

ALASKA STATE LEGISLATURE
HOUSE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE

February 19, 2013

8:00 a.m.

MEMBERS PRESENT

Representative Gabrielle LeDoux, Co-Chair
Representative Benjamin Nageak, Co-Chair
Representative Neal Foster
Representative Bob Herron
Representative Lora Reinbold

MEMBERS ABSENT

Representative Kurt Olson
Representative Harriet Drummond

OTHER LEGISLATORS PRESENT

Representative Bryce Edgmon

COMMITTEE CALENDAR

PRESENTATION: "HOW LOCAL GOVERNMENT WORKS"

- HEARD

PRESENTATION: "RELOCATION OF NEWTOK TO MERTARVIK"

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

KATHIE WASSERMAN, Executive Director
Alaska Municipal League (AML)
Juneau, Alaska

POSITION STATEMENT: Provided a presentation regarding how local government works.

REPRESENTATIVE BRYCE EDGMON
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided an introduction to the presentation regarding the relocation of Newtok to Mertarvik.

STANLEY TOM, Tribal Administrator
Newtok Traditional Council
Newtok, Alaska

POSITION STATEMENT: Provided a presentation entitled "A Unique Partnership The Native Village of Newtok and the Newtok Planning Group."

GEORGE OWLETUCK, CEO
Mertarvik Community Development Council
Newtok Traditional Council
Chugiak, Alaska

POSITION STATEMENT: Assisted with the presentation regarding the relocation of Newtok to Mertarvik.

ACTION NARRATIVE

[8:00:40 AM](#)

CO-CHAIR GABRIELLE LEDOUX called the House Community and Regional Affairs Standing Committee meeting to order at 8:00 a.m. Representatives Herron, Reinbold, Nageak, and LeDoux were present at the call to order. Representative Foster arrived as the meeting was in progress. Representative Edgmon was also in attendance.

Presentation: "How Local Government Works"

[8:01:37 AM](#)

CO-CHAIR LEDOUX announced that the first order of business would be a presentation regarding how local government works.

[8:01:58 AM](#)

REPRESENTATIVE HERRON requested that Ms. Wasserman inform the committee as to what the legislature is not doing and can do for the Alaska Municipal League.

[8:02:19 AM](#)

KATHIE WASSERMAN, Executive Director, Alaska Municipal League (AML), began by highlighting AML's publication entitled "Local Government 101," which was mailed to all candidates running for

a legislative seat in order to educate them with regard to how local government works. Ms. Wasserman informed the committee that AML represents all 162 cities and boroughs in the state. In Alaska a city and a borough are both municipalities. Although AML does not represent the unorganized communities, at times it does try to help them. She pointed out that AML has a three-fold mission: represent the unified voice of all municipalities before the legislature and Congress, which means that AML does not lobby for capital projects; build consensus; and provide training by working closely with the Division of Community & Regional Affairs (DCRA) and producing the municipal officials directory. She further pointed out that AML represents affiliate groups that are affiliated with cities, including the Alaska Conference of Mayors, the [Association of Municipal Clerks], the [Alaska Municipal Management Association], the [Alaska Government Finance Officers Association], the [Alaska Association of Assessing Officers], the municipal attorneys, the municipal planners, and fire chiefs. Ms. Wasserman directed attention to pages 4-5 of "Local Government 101," which describes the differences between the cities and their powers as specified in Title 29. Page 6 lists all 19 boroughs in the state and specifies their location on a map of the state, and specifies that the remainder of the state is part of an unorganized borough. Although the legislature is the assembly of the unorganized borough, in 15 years the legislature has never convened as such.

[8:08:09 AM](#)

CO-CHAIR NAGEAK inquired as to the [plight] of the villages in the unorganized borough.

MS. WASSERMAN said that villages in the unorganized borough are on their own unless they are a city and thus would fall under the city government. She reiterated that the legislature is the assembly for the unorganized borough, although the legislature has never convened as such.

