

**ALASKA STATE LEGISLATURE
HOUSE TRANSPORTATION STANDING COMMITTEE**

March 31, 2011
1:06 p.m.

MEMBERS PRESENT

Representative Peggy Wilson, Chair
Representative Lance Pruitt, Vice Chair
Representative Eric Feige
Representative Cathy Engstrom Munoz
Representative Max Gruenberg
Representative Pete Petersen

MEMBERS ABSENT

Representative Craig Johnson

COMMITTEE CALENDAR

PRESENTATION BY THE DENALI COMMISSION

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

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

POSITION STATEMENT: Presented a PowerPoint on the Denali Commission's Transportation Program.

CHUCK POOL, Member
Transportation Advisory Committee
Denali Commission
Ketchikan, Alaska

POSITION STATEMENT: Presented a PowerPoint overview of the Denali Commission.

ACTION NARRATIVE

[1:06:13 PM](#)

CHAIR PEGGY WILSON called the House Transportation Standing Committee meeting to order at 1:06 p.m. Representatives Wilson,

Munoz, Feige, and Petersen were present at the call to order. Representatives Pruitt and Gruenberg arrived as the meeting was in progress.

Presentation by the Denali Commission

Presentation by the Denali Commission

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CHAIR P. WILSON announced that the only order of business would be a presentation by the Denali Commission.

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JOEL NEIMEYER, Federal Co-Chair, Denali Commission, introduced himself.

CHUCK POOL, Member, Transportation Advisory Committee, Denali Commission, introduced himself.

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MR. NEIMEYER reported that the Denali Commission's Transportation Program is managed by Tessa DeLong of Ketchikan, and is supported by a longstanding contractor, Mike McKinnon of Juneau, and program assistant Adison Smith of Ketchikan, who have provided project and program support.

MR. NEIMEYER referred to a photo of Kongiganak, which illustrates a good indication of the types of projects the Denali Commission funds [slide 1]. Along the river's edge, the Kongiganak Barge Landing Facility highlights the type of waterfront project the Denali Commission funds. Most of the community projects are situated along the water as a conduit for commerce. The Denali Commission has also funded road projects within the Kongiganak community. The airstrip in the background is not part of the Denali Commission's Transportation program since the airstrips are under the Federal Aviation Administration's (FAA) jurisdiction or are state operated airstrips. He recapped that the Denali Commission's engagements in rural Alaska projects are waterfront and road projects.

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MR. NEIMEYER related the three different types of regional commissions [slide 2]. The "grandfather" regional commission is the Appalachian Regional Commission, which has been in existence since 1965 and consists of 13 states. The Denali Commission

represents only one state, whereas the Delta Region Authority represents five states. These regions are highlighted on the slide since they represent the most active and functioning regional commissions within government. The regional commission model is a model the government has which focuses on a particular geographic area, generally because of low-income or poverty. Of the six regional commissions in the Lower 48, only two are really active. The other four have the authority but have not yet received any funding [slide 3].

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MR. NEIMEYER stated that the Denali Commission Act of 1998 was the late U.S. Senator Ted Steven's vision. Since its inception the Denali Commission has funded nearly 2,000 projects for a total cost of \$1 billion. The agency is an independent quasi federal-state agency. About 40 percent of the Denali Commission's work is managed by the SOA. The SOA has brought in leverage funding to some projects. The Denali Commission employs certain, specific principles including that it maintains a small staff and uses existing programs to run projects. Instead of building up an administrative infrastructure for itself, the Denali Commission relies on and uses existing infrastructure such as the Department of Transportation & Public Facilities' (DOT&PF) engineers. Thus, as funding ebbs and flows, the Denali Commission should not be in the position of wondering what to do with its staff.

MR. NEIMEYER related one key thing about the Denali Commission is that the decisions on projects are made in Alaska. Of the seven commissioners, six commissioners are non-federal and one is federal. The Congress has decided that Alaskans will decide how to spend these funds, he said. Therefore, while the Congress appropriated \$100 million it did not specify how the funds should be spent, such as to construct the Kongiganak Barge Landing Facility. Alaskans decided which project to fund and chose to construct the Kongiganak Barge Landing Facility. He offered his belief that this is the "magic" of the commission. The model works in two streams: one stream is the commissioners, who address all things non-transportation. The Denali Commission Act provides another body, the advisory committees, such as the Transportation Advisory Committee, which provides advice, guidance, and recommendations on transportation projects. He recapped that the two bodies work in conjunction with one another [slide 4].

