

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

March 17, 2009

8:05 a.m.

**MEMBERS PRESENT**

Representative Bob Herron, Co-Chair  
Representative Cathy Engstrom Munoz, Co-Chair  
Representative Wes Keller  
Representative Charisse Millett  
Representative Sharon Cissna  
Representative Berta Gardner

**MEMBERS ABSENT**

Representative John Harris

**COMMITTEE CALENDAR**

OVERVIEW(S): DENALI COMMISSION

- HEARD

HOUSE BILL NO. 161

"An Act relating to the Alaska Mental Health Trust Authority Support Office Building; authorizing the issuance of certificates of participation for construction of the building and authorizing the use of up to \$25,000,000 from the mental health trust fund for construction of the building; approving leases of all or part of the building by the Department of Administration; and providing for an effective date."

- MOVED CSHB 161(CRA) OUT OF COMMITTEE

HOUSE BILL NO. 150

"An Act repealing certain provisions relating to modifying the factors that apply to calculate the amount of power cost equalization; providing for an effective date by repealing the effective date of sec. 3, ch. 2, 4SSLA 2008; and providing for an effective date."

- MOVED OUT OF COMMITTEE

HOUSE BILL NO. 156

"An Act relating to municipal fees charged for disposal of waste material from the substantial rehabilitation, renovation,

demolition, removal, or replacement of a structure on deteriorated property."

- MOVED OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HB 161

SHORT TITLE: CERTIFICATES OF PARTICIPATION FOR SUBPORT

SPONSOR(s): REPRESENTATIVE(s) MUNOZ

02/27/09	(H)	READ THE FIRST TIME - REFERRALS
02/27/09	(H)	CRA, FIN
03/12/09	(H)	CRA AT 8:00 AM BARNES 124
03/12/09	(H)	Heard & Held
03/12/09	(H)	MINUTE(CRA)
03/17/09	(H)	CRA AT 8:00 AM BARNES 124

BILL: HB 150

SHORT TITLE: POWER COST EQUALIZATION

SPONSOR(s): REPRESENTATIVE(s) AUSTERMAN

02/25/09	(H)	READ THE FIRST TIME - REFERRALS
02/25/09	(H)	CRA, FIN
03/12/09	(H)	CRA AT 8:00 AM BARNES 124
03/12/09	(H)	Heard & Held
03/12/09	(H)	MINUTE(CRA)
03/17/09	(H)	CRA AT 8:00 AM BARNES 124

BILL: HB 156

SHORT TITLE: ALLOWING CERTAIN LANDFILL FEE WAIVERS

SPONSOR(s): REPRESENTATIVE(s) LYNN

02/25/09	(H)	READ THE FIRST TIME - REFERRALS
02/25/09	(H)	CRA
03/12/09	(H)	CRA AT 8:00 AM BARNES 124
03/12/09	(H)	Scheduled But Not Heard
03/17/09	(H)	CRA AT 8:00 AM BARNES 124

**WITNESS REGISTER**

GEORGE CANNELOS, Federal Co-Chair  
Denali Commission  
Anchorage, Alaska

**POSITION STATEMENT:** Provided an overview of the Denali Commission.

KEVIN BROOKS, Deputy Commissioner  
Department of Administration (DOA)  
Juneau, Alaska

**POSITION STATEMENT:** During hearing of HB 161, answered questions.

HARRY NOAH, Executive Director  
Trust Land Office  
Alaska Mental Health Trust  
Anchorage, Alaska

**POSITION STATEMENT:** Testified in support of HB 161.

BOB CHARLES, Energy Coordinator  
Association of Village Council Presidents  
Bethel, Alaska

**POSITION STATEMENT:** Testified in support of HB 150.

ERIN HARRINGTON, Staff  
Representative Alan Austerman  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Spoke on behalf of the sponsor of HB 150, Representative Austerman.

REPRESENTATIVE BOB LYNN, Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Spoke as the sponsor of HB 161.

KATHRYN DODGE, Economic Development Specialist  
Fairbanks North Star Borough;  
Director, Alaska Regional Development Organization (ARDOR)  
Fairbanks, Alaska

**POSITION STATEMENT:** Testified that she has no objection to HB 156.

MARK MARLOW, Principal  
Marlow Corporation  
Anchorage, Alaska

**POSITION STATEMENT:** Encouraged the committee's favorable vote for HB 156.

#### **ACTION NARRATIVE**

[8:05:19 AM](#)

**CO-CHAIR BOB HERRON** called the House Community and Regional Affairs Standing Committee meeting to order at 8:05 a.m. Representatives Herron, Munoz, Keller, Millet, Cissna, and Gardner were present at the call to order.

