

ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

February 1, 2011

8:04 a.m.

MEMBERS PRESENT

Representative Cathy Engstrom Munoz, Chair
Representative Neal Foster, Vice Chair
Representative Alan Austerman
Representative Alan Dick
Representative Dan Saddler
Representative Sharon Cissna
Representative Berta Gardner

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 65

"An Act making regional Native housing authorities eligible to receive grants through the Alaska Housing Finance Corporation from the senior citizens housing development fund."

- HEARD & HELD

PRESENTATION: DENALI COMMISSION

- HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 65

SHORT TITLE: SENIOR CITIZEN HOUSING DEV. FUND GRANTS

SPONSOR(S): REPRESENTATIVE(S) EDGMON, HERRON, FOSTER, JOULE

01/18/11	(H)	PREFILE RELEASED 1/7/11
01/18/11	(H)	READ THE FIRST TIME - REFERRALS
01/18/11	(H)	CRA, FIN
02/01/11	(H)	CRA AT 8:00 AM BARNES 124

WITNESS REGISTER

TIM CLARK, Staff
Representative Bryce Edgmon

Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 65 on behalf of Representative Edgmon, sponsor.

MARK ROMICK, Director
Planning Department
Alaska Housing Finance Corporation
Anchorage, Alaska

POSITION STATEMENT: Related AHFC's support for HB 65.

JOEL NEIMEYER, Federal Co-Chair
Denali Commission
Anchorage, Alaska

POSITION STATEMENT: Provided a presentation on the Denali Commission.

ACTION NARRATIVE

[8:04:47 AM](#)

CHAIR CATHY ENGSTROM MUNOZ called the House Community and Regional Affairs Standing Committee meeting to order at 8:04 a.m. Representatives Saddler, Foster, Gardner, and Munoz were present at the call to order. Representatives Austerman, Cissna, and Dick arrived as the meeting was in progress.

HB 65-SENIOR CITIZEN HOUSING DEV. FUND GRANTS

[8:05:05 AM](#)

CHAIR MUNOZ announced that the first order of business would be HOUSE BILL NO. 65, "An Act making regional Native housing authorities eligible to receive grants through the Alaska Housing Finance Corporation from the senior citizens housing development fund."

[8:05:26 AM](#)

TIM CLARK, Staff, Representative Bryce Edgmon, Alaska State Legislature, characterized HB 65 as simple legislation that would benefit seniors throughout Alaska by including regional housing authorities among the entities eligible for grants through the Alaska Housing Finance Corporation's (AHFC) Senior Citizens Housing Development Fund (SCHDF). Currently, the fund is open to municipalities, 501(c)(3) and 501(c)(4) nonprofits.

He noted that the nonprofit status is based on a fairly strict Internal Revenue Service (IRS) definition. He further noted that some regional housing authorities have went to the considerable effort to qualify as nonprofits under the IRS definition. Mr. Clark then informed the committee that Alaska has 14 regional housing authorities, which he characterized as some of the most experienced and affordable housing developers in the state. He told the committee that AHFC supports HB 65, which has a zero fiscal note as the fund is already funded at \$4.5 million in the governor's proposed budget. The legislation won't have any impact on costs, but will allow fund managers to more effectively allocate the available funds.

8:10:12 AM

REPRESENTATIVE SADDLER inquired as to how much more money will be available to the regional housing authorities with this change.

MR. CLARK said that in terms of the projects funded, usually funds from the SCHDF are just one piece of the collection of funding from various sources. He pointed out that the committee packet includes three examples of SCHDF projects, all of which demonstrate a fairly diverse collection of funding sources. For one project the total development cost was \$5.1 million of which SCHDF provided about 20 percent of the funds. For another project the total costs were \$2.3 million of which SCHDF provided about 50 percent of the funds. In yet another project the total development costs were \$2.4 million of which SCHDF provided about 16 percent of the funds.

8:12:06 AM

CHAIR MUNOZ inquired as to the balance of the fund.