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MR. NEIMEYER pointed out the chart shows that in FY 05 the Denali Commission rose to \$140 million although funding has since declined. In FY 10, the Denali Commission's funding was nearly \$60 million. While the funding for FY 11 is still uncertain, he anticipated \$40 million would be appropriated [slide 5].

MR. NEIMEYER discussed the Denali Commission's active programs [slide 6]. He highlighted that its Transportation Program came from an amendment to the Denali Commission Act, which required an emphasis on roads and waterfront projects. In 1999, the Denali Commission developed its own energy program. The primary purpose of the Denali Commission's initial efforts was focused on addressing leaking bulk fuel tanks in rural Alaska. If the U.S. Coast Guard or the Environmental Protection Agency (EPA) followed through on some of their concerns by shutting down fuel delivery, it would have effectively shut down the communities, he said. Fuel is the lifeblood of these communities since fuel provides electricity, heat and other needs for the communities. U.S. Senator Stevens saw the need to address these projects. Of the \$1 billion in funding, nearly \$300 to \$400 million has been dedicated to resolving bulk fuel issues in upwards of 100 communities thus far, he stated.

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CHAIR P. WILSON asked for clarification on the percentage of the bulk fuel cleanup projects that have been completed.

MR. NEIMEYER responded that the Denali Commission routinely develops a "universe of need" whether the projects are for clinic programs or bulk fuel storage or cleanup. The Denali Commission looks to all the communities that are eligible and tries to identify whether the issues have been addressed and defines any barriers. He estimated that the Denali Commission has completed bulk fuel cleanup in all but 30 communities with bulk fuel issues. He speculated that the Denali Commission will probably reach the point when it will need to decide whether some communities are declining and are no longer viable communities. He remarked that sometimes the Denali Commission must make tough decisions.

CHAIR P. WILSON offered her belief that sustainability would be a big issue.

MR. NEIMEYER agreed. He stated that if communities do not have the administrative capacity, then the Denali Commission must first address that issue prior to resolving the infrastructure problem. He related that early on the Denali Commission made an intentional choice to develop new bulk fuel facilities and not remove the bulk tank farms and renovate the brown field sites. The Denali Commission chose to focus its limited funds on the problem of failing farms. He stated that of the 100 communities served, the potential exists for some 400 existing bulk fuel farm eyesores that are not yet addressed.

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MR. NEIMEYER moved from bulk fuel to power plants and transmission lines, which he related as core operations. The Denali Commission has expanded on the state's alternative and renewable energy efforts. The Denali Commission had a request for proposal (RFP) process for alternative energy projects, which resulted in an overwhelming response. The legislature has significantly funded these projects. He highlighted this illustrates how the Denali Commission was able to identify a need and through the process the legislature engaged in the issue.

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REPRESENTATIVE FEIGE referred to the bulk fuel storage projects and asked for an estimate on the number of years the Denali Commission designs fuel storage tank capacity in the villages. He observed communities would need enough fuel to last a barge cycle. He asked whether it is possible to design more capacity so communities can gradually build up a reserve.

MR. NEIMEYER responded that most systems are designed for eight or nine month's capacity. He pointed out that often a barge is not able to get into a village for eight or nine months. He related that he shares the story of large tank farms for small villages when he is in Washington D.C. since it never occurred to people that the barge would be weathered out. He explained that as the power plants become more efficient they do not need as much fuel so the alternative energy projects will reduce that need. He argued that one could require more fuel if a community was expanding, but generally expansion has been taken up by capacity of existing power plants. He pointed out that it takes a certain amount of fuel to run the generator, whether it is at 50 or 100 percent efficiency.

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REPRESENTATIVE FEIGE recalled several instances in the Kuskokwim area in which communities had low water years. The barge may make it to a certain village such as Aniak, but could not make it much further. Those communities were "in a world of hurt" until the water levels came back up or else the communities would need to fly in fuel, he said.

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MR. NEIMEYER turned to another major program, the health program. The Denali Commission has built over 110 new clinics, including primary care facilities, hospitals, senior housing, and other types of health facility programs. He stated that the Denali Commission's training program has been one of its core programs. The primary focus of training has been to train for jobs in rural Alaska. The Denali Commission provided training in advance of the Kongiganak Barge Landing. The next priority; would be jobs in rural Alaska. The Denali Commission has a government coordination program, which coordinates with federal agencies on effective and better delivery of federal services and programs. He referred to a resolution passed by the Denali Commission, Resolution 01-15, relating to sustainability. The resolution identified that the Denali Commission projects must be sustainable. At the time it was very controversial and many agencies had not needed to submit to sustainability. Today, sustainability is commonly understood as an appropriate way of doing business.