Overview: Denali Commission

8:05:48 AM

CO-CHAIR HERRON announced that the first order of business would be the presentation from the Denali Commission.

8:06:53 AM

GEORGE CANNELOS, Federal Co-Chair, Denali Commission, reminded the committee that the regional commissions have been around for many years, of which the Appalachian Regional Commission was the genesis of the Denali Commission. However, the Appalachian Regional Commission enjoys the support of 26 senators and 13 governors. He pointed out that although the Denali Commission has enjoyed [congressional support], Alaska is one state versus the large regions [that makeup the other commissions]. Therefore, the politics are very different. He noted that the Delta Regional Commission is the newest commission, and the Farm Bill last year created four new regional commissions. The concept of the regional commission in order to focus resources and produce better government is ascending, which he characterized as a healthy occurrence.

MR. CANNELOS clarified that the Denali Commission is a federal agency and is part of the federal administration, which is challenging in terms of funding. He highlighted that the Denali Commission has a good record of transparency and accountability with one of the best web sites and databases in the government. Over the past 10 years the Denali Commission has invested close to \$1 billion and leveraged that to about \$2 billion. The focus has been on basic community infrastructure across Alaska, but primarily in rural Alaska. He further highlighted that the Denali Commission has created some really good grant-making and accountability systems. Mr. Cannelos then turned to how the Denali Commission can be more effective and work more closely with the state, particularly in regard to capital projects and planning and capital projects delivery as well as maintaining and sustaining the Denali Commission in the future. Mr. Cannelos then directed attention to the slide of the seven commissioners of the Denali Commissioner, and pointed out that these individuals wouldn't normally sit down together. The

aforementioned has been a healthy process. The Denali Commission, he explained, is the group that's supposed to strategically work together to achieve parity for those communities and take advantage of opportunities in rural Alaska. He related that the Denali Commission is a small organization that's open to the public and has limited overhead. In fact, in 10 years there's probably only been about six four-year requests. Furthermore, over the past three years, there have been no project earmarks from Congress. He related that the Denali Commission's appropriations come from six different committees, which means that decisions for the various appropriations are made in the state. For example, there's a general appropriation for health and decisions for health facilities are made in the state through the health steering committee and the legislature.

MR. CANNELOS opined that much of rural Alaska resembles the Third World, which is inexcusable. He related that he has educated a couple of groups from the United Nations and several hundred delegates from around the world regarding the forgotten North, which includes the circumpolar North, Canada, Russia, some of Scandinavia, and much of Alaska. Using the data from the United Nations, much of Alaska resembles [Third World nations]. He recalled being in Rampart last summer and observing that its school had closed. The closure of a school, he noted, is often the death knell of a community. Mr. Canelos then directed attention to the pie chart entitled "Funding Uses FY99-FY08," which relates that since the inception of the Denali Commission over half of the funding has been used for energy, a third of the funding has been used for health accounts, and the remainder of the funding has been used for training, teacher housing, and transportation. The bar graph entitled "Denali Commission Funding Sources FY99-FY09" relates almost \$80 million in funding for FY09. Mr. Canelos credited U.S. Senator Murkowski, Senator Begich, and Congressman Young for keeping [the funding] at its current level because often the U.S. House of Representatives will try to zero out the Denali Commission, but the U.S. Senate comes to the rescue. The Denali Commission's transportation funding is whole, but the health, training, and energy funding has [been cut in] half. "If we can hold this line or even start up in [2010], I think for the long term the Commission will be fine," he remarked. However, he characterized the long-term viability of the Denali Commission as uncertain. He then moved on to energy, which has been a good story in terms of replacing bulk fuel systems, upgrading power plants, leading the way for renewable energy, much capacity building, and working with the private sector on sustainability.

[8:15:44 AM](#)

REPRESENTATIVE GARDNER inquired as to how many people a facility such as Buckland's bulk fuel facility serve.

MR. CANNELOS answered that it would serve villages in the range of 200-1,500 people. The notion is to provide a facility at which a barge can make one trip in the season and have enough [goods] for the winter.

[8:16:44 AM](#)

CO-CHAIR HERRON asked if the U.S. House of Representatives attempts to zero out other commissions similar to the Denali Commission.