MR. CLARK related his understanding that AHFC tries to exhaust SCHDF's resources annually. In further response to Chair Munoz, Mr. Clark said the fund has been in the \$4.5 million range over the last few years. Returning to the examples of projects he spoke of earlier, Mr. Clark informed the committee that the first example was a retirement community in Fairbanks with 20 units, which he characterized as one of the most ambitious projects of the three he highlighted. The second project, located in Houston, is six units with a cost of \$2.3 million. The third project he highlighted earlier is located in Togiak and is also a six-unit project with a cost of \$2.4 million.

8:14:30 AM

CHAIR MUNOZ related her understanding that the SCHDF is traditionally viewed as gap financing.

MR. CLARK answered that's his understanding as well. According to officials associated with housing authorities, their funding for even a single project is diverse, including funds from the U.S. Department of Housing and Urban Development, AHFC, the Denali Commission, as well as the U.S. Department of Agriculture and Rural Development.

8:15:33 AM

CHAIR MUNOZ asked if the fund has historically been able to meet the requests submitted.

MR. CLARK related his understanding that at times grant applicants have been turned away. However, the number of applicants turned away in a given year versus those applicants that are awarded a grant is not a great proportion. He related his further understanding that AHFC has discussed this legislation as allowing AHFC to be more effective in the allocation of these funds. Therefore, it's possible, he conjectured, that a larger number of worthy projects are being funded, but at a slightly lower amount for each project.

8:16:56 AM

REPRESENTATIVE FOSTER asked if a particular regional housing authority identified the need to fill a gap.

MR. CLARK opined that there's always a need for more senior housing since seniors are the fastest growing segment of Alaska's population. Furthermore, he recalled that the goal of this legislation is among the priorities of the statewide association of housing authorities. The legislation was specifically brought to Representative Edgmon by the Aleutian Housing Authority.

8:18:18 AM

REPRESENTATIVE FOSTER asked if the regional housing authorities are providing feedback specifying that there are projects in the coming years. He clarified that he's trying to obtain a sense of the demand for this funding.

MR. CLARK conjectured that there won't be a dramatic increase in pressure on the fund, but he noted that around the state senior projects are being hoped for and planned.

[8:19:20 AM](#)

REPRESENTATIVE SADDLER inquired as to whom the 501(c)(3) and 501(c)(4) nonprofits are and how they feel about this proposed increase in competition for the grant funds.

MR. CLARK related his understanding that AHFC didn't anticipate any problems. He pointed out that the applicants in the past have totaled two to nine.

[8:20:53 AM](#)

REPRESENTATIVE GARDNER asked if the sponsor anticipates that with passage of HB 65 different groups will participate or will those existing nonprofits have easier access.

MR. CLARK informed the committee that only a handful of the 14 housing corporations have managed to acquire 501(c)(3) or 501(c)(4) nonprofit status. Therefore, HB 65 will save the other housing authorities from having to acquire 501(c)(3) or 501(c)(4) nonprofit status, which he predicted will greatly increase the number of qualifying housing authorities.

[8:22:12 AM](#)

REPRESENTATIVE SADDLER inquired as to what organizations will be in line to apply for these funds.

MR. CLARK explained that the regional housing authorities in the state are Native housing authorities, many of which are administered through the area's Native associations. However, he pointed out that the Native association's work as housing authorities are open to anyone in need.

REPRESENTATIVE SADDLER asked if there are other entities that will want to utilize this opening to SCHDF grants.

MR. CLARK opined that since the regional housing authorities are so closely identified with the regional Native entities, this legislation would take care of that desire.

[8:23:38 AM](#)

REPRESENTATIVE AUSTERMAN turned the committee's attention to the zero fiscal note and asked if this proposal will eat into AHFC's dividend that it pays to the state each year.

MR. CLARK related that AHFC doesn't believe there will be any additional cost to the state. With or without HB 65, SCHDF has been included in the governor's proposed budget in an appropriation of \$4.5 million.

[8:25:07 AM](#)

MARK ROMICK, Director, Planning Department, Alaska Housing Finance Corporation, related that AHFC supports HB 65.

[8:25:33 AM](#)

REPRESENTATIVE CISSNA remarked that after visiting so many communities and seeing senior housing, she is reminded of the need for studies in order to discover what exactly is needed in terms of senior housing. She asked if there have been such housing studies.

MR. CLARK noted that the grant process for the SCHDF is quite rigorous and includes the showing of a demonstrated need, feasibility of the project, and sustainability of the project once it's built.

