

ALASKA STATE LEGISLATURE
SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

February 28, 2008

3:32 p.m.

MEMBERS PRESENT

Senator Donald Olson, Chair
Senator Albert Kookesh, Vice Chair
Senator Gary Stevens
Senator Joe Thomas
Senator Thomas Wagoner

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 254

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

MOVED SB 254 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 254

SHORT TITLE: AK REGIONAL ECONOMIC ASSISTANCE PROGRAM

SPONSOR(S): SENATOR(S) HUGGINS

01/28/08	(S)	READ THE FIRST TIME - REFERRALS
01/28/08	(S)	CRA, FIN
02/28/08	(S)	CRA AT 3:30 PM BELTZ 211

WITNESS REGISTER

JODY SIMPSON, Staff
to Senator Charlie Huggins
Alaska State Legislature
POSITION STATEMENT: Presented SB 254.

MICHAEL HANZUK, Coordinator
Alaska Regional Development Organizations
Office of Economic Development
Department of Commerce, Community & Economic Development
POSITION STATEMENT: Spoke in support of SB 254.

WAYNE STEVENS, President
Alaska State Chamber of Commerce
Juneau AK

POSITION STATEMENT: Spoke in support of SB 254.

MARTY METIVA, Executive Director
Mat-Su Resource Conservation and Development Council
Wasilla AK

POSITION STATEMENT: Spoke in support of SB 254.

KATHRYN DODGE, Economic Development Specialist
ARDOR Director
Fairbanks North Star Borough

POSITION STATEMENT: Spoke in support of SB 254.

MICHAEL CATSI, Executive Director
Southwest Alaska Municipal Conference (SWAMC)
Anchorage AK

POSITION STATEMENT: Spoke in support of SB 254.

WANETTA AYERS, Executive Director
Western Alaska Community Development Association
Anchorage AK

POSITION STATEMENT: Spoke in support of increased funding for
ARDORS.

ACTION NARRATIVE

CHAIR DONALD OLSON called the Senate Community and Regional Affairs Standing Committee meeting to order at [3:32:47PM](#). Senators Thomas, Wagoner, and Olson were present at the call to order. Senators Stevens and Kookesh arrived later.

SB 254-AK REGIONAL ECONOMIC ASSISTANCE PROGRAM

[3:32:53 PM](#)

CHAIR OLSON announced the consideration of SB 254.

JODY SIMPSON, Staff to Senator Charlie Huggins, Alaska State Legislature, said SB 254 extends the date of the Alaska Regional Economic Assistance program, [which enables the creation of Alaska Regional Development Organizations (ARDORS)]. ARDORS have been reauthorized every three years since their inception in 1998. This bill extends the termination date for five years. There are 11 ARDORS across the state, and they serve as the state's contribution to economic development in Alaska's urban and rural areas. They enable local officials and businesses to

pool their limited resources and work together on economic development projects, develop public and private partnerships, and provide technical assistance. The ARDORs are successful and have coordinated 50 regional efforts this past year. They have raised \$1.178 million in private sector funds to leverage for the program, and they met 84 percent of their goals. The five-year extension was recommended by the ARDOR members. Allowing for a longer sunset facilitates long-term planning. She said the Mat-Su RC&D [Resource Conservation and Development] would like to set up a revolving loan fund, for example.

[3:36:01 PM](#)

CHAIR OLSON asked about a fiscal note.

MS. SIMPSON said there are two fiscal notes. The total budget is \$4.476 million, and that money is an administration fee. The organizations divide up the balance, which gives them about \$53,000 each out of the total amount that they are requesting.

MICHAEL HANZUK, Coordinator, Alaska Regional Development Organizations, Office of Economic Development, Department of Commerce, Community & Economic Development said his office supports the program.

CHAIR OLSON asked about the fiscal notes showing flat funding.

MR. HANZUK said it is up to the ARDORs to ask for an increase. He supports an increase. They leverage their money successfully, and "with the inflation and needs, it is something that probably should be looked into in the very, very near future."

[3:38:22 PM](#)

WAYNE STEVENS, President, Alaska State Chamber of Commerce, said the chamber supports the bill and believes in ARDOR's cooperative, regional model. It is successful. ARDORs provide greater local expertise and services with more efficiency and less administrative burdens of state agencies. The Southwest Alaska Municipal Conference's successful handling of the Steller sea lion mitigation funds is an example. It put almost \$30 million into the regional economy.