[8:09:32 AM](#)

MS. WASSERMAN, returning to her review, informed the committee that AML estimates that 97 percent of Alaska's population lives in an organized area. She then directed attention to the tables on pages 8-9, which specifies the details of the various types of boroughs. A home rule borough can choose its powers so long as those powers don't go beyond the state's powers in Title 29. Page 10 details the senior citizen's property tax exemption,

which cost Anchorage \$26 million this year. Even with the municipal revenue sharing of \$15 million, Anchorage is \$11 million in debt. Ms. Wasserman explained that many years ago the state required that all cities and boroughs that levied a property tax exempt the first \$150,000 of any senior citizen's or veteran's property tax from their primary residence and the state would reimburse the cities and boroughs. After a couple of years, the state decided it didn't have enough funds to reimburse the cities and boroughs for these exemptions and left it to the municipalities to fund as the mandate was maintained. The cities and boroughs are still required to exempt the first \$150,000 of senior's and veteran's property tax, but they aren't reimbursed. Ms. Wasserman opined that most cities and boroughs would do what they could for seniors and veterans, but would likely do so in another fashion, such as through means testing based on income. The aforementioned, she opined, should be left up to the cities and boroughs if there is no reimbursement from the state. Currently, the total value of the senior citizen property tax exemption is \$53 million, while the total of revenue sharing is \$60 million. The \$53 million is from 24 cities and boroughs, whereas the revenue sharing is shared amongst all 162 cities and boroughs and the unorganized communities. Therefore, it's a losing game, she charged, particularly since the Baby Boomer demographic grows and the state's population in general grows older. The senior citizen property tax exemption is becoming a huge detriment to municipalities, as illustrated by the 7 percent growth in the amount of people applying for the senior citizen property tax exemption Anchorage. Ms. Wasserman then directed attention to the last page of AML's publication that details the history of revenue sharing, which is AML's main priority every year. The revenue sharing in 1985 amounted to \$141 million and the percentage of revenue sharing in comparison to the budget was quite large. In 2012, revenue sharing, for the fifth year in a row, amounts to \$60 million while the state's budget has grown. Therefore, the ratio between revenue sharing and the budget is much smaller. She then reminded the committee that during the Murkowski Administration revenue sharing was zeroed out, which resulted in some municipal offices not being able to even turn on the heat in the offices. In fact, she recalled the city clerk who would have to wait until 11:00 a.m. to work as that was when her fountain pen had thawed. The situation has improved over the past few years with the \$60 million in annual revenue sharing. Further relief has occurred in the last two years with a supplemental revenue sharing increment two years ago in the amount of \$20 million and last year in the amount of \$25 million. The supplemental revenue sharing increments were

based on the high price of energy. Ms. Wasserman noted that once again AML is asking for a \$25 million supplement as energy costs have continued to increase, especially in Representative Herron's district where residents are experiencing the highest gas and heating fuel prices the region has ever experienced. She then pointed to a graph AML prepared based on the Division of Community and Regional Affairs (DCRA) fuel watch, which illustrates that fuel prices are almost back to the level of the 2008 spike and the forecast is for continued increases. Ms. Wasserman explained that revenue sharing is not earmarked for anything in particular and although it can be used for anything, it's primarily used to keep property taxes down in the larger communities or for basic infrastructure in smaller communities. Most of the state's smaller municipalities don't have a tax base, and thus don't have a way to get funds to the local government. Although there may be a small sales tax, the smaller stores don't do much business because it has become easier for residents to have their food stuffs flown in from large stores in hub communities. Ms. Wasserman then highlighted the table entitled "Table 14(B) Senior Citizen and Disabled Veteran Property Tax Exemption," which relates the property tax exemption amounts for each municipality that collects property tax. The aforementioned table illustrates that the total tax exempt amount is growing considerably. In conclusion, Ms. Wasserman encouraged any member with legislation that may impact a municipality to feel free to call AML.

[8:18:08 AM](#)

REPRESENTATIVE FOSTER inquired as what small communities did prior to the \$25 million supplemental revenue sharing increment.

MS. WASSERMAN answered that there aren't many ways to make up for the lack of funds, besides laying off employees. However, [cities and municipalities] have to be careful of that because the state is levying termination studies on municipalities that layoff groups or classifications of people. Therefore, the only other option is to stop services even though small communities do not provide many services beyond the basics. She recalled being the mayor of a small community when revenue sharing stopped, which resulted in the boardwalk not being plowed unless there was a foot or more of snow.

[8:20:47 AM](#)

CO-CHAIR LEDOUX inquired as to what Ms. Wasserman meant regarding the state charging municipalities for terminating employees.