REPRESENTATIVE CISSNA inquired as to the meaning of sustainability.

[8:29:13 AM](#)

MR. ROMICK answered that for AHFC sustainability includes operating expenses, particularly utilities. Therefore, AHFC requires all property in which it's involved to meet the state's thermal standards for energy efficiency. The AHFC encourages meeting the highest level of energy efficiency palpable with the existing energy efficient rating system. The corporation also encourages exploration of alternative heating systems rather than traditional oil systems. Mr. Romick said that energy efficiency and reduction of operating expenses through the heating system or use of long-term maintenance free materials and using very energy efficient construction is an important part of the program, as well as the use of energy efficient appliances.

[8:31:20 AM](#)

REPRESENTATIVE CISSNA suggested that it would be great to more closely review the rating speculations in terms of meeting the needs that exist.

CHAIR MUNOZ said she would be happy to hear that topic at another hearing.

[8:32:23 AM](#)

REPRESENTATIVE SADDLER directed the committee's attention to the letter from the Bristol Bay Housing Authority (BBHA) which references an attorney general's opinion stating that the regional housing authorities weren't eligible to use these grants. He requested that Mr. Clark speak about that.

MR. CLARK explained that the opinion refers to the 501(c)(3) and 501(c)(4) status demanded by the IRS. Because the regional housing authorities are nonprofits and operate similar to a 501(c) nonprofit, there was confusion regarding whether those entities were already eligible for the grant fund. Therefore, the attorney general's opinion was to clarify that matter. When it was definitively determined that the regional housing authorities weren't eligible unless they became 501(c)(3) or 501(c)(4) status, this legislation was pursued.

[8:33:58 AM](#)

REPRESENTATIVE FOSTER pointed out that HB 65 has the support of AHFC as well as many regional housing authorities. He then expressed interest in the number of senior citizens HB 65 would benefit. To that end, he used the first project as an example and extrapolated numbers to determine that 80 seniors would benefit.

[8:35:17 AM](#)

CHAIR MUNOZ announced that HB 65 would be held over.

Presentation: Denali Commission

[8:35:37 AM](#)

CHAIR MUNOZ announced that the final order of business before the committee is a presentation of the Denali Commission.

[8:37:10 AM](#)

JOEL NEIMEYER, Federal Co-Chair, Denali Commission, began by informing the committee that it's his second year serving and thus he has been on the board for a year. He related his work background, which included a five-year stint with the Denali Commission that started in June 1999. He then informed the committee that the Denali Commission is based on the regional commission model, the first of which was the Appalachian Regional Commission. A couple years after the Denali Commission formed, the Delta Regional Authority was established. He noted that there are three other commissions. Mr. Neimeyer highlighted that the Denali Commission is an independent federal agency with ties to the U.S. Department of Commerce. He explained that with the Denali Commission Act of 1998 Congress entrusted seven Alaskans to determine where the funds are used. The aforementioned act set forth the following general governing principles: small staff; limited overhead costs; numerous program partners; shared resources, common vision; transparency; and decisions made in Alaska. The slide with the pie chart entitled "FY99-FY10 Denali Commission Program Funding Uses" illustrates that since inception the Denali Commission has funneled over \$1 billion to 2,100 projects. The pie chart further illustrates that the main area of service is for energy, which is predominantly for bulk fuel storage tanks and rural power upgrade systems. He noted that although the Denali Commission continues to do a lot of work with bulk fuel, it has expanded to include power generation. In fact, recently the Denali Commission has worked in partnership with the state on an emerging energy technology program. The pie chart also illustrates that the Denali Commission spends about \$300 million on health facilities. He explained that early on it was decided that rather than base the program [for construction of health facilities] on cost it would be based on minimum need. Ultimately, 47 different stakeholders from throughout the state were brought together over the course of 10 months to discuss the role of the Denali Commission and how it may have a positive impact on the delivery of primary care in rural Alaska. The result was a matrix by which the size and square footage of a clinic was based on the population and isolation factor of a community. Mr. Neimeyer moved on to the slide with the graph entitled "Denali Commission Funding Sources FY99-FY10" which illustrates the decline in funding that started in 2007. The next slide has a map of the U.S and the coverage of the various commissions. The map also illustrates that the other commissions touch many other states and thus they have many representatives speaking on their behalf in Washington, D.C. In

contrast, the Denali Commission has the least number of representatives speaking on its behalf in Washington, D.C.