[3:40:13 PM](#)

MARTY METIVA, Executive Director, Mat-Su Resource Conservation and Development Council, said there is not much more he can add. In 1988 the ARDORs were formed in state statute, and at that time the state believed that each region has its own concerns and challenges, and the best strategy is to approach economic

development with partners. ARDORS are non-partisan and can bring entities together for common goals and increase economic development in the regions. The ARDORS have leveraged the state funding by at least three to one, and last year it was almost eight to one. He likes the five-year sunset. He thought it would be prudent to prioritize a five-year reauthorization over asking the state for additional funding. If the legislature would like to give them more money, he would not turn it down.

[3:42:17 PM](#)

CHAIR OLSON asked why an ARDOR is needed in the Mat-Su Valley, which is the economic hotspot of the state.

MR. METIVA said Wasilla is a hotspot, but he also works in other areas of the valley. He spoke of a mentorship with entrepreneurs in helping small businesses get started and be sustainable. "We bring other partners together." He works closely with the small business development center and the chambers of commerce.

SENATOR THOMAS asked about where other funds come from. He sees large sums of money coming from non-government entities.

[3:43:48 PM](#)

MR. HANZUK said he has broken down the funds on page 7. Non-state and non-federal money can come from other organizations. Each ARDOR could provide their particular funding sources. Private funds could come from businesses.

SENATOR THOMAS said he sees the general categories, and he is curious where the money was coming from.

[3:45:41 PM](#)

KATHRYN DODGE, Economic Development Specialist, Fairbanks North Star Borough and ARDOR Director, said the other funds come from many sources. In Fairbanks they come from the municipal tax base, federal grants, and state grants, and one was just matched with a grant with the Mental Health Trust Fund. There are private members with investors. "We just look for many partners as we move forward."

SENATOR THOMAS said he wanted more specifics. Funds other than state dollars add up to several million dollars. Federal funds are less than \$1 million, and he was curious what organizations the money comes from.

MS. DODGE said, "at times there has been ARDOR money set aside that we have come together and done a project for, so that would

be another 'other state fund.'" The Mental Health Trust would be another. Federal funds come from DOD [Department of Defense] BRAC money and the EDA [Economic Development Administration]. Private sector money comes from property taxes or an investor-based organization. There are four economic development districts, which are federal recognized, "so EDA brings in federal moneys there or contributes money."

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CHAIR OLSON asked about the acronyms she used.

MS. DODGE said BRAC stands for Base Realignment and Closure, and Eielson [Air Force Base] was on that list, and "there was some DOD moneys that we used in Fairbanks to develop an economic development diversification strategy."

SENATOR THOMAS asked if he needs each ARDOR to send him their financial statements.

MS. DODGE said Mr. Hanzuk could give him that, but each ARDOR is different and it changes every year.

SENATOR THOMAS said it is good to know where money comes from.

[3:50:18 PM](#)

MICHAEL CATSI, Executive Director, Southwest Alaska Municipal Conference (SWAMC), said the private funding that SWAMC gets includes \$44,500 from membership dues, \$38,000 from conference earnings, \$25,000 from sponsorship, \$36,000 from interest earnings, and it has some reserves for tight years. ARDORs are all very different, which is allowed by the flexibility built into the program for working with each region. The ARDORs build partnerships with a multitude of businesses and state and federal agencies to meet the development needs of each region. The success of the program is based on it not being one-size-fits-all. He emphasized the need for a five-year re-authorization because SWAMC has a five-year comprehensive economic development strategy.

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WANETTA AYERS, Executive Director, Western Alaska Community Development Association, said she was once an ARDOR director, and the ARDOR program has been straight-line funded for at least 13 years. There are challenges facing the state, and it's an indication of Alaska's priorities to not help these organizations keep pace with their regional challenges. She said to think about the value of creating greater incentives. The

ARDORs are able to significantly leverage state money. She spoke of the efforts on the gas line and other big projects, but Alaska's economy will be built and strengthened locally. The ARDORs are a good investment, and she encouraged equalizing their funding after more than 13 years of straight-line funding.

[3:55:15 PM](#)

CHAIR OLSON asked why a five-year sunset wasn't in place before.

MS. SIMPSON said she doesn't know.

SENATOR KOOKESH moved to report SB 254 from committee with individual recommendations and attached fiscal note(s). There being no objection, the bill moved out of committee.

The committee was adjourned at [3:56:38 PM](#).