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CHAIR P. WILSON pointed out that the legislature also requires sustainability in projects in the capital budget before a community can receive funding. She remarked that sustainability is important. She acknowledged that it is a new process but the state cannot continue to fund projects that communities cannot sustain.

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MR. NEIMEYER pointed out with increased fuel costs, airfare, and material costs all escalating that the sustainability paradigm has changed quite a bit.

MR. NEIMEYER referred to a pie chart shows the area of funding. He reiterated the important thing to remember is the total

funding of \$1 billion, over 12 years for 2,000 projects, with the majority of work in energy and health facilities [slide 7]. He related that the transportation program's budget is over \$100 million, but it has only been funded in the past four or five years.

MR. NEIMEYER highlighted the Denali Commission's structure, including commissioners at the center who provide policy guidance to the advisory committees. Each advisory committee has subject matter experts and one or two commissioners are assigned to each committee [slide 8].

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MR. POOL discussed the Transportation Advisory Committee (TAC) [slide 8]. He stated that the TAC is comprised of eight appointed members from diverse regions across the state. The TAC has members from five native corporations in regions, two registered civil engineers, and an at-large member. He commented that he represents Southeast Alaska. Former Governor Murkowski initially appointed the commissioners. The TAC established a project selection process for road transportation and waterfront development projects. The ranking criteria was weighted so the projects with partnerships ranked higher than those without additional funding. In the process of project selection, the Denali Commission reached out to partners, including the Alaska Native Tribal Health Consortium, the State of Alaska, the U.S. Department of Transportation, the Native Corporations, and larger municipalities who could administer funds and projects. Additionally, the Denali Commission used consulting firms to review communities' ability to administration design and construction contracts. The Denali Commission's program consists of 60 applicants per year, including 30 waterfront and 30 highway projects. The projects are ranked in terms of whether the applicants have the ability to execute projects from the initial design and construction phase. He said the Denali Commission adheres to a rigid accounting system and accountability to the Office of Management and Budget. The staff at Denali Commission reviews expenditures and a project's progress as it goes through the cycle. In response to Chair P. Wilson, he responded that the transportation access funds are available to rural areas, which is defined as any area outside the Anchorage and Fairbanks urban areas.

MR. NEIMEYER offered an example of project requests. He related an instance in which the Denali Commission received applications

from the Craig Tribal Community and the City of Craig. He reported that both projects were funded. He pointed out that an interesting dynamic has emerged in which municipalities and tribal entities are coordinating and working together on road projects.

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MR. POOL referred to a photograph of the Sand Point Boat Harbor [slide 10]. The Denali Commission furnished \$1,100,000 and the Aleutians East Borough contributed \$699,000. The project was completed in February 2011. The more money the local partners contribute, the higher the ranking in the selection committee process. However, some communities do not have any funds and even though their projects do not rank as high, some funds is usually available to those communities without any available funding to get the design process started.

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MR. POOL referred to the Nunam Iqua Boardwalk Project [slide 11]. He explained many of these projects consist of constructing boardwalks or using geotechnical synthetic fabric that sits on tundra.

REPRESENTATIVE GRUENBERG recalled a photo of four-wheeler and asked whether this boardwalk would be the same type of thing.

MR. POOL agreed. He stated that the fabric is highly effective and cost effective product that local villagers can install. He said he was very excited about this type of project and the Denali Commission has funded quite a few of these projects this year. In further response to Representative Gruenberg, he agreed the Denali Commission does not have any aviation programs so the village student project he mentioned in which students built an airplane was not a Denali Commission project.

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CHAIR P. WILSON asked for clarification on the synthetic fabric.

MR. POOL explained that the material provides support, grass can grow through the material, but the fabric keeps vehicles from sinking into the tundra or muskeg. In response to Chair P. Wilson, he answered that the product is about an inch thick and does not fill with water or mud. In response to Representative Petersen, he explained the material is a plastic, a high density

polyethylene, which has a high tensile strength and will float the traffic.

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CHAIR P. WILSON asked whether the material is manufactured or recycled.

MR. POOL offered his belief that it is a combination of both, when recycled material is available they Denali Commission will use it, but most of it is original.

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REPRESENTATIVE FEIGE asked for an estimate of the cost comparison for the polyethylene as compared to constructing a wooden walkway.