[8:45:24 AM](#)

MR. NEIMEYER referred to the slide entitled "Partners" that lists some of the partners of the Denali Commission. He highlighted that the Denali Commission partners with the federal government, the state, and nonprofits depending upon whomever it's best with which to work in the community and provide the service. He said that the next slide entitled "Partnerships Make it Happen" illustrates the partnership between the state and the Denali Commission. Of the almost 900 Denali Commission projects funded over the course of 2006-2010, the Denali Commission had \$478 million of funds available, the state provided \$106 million to those specific projects and the Denali Commission leveraged funding in the amount of \$461 million. The aforementioned illustrates the state's direct funding partnership with the Denali Commission, but more significantly is that the state provides project management for a significant number of the projects.

[8:46:53 AM](#)

REPRESENTATIVE GARDNER recalled that when the Denali Commission sought additional state assistance in 2004, there were some who purported that the Denali Commission is a federal program and didn't need state funding. She asked if that's accurate.

MR. NEIMEYER stated that the Denali Commission's relationship with the state existed from the beginning. Mr. Neimeyer said that he has heard comments similar to those Representative Gardner heard and acknowledged that the original act didn't have a cost share match requirement. However, a couple years later with the health program, a cost share match requirement was established.

[8:49:10 AM](#)

REPRESENTATIVE GARDNER then asked if the \$4:\$1 match specified on the slide entitled "Collaborative Programming" has changed. She also asked if the other commissions have comparable state participation.

[8:49:43 AM](#)

MR. NEIMEYER highlighted that of the \$2.4 million the State of Alaska provided to the Denali Commission, \$106 million went directly to projects. He then turned attention to the \$300 million the legislature provided for weatherization across the state. The Denali Commission provided \$1 million for training, most of which went to the housing authorities and were mainly used to train their crews so that they could be more efficient with state funds. Although the credit for the aforementioned improvements belongs to the state, the Denali Commission's small investment likely allowed the \$300 million to go further. The aforementioned illustrates the collaborative programming and how the Denali Commission, in this time of declining appropriations, can be more effective with the state and other program partners. In further response to Representative Gardner, Mr. Neimeyer confirmed that the other commissions are similar to the Denali Commission. However, the other commissions have legislation that specifies the states are to contribute funds that cover half of the administration of the commission. Furthermore, the other commissions have a required cost share match, which is generally 50 percent. Mr. Neimeyer pointed out that in other states, the other regional commissions can use their funds to match other federal funds. The aforementioned has resulted in [the states using the commission's funds as matching funds] in order to help extend [state] projects by [the state] not having to put forth the match.

[8:53:12 AM](#)

MR. NEIMEYER moved on to the slide entitled "Denali Commission Programs" which lists the following programs: energy program, health facilities program, transportation program, training program, and government coordination. He remarked that the government coordination is the magic of the Denali Commission. He then continued with a review of the energy program, which includes windmill turbines that reduce the demand for oil for power generation. However, the use of windmill turbines doesn't reduce the size of the generation plants that are required. He noted that bulk fuel farms remain a significant portion of what the Denali Commission does within the energy program. With regard to the health program, he specified that [the projects] are predominantly primary care clinics, although some work is with rural hospitals. The newest major program of the Denali Commission is its transportation program, which consists of surface roads and waterfront ports and harbors. He related his observation that waterfront ports and harbors is an area in which the state can collaborate with many stakeholders and deliver a message to Washington, D.C.; the need seems to be

great in that area. Although there seems to be robust programming for surface roads, there isn't as much programming for waterfront ports and harbors. He then pointed out that the Denali Commission's training program is a very important component. The Denali Commission aims to train those in rural settings to be able to work in the Denali Commission projects.

