

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

February 9, 2010

8:07 a.m.

**MEMBERS PRESENT**

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

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

PRESENTATION BY DEPUTY COMMISSIONER CURTIS THAYER~ DEPARTMENT OF  
COMMERCE, COMMUNITY, & ECONOMIC DEVELOPMENT

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

CURTIS THAYER, Deputy Commissioner  
Department of Commerce, Community, & Economic Development  
Anchorage, Alaska

**POSITION STATEMENT:** Provided a presentation of DCCED.

**ACTION NARRATIVE**

[8:07:29 AM](#)

**CO-CHAIR BOB HERRON** called the House Community and Regional Affairs Standing Committee meeting to order at 8:07 a.m. Representatives Munoz, Herron, Cissna, Keller, and Harris were present at the call to order. Representatives Millett and Gardner arrived as the meeting was in progress.

Presentation by Deputy Commissioner Curtis Thayer, Department of  
Commerce, Community, & Economic Development

8:07:58 AM

CO-CHAIR HERRON announced that the only order of business would be a presentation by the new deputy commissioner of Department of Commerce, Community, & Economic Development (DCCED).

8:09:10 AM

CO-CHAIR HERRON related to the committee that Curtis Thayer has been a leader in economic and business development for more than 15 years. Mr. Thayer was born in Anchorage, grew up in Alaska, and graduated from the University of Alaska Fairbanks. He has extensive experience in energy development, including working for Enstar. Mr. Thayer has also spent many years in Washington, D.C., working for the Committee on Resources in the U.S. House of Representatives for U.S. Congressman Don Young. Co-Chair Herron reviewed the various organizations of which Mr. Thayer is a member, including the Resource Development Council and the Alliance. In conclusion, Co-Chair Herron related that Mr. Thayer is a Top 40 Under 40 award winner.

CO-CHAIR HERRON then inquired as to why Mr. Thayer is interested in this job at this particular time.

8:10:28 AM

CURTIS THAYER, Deputy Commissioner, Department of Commerce, Community, & Economic Development, in response to Co-Chair Herron, pointed out that it's a unique time in Alaska, which he characterized as a crossroads. He further offered that he is interest in this position at this time because the commerce and economic development piece of DCCED has been missing for several years. He noted that he had a conversation about that with the governor's office and then was asked if he would be interested in taking a role, which seemed to be a good challenge.

MR. THAYER then paraphrased from the following written statement [original punctuation provided]:

Thank you Representative Herron & Munoz and the Community & Regional Affairs Committee. It is a pleasure to be here today to share our vision for economic development in Alaska.

Governor Parnell and his administration are working to change the direction of state government and to position Alaska for economic growth. He believes that the best thing government can do is foster economic development, is to know when to lend a hand, and know when to simply get out of the way.

I share his belief that the best way to accomplish this is for state government to work toward creating an environment that is conducive to private-sector investment and sustainability. The state plays its most critical role in laying the economic foundations for such an environment by:

- Enhancing transportation systems
- Improving workforce development and training at all levels
- Developing Alaska's energy and other resources
- Removing barriers that inhibit opportunity and growth.

In the Office of Economic Development, we know that jobs are a fundamental part of the quality of life for Alaska families. We also know that to be successful in bringing jobs to Alaskans, the state must create the conditions that make economic growth possible. We do this by reaching out to all stakeholders and letting the private sector do what it does best.

With the assistance of the Legislature, and through meaningful public-private partnerships, we can work together toward the common goal of a prosperous future for ourselves, for our children, and for our grandchildren.

As deputy commissioner of the Department of Commerce, Community, & Economic Development, I have been tasked with, among other duties, overseeing the Office of Economic Development. With my private-sector background and understanding of the business world, I am committed to fostering the kind of robust public-private partnership that will lead to growing and diversifying our economy.

Already, we have compiled a list of more than 70 potential projects, large and small that can help

build the foundation for future growth that will bring sustainable jobs and provide a boost to our economy. Some of these are smaller scale projects that involve tweaking an existing program or adding a new element that will help us toward realizing larger goals.