MS. WASSERMAN explained that language in Senate Bill 125 specified that if any Public Employees' Retirement System (PERS) employers other than the State of Alaska terminate a group or classification of people, they will be charged a termination study and the cost of letting that employee go for the next 25 years. In further response to Co-Chair LeDoux, Ms. Wasserman clarified that a termination study is a study by an actuarial company to determine the impact of having an employee removed from the retirement system. While Ms. Wasserman said she understood the reasoning behind [the termination study], the impact to smaller communities is more [severe than to urban communities] because a smaller community may only have one employee in a classification group. Many municipalities have tried to trim their [spending] through termination of employees and have faced high bills.

CO-CHAIR LEDOUX surmised that this [termination study requirement] addresses the gap in the PERS and Teachers' Retirement System (TRS) funding.

MS. WASSERMAN confirmed that to be the case.

[8:22:50 AM](#)

REPRESENTATIVE REINBOLD asked whether there are any federal or state regulations that are negatively impacting municipalities, impeding business in any way, or impeding [municipalities'] ability to thrive.

MS. WASSERMAN replied yes, noting that every year a number of property tax exemptions pass despite AML arguing against them. Although there are many laws that impact municipalities in some way, there is not a fiscal note relating how the legislation impacts them.

[8:24:06 AM](#)

REPRESENTATIVE REINBOLD surmised then that it would be helpful for AML to know how regulations impact municipalities.

MS. WASSERMAN answered that it would be helpful to AML as well as the legislature.

8:24:40 AM

REPRESENTATIVE REINBOLD related her understanding that currently there are about 20 bills requesting various exemptions. In fact, a farm land tax exemption that would cost the Matanuska-Susitna Borough \$3.5 million just passed the House. She noted that the Matanuska-Susitna Borough will have the decision to make as to whether to implement such an exemption. Representative Reinbold then surmised that in general AML wouldn't be in favor of the various tax exemptions.

MS. WASSERMAN opined that since property tax is a local authority, local municipalities should determine when to grant exemptions, to whom to grant exemptions, and how to regulate grant exemptions. Such decisions should not be made at the state level.

8:25:30 AM

CO-CHAIR LEDOUX related her understanding that Ms. Wasserman has no objection to property tax exemptions that are purely permissive as opposed to mandatory.

MS. WASSERMAN responded that is not quite the case. As a rule, AML has also been opposed to optional property tax exemptions because they usually pit the legislature against the municipality. Even the purely permissive property tax exemptions turn up the heat from the public as they want to know why the local government is not implementing the optional property tax exemption.

8:26:32 AM

CO-CHAIR LEDOUX expressed confusion as she recalled that Ms. Wasserman testified to AML's preference to have property tax exemption decisions made at the local level, which would be the case with most of the permissive proposals in the last few years.

MS. WASSERMAN clarified that AML believes that these property tax decisions should only be based at the city and borough level not at the state level.

CO-CHAIR LEDOUX related her understanding that currently property tax laws, in many cases, don't allow municipalities to exempt certain classes of people or individuals. Therefore, the

[permissive] exemptions are left for local level to decide, which she thought AML wants.

MS. WASSERMAN reiterated AML's view that property tax as a local authority should be governed totally at the local level and not require approaching the state for permission.

CO-CHAIR LEDOUX surmised then that AML wants a structural change in which the state does not mandate anything with respect to property taxes.

MS. WASSERMAN answered that is a close characterization of what AML wants.

[8:29:17 AM](#)

REPRESENTATIVE HERRON surmised that Ms. Wasserman is saying there is state overreach with these property tax exemptions.

MS. WASSERMAN indicated that is basically the case.

REPRESENTATIVE HERRON inquired as to how AML could advise the legislature to change the very popular senior citizen/disabled veteran property tax exemption to benefit the municipalities and boroughs. He recalled that any attempts to change the aforementioned property tax exemptions weren't welcomed.

MS. WASSERMAN highlighted that existing state statute says the state "shall reimburse", and therefore she suggested that the state reimburse the cities and boroughs for the senior citizen/disabled veteran property tax exemptions. In further response to Representative Herron, Ms. Wasserman confirmed that she would recommend the state either fully fund the aforementioned exemptions or remove the law.

[8:31:53 AM](#)

CO-CHAIR NAGEAK surmised then that were the state to live up to the law and reimburse the cities and boroughs for the senior citizen/disabled veteran property tax exemptions, the state would face an over \$53 million liability.

MS. WASSERMAN replied yes.

CO-CHAIR NAGEAK asked whether the state owes the municipalities for those years when it didn't reimburse them for the senior citizen/disabled veteran property tax exemptions.

MS. WASSERMAN stated that AML would not ask for reimbursement for all those years the state didn't reimburse the municipalities.