[8:55:26 AM](#)

MR. NEIMEYER then thanked the legislature for approving the \$3 million the governor placed in the administration's budget a couple of years ago. The approval of the funds brought to light that the Denali Commission doesn't have the legal authority to accept those funds. Of the \$3 million, about half will go toward energy projects while the other half will go toward transportation projects. For the transportation program there is a transportation advisory committee that reviews projects. This year there were 41 waterfront projects and 31 road projects. The transportation advisory committee met and ranked the 41 waterfront projects. Since the committee didn't have enough time to score the surface road projects, that will be completed in the first week of March. He stated that there will be a need for an additional cost share match in the transportation program.

[8:56:47 AM](#)

MR. NEIMEYER informed the committee that the Denali Commission's health program no longer receives behavioral health funding. However, since there are some leftover behavioral health funds, the Denali Commission is proposing a suite of four behavioral health projects. He clarified that part of this request to the legislature is re-tweaking existing state funds. Therefore, although there will be no new funds requested, there will be action requested of the legislature. Mr. Neimeyer related that in the federal fiscal year 2011 budget there is proposed legislation that would impact the Denali Commission's energy program.

[8:57:50 AM](#)

REPRESENTATIVE GARDNER related her understanding that in St. Paul wind turbines funded by the federal government have never been used because of disputes between the corporation and the local government that owns the utilities. She said she wasn't sure whether the Denali Commission is involved or not.

MR. NEIMEYER said that he didn't know the story, but would find out and forward any information to Representative Gardner.

[8:58:42 AM](#)

MR. NEIMEYER, referring to the slide entitled "State \$3 Million Partnership Grant," informed the committee that the seven proposed power generation projects listed had been funded by the Denali Commission and the state. However, to reach completion the projects needed additional funds and thus \$1.6 million will go to those seven proposed power generation projects. During the December meeting of the commissioners [of the Denali Commission], it was determined that these should be moved to construction ready projects. Therefore, the seven proposed power generation projects should be in construction this summer.

[8:59:24 AM](#)

REPRESENTATIVE FOSTER asked if those projects are all wind farms.

MR. NEIMEYER responded no, clarifying that most of them are power generation projects. Upon reviewing the list of seven communities, he said he didn't believe those communities have the sort of wind regime that would allow for wind turbines. He confirmed that the projects are primarily diesel based, that is diesel generators fired with oil.

[8:59:52 AM](#)

REPRESENTATIVE CISSNA related her observation that in many of the communities she has recently visited, diesel power generation is bankrupting communities. Moreover, many of these communities are losing their populations quickly and often the folks who could operate [the power generation projects] such as wind turbines leave. The result, she indicated, is people with little knowledge of the systems trying to run them. She indicated the need for the definition of sustainability to include systems for which there are knowledgeable operators. Although she praised the Denali Commission for some of its work with health programs, rural communities often end up with impressive health facilities that are better than many in urban centers and yet the community housing is substandard.

[9:04:08 AM](#)

REPRESENTATIVE FOSTER opined that the Denali Commission is a great program for all Alaskans. He then expressed pleasure in seeing infrastructure being built and local people being trained and put to work.

[9:04:44 AM](#)

MR. NEIMEYER related that with regard to the \$3 million match, the commissioners met in December and determined to use the funds for projects that are "good to go." On the transportation side, the mooring projects were viewed as a good opportunity. He pointed out that the slide entitled "State \$3 Million Partnership Grant" specifies the 17 communities in which there are mooring projects. Although he didn't believe there is enough funding to do all 17 mooring projects, the Denali Commission will strive to do as many as possible. The mooring projects are based on a Corps of Engineers study. He explained that the Denali Commission does a survey of the infrastructure needs or deficiencies after which solutions and strategies are developed. Referring to the slide entitled "Chevak Mooring", he explained the need for these moorings, in terms of safety and efficiency for all, as well as the construction of the moorings. Mr. Neimeyer then referred to the slide entitled "FFY 11 Transportation Program" and related that the Transportation Advisory Committee wanted to commit the \$3.9 million and the \$12.4 million to waterfront projects. He explained that there's enough funding in place with the \$3 million match. The Denali Commission has \$14.2 million available for roads, but at least a \$500,000 match will be required. The funding the Denali Commission receives from the Federal Highway [Administration] has a 9 percent [match] requirement for roads and the funding from the Federal Transit Authority for ports and harbors has a 20 percent [match] requirement.

