

ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, TRADE AND
TOURISM

February 5, 2013
11:20 a.m.

MEMBERS PRESENT

Representative Shelley Hughes, Chair
Representative Lynn Gattis
Representative Bob Herron
Representative Pete Higgins
Representative Harriet Drummond

MEMBERS ABSENT

Representative Craig Johnson
Representative Kurt Olson
Representative Lance Pruitt
Representative Geran Tarr

COMMITTEE CALENDAR

OVERVIEWS(S): PRESENTATIONS OF THE ALASKA REGIONAL DEVELOPMENT
ORGANIZATIONS

- HEARD

OVERVIEW(S): PRESENTATION BY THE ALASKA MINERALS COMMISSION

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

NICOLE GREWE, Program Coordinator
Alaska Regional Development Organization (ARDOR) Program
Juneau Office
Development Section
Division of Economic Development (DED)
Department of Commerce, Community & Economic Development (DCCED)
Juneau, Alaska.

POSITION STATEMENT: Gave a presentation on the Alaska Regional Development Organization Program including portions of the Fiscal Year 2012 Annual Report.

LORENE PALMER, Division Director
Division of Economic Development (DED)
Department of Commerce, Community & Economic Development (DCCED)
Juneau, Alaska

POSITION STATEMENT: Answered a question during the presentation of the ARDOR Program.

SHELLY WRIGHT, Executive Director
Southeast Conference (SEC)
Juneau, Alaska

POSITION STATEMENT: Answered questions and participated in the presentation of the ARDOR Program.

ANDY VARNER, Executive Director
Southwest Alaska Municipal Conference (SWAMC)
Anchorage, Alaska

POSITION STATEMENT: Answered questions and participated in the presentation of the ARDOR Program.

JASON HOKE, Executive Director
Copper Valley Development Association Inc.
Glennallen, Alaska

POSITION STATEMENT: Answered a question during the presentation of the ARDOR Program.

BILL JEFFRESS, Chair
Alaska Minerals Commission
Division of Economic Development (DED)
Department of Commerce, Community & Economic Development (DCCED)
Fairbanks, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation entitled, "Report of the 2013 Alaska Minerals Commission."

GREG BEISCHER, Member
Alaska Mineral Commission
Division of Economic Development (DED)
Department of Commerce, Community & Economic Development (DCCED)
Anchorage, Alaska

POSITION STATEMENT: Answered a question during the presentation by the Alaska Minerals Commission.

ACTION NARRATIVE

[11:20:44 AM](#)

CHAIR SHELLEY HUGHES called the House Special Committee on Economic Development, Trade and Tourism meeting to order at 11:20 a.m. Representatives Higgins, Gattis, Drummond, and Hughes were present at the call to order. Representative Herron arrived as the meeting was in progress.

OVERVIEWS (S): PRESENTATIONS OF THE ALASKA REGIONAL DEVELOPMENT ORGANIZATIONS

[11:21:39 AM](#)

CHAIR HUGHES announced that the first order of business would be a presentation on the Alaska Regional Development Organization (ARDOR) program by the Division of Economic Development (DED), Department of Commerce, Community & Economic Development (DCCED).

There followed introductions of ARDOR representatives seated in the gallery.

[11:25:29 AM](#)

NICOLE GREWE, Program Coordinator, Alaska Regional Development Organization (ARDOR) program, Juneau Office, Development Section, DED, DCCED, informed the committee the ARDOR annual report for Fiscal Year 2012 (FY 12) and an overview of the program are provided in the committee packet. She noted the ARDOR Program is a familiar term in Alaska that is used to identify the state program established in statute called the Alaska Regional Economic Assistance Program. Former Senator Arliss Sturgulewski was primarily responsible for the bill that created the program in 1988, and this is the silver jubilee year for the program. The statute authorizing the program directs DCCED to encourage the formation of regional development organizations to implement economic development strategies and to take responsibility for the economic development planning for a region. The department is also directed to assist in the formation of the geographic regions - using guidelines established in regulations - to gather information about local economic issues, to assist ARDOR(s) in carrying out their responsibilities, to provide technical assistance, and to distribute annual grants. The state has 12 ARDOR(s) and as long as each meets criteria they are eligible for a non-competitive grant from the state. The ARDOR(s) also work closely with the state on economic development initiatives. Ms. Grewe said this

is a small program and a small part of her job. The division of economic development is a "pass-through" on the grant and provides technical assistance.