- Integration and streamlining of regulatory/permitting processes;
- Formalization of a corporate calling program;
- Bringing all [economic development] ED-related loan and grant programs under one authority to help bring attention to them and facilitate their use;
- Establishment of a small business development program
- Expansion of tourism marketing credit program;
- Bringing more attention to Alaska Grown/Made in Alaska programs;
- Hiring a business outreach specialist to interface with [Alaska Industrial Development and Export Authority] AIDEA and the private sector and help government work at the speed of business whenever possible.

These items are but a few of the ways we're breaking down silos and looking for interagency synergies and efficiencies. They will help us aggressively reassert the state's role in creating a business-friendly climate conducive to private-sector investment. The governor has gotten the ball rolling by proposing \$100 million per year for the next five years to address deferred maintenance needs on infrastructure around the state. In addition to the immediate shot in the arm to the construction industry, these infrastructure improvements can pave the way toward responsible, sustainable development that has the capacity to raise real income and improve the quality of life for all Alaskans.

Economic development is neither a destination, nor a checklist of activities. It is an ongoing process requiring constant adjustment and quick responses in an environment that is never static. To help us keep pace, we are in the process of hiring a manager for the Office of Economic Development and have several dynamic candidates willing to take on this position. The new manager will be tasked with working more

closely with AIDEA to promote, develop and advance economic growth and diversification, especially with AIDEA's capacity to provide various means of financing and investment.

Business and community leaders can expect to see and hear more from AIDEA - particularly the two new development officers who are tasked with identifying opportunities and strategizing on financing and technical resources within and outside of AIDEA. We are excited about the synergies here and the opportunities they will bring.

In a free market economy, the government does not do the planning. Citizens should be able to create economic wealth and experience a high quality of life. But the state can, and should, be an active participant in the creation of a long-term vision and economic framework. To that end we are also excited to be doing what we can to advance the Alaska Forward project, a comprehensive economic development strategy for the state being undertaken by the Alaska Partnership for Economic Development.

This is important as we strive for self-sufficiency and a significant reduction in imports to Alaska. In turn, this reduces the leakage of money outside of Alaska. This is a critical piece of the puzzle, since the state's current economic model allows more wealth to leave the state than remains here.

We have great potential in this state. No one doubts this. But we must plan to maximize our potential. We must plan to succeed. And we must invest in our own success. But we must do it with a guiding principle in mind: When Alaska money is spent, it must create opportunity for Alaskans.

Alaska had a great and prosperous run for its first 50 years. Despite our current challenges, Gov. Parnell believes we can make the next 50 years even better. And with your help, we WILL do better. Because the challenges we face today breed the opportunity of tomorrow.

MR. THAYER then noted that the committee should have a chart relating the organization of the department and another chart

that reviews the various aspects of the Division of Economic Development.

8:16:38 AM

CO-CHAIR HERRON recalled an earlier conversation with Mr. Thayer in which Mr. Thayer told him that he was approached by the commissioner and the governor regarding this position. He then inquired as to Mr. Thayer's personal mission statement for the position of deputy commissioner of DCCED.

MR. THAYER expressed hope to have better alignment and direction with the Office of Economic Development (OED) and move it forward. He related his understanding that OED staff hasn't had guidance from [the department heads] or the legislature regarding what to do. Mr. Thayer said that he wants to advance OED to do something meaningful and something that produces a strong work product. In further response to Co-Chair Herron, Mr. Thayer said that OED has good employees. He informed the committee that OED has a budget of \$3.3 million of which a little over \$300,000 is in general funds. The division was tasked with the film office and has one employee for forestry, one employee for fisheries, and three employees for tourism to make economic development in the state work. The aforementioned is a huge task, particularly when one considers that fishing is the state's second largest industry and only one employee is dedicated to it in OED. However, the film office has two employees. Mr. Thayer pointed out that both of the aforementioned are legislatively driven. The aforementioned situation means that OED has to work with other departments to find synergies to promote economic development. He noted that [the department] won't ask for more funds or employees because it wants to determine what it can do with the existing resources and the best ideas from its employees.

8:20:25 AM

CO-CHAIR MUNOZ inquired as to the top priorities of the 70 projects. She further inquired as to which of the priorities can be implemented fairly quickly.