MR. CANNELOS responded that he isn't sure about other commissions, but reiterated that it's the case for the Denali Commission. He opined that the congressional attempts to zero out the funding are the result of Alaska's inability to communicate its story well. Furthermore, he suggested that when former U.S. Senator Ted Stevens was a powerful member, the situation was one of a game of politics. He related his optimism that in the future if more relationships can be built in those House committees, the Denali Commission will be more successful.

[8:17:50 AM](#)

REPRESENTATIVE CISSNA turned to the issue of flying in fuel to an area, and opined that flying in the fuel likely saved some money because the cost of fuel decreased drastically.

[8:18:37 AM](#)

MR. CANNELOS, referring to the bar graph entitled "Bulk Fuel Progress Report," pointed out that it relates that after 10 years the Denali Commission is about halfway through the bulk fuel program. However, he estimated that it would cost about \$200 million to complete [the goal of the bulk fuel program], which is why the Denali Commission intends to review the universal need to assess the situation. He then directed attention to the bar graph entitled "Rural Power System Upgrade Progress Report." The bar graph illustrates that about a quarter of the rural power systems are complete and it will take a large effort to complete the upgrade of rural power systems.

Mr. Cannelos then shared a photograph of the three wind towers in Hooper Bay, which he said is a good example of combining efforts and achieving much. The wind towers in Hooper Bay were funded by the Alaska Village Electric Cooperative, Incorporated (AVEC) and the [Denali Commission's] training dollars were used to send young people to become certified as wind operators. The [Denali Commission's] transportation dollars funded the road shown in the slide. Mr. Cannelos informed the committee that he would distribute to the committee a study NANA Pacific, LLC, performed on distributing Alaska's power. NANA Pacific, LLC, reviewed the last 30 years of interties across the state. He opined that if there could be grids, then the stand-alone redundant systems could be eliminated and scale up renewable energy and consider renewable development. There will be a second phase of the aforementioned study, which will review real costs and priorities.

MR. CANNELOS told the committee that the transportation program came out of the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). The transportation program focused on the circulation needs of villages, including docks and harbors, dust control, and connecting villages where it makes sense. He highlighted the situation in Mekoryuk where there was the need to dredge the harbor, the need for a transportation program, and the need to install a bulk fuel system. Normally, the aforementioned would've been an expensive project because the rock would've come from Nome. However, someone decided to put the projects together and it was determined that the dredge materials from the harbor were suitable for the foundation. For this project, the Denali Commission is spending about \$483,000, \$120,000 is coming from the general fund, and \$30,000 from AVEC. The aforementioned is a good example of the right way to get things done. He recalled two years ago when the legislature passed a \$5 million appropriation for the Department of Transportation & Public Facilities (DOT&PF) for unspecified transportation projects. Referring to the construction of teacher housing, Mr. Cannelos related that there is evidence that [rural] districts are able to retain teachers. The hope, he opined, is that the aforementioned will result in improved student performance. The construction of the teacher housing was in performed in partnership with the Alaska Housing Finance Corporation (AHFC). With regard to health care [in rural Alaska], the staff of rural health clinics are overworked and under paid. "But health care is a really good story, when it's provided at the local level by local people," he remarked. He then directed attention the slide of Buckland clinic, a \$6.6 million project that included

funds from the following entities: Denali Commission, U.S. Department of Housing and Urban Development (HUD), United States Department of Agriculture (USDA) Rural Development, Rasmuson Foundation, City of Sand Point, Aleutian East Borough, Shumagin Corporation, and the Alaska Mental Health Trust Authority. Having all these partners provides more certainty and sustainability of the project. Mr. Canelos opined that one of the Denali Commission's legacies will be government coordination, [the success of which] he credited to Bob Pawlowski, the legislature's liaison to the Denali Commission. He then shared a photo of the MOU group meeting, which is all state commissioners and most all federal agency heads. This group of people is very interested in the opportunity to network with their peers and this concept is being pursued. He expressed interest in convening a meeting with federal staff in order to discuss the stimulus package. Mr. Canelos highlighted that the Denali Commission spends a lot of time traveling to rural Alaska and pointed out that government coordination requires listening, trust, and respect. He noted that Mr. Pawlowski has represented the Denali Commission on the Immediate Action Working Group (IAWG) for Climate Change. The IAWG recommends that a group continue to carry on government coordination regarding climate change. Although the Denali Commission isn't named specifically, it's willing to dialogue regarding the Denali Commission's role in that matter. The Denali Commission commissioned the Institute of Social and Economic Research (ISER) study regarding changing demographics that illustrate long-term population decline in rural Alaska. In closing, Mr. Canelos stated, "Rural Alaska is an American treasure. The future is uncertain."