[11:30:12 AM](#)

CHAIR HUGHES asked whether federal money was used to establish the program in 1988 and if federal money continues to support the program.

MS. GREWE was unsure about federal funding that was available at that time. Historically, the legislature's motivation for the program was to encourage regional entities to form and conduct economic development planning at the regional level because local leaders are best suited to organize and carry out economic development planning. Revenue streams for ARDOR Programs are primarily comprised of state and federal revenue, along with private sector funds and in-kind contributions: in fact, the present level of federal funding is indicated on the revenue portfolio for each ARDOR provided in the annual report. Ms. Grewe advised state funding for the program is small and flexible to encourage each ARDOR to plan in a way that is locally and culturally appropriate for each region. She opined federal funds have more limitations.

CHAIR HUGHES asked for the percentage of state support.

MS. GREWE stated each of the 12 organizations receives about \$62,000 per year from the state. The revenue portfolio of the 12 combined was \$5.5 million in FY 12.

[11:33:31 AM](#)

CHAIR HUGHES said \$62,000 x 12 is about \$750,000, and clarified she inquired as to the percentage of DED's budget that goes to ARDOR(s).

[11:33:48 AM](#)

LORENE PALMER, Division Director, DED, DCCED, said the DED total budget is about \$28 million thus \$750,000 is a very small part.

CHAIR HUGHES said that was her point. She expressed her interest in the deliverables and criteria required to receive state and federal money.

MS. GREWE referred to page 5 of the annual report, which included a map of the general geographic boundaries of each ARDOR, and pointed out that the Arctic Slope, large portions of the Interior, and a portion of Western Alaska are not represented by an ARDOR, although the statute allows for grants to 15 organizations. Regarding funding, a pie chart on page 4 of the FY 12 annual report indicated that total funding is about \$5.5 million of which state revenue is about 19 percent, including additional grant money. Therefore, state funding of the ARDOR Program is less than one-quarter of the total revenue portfolio.

CHAIR HUGHES asked for examples of the additional state grants.

MS. GREWE responded that Southeast Conference has received a grant for timber development work. The additional state grants are on a project-by-project basis to individual ARDOR(s). Over the past two years ARDOR(s) have received about \$62,000 each from the state and, although there is room for growth, if additional organizations are added, all will share in the same amount of revenue. Ms. Grewe then explained that state statute, the Alaska Administrative Code, and the grant agreement work together to determine the deliverables from each ARDOR Program to the state. The deliverables are: to create a regional economic development plan that is updated every two years; to implement activities noted in the plan; and to convene a board of directors to provide local or regional leadership.

[11:39:15 AM](#)

CHAIR HUGHES asked whether the plans are online and available to the public.

MS. GREWE said yes, and added that all of the plans are available on individual ARDOR web sites and on the state ARDOR Program web site.

CHAIR HUGHES noted one ARDOR posted its 2006 report.

MS. GREWE advised the organizations are required to submit updated plans to DCCED every two years; in fact, all have current plans today. She concluded her presentation.

CHAIR HUGHES observed there are many differences between ARDOR(s) regarding the composition of board members and in funding. Some have more participation by the private sector, and some are more active and successful than others. She asked

if the division considers replacing the executive director when an ARDOR is not successful.