[8:33:43 AM](#)

REPRESENTATIVE FOSTER, referring to the revenue sharing history on page 11, remarked that it would be interesting to have a graph illustrating the energy costs through the years.

MS. WASSERMAN said she could provide the members with the graph that relates the energy costs from 2005 for gasoline and home heating fuel.

REPRESENTATIVE FOSTER emphasized that often energy costs can't be reduced because the heat in a building with water pipes can't be turned off unless the water pipes are drained. Therefore, the [cost of the energy] has to be spread throughout the residents of the community. He then inquired as to whether there have been studies regarding the cost the average homeowner would face per home to [pay for that energy cost] in terms of maybe an increase in the mill rate.

MS. WASSERMAN said that would be an interesting study that perhaps her small staff could consider how to accomplish. Representative Foster's comments are what municipalities discuss often, which is the big picture that committees don't often get to consider. The bigger picture, she explained, is that offering a property tax exemption means fewer people are paying property tax and revenue sharing is being consumed by higher fuel costs while at the same time people are facing higher fuel costs; these are the same folks that have to pay higher property tax because of the property tax exemptions. Meanwhile, the state bases a certain percentage of the municipality's mill rate for its schools by assessing all the property in the municipality, even that property that is exempted.

[8:37:57 AM](#)

REPRESENTATIVE REINBOLD inquired as to the statute that specifies the state "shall reimburse" municipalities for the senior citizen/disabled veteran property tax exemptions.

MS. WASSERMAN said she would provide the specific statute.

[8:38:27 AM](#)

CO-CHAIR LEDOUX asked if Ms. Wasserman is advocating changing the senior/disabled veteran property tax exemption from mandatory to optional.

MS. WASSERMAN emphasized that in the 20 years she has worked with AML, the senior/disabled veteran property tax exemptions have been an issue. Although there has not been discussion regarding what is desired, she surmised that almost every mayor from a city and borough that collects a property tax feels [the senior/disabled veteran property tax exemptions] should be addressed. In further response to Co-Chair LeDoux, Ms. Wasserman confirmed that she could work on discussing the exemptions and bringing the requests to the legislature.

[8:39:42 AM](#)

MS. WASSERMAN, in conclusion, related AML's appreciation for what the legislature does for local government.

[8:40:14 AM](#)

The committee took an at-ease from 8:40 a.m. to 8:42 a.m.

Presentation: "Relocation of Newtok to Mertarvik"

[8:42:27 AM](#)

CO-CHAIR LEDOUX announced that the final order of business would be a presentation regarding the relocation of Newtok to Mertarvik.

[8:42:54 AM](#)

REPRESENTATIVE BRYCE EDGMON, Alaska State Legislature, began by informing the committee that due to redistricting he inherited Newtok, which he visited this fall. He then informed the committee of his experience on the Northern Waters Task Force and the exposure to the changing Arctic environment that creates erosion conditions and permafrost changes. Some 31 communities have been identified as possible sites of concern in the future, of which Newtok is at the leading edge. He recalled his visit to Newtok, which he characterized as a community in flux with many needs including a school and a power plant in need of replacing. He then highlighted the enormity of moving an entire community, which is illustrated by the large matrix and timeline of events displayed in Mr. Tom's office. In closing,

Representative Edgmon related that he was impressed with the local leadership in Newtok as they undertake this unprecedented community relocation effort that involves a myriad of state agencies, of which none are taking the lead.

[8:46:19 AM](#)

REPRESENTATIVE HERRON clarified that this isn't the first time a village has moved. In the late 1970s there was a dispute in the community of Nunapitchuk, which resulted in those in south Nunapitchuk moving to a new community site, Atmautluak. Turning to the Newtok situation, Representative Herron characterized the galvanizing of the federal and state governments for the move to Mertarvik as remarkable and is almost a singular accomplishment of Mr. Tom.

[8:48:38 AM](#)

REPRESENTATIVE FOSTER related his appreciation for this issue being brought forward as it's important for Newtok and a situation from which others can learn.

[8:49:46 AM](#)

STANLEY TOM, Tribal Administrator, Newtok Traditional Council, informed the committee that he has worked for the tribe since 1999. He directed attention to the slide entitled "The Village of Newtok," which is a photo of Newtok and the permafrost upon which it sits. Newtok is the location the Bureau of Indian Affairs (BIA) chose to move the village of Kealavik in 1954 as it was a barge accessible location to bring in materials to build the school.