[8:26:41 AM](#)

REPRESENTATIVE CISSNA, recalling her visits to rural areas, related her observation that many rural Alaska residents are really in denial. The communities she visited were making suggestions to address the high fuel prices. For instance, there was a suggestion to move health clinics to the schools that have extra space.

MR. CANNELOS said that there are many examples of communities that have [made suggestions regarding high fuel prices. For example, in Mekoryuk the Denali Commission funded the power house and clinic in the old downtown area. In the meantime, there is a school about five miles away and an airport another five miles away. Therefore, a community that is 10 miles across and thus requires vehicles and fuel to be a community has been

created. Stevens Village is an example in which the \$10 million water and sewer project was denied because it amounted to over \$250 per month per family forever. Therefore, community leaders and agency representatives decided not to move forward with the water and sewer project. Instead, a limited system connecting the school and the health clinic has been constructed and village residents will maintain outhouses. The aforementioned decision requires honest talk from all parties. He related his surprise with the large atrium at the Hooper Bay School, which he opined must be hard to heat. He then expressed his understanding that there are no school construction standards, although they would be really important to have.

[8:31:40 AM](#)

CO-CHAIR HERRON mentioned that there is an effort in the legislature to develop a prototype, build schools based on one plan with slight modifications. He asked if Mr. Canelos will be making presentations to other groups today.

MR. CANNELOS reviewed the meetings he has planned for this week. In further response, he related that the Denali Commission is meeting Wednesday and Thursday at which it will review its work plan. The Denali Commission has some difficult decisions to make because the work plan out for public comment was predicated on a continuing resolution of level funding that didn't occur. Therefore, the Denali Commission will have to tackle the decision as to what to do with the limited base funding. The Denali Commission will also discuss strategic planning and an internal working document on roles and responsibilities at the aforementioned meeting.

CO-CHAIR HERRON inquired as to the legislature's role with the Denali Commission.

MR. CANNELOS said he would like to figure that out. He did point out that in the administration's budget there is about \$28 million in capital projects that compliment Denali Commission projects. The funding is in transportation, health, and energy and will go to those agencies. The aforementioned, he said, is a good path toward solidifying a federal-state partnership while sending a message to Congress that the state is engaging. Mr. Canelos opined that he would like to determine how to include the legislature in the MOU working group because the legislature has the pulse of the districts, including in regard to capital projects.

[8:35:07 AM](#)

CO-CHAIR HERRON asked if the Denali Commission is the agency that holds the database specifying where the stimulus funds are going. If not, is there such an agency, he asked.

MR. CANNELOS replied no to both. He added that the Denali Commission isn't named in the stimulus per se, although the Denali Commission is looking at opportunities in which it can be.

[8:36:08 AM](#)

CO-CHAIR HERRON inquired as to the unintended consequences Mr. Cannelos, as a citizen, would fear with the stimulus package.

MR. CANNELOS said he wasn't sure he knew enough about the stimulus package. However, he related that when there's a "pulse" [in funds] such as that of the stimulus package, there's a risk of projects being less than ideally coordinated. Furthermore, such situations stress the labor community and the construction community. He opined that there will be unintended consequences with the stimulus package.

CO-CHAIR HERRON highlighted that the House Special Committee on Energy is already doing a lot of good work, and therefore he suggested Mr. Cannelos meet with the co-chairs of the House Special Committee on Energy.

MR. CANNELOS specified that he met with them yesterday.

[8:37:31 AM](#)

REPRESENTATIVE CISSNA expressed concern with the influences from all the different governmental and philanthropic forces that change the character of a community. The existing period of time has caused folks to take pause. She asked if the Denali Commission will ensure that there's funding and programs that help communities ensure that whatever it's given fits the community through good training.

MR. CANNELOS confirmed that the aforementioned will be part of the Denali Commission's process. He then recalled "The Gift Givers" by Harold Sparks who expressed that communities don't have to accept the gifts coming from outside of the community.

[8:40:04 AM](#)

REPRESENTATIVE GARDNER, referring to the bulk fuel and power system upgrade programs, inquired as to how they are impacted by the current focus on renewable energy. She then inquired as to how the suspended work figures tie into [renewable energy].

MR. CANNELOS explained that those lists were derived from a deficiency list created eight to nine years ago by the Alaska Energy Authority (AEA), AVEC, and the Denali Commission. This year it's time to review the list and determine where things stand. The renewable energy piece is part of it in terms of the notion of doing no harm such that as new systems are utilized and renewable opportunities are available in the future, not much retrofitting is required. The switching technology allows that now. The renewable energy piece also has to do with the size and scale of the facility being put in. He noted that he recently signed a grant for a power line intertie between Bethel and Napakiak. Napakiak is due for a bulk fuel upgrade, and therefore the goal for AEA is to ensure that the size and scale makes sense. He said he would have to get back with the committee on the suspended work figures.