[11:42:39 AM](#)

MS. GREWE agreed each of the 12 ARDOR(s) is different, some are rural and some are urban. By design, each can be different because the purpose is for regions to gather together and work collectively to best reflect local flavor, economy, and culture. In urban Alaska, for example, the Anchorage Economic Development Corporation and the Kenai Peninsula Economic Development District are very active in traditional ways, such as recruiting businesses, site-selection work, and loan funds. In many areas the organizations and the communities look different. As the program manager, she looks at all 12 organizations to ensure that regional leaders are gathering to discuss economic issues and develop priorities. Each plan must contain analyses of social and economic conditions, be applicable to needs, and include reasonable strategies. Also considered is whether recent activities have been carried out to increase economic opportunities. Ms. Grewe noted that SEC and the Southwest Alaska Municipal Conference (SWAMC) are two of the most successful ARDOR(s) in that they have active boards, execute their plans through committees, and leverage the state's funds. An unsuccessful ARDOR board does not meet, and its plan is outdated and without change.

[11:46:22 AM](#)

REPRESENTATIVE HIGGINS asked if the chief executive officers are paid.

MS. GREWE said all board members are volunteers.

REPRESENTATIVE GATTIS advised that CEOs are paid. She disclosed she was a board member of the Matanuska-Susitna Resource Conservation and Development Council, but is no longer.

CHAIR HUGHES asked whether the membership of each board is directed by regulation or statute.

MS. GREWE advised that statute says the board needs to represent the economic and social diversity of the region and have a private sector presence.

CHAIR HUGHES restated her question as to what action the division may take against a board that does not meet.

MS. GREWE answered that if an ARDOR is reported to be inactive she and the director investigate and offer support; however, program funds are not distributed to ARDOR(s) that do not meet grant agreement requirements. In further response to Chair Hughes, she said over the years, some organizations have not received funding or have received reduced awards. In further response, she said all inquiries regarding the executive director are referred to the board. The program manager does not have the ability to remove the executive director.

[11:50:53 AM](#)

CHAIR HUGHES asked if there is any correlation between the amount of funding an ARDOR receives from the private sector and its success.

MS. GREWE opined a diversified revenue portfolio is symbolic of an organization that is sustainable, healthy, and robust. On the other hand, some areas do not have a significant amount of private sector revenue or a lot of local economic activity, so comparing Anchorage or Juneau to Bethel is not always appropriate. In further response to Chair Hughes, she said mini-grants and other funds are available to ARDOR(s) on a competitive basis, but the ARDOR Program grant is divided equally between all of the organizations, unless funds are being withheld.

[11:53:00 AM](#)

SHELLY WRIGHT, Executive Director, Southeast Conference (SEC), in response to Chair Hughes, said she did not recall any discussion about the ARDOR Program grants being distributed on a competitive basis among the ARDOR(s). Ms. Wright turned attention to Southeast Conference (SEC), which was formed in 1958 by a group of community leaders that were advocating for the Alaska Marine Highway System (AMHS). Once AMHS was established and successful, SEC grew into an organization that became the federally-designated Economic Development District and the ARDOR for the region. In answer to an earlier question, she said ARDOR(s) that are also federally-designated economic development districts have requirements for a percentage of private and public board members, which explains some of the differences between boards. In fact, SEC has requirements for board members in workforce development, private industry, and public representation. As SEC is an old organization, it is well-known in its region as the "go-to" organization in

Southeast Alaska when communities need advocacy or assistance for their projects. For its funding, SEC receives federal funding through the economic development district administration, which is matched by the ARDOR state grant. Furthermore, SEC is a membership organization and its members support many of its special projects. Currently, SEC has a state grant which funds an energy coordinator to facilitate the development of regional energy projects.

[11:57:20 AM](#)

CHAIR HUGHES asked for more information about energy projects.

MS. WRIGHT said SEC provides technical assistance and facilitates the process of energy development. The energy coordinator facilitates meetings of the regional utilities and is very involved in projects such as the Kake-Petersburg Intertie. In addition, SEC has state money to complete an alternative wildlife strategy to present to the U.S. Forest Service for the Tongass Land Management Plan (TLMP) review, and will be working with DCCED on a messaging program for the timber industry. In response to Chair Hughes, she confirmed that SEC received \$600,000 for those two programs.