MR. THAYER said that projects that were on the shelf were assembled. He explained that he wanted to share that list with the administration and the legislature to determine the priorities. These projects range from billion dollar projects to small projects. He noted that the department has loan programs that have been on the books for years without

legislative funding. Therefore, there needs to be review of those loan programs to determine if those loan programs remain necessary and if so, to seek funds for those programs. In further response to Co-Chair Munoz, Mr. Thayer said he intends to compile a list of projects to share with both the administration and the legislature in order to determine what can be accomplished. The OED needs a business/action plan for the next few years as well as tools measuring whether the division is succeeding.

[8:22:28 AM](#)

REPRESENTATIVE CISSNA recalled her travels throughout the state where she has discovered communities trying to perform economic development with the available resources. However, these communities aren't able to obtain the investment and bonding that's imperative to provide heat, electricity, and obtain fuel let alone build wealth. She opined that the more important piece to her is the sustainable aspect [of economic development], which would provide a decent quality of life for future generations. She noted that she most recently heard Representative Austerman discuss the aforementioned, and therefore she asked if Mr. Thayer had approached Representative Austerman.

MR. THAYER confirmed that he has spoken with Representative Austerman. In fact, the earlier mentioned board charts include a position for a business development specialist, which Representative Austerman identified as an important position to have in OED. Mr. Thayer informed the committee that the governor's office was approached regarding this need and the position has been filled. There have been other conversations with the governor's office and the commissioner regarding how to restructure OED. He noted that much of what was in the report [provided by Representative Austerman] is being reviewed. He further noted that the economic development models used in other states don't exactly fit Alaska, although pieces of those models can be utilized in Alaska.

[8:25:15 AM](#)

CO-CHAIR HERRON pointed out Mr. Thayer has direct oversight over four divisions and OED. He then asked if Mr. Thayer is performing triage on OED. He further asked if the other four divisions need attention at the same level as OED.

MR. THAYER responded that OED needs the most work because the division lacks a manager. The process to fill this manager position is occurring. With regard to the other four divisions, Mr. Thayer related his belief that three divisions are operating very well. However, he is working with the Division of Corporations, which takes 14-16 weeks to process corporate licenses and biannual reports. In order to better promote economic development, the division is working toward achieving a two-week turn around for processing paperwork. He attributed the lengthy processing time to an employee shortage as well as an outdated computer system that will be replaced.

8:27:10 AM

REPRESENTATIVE HARRIS reviewed the history of DCCED, which was formed by merging the Department of Community & Regional Affairs and the Department of Commerce. He recalled that when DCCED came to fruition there was concern that rural Alaska, both its social and economic interests, would be forgotten. Is that the case, he asked.

MR. THAYER, drawing from his experience in the short time he has been with the department, opined that there is a great emphasis on the community and regional affairs aspect of the department. The weak link has been OED. The regulatory agencies of the Division of Banking & Securities, the Division of Insurance, and the Division of Investments have managed to do very well through the changes of the department. However, the economic development aspect of the department has fallen short. He pointed out that the general fund dedicates \$300,000 for economic development. Therefore, Mr. Thayer opined that the community and regional affairs mission has been successful.

8:30:03 AM

REPRESENTATIVE HARRIS inquired as to what DCCED is doing to facilitate relations with rural Alaska.

MR. THAYER answered that he has focused on the economic development aspect of DCCED because Mike Black, Deputy Commissioner, DCCED, focuses on the community and regional affairs aspect of the department.

REPRESENTATIVE HARRIS expressed concern that most of the natural resources in Alaska are located in rural Alaska while most of the jobs in the state are located in urban Alaska. He opined that it's easy to take for granted those who have to live around

resource development, such as mining, timber, or oil and gas exploration. However, those living in these rural areas have needs and concerns as well. Therefore, Representative Harris emphasized that he wants to ensure that DCCED doesn't neglect those needs. He surmised that DCCED will play an important role in the Pebble Mine, which is the largest display of nonrenewable resource in the state situated by the state's largest display of a renewable resource. He asked if Mr. Thayer can ensure that those living near these resources won't be taken for granted.