[8:41:46 AM](#)

REPRESENTATIVE GARDNER asked if there are any preliminary results from the "Distributing Alaska's Power" study that could be shared with the committee.

MR. CANNELOS related that the study recognizes that no entity in the state has oversight on power line interties. Therefore, the recommendation, as part of the broad energy strategy, is that the aforementioned be taken into consideration. The study concluded, he related, that interties bring a lot of positive benefits despite the permitting and other processes.

[8:43:02 AM](#)

The committee took an at-ease from 8:43 a.m. to 8:46 a.m.

[8:46:18 AM](#)

HB 161-CERTIFICATES OF PARTICIPATION FOR SUBPORT

[8:46:20 AM](#)

CO-CHAIR HERRON announced that the next order of business would be HOUSE BILL NO. 161, "An Act relating to the Alaska Mental

Health Trust Authority Support Office Building; authorizing the issuance of certificates of participation for construction of the building and authorizing the use of up to \$25,000,000 from the mental health trust fund for construction of the building; approving leases of all or part of the building by the Department of Administration; and providing for an effective date."

8:46:28 AM

CO-CHAIR MUNOZ, speaking as the sponsor of HB 161, welcomed those who are present to testify today.

8:47:47 AM

KEVIN BROOKS, Deputy Commissioner, Department of Administration (DOA), pointed out that the committee packet should include a letter and answers to questions from Representative Millet. He also pointed out that attachment 3 entitled "Briefing Paper AMHTA Support Office Building" addresses many of the 12 questions from Representative Millet. Mr. Brooks explained that DOA approached The Alaska Mental Health Trust ("The Trust") a year or so ago regarding possible space due to the upcoming sunset of the Department of Labor & Workforce Development's (DLWD) lease of the current aging facility. Absent progress with The Trust by July 2009 a Request for Proposals (RFP) will have to be put out to procure new space. Mr. Brooks emphasized that new space in the amount of 68,000 square feet needs to be procured and be moved into by July 2012. Currently, the state is paying \$2.33 a square foot for the DLWD building, which is reflective of the condition of the building. With regard to the backup on the lease, DLWD has been a tenant of the building for 27 years and the thick files are available to anyone interested. He mentioned that the water intrusions, mold, and necessity to move staff from the building are a matter of record. Mr. Banks acknowledged that the costs for a new building will be more than the current costs for the existing aging facility. Current estimates of the market in Juneau for the downtown core are \$3.80-\$4.00 range. He noted that The Trust has been told that any facility has to be competitive with the market and the best deal for the state will be sought. The Trust, he opined, has developed a plan and financing mechanism that make their proposal competitive. The Trust, he further opined, is a good partner because it holds land in the downtown corridor and holds cash in the amount of \$22.7 million in its fund. The Trust will borrow the remainder. The documents in the committee packet relate various scenarios, including repaying the bonds after 20

years at which point there would be a fairly significant reduction in the state's lease obligations because the debt would be retired and the state would deal with only the return on the equity for The Trust. He noted that the aforementioned isn't dissimilar from other lease arrangements the state holds. He then informed the committee that DOA's analysis is performed over 30 years, specifically a 20-year initial term with 2 10-year renewals. If the state stays in the lease and renews for the second 10-year period, the lease would look even more favorable in terms of a cost benefit analysis.

MR. BANKS reminded the committee that the DLWD building alone wasn't a large enough project for The Trust to build the facility. A larger footprint was necessary, and thus the Douglas Island building that houses the regional offices for the Alaska Department of Fish & Game (ADF&G) and the Department of Corrections as well as the Department of Public Safety building was included. The aforementioned buildings are older and in such disrepair that a fairly significant investment would be required. The cost analysis includes what DOA charges state agencies, which is about \$1.30 per square foot, and the currently identified deferred maintenance. Although some of the needs of these older buildings are known, there isn't a comprehensive list of everything that's wrong. For instance, there is knowledge that the DPS building needs a new roof and the ADF&G building needs a new envelope. Therefore, the analysis doesn't include additional costs that would be required in order to bring the buildings up to a tenantable position or to replace them. The aforementioned are anticipated costs, but they're not included in the analysis in order to avoid inappropriately padding the numbers.