[8:52:29 AM](#)

REPRESENTATIVE REINBOLD inquired as to the distance from the village site of Kealavik to Newtok.

MR. TOM said it is about five miles [from Newtok] and remains a flood prone area. In response to Co-Chair Nageak, Mr. Tom confirmed that [the residents of Newtok] were originally from an area on Nelson Island north of Tununak about five miles. He noted that villagers moved every spring.

[8:53:41 AM](#)

MR. TOM, returning to his presentation, informed the committee that Newtok is approximately 490 miles west of Anchorage and is only accessible by air or water. The residents of the area are The Qaluyaarmiut, which means People of the Dip Net as that is what they use to catch fish. All the communities in the area share the [resources]. He pointed out that Newtok residents are moving nine miles south to Nelson Island. Ancestors of Newtok residents once moved along the Bering Sea coast following subsistence resources. He then shared photographs of his family moving to Tununak in the spring, when seals were caught and celebrated. He also shared photographs of residents of the current village of Newtok, noting that there is no heavy equipment/automobiles present due to the boardwalk that is necessitated by the permafrost. Sharing photos of the erosion in the area, Mr. Tom informed the committee that due to erosion, up to 152 feet per year is being lost. The erosion is happening fast and can't be stopped, as illustrated on the slide entitled "Historical and Projected Erosion in Newtok." In fact, since 1954 about 2,800 feet was lost due to erosion. In 2004 and 2005 there was a federal disaster declaration due to flooding, which is illustrated in the photographs on the slide entitled "Depiction of flooding from the September 22, 2005 fall storm." He then shared photographs of the flooding and the effects of storms, such as four to five-foot waves that are a product of the south wind and contribute to erosion as well. Referring to the aerial photo of river flooding, he explained that when there is flooding it is not just flooding via the river. He highlighted the slide entitled "Leakage from school sewage lagoon" and related that due to the inability to prevent the leakage, the school had to discontinue using the lagoon because it impacted the subsistence fish racks and in fact, people had to move from that area due to the leakage.

[8:59:02 AM](#)

CO-CHAIR LEDOUX pointed out that the slide entitled "Leakage from school sewage lagoon" says, "Study of public health conditions in Newtok linked conditions to "lack of infrastructure development and failure to properly maintain existing infrastructure." Therefore, she inquired as to the plans for developing and maintaining the infrastructure after the community moves in order to avoid similar problems.

MR. TOM said the new village site is promising land in that it's high ground. Furthermore, the community is working with Village Safe Water [within DNR] and Department of Transportation & Public Facilities (DOT&PF) on the sewer system. In order to

save costs, the community is considering a gravity underwater sewer system at Mertarvik. Mr. Tom emphasized that the community is suspended in that it cannot obtain funding from the agencies for development at the current site due to the relocation effort. Still, the boardwalks are 30-plus years old and have exceeded their lifespan as has the 30-year old generator the community still uses and maintains. Moreover, Newtok's electrical lines are obsolete to the point that fuses can't be found for the transformers. Mr. Tom expressed alarm with Newtok's health assessment that the children of Newtok are hospitalized for respiratory problems more than the 56 villages. In further response to Co-Chair LeDoux, Mr. Tom estimated that there are about 360-400 residents and increasing.

[9:01:31 AM](#)

MR. TOM, continuing his presentation, directed attention to the slide entitled "Ninglick River Erosion Assessment." The assessment by Woodward-Clyde Consultants found that it would be prohibitively expensive to provide erosion protection for Newtok as it sits on unpreventable permafrost, and therefore recommended relocating the community. Following the [1984] assessment six potential sites for relocation were analyzed for 30 years. Ultimately, only the options of either staying at Newtok or moving to Mertarvik were left. Referring to the slide entitled "Selecting a village relocation site:", Mr. Tom related that the Newtok Native Corporation [encouraged] the village [to vote] as a block in the selection of the new site, saying it would solve the issue because the agency doesn't want to see a divided community. Therefore, the [Newtok Native Corporation and the Village of Newtok] voted together that Mertarvik, as the site with the highest ground in the Nelson Island area, is the [chosen] site. The further interior sites were not barge accessible and had permafrost, and thus weren't good for the future of Newtok residents. He informed the committee that the name "Mertarvik" means "getting water from the spring" and related that every time Newtok has run out of water, residents have obtained water from Mertarvik. Newtok's water source is deteriorating and findings from the state have recommended the water be tested three to four times per month due to the contamination in the water source. Newtok's water source is near the airport site, and therefore he suspected airplanes are dripping oil and contaminating the site. The water sources at the other considered sites are contaminated by the high water. Village Safe Water, Department of Natural Resources (DNR), installed 5 20,000-gallon tanks. He predicted that Newtok's water will be impacted this summer, and therefore he questioned