[9:08:17 AM](#)

REPRESENTATIVE AUSTERMAN asked if the matching would come into play in a case in which the state invests in other waterfront projects but can't cover the entire cost or is it based on other criteria. He noted that there is also a ports and harbors fund within the Department of Transportation & Public Facilities (DOT&PF) that the state should place more funds. If the state were to place more funds in [the ports and harbors fund] would those funds be eligible for a match from the Denali Commission.

MR. NEIMEYER said that the Denali Commission has two kinds of approaches. He clarified that there are those in which the

state is the predominant funder and the state comes in with \$1 million. The Transportation Advisory Committee has tried to limit most of the transportation projects the Denali Commission funds to \$1 million. The reason is that if the Denali Commission funded some of the larger projects, very few communities would enjoy these projects. Therefore, often Denali Commission is the last funder on many of the major ports and harbors projects the state funds. The Denali Commission is also involved in smaller projects which can easily be achieved with \$1 million or less, in which case the Denali Commission is the primary funder. He noted that routinely much of the funds for those come from the local communities, although some applicants don't have the cost share match which is how the Denali Commission uses the state funds. In further response to Representative Austerman, Mr. Neimeyer informed the committee that the Denali Commission has had conversations with DOT&PF specifically about the ports and harbors program in order to determine how the Denali Commission can better utilize its mutual resources. He said he expected something to be in place within the next year.

REPRESENTATIVE AUSTERMAN noted that the [legislature] is having conversations regarding how to build up the [ports and harbors] fund in order to make such projects more viable and position the communities such that they can approach the Denali Commission.

MR. NEIMEYER interjected that the Denali Commission can offer and has offered pre-construction funding to prepare a project. He related his view that such would be a continued function of the Denali Commission.

[9:12:01 AM](#)

REPRESENTATIVE DICK stated that he has lived on the Western side of the Alaska Range for 44 years and has seen some huge benefits from various programs that have reached the area. However, there are some programs that prove to be bewildering. For instance, he recalled a village that received \$250,000 for roads, although no one in the village owned a car or a truck. In fact, there were only four four-wheelers of which only two were running. He clarified that he isn't saying those funds came from the Denali Commission. He further clarified that he is in favor of seeing funds go to villages to help sustain them, but situations such as the aforementioned are bewildering. He offered another example in which a village has solar panels that have never produced any electricity for the village, which continues to run diesel generators. He expressed the need for

these projects to have a connection with reality. Representative Dick offered himself as a resource to the Denali Commission in curbing the rural out migration in a manner that makes sense in the smaller communities.

[9:14:06 AM](#)

MR. NEIMEYER, returning to his presentation, directed attention to the slide entitled "Health Program and State Legislative Changes." He explained that there are two pieces of legislation that will require cost share matching. Therefore, the Denali Commission is proposing using the balance of its behavioral health funding to complete the following four projects: Yukon-Kuskokwim Elder Assisted Living Facility, Tundra Women's Coalition, Nugen's Ranch, and Seed of Change.

[9:15:07 AM](#)

REPRESENTATIVE GARDNER suggested that Nugen's Ranch is an example of what Representative Dick was discussing. Upon reviewing Nugen's Ranch's annual report to the legislature, Representative Gardner has come to understand that 50 people started the program and 40 completed the program. There is a follow up of the 40 who completed the program. She recalled that the follow up was only six months after completion of the program, which she believed to be inadequate in terms of determining whether those people remained sober. Furthermore, the report indicates that the program spoke with friends and family members of 16 of the 20 people the program lost track of in order to determine whether the individual remained sober. The program is reporting that it has a 72 percent success rate. Representative Gardner charged that the success rate for the Nugen's Ranch program is nowhere near 72 percent and a one-year follow up seems standard. Therefore, she didn't believe the success rate they purport is real.

MR. NEIMEYER offered to research the matter and get back to her.

[9:17:09 AM](#)

MR. NEIMEYER mentioned that the Denali Commission is working with Karen Rehfeld, Director, Office of Management & Budget, Office of the Governor, on the suite of four behavioral health projects.