MS. WRIGHT pointed out that currently the ARDOR Program is not fully funded at its statutory limit of up to \$100,000 per organization, and has not been since its inception. In response to Chair Hughes, she indicated by nodding her head that the funding was established in 1988.

REPRESENTATIVE HERRON asked how ARDOR(s), individually and as a group, have lobbied the governor for an increase.

[12:00:15 PM](#)

ANDY VARNER, Executive Director, Southwest Alaska Municipal Conference (SWAMC), said Copper Valley Development Association met with the governor over the summer and presented letters of support from other ARDOR(s). Other routes of communication have been through the commissioner of DCCED.

REPRESENTATIVE HERRON asked for the governor's response.

[12:01:47 PM](#)

JASON HOKE, Executive Director, Copper Valley Development Association Inc., relayed he met with the governor on 9/6/12 to

discuss issues in his region. He said the governor is fully supportive of the ARDOR Program and suggested ARDOR representatives contact their legislators about an increase in funding. Mr. Hoke said it has been eight years since the last increase and \$62,000 does not go far in rural Alaska. He said the ARDOR(s) have collectively garnered support from members and stakeholders for this issue.

REPRESENTATIVE HERRON surmised the following: the governor would support an increase in budget authorized by the legislature; and it is easier for the legislature to defend a budget number that is promoted by the governor.

CHAIR HUGHES asked SEC to elaborate on its task for the timber industry.

MS. WRIGHT stated that TLMP is under review, and the wildlife strategy is not timber-friendly, but is one that eliminates most of the economic timber. Through a contractor, SEC is developing an alternative, more timber-friendly wildlife strategy, and a threshold analysis to determine the supply and demand of an economic timber industry. The messaging campaign will convince Southeast Alaska residents and others that the timber in Alaska is renewable, is better, and the timber industry will not destroy the forest.

CHAIR HUGHES heard that the timber industry is burdened because of a lack of a social license.

[12:05:09 PM](#)

MR. VARNER announced SWAMC is also 25 years old this year. The Southwest ARDOR region comprises Kodiak, Bristol Bay, and the Aleutian and Pribilof Islands, and covers an area the size of Oregon. His organization has two staff members and the three areas originally bonded to address common fisheries' issues. Southwest Alaska Municipal Conference has signed two contracts with the Alaska Energy Authority (AEA) to complete energy plans for the Bristol Bay region and the Aleutians region, and may commit to energy planning for Kodiak also. Energy development is a huge issue for rural Alaska and SWAMC seeks to make these plans a reality by working with communities, industry, and private entities. Four other ARDOR(s) are involved with regional energy plans, which is a big responsibility.

CHAIR HUGHES noted four ARDOR(s) are working on energy plans and asked whether the plans will be integrated on a statewide basis.

MR. VARNER opined at the end of the process it will make sense to find the overlaps and opportunities, and to work for a statewide energy plan in light of the statewide energy policy. The contracts that SWAMC is working on will have a methodology that gives technical and economically feasible analysis for the various projects.

CHAIR HUGHES asked if there is a vehicle so that an ARDOR or ARDORS working together can provide DCCED with information on topics such as infrastructure.

[12:09:32 PM](#)

MR. VARNER said ARDOR regions meet twice a year to discuss issues across regional borders. Topics such as the railroad, fisheries, and agriculture and food, are discussed in working groups, and ARDOR(s) are trying to reach across regions and borders, looking for business opportunities. He observed this is a recent focus.

[12:11:24 PM](#)

CHAIR HUGHES surmised integration occurs when a need arises, but plans are not formally integrated.

MR. VARNER said correct. In fact, there is an effort by the Alaska Partnership for Economic Development to develop a statewide economic development plan. In response to Chair Hughes, he agreed that an integrated statewide plan would make tasks easier because his group has ideas on shipping and Arctic support industries, as do other western coastal communities. Organizations that have common interests would specialize.