MR. THAYER replied yes.

[8:33:04 AM](#)

REPRESENTATIVE CISSNA highlighted the out migration from rural Alaska and the high cost of energy in rural Alaska. She then pointed out that often the [upheaval] in rural communities can be seen in health issues, such as suicide and violence. Since the state obtains its resources from rural Alaska, the state could learn a great deal from those in rural Alaska who have been successful in terms of sustainability.

[8:35:37 AM](#)

MR. THAYER, in response to Representative Gardner, agreed to provide a copy of his notes to the committee.

[8:36:38 AM](#)

REPRESENTATIVE MILLETT inquired as to the direction Alaska Travel Industry Association (ATIA) is heading and whether the legislature can help.

MR. THAYER related that DCCED is in the process of renewing ATIA's grant application. He noted that he has met with Ron Peck, President & Chief Operating Officer, ATIA, regarding how ATIA and DCCED can work together. He then informed the committee of the recently formed trade association, Alaska Act, with the cruise ships in which the suggestion was made for Alaska to participate in Sea Trade, a trade show, in Miami. For the first time, ASMI, Alaska Act, and ATIA are all participating in a Sea Trade. The aforementioned is one example of the state projecting a united voice rather than a segmented voice.

[8:38:37 AM](#)

REPRESENTATIVE MILLETT recalled that the state had a healthy marketing program in the past, and expressed hope that DCCED would continue conversations regarding how the legislature can help with tourism. She then turned to the film office and the tax credits that will be utilized in this industry. She inquired as to how the tax credits will be utilized in Alaska.

MR. THAYER related that the film office has been successful in getting companies interested in Alaska and prequalifying them. However, the film office needs to focus on getting people to actually purchase those credits. There is \$15-\$16 million in potential film credits yet there was less than \$100,000 out in the market. Therefore, the film office is working on its marketing plan for selling film credits in Alaska. The film office is utilizing the program Reel Scout, which can be utilized to identify film locations. Mr. Thayer opined that the film office is looking very good, although some work needs to continue.

[8:41:29 AM](#)

REPRESENTATIVE MILLETT related that when she spoke with producers at CSG, they didn't know Alaska had tax credits. Therefore, she inquired as to how the film office is getting the message out to the industry that Alaska has tax credits.

MR. THAYER reminded the committee that of the \$3.3 million overall budget for economic development, the film office is only one recipient. Therefore, it's a matter of priorities. The film office is participating in a meeting in Los Angeles, California, during which it will have a booth to help market the tax credits. He suggested that perhaps the [department] could work with ATIA and ASMI to utilize synergies between the organizations to market Alaska.

[8:43:23 AM](#)

REPRESENTATIVE HARRIS asked if Mr. Thayer has convinced the governor to attend the cruise ship conference in Miami, Florida.

MR. THAYER related that conversations have been held regarding what the governor and the state can do in promoting tourism in Alaska.

[8:44:15 AM](#)

REPRESENTATIVE HARRIS recalled that some legislators visited the Alaska Aerospace Launch facility in Kodiak. Kodiak, he related, is concerned about the economic viability of that project due to the possible loss of military contracts. He asked if DCCED is working with the aforementioned facility, the federal government, and others to reinstate those contracts.

MR. THAYER answered yes and no. He informed the committee that the commissioner has a position on the board, but noted that he, himself, hadn't yet met with the Alaska Aerospace Development Corporation.

[8:46:18 AM](#)

CO-CHAIR HERRON requested that Mr. Thayer discuss the Office of International Trade.

MR. THAYER related that the Office of International Trade was brought up by Representative Austerman and is in discussion with the governor. At one point, the Office of International Trade was in within the Department of Commerce and later moved to the Office of the Governor. He noted that he has met with the Office of International Trade because it has to be brought in on anything with international aspects. Therefore, there are ongoing conversations regarding the role of the Office of International Trade and where it will be located.

[8:47:03 AM](#)

REPRESENTATIVE CISSNA recalled that Alaska lost its independent traveler when the state outsourced its marketing, although the state gained [more tourists] via cruise ships. She indicated the need to develop travel within the state over the state's various modes of transportation in order to capture both cruise ship tourists and independent tourists.