what residents will do then. He then directed attention to the slide entitled "The 2003 Land Exchange: An Act of Congress," which has two photographs of the act from which the Newtok Native Corporation obtained surface and subsurface rights at the Mertarvik site. He highlighted the photograph of the high ground of Mertarvik in comparison to the slide entitled "Deterioration of Critical Infrastructure," which has photographs of the erosion at Newtok that resulted in the loss of the Newtok barge landing in 2005. The lack of a barge landing means that Newtok can't obtain any materials through the barge companies because they can't offload.

9:06:14 AM

MR. TOM, continuing, informed the committee that the river is drying. In fact, the fuel barge was stuck for three days. In the past, there were two deliveries a year; one in the spring and one in the fall. However, now it's a one-time delivery, which has resulted in the community running out of unleaded gas and heating fuel every year. The local school has had enough heating fuel to sell to the Native corporation. He noted that the first time Newtok ran out of heating fuel, the Native corporation ordered it via air at a cost of \$30 per gallon, which is cost prohibitive. He then referred to the slide with photographs of Newtok's aging and deteriorating fuel tanks. Although pieces fell off the fuel tank when attempts were made to move the tanks and the tanks are tilting, they are still being used as no new tanks can be obtained at this time. Moving on to the slide entitled "2006 Assessment of Public Health Conditions in Newtok," Mr. Tom expressed distress with the findings of that public health assessment. He then directed attention to the slide entitled "The Newtok Planning Group," which meets every year with regard to how the relocation effort is progressing. As the slide entitled "Alaska Administrative Orders 231 and 239" relates, the Department of Commerce, Community & Economic Development (DCCED) is very helpful in terms of coordinating the federal and state agencies. In fact, monthly meetings are held to update the agencies with which Newtok works. He then mentioned that the strategic planning documents are complete. He informed the committee that Newtok did use Economic Development Administration (EDA) funds to build the barge landing, which is complete. Currently, the Newtok Native Corporation is working with the BIA on roads. The U.S. Marines and the U.S. Navy helped with construction of the barge landing road and the rock quarry at Mertarvik. Mr. Tom pointed out the community layout as related on various slides, including the area of lower ground that is accessible. He then

highlighted the slide entitled "Mertarvik Access Road," which specifies the location of the Innovative Readiness Training (IRT) base camp, the barge ramp and staging area, and the access road to the emergency evacuation shelter. The Mertarvik Evacuation Center (MEC) will be built this summer by local labor. He noted that he trained 17 students in carpentry, electrical, and plumbing, which affords the community the ability to be built by local residents.

[9:11:58 AM](#)

CO-CHAIR NAGEAK inquired as to whether there will be dual purposes for the evacuation center.

MR. TOM specified that the emergency evacuation center will be used when flooding occurs. Ultimately, it will become a community hall with a post office and tribal office. In further response to Co-Chair Nageak, Mr. Tom confirmed that the Mertarvik Evacuation Center will be built first. In fact, the foundation is already complete and the exterior will be constructed this summer with local hire.

[9:12:58 AM](#)

REPRESENTATIVE REINBOLD inquired as to who is paying for the Mertarvik Evacuation Center.

MR. TOM answered that the legislature is funding it. In further response to Representative Reinbold, Mr. Tom explained that the building will cost about \$6.2 million [under the control of the Newtok Traditional Council]; whereas when the project was under DOT&PF the building cost was estimated at \$11 million.

[9:14:29 AM](#)

REPRESENTATIVE REINBOLD surmised that since Newtok is part of the unregulated borough no property taxes are collected in the area. Therefore, she inquired as to whether there are any resources in the area that could be developed. She further inquired as to the village's opinion of natural resource development, excluding wildlife.

MR. TOM related that the elders in Newtok are conservative. He said that there is no natural resource development in place at this time, except a fishery.