MR. POOL answered that the material cost is higher, but the installation is less expensive to install the polyethylene since it does not require any skilled labor. He offered his belief that the cost is comparable since the geotechnical surface has a longer service life.

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REPRESENTATIVE GRUENBERG referred to a photo of a four-wheeler on a similar polyethylene walkway in the village of Kwigillingok [slide 15].

MR. POOL agreed it was the same product. He stated that the Denali Commission has funded a large variety of waterfront projects in the past six years from feasibility, through design, and construction. The Denali Commission learned early on that in order to keep the process moving and keep the \$25 million in funding moving, the TAC needed to consider all aspects of the project, from concept, reconnaissance work, construction, and design. He related that currently, the TAC has 82 projects in various stages of construction.

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MR. POOL explained the TAC's basic function is to process applications, take public comments, and hear presentations from partners, including those from the Bureau of Indian Affairs (BIA), Western Federal Lands Highway Division (WFLHD), and the Association of Village Council Presidents.

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CHAIR P. WILSON asked whether the village councils are using any of their Indian Reservation Roads (IRR) funds.

MR. POOL answered that much of the IRR funding has been dedicated to partnership funding.

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MR. POOL referred to photographs that depicted waterfront projects in rural Alaska, including barge facilities for the City of Bethel. One of the Denali Commission's partners is the U.S. Army Corps of Engineers (Corps). The Corps has conducted a statewide study of barge mooring facilities to determine need. The study reviewed 68 communities' facilities and performed preliminary analysis and estimates on costs to improve barge facilities and ports for safer barge landings. A large number of barge landings in the river systems consist of a tugboat pushing the barge against a mud bank, which has resulted in significant erosion due to the effect of the propellers. The Denali Commission's project is in Phase 4 to fund mooring facilities. Some of these projects area are sometimes as simple as driving three or four groups of piles connected by a chain. Those mooring facilities cost ranges from \$200 to \$300 thousand to build. Other communities require unloading staging areas, riprap. The Denali Commission has 68 mooring facilities planned with a projected cost of \$78 million. The Denali Commission has been tackling these mooring facility projects at a rate of \$3 to \$4 million per year. The TAC works to obtain funding with the U.S. Corps of Engineers, the communities, and some of the barge companies. In response to Chair P. Wilson, he agreed these projects make a big difference to the barge operators. Ultimately, the Denali Commission hopes the projects will result in overall cost reductions on freight deliveries. He reported that with increased fuel costs the fuel savings alone are significant for barge operators since the operators will not need to run the barge for eight hours while freight is unloaded.

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MR. POOL discussed the integrated construction projects [slides 14-15]. He pointed out that the costs for barge delivery in Western Alaska can often cost up to \$600,000 for delivery of a barge load of materials. In instances in which communities can facilitate the delivery of material for two projects instead of

one, the savings are obvious. The TAC works to coordinate other projects with its partners to enjoy those types of cost savings.

MR. POOL related that the TAC's emphasis is on local hire. Sometimes it is difficult to accomplish local hire since for some larger projects so the contractor must bring in its own crew, but the Denali Commission's goal is to try to keep local villages engaged. In response to Chair P. Wilson, he advised that while he has seen some avoidance of local hire, but he has not seen a substantial amount. He said that more often subcontractors face simultaneous construction projects happen in a village, not enough villagers are available to work. He related a scenario in which several projects happened at Kongiganak that overwhelmed the work force.

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MR. POOL summarized that the TAC has invested over a \$100 million since 2005 and 2006 on road improvement and waterfront development projects, including 33 road projects and 42 waterfront projects. Currently, the TAC has 82 road and waterfront projects in the planning, design, and construction phases. In FY 2010 the Denali Commission funded 39 projects. He provided a handout to members with projects broken down by partner agencies. He listed the DOT&PF, BIA, Western Federal Lands Highway Division, U.S. Corps of Engineers, Alaska Native Tribal Health Consortium, Alaska Village Electric Cooperative, the Aleutians East Borough, the Association of Village Council presidents, the Bristol Bay Native Association as project partners. Additionally, he reported on some municipal projects including ones in Adak, Akutan, Bethel, Cordova, Craig, Dillingham, Haines, Hoonah, Ketchikan, King Cove, Kodiak, and Kotzebue, among others [slides 17-18]. He also pointed out specific projects in members districts.

MR. POOL said he appreciated the state's \$4.9 million in matching funds for the Denali Commission.