[8:56:43 AM](#)

CO-CHAIR HERRON directed focus on question number 10: "Does the Governor support HB 161?"

MR. BROOKS explained that the governor's office has been provided the same analysis as the committee. Ultimately, [the governor's office] has expressed the need for the project to pencil out. Therefore, the governor is likely reviewing this proposed project in terms of needs throughout the state. Mr. Brooks said that any project the state undertakes has to be fiscally sound. He related that DOA will continue working with the governor's office and hopes to return to the committee with a more definitive position. He then related his understanding that the sponsor of the legislation has had a discussion with

the governor regarding this proposal. In further response to Co-Chair Herron, Mr. Brooks confirmed that DOA's comfort level is fairly good.

CO-CHAIR MUNOZ confirmed that she met with the governor, who she said likes the project. However, the governor wants to ensure that the project makes financial sense for the state. Co-Chair Munoz opined that the proposed new facility is a better deal for the state when compared to the existing lease costs and the costs to upgrade existing infrastructure. Furthermore, The Trust will have great benefit over the long-term as it will receive a steady revenue stream to support mental health programs.

[9:00:07 AM](#)

REPRESENTATIVE MILLETT pointed out that in the memorandum of agreement (MOA) there's no talk of cost overruns. Therefore, she questioned whether the state has planned any contingency for cost overruns. She further questioned whether cost overruns would impact the lease.

MR. BROOKS remarked that the MOA was entered into as a manner in which to work collaboratively toward a solution. He noted that there's a contingency built into construction, which he recalled was 20 percent of the total construction cost. The Trust, he opined, is bearing some risk to make the project competitive, which is reflected in The Trust's rate of return. He noted that there are some variables, including the rate on bonds for the portion being financed. The responsible steps expected with a project of this magnitude have been built in through contingencies and other factors.

[9:02:18 AM](#)

REPRESENTATIVE MILLETT inquired as to what occurs if cost overruns are in excess of 20 percent.

MR. BROOKS deferred to representatives from The Trust. However, he opined that The Trust is taking a risk and the state isn't subject to any cost overrun that would drive the lease rate beyond the market rate of \$3.80-\$4 being discussed.

[9:03:27 AM](#)

HARRY NOAH, Executive Director, Trust Land Office, Alaska Mental Health Trust, related his understanding that when the lease is

signed, cost overruns would be the responsibility of The Trust. He explained that The Trust has estimated the project at a high point in terms of cost, with a fairly significant contingency. He informed the committee that The Trust has some additional work that's necessary in terms of geotechnical work and information regarding foundation characteristics. The Trust will also perform additional work on the design of the building. Mr. Noah said that often with state buildings, the [costs] reach the budget and the size of the building is decreased [in an effort to not have cost overruns]. However, with this proposal, The Trust will lease a specific amount of space.

[9:05:45 AM](#)

MR. NOAH related that he is in favor of HB 161 as there are benefits to The Trust, the state, and Juneau. He opined that it's unusual that the aforementioned would occur at one time, which he attributed to various factors occurring at once. Those factors include the demolition of the support building, The Trust wanting to develop its waterfront parcel, and DLWD's lease becoming available. He said he hoped the committee can support [HB 161].

[9:06:52 AM](#)

REPRESENTATIVE GARDNER asked if The Trust anticipates any problems with regard to zoning and variances from the City of Juneau.

MR. NOAH related that last night the City & Borough of Juneau Assembly unanimously passed the zone change. However, he anticipated that once the process reaches the variance stage, it will certainly elicit comments. In terms of the location of the parking, he characterized it as a calculated move. He explained that building the parking garage added \$20 million to the process without any revenue, and therefore that cost to the state would be too high as part of this agreement. The Trust didn't want to use the land for parking, but did so in order to allow an agreement to be made. The aforementioned places the land in a holding position and the intent is for The Trust to take over the DPS building and ultimately build a parking garage on that property. At some point, something will come along and allow that property to be developed and push the parking to the parking garage, he said.

[9:09:05 AM](#)

CO-CHAIR MUNOZ commented that the location of the proposed building will cause more use of that portion of the waterfront once the building is constructed.

[9:09:36 AM](#)

MR. NOAH, in response to Representative Millet, offered to provide the committee with a copy of The Trust's cost estimate. Construction is scheduled to begin in 2010, he related. He further related that eight months ago The Trust engaged an architectural firm in Juneau and has done quite a bit of work including cost estimates of the building. Furthermore, The Trust has already started the process of obtaining a Department of Transportation & Public Facilities (DOT&PF) project manager and is in the process of developing a design-build type of contract in case this legislation passes. He offered to provide the committee with the work that has been done to date.