[9:15:57 AM](#)

GEORGE OWLETUCK, CEO, Mertarvik Community Development Council, Newtok Traditional Council, returned to the construction costs of the Mertarvik Evacuation Center. He explained that originally, DOT&PF was planning to build a nonstandard construction, nonstandard design evacuation center at an estimated cost of \$11.3 million. When the Newtok Traditional Council took over the project, it issued a request for proposals (RFP) using structural insulated panels, which effectively cut the cost of construction by 50 percent. The aforementioned would bear out similarly for residential construction, he said. In fact, the Association of Village Council Presidents (AVCP) Regional Housing Authority provided an estimate of \$300,000 per home. However, the [Newtok Traditional Council] delivered the same footprint in Mertarvik for two homes at a cost of \$273,000. With regard to resource development, Mr. Owletuck informed the committee that there is a rock quarry on site and 100,000 cubic yards of material has been demolished. The missing piece is the equipment to sort out the material, which is for what last year's appropriation was used. He stated that he has not heard the Newtok Traditional Council's position on resource development, although it's definitely needed to accomplish the project.

[9:18:37 AM](#)

CO-CHAIR NAGEAK asked whether there are any commercial value mineral resources in the area.

MR. TOM said that they have not discussed that yet.

[9:19:38 AM](#)

REPRESENTATIVE FOSTER related his understanding that it's likely there are no resources [in the Mertarvik] area if it's similar to areas on the lower Yukon in that there is a lot of tundra and wildlife, such that the subsistence lifestyle is first and foremost. He suspected that the closest mines [to Mertarvik] are the potential mines of Donlin and Pebble, and thus there is no real tax base. He then asked whether any [Newtok residents] are working at the Donlin mine.

MR. TOM replied, "Not really." However, he noted that some people from Nelson Island are working at Donlin Creek Mine.

[9:20:52 AM](#)

REPRESENTATIVE FOSTER pointed out that on the one hand climate change has resulted in erosion that has forced the relocation of the community. On the other hand, there has been an opening of the Arctic waters that has resulted in increased shipping and search for oil and gas. He acknowledged that there are various opinions regarding how to approach the aforementioned. One must take care with oil and gas mining because of the difficulty of dealing with a spill in the area. He proposed training residents along the coast to respond to a spill, whether it's industry supported or not. He then inquired as to Mr. Tom's feeling with regard to opportunities that may increase shipping as it will impact the area in terms of subsistence.

MR. TOM acknowledged that Newtok residents are subsistence gatherers as there is abundant wildlife in the area. Due to the village's concentration on the relocation effort, it has not discussed the shipping route.

REPRESENTATIVE FOSTER encouraged Mr. Tom [and the residents of Newtok] to keep in mind what benefits might be available with the increased traffic as Newtok relocates and searches for opportunities to bring prosperity to the community.

MR. TOM relayed that Newtok has a lot of people trained in Hazardous Waste Operations and Emergency Response (HAZWOPER).

[9:25:15 AM](#)

CO-CHAIR LEDOUX asked whether Newtok would be in such a difficult situation now if the BIA had not made the community move in 1954.

MR. TOM said that they did not think of climate change and the BIA didn't do an erosion assessment.

CO-CHAIR LEDOUX asked whether the old village site is experiencing the same problems as Newtok.

MR. TOM replied yes.

[9:26:18 AM](#)

REPRESENTATIVE REINBOLD expressed the need to focus on shipping possibilities as it may provide an opportunity for Newtok. With dwindling oil production, decisions regarding funding have to be made. She expressed interest in opportunities that allow communities to thrive on their own. Therefore, she inquired as

to whether there is tourism in the area, and if not, whether the community would be open to tourism.

MR. TOM said that the Newtok Traditional Council hasn't discussed tourism. However, he suggested that the new village site would be a nice place to have tourism as there is a lot of wildlife, including fishing.

[9:28:03 AM](#)

REPRESENTATIVE REINBOLD surmised then that ecotourism or tourism involving the Alaska Native culture would be something Newtok would be interested in exploring as an economic base for the community.

MR. TOM replied yes.

CO-CHAIR NAGEAK recalled prior to statehood and early statehood the federal government had impunity to do what it wished and moved his childhood village three times.

[9:30:20 AM](#)

CO-CHAIR LEDOUX specified that she is trying to understand whether some of these situations are the result of the BIA requiring the moves.