MR. THAYER pointed out that the aforementioned is part of the action items for the tourism staff within OED. He suggested reviewing where and how much the various tourism entities, such as the Alaska Railroad Corporation and the Alaska Marine Highway System, are spending on marketing in order to review possible synergies with the state's marketing dollars.

[8:49:46 AM](#)

REPRESENTATIVE CISSNA mentioned that there are huge possibilities with regard to eco tourism and historical tourism in Alaska.

[8:50:06 AM](#)

CO-CHAIR HERRON surmised that Mr. Thayer will be making significant suggestions to the governor and the legislature, which will cause changes in regulations. Therefore, he inquired as to how he views the department's changes and strategies and the responsibilities within the regulation review process. He specifically inquired as to how Mr. Thayer foresaw the things he wants to do that don't require a statutory change.

MR. THAYER said the aforementioned is part of the review process. At this point, he stated that he's trying to determine where the various parts of state government rest and what is necessary to make changes. Determining what changes require regulatory or statutory changes is part of the evaluation process, which, upon completion, will be brought before the legislature. He noted that although nothing will occur between now and the end of session, the hope is to have further discussions this summer and fall regarding how to align things.

CO-CHAIR HERRON expressed concern that with regulation review, the cart often precedes the horse

[8:51:53 AM](#)

REPRESENTATIVE KELLER encouraged Mr. Thayer to view the regulation review process as a tool. He then returned to the discussion regarding the Office of International Development and asked if the department sends a representative to the Pacific NorthWest Economic (PNWER) meetings. If not, he suggested doing so because it would be a valuable relationship.

MR. THAYER noted that OED has worked with PNWER, especially regarding the Olympics and related activities.

[8:53:34 AM](#)

CO-CHAIR HERRON inquired as to how Mr. Thayer would see DCCED staff for which he is responsible being deployed in the state.

MR. THAYER informed the committee that the director of the Division of Banking & Securities is now in Anchorage, although the position was once based in Juneau. The Division of

Corporations is based in Juneau and of the division's 82 employees 60 employees are based in Juneau. The staff of the Division of Insurance is split between Juneau & Anchorage. All but four staff of the Division of Investments is located in Juneau. The staff of OED is located in the following four areas of the state: five in Juneau, five in Anchorage, two in Fairbanks, and a person in Tok. He said that he will continue to review the deployment patterns of the department and whether staff is deployed in the best location.

[8:55:19 AM](#)

CO-CHAIR HERRON inquired as to what the staff level should be given the challenges the department faces.

MR. THAYER responded that at this point the staffing levels are adequate, but the analysis will continue to determine whether a shift in staff levels is necessary. He noted that the [OED] received approval to hire a business outreach individual for which it's in the process of reviewing. He then reminded the committee that OED's manager position is open. Beyond that, there is normal staff turnover in the other divisions.

[8:56:06 AM](#)

CO-CHAIR MUNOZ expressed concern that the \$50 head tax has been devastating to small businesses across the board. Therefore, she encouraged the administration to continue to work with the industry to reach a compromise that could be brought forward to the legislature.

[8:57:10 AM](#)

CO-CHAIR HERRON asked if Mr. Thayer believes the support the Alaska Regional Development Organizations (ARDORs) receive is adequate.

MR. THAYER said that he will be meeting with the ARDORs tomorrow, after which he will likely have a better answer. At this point, Mr. Thayer opined that what the ARDORs provide is very important, but he didn't want to say much more until he has met with them.

[8:58:25 AM](#)

CO-CHAIR HERRON mentioned that private sector evaluation of its employees is helpful. He then inquired as to Mr. Thayer's view of performance audits in which employees audit their bosses.

MR. THAYER answered that in the private sector he has participated in performance audits, which he agreed was helpful. Such performance audits are helpful for the supervisor to learn where he/she can improve. However, performance audits may result in a supervisor being held accountable for something that the supervisor is enforcing per directives from his/her boss.

[9:00:02 AM](#)

CO-CHAIR HERRON asked if any of the models reviewed from other states in the December meeting peaked his interest.