[9:11:49 AM](#)

MR. BROOKS, in response to Representative Millet, clarified that the DLWD building is a leased facility whereas the Douglas Island building that houses ADF&G and Department of Corrections and the Department of Public Safety (DPS) building are owned by the state. The DPS building is potentially a site of a future parking garage. He noted that at a minimum those two facilities would be moth-balled or be used in another fashion. Once the proposed facility seems to be moving forward, the state would earnestly try to determine an alternate use for the buildings. In the most extreme case, the buildings could be leveled.

[9:13:54 AM](#)

CO-CHAIR HERRON, upon determining no one else wished to testify, closed public testimony.

[9:14:12 AM](#)

CO-CHAIR MUNOZ moved to report CSHB 161, Version 26-LS0605\T, Cook, 3/11/09, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 161(CRA) was reported from the House Community and Regional Affairs Standing Committee.

HB 150-POWER COST EQUALIZATION

[9:14:38 AM](#)

CO-CHAIR HERRON announced that the next order of business would be HOUSE BILL NO. 150, "An Act repealing certain provisions relating to modifying the factors that apply to calculate the amount of power cost equalization; providing for an effective date by repealing the effective date of sec. 3, ch. 2, 4SSLA 2008; and providing for an effective date."

9:15:07 AM

BOB CHARLES, Energy Coordinator, Association of Village Council Presidents, noted that he provided written testimony to the committee entitled "AVCP Calista Region's Energy Costs." He informed the committee that the Calista region's residential heating oil and regular gasoline prices have increased well over 100 percent in the last couple of years. In fact, when home heating fuel was delivered in the spring of 2008, the cost had risen to \$8.00 a gallon. He pointed out that he provided the committee with a table specifying fuel prices at the end of February ranging from \$6.00-\$8.00 per gallon. As 2009 began, electric utility rates in the region were between \$.53 and \$.65 per kilowatt hour (kWh). Electric bills in the region have averaged \$342-\$360 per month prior to power cost equalization (PCE). With PCE, the electric rates are around \$.33-\$.44 per kWh and the billings amount to \$176 to \$200. Usage has ranged from 530 kWh to 750 kWh per household. Local utility administrators have observed that a number of households have much lower usages, in the range of 200 kWh to 400 kWh and the billings ranging from \$120-\$150 per month. The increases in the rates are reflective of the higher delivered fuel costs in recent years, he said. The PCE program has been paramount in helping to make electric rates affordable. He recalled testimony at a prior hearing that Newtok had one of the highest rates prior to PCE with billings around \$150-\$400. The usage in Newtok ranges from 300-400 kWh [per month]. Mr. Charles opined that energy costs account for a large portion of a household's disposable income, with it amounting to 60-70 percent. The aforementioned can primarily be attributed to the price hikes in the energy costs. Any further increases in electric rates or fuel costs will result in fuel and electricity becoming unaffordable. He related that recent energy studies conducted by Nuvista Light and Power 2002 and 2004 have illustrated that lower income residents devote larger amounts of their disposable income to energy and use less.

MR. CHARLES then related that the unemployment rates in the Bethel and Wade Hampton census districts currently range from

16.6-22.8. However, the jobless rate is a more significant and relevant indicator of the economic condition in the region. In the Bethel and Wade Hampton districts the jobless rate is 38.5 percent and 43.3 percent, respectively. The median income in the Bethel census district is about \$45,200, which amounts to an average monthly income of about \$2,700. In the Wade Hampton census district the median income is about \$36,600, which amounts to an average monthly income in the amount of \$1,750. He then noted that the fish income in the [Kuskokwim] area doesn't provide much income for the year. In the Kuskokwim area about 500,000 salmon were caught, which amounts to about \$1.5 million and about \$3,200 per permit holder. He reminded the committee that in 2007 there wasn't much of a fishery, save a couple of coho fishing periods that provided about \$300,000 for the entire region. The Yukon didn't have a summer chum king salmon fishery, but did have a fall chum coho fishery that caught 312,513 salmon by 444 permit holders. The aforementioned totaled about \$1.4 million and broke down to about \$3,000 per permit holder. Comparing the aforementioned income to fuel, electric, and food costs, one can see that lower income people can't afford many groceries and have to use less energy. He opined that this is an indicator that populations throughout the region are very vulnerable to increasing energy costs. Moreover, the region's economy is fragile and susceptible to further increases to fuel and electric rates. Mr. Charles concluded by relating support for HB 150, specifically keeping the eligible cost rate at \$1 and continuing the PCE program.

