Stedman had further comments.

SENATOR STEDMAN opined that eight years is too long and he would prefer a two year extension. He emphasized that he is comfortable with the program, but he doesn't believe it's a burden to return for reauthorization every two years. "I just hate to extend programs out that far," he said.

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CHAIR GARY STEVENS pointed out that it is a finance issue.

SENATOR ELLIS stated that if an amendment were offered, he would like Pat Davidson, the legislative auditor, to speak to the issue.

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CHAIR GARY STEVENS said he assumed that the Finance Committee would look at that issue and noted that Senator Stedman sits on that committee. He asked the committee their preference.

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SENATOR STEDMAN said he didn't object to moving the bill forward and he would address the extension at a later time.

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SENATOR ELLIS stated that was his preference.

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CHAIR GARY STEVENS asked for a motion.

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SENATOR ELLIS motioned to move SB 77 from committee with individual recommendations and attached fiscal note. There being no objection, it was so ordered.

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There being no further business to come before the committee, Chair Gary Stevens adjourned the meeting at [1:59:20 PM](#)