MR. THAYER informed the committee that Alaska's financial disclosure requirements would likely result in those best suited for the positions [not to apply]. He further informed the committee that the Alaska Forward Initiative has received \$500,000 from the Denali Commission and the governor has \$100,000 set aside to advance the initiative's work in the next fiscal year. The Alaska Forward Initiative is seeking to put together an overall team/counsel to help guide industry cluster groups. He related his desire for the Alaska Forward Initiative to move forward on the aforementioned rather than the department duplicating the efforts of the Alaska Forward Initiative.

[9:01:33 AM](#)

CO-CHAIR HERRON related his understanding that a draft project would be delivered to Mr. Thayer at the end of the month.

MR. THAYER specified that he hasn't seen the draft project yet.

[9:01:58 AM](#)

CO-CHAIR HERRON asked if the AIDEA needs new powers or tools to support economic development.

MR. THAYER deferred to Ted Leonard, Executive Director, AIDEA, regarding the review and reorganization process AIDEA has undertaken.

[9:02:49 AM](#)

CO-CHAIR HERRON commented that Governor Parnell is running for re-election and his chances for election are excellent. Therefore, he questioned how Mr. Thayer saw himself being able to help the governor in the short-term as well as the long-term.

MR. THAYER said he hasn't had those conversations. He added that economic development is not a partisan issue and thus it shouldn't matter who is governor or not governor because the goal is to move Alaska forward. He said that moving Alaska forward is his mission.

[9:03:21 AM](#)

CO-CHAIR HERRON inquired as to the state's largest challenges in terms of economic development.

MR. THAYER identified the state's largest challenges as the cost and availability of energy. At the very least, stable energy prices are necessary for the state's entire economy, he opined.

[9:04:23 AM](#)

REPRESENTATIVE CISSNA inquired as to Mr. Thayer's view on the development of renewable energy sources.

MR. THAYER answered that where renewable energy can be developed, it should be developed. Kodiak is a good example as it has moved toward renewable energy. Renewable energy options as well as a gasline need to be reviewed. He related to the committee that the second week he was in this position, a third party came forward to construct gas storage tankage in the new port in Anchorage that would serve the airport, the military base, and be a staging base for fuel being sent to rural Alaska. These opportunities have to be reviewed and fostered until it reaches a point at which private industry can take it over.

[9:05:52 AM](#)

REPRESENTATIVE CISSNA acknowledged that Alaska has reviewed what others have done in various industries, which can be useful in industries such as with the oil and gas industry. However, in areas/industries in which Alaska is in the frontier, such as renewable energy, looking to others may not make sense. For renewable energy, Anchorage could become a staging area for oil and gas to be delivered to rural Alaska to maintain rural Alaska's dependence on oil and gas. Or, [the state] could help rural Alaska develop the resources in the area such that the

rural areas could become independent as well as wealthy, which helps the rest of the state as well. The aforementioned isn't the direction the state has taken in the past, rather Alaska has looked to outside entrepreneurs to develop the state's resources and take them out of the state. Representative Cissna emphasized the need to consider Alaska first in all the economic development choices before the state.

MR. THAYER noted that Mr. Haagenson, Alaska Energy Association (AEA), should have a report forthcoming regarding renewable energy resources and the transition from traditional fuels to renewable energy.

[9:08:08 AM](#)

CO-CHAIR MUNOZ announced that she and Co-Chair Herron would like to continue this dialogue with Mr. Thayer. She requested that Mr. Thayer notify her and Co-Chair Herron regarding opportunities in which the committee could help with the list of priorities.

MR. THAYER expressed hope that the list of 70 projects will grow upon review of the possibilities and priorities. He agreed to share the list with the committee.

[9:09:01 AM](#)

REPRESENTATIVE KELLER echoed Co-Chair Munoz's sentiments with regard to encouraging Mr. Thayer to develop a relationship with all the committee members.

[9:09:37 AM](#)

MR. THAYER thanked the committee for its engagement and offered to share information with it. In conclusion, Mr. Thayer reminded the committee that economic development is a long journey not a destination and it requires [the department, legislature, and governor] working together.

[9:11:02 AM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 9:11 a.m.