[9:24:11 AM](#)

ERIN HARRINGTON, Staff, Representative Alan Austerman, Alaska State Legislature, speaking on behalf of the sponsor of HB 150, explained that the purpose of HB 150 is to perpetuate the \$1.00 ceiling in order to reflect the true cost of power generation in Alaska. With the continuation of the ceiling, the program will continue to reflect the true costs of power generation in Alaska. By keeping the ceiling at \$1.00, the state isn't obligated to anything during times of low energy prices. However, when prices are high, the \$1.00 ceiling provides power cost equity for rural communities that haven't been able to benefit from the long-term investments in power generation infrastructure in certain areas of the state.

[9:26:11 AM](#)

REPRESENTATIVE GARDNER inquired as to how much power an average household uses in rural Alaska as compared to urban Alaska.

MS. HARRINGTON explained that PCE covers the first 500 kWh in a residential area. Typical power usage in rural areas is around 500 kWh per household, but it's a bit higher for urban areas where the electrical usage is closer to 700 kWh.

[9:27:13 AM](#)

CO-CHAIR HERRON, upon determining no one else wished to testify, closed public testimony.

[9:27:18 AM](#)

CO-CHAIR MUNOZ moved to report HB 150 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, it was so ordered.

HB 156-ALLOWING CERTAIN LANDFILL FEE WAIVERS

[9:27:44 AM](#)

CO-CHAIR HERRON announced that the final order of business would be HOUSE BILL NO. 156, "An Act relating to municipal fees charged for disposal of waste material from the substantial rehabilitation, renovation, demolition, removal, or replacement of a structure on deteriorated property."

[9:27:53 AM](#)

REPRESENTATIVE BOB LYNN, Alaska State Legislature, speaking as the sponsor of HB 161, explained that the legislation permits municipalities to waive dumping fees, tipping fees, for material taken to municipal landfills from deteriorated properties. The aforementioned doesn't cost the state anything. Furthermore, it can make it economically feasible to renovate deteriorating properties.

[9:30:06 AM](#)

KATHRYN DODGE, Economic Development Specialist, Fairbanks North Star Borough; Director, Alaska Regional Development Organization (ARDOR), said that she was sure that each legislator could think of a deteriorated property in their community that they would desire to be redeveloped. She said she was equally certain that legislators recognize the value of renovating and rehabilitating the deteriorated property. Ms. Dodge pointed out that adoption of this change requires assembly approval, and therefore public

comment will be taken on the value of granting waivers to deteriorated properties, presumably for each waiver considered. Therefore, Ms. Dodge encouraged the committee to support HB 156.

[9:31:40 AM](#)

MARK MARLOW, Principal, Marlow Corporation, opined that HB 156 would provide local governments another tool with regard to economic development and urban renewal. Every property eligible would have to go through a local public process per AS 29.45 to identify and determine which properties meet the eligibility requirements to be designated as deteriorated. He encouraged the committee's favorable vote for HB 156.

[9:32:50 AM](#)

CO-CHAIR HERRON inquired as to why HB 156 is necessary.

MR. MARLOW related his understanding that without HB 156 extending the waiver to a property designated as deteriorated may raise a constitutional challenge with regard to a local government's ability to extend the benefit to address the mitigation of blight based on an equal protection clause. This legislation defines deteriorated property as a class of property rather than an individual project and provides local governments that own a landfill the authority to extend the aforementioned benefit to help with economic development and mitigation of blight.

[9:34:39 AM](#)

CO-CHAIR HERRON posed an example in which there was a deteriorated 1,200 square feet home, and inquired as to how much money that would be.

MR. MARLOW pointed out that a small home of 1,200 square feet wouldn't meet the eligibility requirements of AS 29.45. To be considered deteriorated the building would have to be at least an 8-plex, at least 15 years of age, or a commercial property, he recalled. He explained that the actual amount of money [in terms of waived tipping fees] would depend largely on the size of the property because tipping fees are a function of weight.

[9:35:48 AM](#)

REPRESENTATIVE LYNN, in closing, characterized HB 156 as good public policy, and therefore he requested the committee's favorable consideration.

[9:35:54 AM](#)

CO-CHAIR HERRON, upon determining no one else wished to testify, closed public testimony.

[9:36:03 AM](#)

REPRESENTATIVE KELLER moved to report HB 156 out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, it was so ordered.

[9:36:33 AM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 9:36 a.m.