MR. OWLETUCK said that economic development would also be in relation to the amount of funding Newtok receives from the Alaska State Legislature. By virtue of the fact that Newtok is building at half the cost of what outside agencies are building, Newtok was approached by several philanthropists who've stepped forward and offered to assist the community to develop a family of five businesses. One of the five businesses will be some sort of ecotourism such that local residents will use their skills as artisans to create traditional artwork. One project Newtok is reviewing is to produce and manufacture the structural insulated panels that presumably will be used to build the homes in the community. With regard to the budget, there's an annual appropriation of the BIA Indian Reservation Roads funds of at least \$1.2 million, which will be leveraged with federal appropriations or grant proposals. The Indian Housing Block grant is being used to build homes; AVCP Regional Housing Authority offered \$280,000 for fiscal year 2011 to build a home. Therefore, Newtok is leveraging state appropriations with federal appropriations and grant proposals, Newtok's efforts have caught the attention of international philanthropists who

wish to engage their expertise and services through private business development investment.

[9:33:28 AM](#)

CO-CHAIR LEDOUX inquired as to the total cost of the move.

MR. OWLETUCK explained that the U.S. Army Corps of Engineers' report three to four years ago estimated that the move would cost \$84-\$130 million. However, under local management the move is expected to cost less. The majority of the funding thus far, about \$12.6 million, has come from the legislature. Since federal funding is declining, the hope is to increase private investment that is currently at zero. In response to questions, he clarified that the private investment would be philanthropic that is a loan proposal with the council's review and approval that would, for example, produce structural insulated panels that would generate sales to hire local people and repay the loan. He noted that it has already been demonstrated that there is a cost benefit to use polyurethane structural insulated panels that cut heating costs by 46 percent per a Canadian study that was conducted over multiple years. The polyurethane structural insulated panels have an R-value of 42-44 in comparison to an R-value of 19 for typical stick frame construction. Furthermore, use of these precut panels reduces the cost of materials and labor in comparison to using raw lumber. These costs savings have caught the attention of several private philanthropists who have come forward, as mentioned earlier.

[9:37:20 AM](#)

REPRESENTATIVE FOSTER expressed concern with the declining federal revenues to the state. He then inquired as to whether there is an estimate of how much more funding will be needed [for the move to Mertarvik].

MR. OWLETUCK informed the committee that this year's appropriation request involves a pioneer airport. The DOT&PF concluded a six-year study that estimates the airport will cost \$20.6 million. Therefore, Newtok's appropriation this year proposes to appropriate \$6.65 million to create/build a pioneer airstrip. The aforementioned will provide for air transportation to the new site and also reduce the final cost of the final airport. The FAA regional director has already been sent a letter and email to the congressional delegation, the FAA national director, and the FAA Alaska regional director

highlighting the appropriation for the pioneer airport. The hope is that the FAA regional director will allocate some of its budget and prioritize the Newtok project; it's an attempt to leverage an additional \$14 million in federal appropriations with the airport project.

MR. OWLETUCK then related that the Mertarvik Evacuation Center is estimated to cost about \$6.55 million in comparison to the state estimated \$11.2 million. Thus far, Newtok has secured \$2.5 million and is attempting to secure another \$2.5 million. Newtok is submitting appropriation requests to the U.S. Housing and Urban Development (HUD) Indian Community Development Block Grant, \$600,000. It's an attempt to leverage existing and proposed state appropriations with federal agencies such as HUD to help complete the building.

[9:41:34 AM](#)

REPRESENTATIVE REINBOLD asked what the total cost will be for the airport and the total cost for the Mertarvik Evacuation Center.

MR. OWLETUCK specified that the evacuation center received bids for \$6.55 million. The airport, per the earlier mentioned DOT&PF study, is estimated to be \$20.6 million.

[9:42:36 AM](#)

MR. TOM, returning to his presentation, directed attention to the slide entitled "The Strategic Management Plan will clearly communicate:" that provides a timeline of the relocation. In the first year, the barge landing would be constructed. He emphasized that the housing is the primary obstacle being faced, although four BIA houses and two AVCP houses have been built. Furthermore, AVCP just provided another \$280,000 to build at the Mertarvik site. He then related that the Mertarvik waterfront project is complete as the preliminary survey is complete, and therefore funding for the future boat harbor needs to be secured. Although there is no barge landing, the community has delivered the building [materials] to Mertarvik for construction there. He shared photographs on the slide entitled "Building of Skilled Local Workforce," which show community members in vocational training. These community members constructed super insulated panels, which were used to construct two houses at a cost of \$273,000.

[9:45:20 AM](#)

ADJOURNMENT

There being no further business before the committee, the House Community and Regional Affairs Standing Committee meeting was adjourned at 9:45 a.m.