CHAIR HUGHES noticed that some ARDOR(s) have more of a local focus and others bring in outside "primary dollars." She asked if this decision is left to the individual boards.

MR. VARNER opined ARDOR(s) must think small and big. Because SWAMC represents a large region that is expensive to traverse, it thinks big. Although SWAMC assists small businesses and individuals, its board directs attention to transshipping through the Aleutians, partnering opportunities between community development quota (CDQ) areas that want to expand, and regional energy plans.

MS. WRIGHT added that SEC is driven by its board and its 174 members and their municipalities, organizations, small businesses, and individuals. The SEC board is influenced by what its members want; in fact, the board encourages members to "think local and plan regional." There are exceptions, but SEC is concentrating on building infrastructure and lowering the cost of energy in Southeast.

[12:18:26 PM](#)

OVERVIEW(S): PRESENTATION by the ALASKA MINERALS COMMISSION

[12:19:02 PM](#)

CHAIR HUGHES announced that the final order of business would be a presentation by the Alaska Minerals Commission.

[12:19:17 PM](#)

BILL JEFFRESS, Chair, Alaska Minerals Commission, informed the committee the commission was created by the legislature and its charter is to report to the legislature and the governor on ways to mitigate potential impacts affecting mineral development in Alaska; the following report fulfills that mandate. Members of the commission are appointed by the governor, the president of the Senate, and the speaker of the House. Currently members represent exploration, hard-rock mining, coal mining, and all facets of the industry. The commission also considers information provided by resource agencies, the University of Alaska (UA), and other organizations on issues related to mineral development.

CHAIR HUGHES relayed there is pending legislation to extend the commission's authorization, which is about to expire.

[12:22:45 PM](#)

MR. JEFFRESS said the commission is an all-volunteer board and clerical work is well supported by the Department of Commerce, Community & Economic Development (DCCED) staff. The mandate tasks the commission to identify issues that affect potential mineral development, and he extended accolades to the administration and the legislature for acting on past recommendations from the commission. This is critical to sending a message to the industry that Alaska is open for business. The first action item recommended by the commission

this year is to improve tax climate for mineral investment and resource revenue sharing [slide 3].

[12:24:50 PM](#)

CHAIR HUGHES, referring to the first action item, asked whether there is pending legislation on the tax climate.

MR. JEFFRESS said no, and clarified that the commission makes recommendations.

REPRESENTATIVE GATTIS asked what recommendations are being made regarding the tax climate issue.

MR. JEFFRESS said there is a mining license tax imposed on producing mines, and other fees are paid by the industry. In a manner similar to taxes on fishing, he suggested that a portion of that tax could be returned to local communities that are affected by exploration, mining, or development activities.

CHAIR HUGHES asked whether local communities approached the commission.

MR. JEFFRESS explained this recommendation is a combination of members' experience in the industry and impacts to communities; for example, the City of Nome (Nome) has defined boundaries, but impacts from a resurgence of offshore mining and prospecting occur in Nome. In further response to Chair Hughes, he said the amount of fees and taxes collected from mining would need to be obtained from the Department of Revenue (DOR).

[12:27:17 PM](#)

REPRESENTATIVE GATTIS confirmed that the commission is recommending resource revenue sharing, and the recommendation is not for tax reform.

MR. JEFFRESS said no. Returning to the second action item of transportation infrastructure, he said the commission supports the governor's policy on strategic and critical metals; however, energy corridors are needed to reach known deposits such as the Donlin Creek project. Infrastructure is a hurdle to making a mine economic [slide 4]. In response to Chair Hughes, he expressed the commission's support for all transportation options, including the rail extensions from North Pole to U.S. Army Fort Greely, and to Port MacKenzie.