[9:17:28 AM](#)

REPRESENTATIVE SADDLER asked if the behavioral health money that is going to be lost is Alaska Mental Health Trust Authority funds or general funds (GF). He also asked why the funds are going away.

MR. NEIMEYER clarified that it's Denali Commission funding. He explained that when the Denali Commission received \$30-\$40 million annually from the U.S. Department of Health & Human Services it would fund a broad array of projects. As that federal funding has declined, the Health Steering Committee and the commissioners determined that most of those remaining funds should be used for primary care.

[9:18:51 AM](#)

REPRESENTATIVE CISSNA remarked that one of the problems is that in Alaska the issues vary across the state as does the location in which the issues arise. With regard to spending funds on drug abuse, suicide, and other such issues, the Denali Commission has spent funds on those problems. She then expressed the need to study and develop science and evidence-based standards that "fit." She further expressed the need to develop standards to judge the recovery of all the different programs as well as to ensure that the funds are well spent.

[9:20:42 AM](#)

MR. NEIMEYER, referring to the slide entitled "Energy Program & proposed Federal Cost Share Requirements," informed the committee that the federal fiscal year 2011 president's budget proposes a cost share match requirement from the Denali Commission's base budget, which is expected to be \$12 million. Of that \$12 million, the [president's budget includes] a requirement for a 20 percent cost share match for economically distressed communities and a 50 percent cost share match for non-distressed communities. There is also legislation in Congress that includes such cost share language. Therefore, he indicated that the cost share language is likely to come forward in some fashion. The cost share requirement is largely being done to make the Denali Commission look more like the other regional organizations that have a very prescribed cost share match. Mr. Neimeyer estimated the amount of the match needed will range from \$4.5 million to \$15 million.

[9:22:58 AM](#)

REPRESENTATIVE DICK asked if those projects in which there is cost sharing the state would have some oversight of the project.

MR. NEIMEYER replied yes, and characterized it as routine. Furthermore, the collaborative entities would receive common reports and analysis to ensure that the work is completed on time, on schedule and within the budget and scope of the project.

[9:23:44 AM](#)

REPRESENTATIVE GARDNER asked if the cost share match is to come from the state or the community.

MR. NEIMEYER explained that this year the cost share match will come through the community. However, if through the continuing resolution process a match is required, he suspected that in time the sophisticated communities that have been identified for funding Denali Commission projects will come to the legislature.

REPRESENTATIVE GARDNER surmised then that the federal requirement of matching isn't like when one takes out a mortgage and has to have a certain amount of money that can't be borrowed. "The idea is that you personally have an investment in what's happening and if they're requiring a cost share, it's not just a funding mechanism but also to have a local investment," she said.

MR. NEIMEYER replied yes.

[9:25:19 AM](#)

MR. NEIMEYER continued by pointing out that government coordination is another program. He explained that government coordination is all the interaction between the different agencies and stakeholders and communities. He then informed the committee that prior to taking his current position last January he was notified that [Alaska's congressional] delegation was interested in the Denali Commission taking the lead on "sustainable rural communities." The question posed was: "How can federal services, programs, and projects be delivered to rural Alaska more efficiently?" The discussion then isn't about the price of fuel but rather is about the Denali Commission's regulations and policies in the federal agencies that create barriers. Upon starting this conversation, it became apparent that the federal agencies wanted to have this conversation. Therefore, the Denali Commission produced a report in July in

which the federal agencies identified barriers. The report was put out for public comment and those comments have been received, and the process to develop a supplemental report has begun. Mr. Neimeyer, referring to the slide entitled "Findings," pointed out that the federal agencies felt it's important to have a lead agency, focus on community, solutions in partnership at the federal level, and a regional approach. He mentioned that the supplemental report should be out in the next couple of months. In conclusion, Mr. Neimeyer informed the committee that the Denali Commission will be holding listening sessions during which Alaskans can provide input regarding what the Denali Commission is doing right, what is it not doing, and how can it improve.

[9:30:06 AM](#)

REPRESENTATIVE CISSNA asked if in-kind efforts are included in funding sources.