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MR. NEIMEYER reviewed the status on the FY 11 projects. He reported that the Denali Commission has been receiving surface transportation funds from the SAFETEA-LU a little at a time. He said the Denali Commission has been prioritizing projects approved by the Denali Commission's TAC that it believes will likely go to construction this year. Once the federal budget

has been approved the Denali Commission hopes to move forward with additional projects.

MR. NEIMEYER discussed Denali Commission policy issues [slide 19]. He explained that the Department of Transportation, Office of Inspector General's office audited the Denali Commission's Transportation Program in December 2009. U.S. Senator Kit Bond, Missouri, asked for the audit. The Denali Commission staff spent considerable time responding to his concerns. The audit identified some vulnerability within the program, but auditors did not find any wrongdoing. The Denali Commission immediately incorporated some of the recommended changes including recording its minutes. The federal partner, the Federal Highway Administration (FHWA) has been supportive and helpful. He raised this to allow members to access the audit report, which is on the Denali Commission's website.

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MR. NEIMEYER recapped that the main thrust of the report besides recommending some housekeeping, is that the Denali Commission's operations are fine and it has provided smaller projects that serve rural communities. One component the Denali Commission may one day achieve is to not only provide funding for projects, but to examine access to resources. Currently, most of the projects are community based but one day the Denali Commission may get involved into the Roads to Resources types of projects. He related that as part of the process for the reauthorization of Denali Commission, the commission will be holding sessions to take public comment on the direction commission should take in its second decade. He advised that the information will be provided to the Alaska Congressional Delegation for them to consider. He anticipated that the reauthorization of the SAFETEA-LU would likely happen in 2012. He recapped that the Denali Commission is currently working on its reauthorization and would focus its efforts on the FHWA reauthorization in 2012. He stated that until then the FHWA will use the current formula for 2012. The waterfront projects require a 20 percent cost share in matching funds, whereas the road projects require 9.03 percent in matching funds.

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MR. NEIMEYER acknowledged that the SOA has been a good partner. The legislature and the governor provided nearly \$5 million to the Denali Commission in matching funds for the transportation program. He stated that all of the matching funds have been

exhausted this year. He reported that two years ago the governor put forward a \$3 million partnership grant and half of the grant will go towards transportation projects. As of FY 11, the state will not have any state matching funds remaining, he said. The Denali Commission has plans to discuss future matching funds with the administration.

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CHAIR P. WILSON asked whether the Denali Commission confers with the legislative finance committees on matching funds.

MR. NEIMEYER responded that a number of existing members shared their recollection that prior co-chairs indicated that the funding was all federal funding. He advised members that he is sharing that in FY 12 in the transportation program, the Denali Commission will have a need for nonfederal cost share matching funds. He acknowledged that now may be a good time to do so. In response to Chair P. Wilson, he estimated that the Denali Commission may need up to \$9.2 next year. The float project was funded by the local community, and matching funds are often provided by the local municipality or borough. He was unsure whether \$2.4 or \$2.5 million is the right number but non-federal matching funds will be required.

CHAIR P. WILSON offered to assist.

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MR. POOL also pointed out that it is sometimes difficult to anticipate which projects will be requested. Once the projects are prioritized the Denali Commission can identify which projects will require matching funds. The Denali Commission needs to have the flexibility to make the apportionment within the commission rather than identifying earmarks.

CHAIR P. WILSON offered her belief that the communities may know in advance the amount needed.

MR. POOL agreed that sometimes communities will use IRR funds for grants or other source of funds. He stated that many small communities do not have funds available.

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REPRESENTATIVE MUNOZ asked whether the City of Juneau has submitted projects in the past few years.

MR. POOL answered yes. He stated that the City of Juneau submitted a project located beyond Tee Harbor, and the Denali Commission funded a boat launch and staging area. He recalled the Denali Commission also provided funded \$500 million in funding for the project approximately three to four years ago. In further response to Representative Munoz, he answered that he was unsure whether other projects have been submitted since then.

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REPRESENTATIVE MUNOZ asked whether the scope was a narrow scope in terms of accessing areas outside the urban center.

MR. POOL answered not necessarily. He offered that a community obtains a better score when it has a multi-modal connection such as including a facility that connects with Gustavus, Hoonah, or Pelican, such as building a ferry landing, a small cruise ship dock, a freight dock, or barge landing facility. In further response to Representative Munoz, he agreed that some communities are more active than others and that Juneau has not been particularly active.

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ADJOURNMENT

There being no further business before the committee, the House Transportation Standing Committee meeting was adjourned at 2:07 p.m.