12:30:13 PM

MR. JEFFRESS directed attention to the third action item, education. Alaska has the potential to become a leader in producing mine engineers and professionals who support the mining industry; in fact, UA has one of the few mining schools in the country. The president of UA responded to the commission's recommendations from last year and created the Consolidated Alaska Minerals Initiative (CAMI) which will keep the mineral development programs at the three campuses in communication, and able to accept credit transfers between campuses, although the effective date for this change is unclear. Another factor of education is to educate young people and adults as to the importance of resource development and especially mineral development. The commission urges the legislature to continue its current level of funding for Alaska Resource Education (ARE) and its Google Earth minerals curriculum. This is an interactive program to see where minerals come from and all of the schools in Alaska could benefit from its use. Mr. Jeffress said the commission supports ARE's request for an additional \$100,000 in funding [slide 5]. The fourth recommendation is for legislative funding to oppose federal intervention on mining projects, in particular the Environmental Protection Agency's (EPA) overreach into the authority of the state and other federal agencies. He said this interjection has complicated permitting by other federal agencies and Alaska's ability to develop its resources. Another issue is the [United Nations (UN) International Maritime Organization (IMO)] designation of Emission Control Areas (ECA), affecting Southeast and the coast up to the Kenai Peninsula [slide 6].

12:35:15 PM

REPRESENTATIVE HIGGINS disclosed he is a miner. He brought up the U.S. Department of Labor, Mine Safety and Health Administration (MSHA), and said its overreach is on "small mom and pop operations" because it considers all mines to be the same; for example, a two-man operation must have an office. Along with the seven major mines in Alaska there are hundreds of small operations that need assistance in this regard.

MR. JEFFRESS agreed and noted there is also support for this issue from members of the Senate.

REPRESENTATIVE HERRON disclosed he is a gold miner with eight mining claims. He stated a member of the commission has been

appointed to the Alaska Arctic Policy Commission. He then urged for a recommendation to the federal government that Alaska needs to be a full partner in decisions about Alaska and Arctic policy.

MR. JEFFRESS said the fifth recommendation is funding for the Department of Natural Resources (DNR), Division of Geological & Geophysical Surveys (DGGS). The state lacks a geological materials center where industry can see core [samples] from mining and petroleum for further study to identify new discoveries. As this time, the DGGS materials center is housed in shipping containers that are insufficient for viewing, even though 400 to 500 visitors come every year. The commission supports the administration in its efforts to obtain a facility in Anchorage to house the materials center so the material is available to potential investors [slide 7].

CHAIR HUGHES recalled her visit to the materials center - noting the state of disrepair - and asked whether there are funds in the governor's budget for a building.

[12:39:51 PM](#)

MR. JEFFRESS said yes. In addition, DGGS is tasked with mapping; however, high prices in the minerals industry have led to high salaries and a loss of DGGS employees to private companies. The commission recommends that the DGGS salary classification system be treated as is the Division of Oil & Gas (DOG) in order to keep talented employees to prepare maps, identify resources, and provide information to exploration companies. In response to Chair Hughes, he was unsure if the governor's budget addresses DGGS salaries.

[12:41:06 PM](#)

MR. JEFFRESS, in conclusion, displayed a map that located existing properties in operation, advanced development projects, and advanced exploration projects throughout the state. He pointed out the distances between projects and that the lack of infrastructure plays a critical role in exploration and development, and the promotion of investment in the state [slide 8].

CHAIR HUGHES asked for the percentage of mining that has been "tapped" in the state.

[12:42:14 PM](#)

GREG BEISCHER, member, Alaska Mineral Commission, said as an exploration geologist he has studied mineral occurrence maps of British Columbia, Canada (B.C.). In B.C., there is a higher density of plotted mineral deposits per square mile, but the reason is not geological - because Alaska has the same geology - but because Alaska is less accessible and mineral discoveries have yet to be made. In further response to Chair Hughes, he estimated eight to ten times more mines will be discovered.

[12:43:24 PM](#)

CHAIR HUGHES said the committee wants to do what it can to ensure that there are no barriers to the mining industry.

[12:44:02 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Economic Development, Trade and Tourism meeting was adjourned at 12:44 p.m.