MR. NEIMEYER answered that in-kind efforts are acceptable to some degree. Drawing from his 26 years putting rural projects on the ground, Mr. Neimeyer said that in-kind contributions can easily be gamed. For instance, a community makes a commitment to allow equipment to be used for a project, but when it actually comes time for the project to use the equipment, the equipment is being used elsewhere. Therefore, back in 1998/1999 the agency determined that it wanted easily measurable and quantifiable in-kind contributions such as land and gravel rather than labor.

REPRESENTATIVE CISSNA asked if any of the listening sessions will use video conferencing.

MR. NEIMEYER responded no. The Denali Commission will send letters with the commission's annual work plan asking for written comments for the communities. He noted that the meetings in Nome and Bethel are being staged in coordination with other organizations holding meetings in the area.

[9:33:51 AM](#)

REPRESENTATIVE AUSTERMAN inquired as to the portion of the total energy budget of the Denali Commission that is spent on alternative energy versus hydrocarbons [in villages]. He expressed hope that the alternative energy portion of the Denali Commission's budget would be increasing while the hydrocarbon portion would be decreasing.

MR. NEIMEYER informed the committee that last year the Denali Commission funded a little over \$3 million for emerging energy technology and this year \$2.4 million in funding is being proposed for consideration. Although the portfolio of typical power projects includes wind and hydro kinetic energy, the main portion is the core electrical infrastructure. He emphasized that without a state-of-the-art electrical facility, any other alternative energy improvements won't work well. He noted that the state has put forth much effort in the alternative arena.

REPRESENTATIVE AUSTERMAN noticed that one of the Denali Commission's partners is the Alaska Village Electric Cooperative, Inc. (AVEC). Drawing from his knowledge of AVEC a few years ago, he recalled that AVEC didn't seem to be a very efficient operation in that different equipment would be used in different communities, which required different parts and maintenance knowledge and procedures. He asked if that has changed.

MR. NEIMEYER characterized AVEC as a wonderful partner. In the very beginning, AVEC committed to provide a 10 percent cost share match to each project with regard to local involvement and ownership of the project. With regard to the specific concerns, Mr. Neimeyer related his supposition that what Representative Austerman discussed may be a legacy of AVEC allowing a community to join with its existing technology, which would've been developed under a different regime. Still, he offered to report back to the committee on the matter.

[9:38:14 AM](#)

REPRESENTATIVE AUSTERMAN related that he has watched the Denali Commission for some time and is appreciative of its efforts within the state. In fact, the Denali Commission's sustainability model is one that the state should follow. With regard to the decline in federal funding and the need for the state to stand up, he suggested that the Denali Commission will need support from the legislature for the state to stand up. Therefore, he encouraged better connection between the Denali Commission and the legislature.

[9:40:04 AM](#)

REPRESENTATIVE SADDLER inquired as to the next stage of the Denali Commission, which may be the end stage as future funding seems to be declining.

MR. NEIMEYER acknowledged that federal funds are declining and will likely continue to decline. He opined that the key to the Denali Commission's success in the future is its transportation program, if it remains robust and viable. He remarked that there's a certain dollar figure that folks will pay attention to, but he wasn't sure what that amount is.

[9:42:09 AM](#)

REPRESENTATIVE SADDLER related his understanding [from the chart entitled "Denali Commission Funding Sources FY99-FY10"] that the Environmental Protection Agency's (EPA) funding is increasing and inquired as to what it's funding.

MR. NEIMEYER informed the committee that the EPA funding is no longer available. He explained that the graph illustrates the various legislative platforms that have provided funding to the Denali Commission. In further response to Representative Saddler, Mr. Neimeyer stated that the more that can be done with waterfront ports and harbors, the better. Still, if the Denali Commission has a transportation program, it will address both surface and water transportation projects.

[9:43:52 AM](#)

CHAIR MUNOZ asked if there would be a listening session in Southeast.

MR. NEIMEYER related that the Denali Commission sent out requests to regional players' to host a listening session, but has yet to hear from anyone in Southeast.

[9:44:17 AM](#)

REPRESENTATIVE CISSNA inquired as to how many communities in Alaska have waterfronts.

MR. NEIMEYER conjectured that 90 to 95 percent of communities in Alaska have waterfronts.

[9:45:22 AM](#)

CHAIR MUNOZ thanked Mr. Neimeyer for his presentation.

[9:46:34 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 9:46 a.m.