

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

March 19, 2013
11:23 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Craig Johnson
Representative Kurt Olson
Representative Lance Pruitt

COMMITTEE CALENDAR

PRESENTATION(S): IMPORTANCE OF CREATING AN ECONOMIC DEVELOPMENT
PLAN

- HEARD

SOUTH DENALI NATIONAL PARK AND PRESERVE VISITOR CENTER

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

DON DYER, Director
Economic Development
Matanuska-Susitna (Mat-Su) Borough
Palmer, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation
entitled, "Matanuska-Susitna Borough Economic Development
Overview," dated 3/19/13.

CHRIS GATES, Economic Development Consultant

Palmer, Alaska

POSITION STATEMENT: Participated in the presentation by the Matanuska-Susitna Borough.

MYRON P. NANENG SR., President/Chairman

Sea Lion Corporation

Hooper Bay, Alaska

POSITION STATEMENT: Spoke during the presentation by the Division of Parks and Outdoor Recreation, Department of Natural Resources.

BEN ELLIS, Director

Division of Parks and Outdoor Recreation

Department of Natural Resources (DNR)

Anchorage, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation entitled "South Denali Visitor Center," and dated 3/19/13.

DAVID KASSER, Vice President

Tourism Development & Sales

Visit Anchorage

Anchorage, Alaska

POSITION STATEMENT: Spoke in support of the South Denali Visitor Center project during the presentation by the Division of Parks and Outdoor Recreation, Department of Natural Resources.

JOHN BITTNER, Vice President

Anchorage Economic Development Corporation (AEDC)

Anchorage, Alaska

POSITION STATEMENT: Spoke in support of the South Denali Visitor Center project during the presentation by the Division of Parks and Outdoor Recreation, Department of Natural Resources.

ACTION NARRATIVE

[11:23:46 AM](#)

CHAIR SHELLEY HUGHES called the House Special Committee on Economic Development, Trade and Tourism meeting to order at 11:23 a.m. Representatives Drummond, Tarr, Higgins, and Hughes were present at the call to order. Representatives Gattis and Herron arrived as the meeting was in progress. Chair Hughes introduced the topic of the meeting, saying that Alaska does not have an economic plan that carries through changes in

administration. She said a 50-year economic plan is appropriate for a young state with much to do.

PRESENTATION(S): IMPORTANCE OF CREATING AN ECONOMIC DEVELOPMENT PLAN

[11:26:28 AM](#)

CHAIR HUGHES announced that the first order of business would be a discussion on the importance of an economic plan and how it helps growth and planning. Chair Hughes provided brief background information on the presenters.

[11:27:11 AM](#)

DON DYER, Director, Economic Development, Matanuska-Susitna (Mat-Su) Borough, informed the committee the Mat-Su Borough's economic development plan was a grass-roots effort created in 2010 by many focus groups comprised of community members. The plan is a reflection of what is desired by the community. Mr. Dyer began by presenting some economic challenges to the state. Approximately 72 percent of the state's revenue comes from oil and 18 percent comes from federal spending. This is not a sustainable scenario for many reasons thus the Mat-Su Borough is preparing for a post-oil economy [slides 1-3]. During the recession from 2007 to 2012, most states lost jobs except for the resource development states of Louisiana, Texas, Alaska, and North Dakota. The Mat-Su Borough also had job increases, even though there is little resource development [slide 4]. The Mat-Su Borough has a strong history of employment, and government jobs represent 40 percent of the growth in the past decade [slides 5-7]. Mr. Dyer pointed out that the average income in the Mat-Su Borough is \$37,000 per year compared to the Anchorage average income of \$50,000 per year [slide 8]. In addition, 31 percent of the Mat-Su Borough residents live in the borough and work in Anchorage [slide 9]. Regarding foreclosures associated with the recession, the Mat-Su area was little affected [slides 10 and 11]. In 2012, the Mat-Su Borough was the fastest growing area in the state and has the fastest business growth rate, evidenced by the issuance of 1,165 new business licenses. Economic interest in the Mat-Su Borough continues because of statewide oil tax revenue. In fact, oil supplies \$9.7 billion, which is \$38,704 for each household in the state [slides 12 and 13]. Cutting oil revenue by 25 percent and replacing that revenue by another tax borne by residents would mean that each household would be taxed by over \$9,600, threatening the

Permanent Fund Dividend (PFD) program and harming the economy [slide 14].

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MR. DYER advised that to guard against the loss of oil tax revenue, the Mat-Su Borough developed an economic development strategic plan with five goals and twenty-six strategies [slide 16]. Workgroups under each strategy meet regularly to discuss topics ranging from tourism, aviation, business outreach, and agriculture to fisheries. He described the strategic plan as a living document that can be amended and adapted as needed. The workgroups are comprised of approximately one hundred professionals who conduct business independently [slide 17].

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CHAIR HUGHES asked how long it took to develop the plan and the parameters for the workgroups.

MR. DYER explained the development of the plan took about a year. The workgroups are not official committees or boards, but are meant to add an economic development facet to existing boards; for example, the aviation board sets policies and the workgroup is forming an economic model for the airports and airspace. The workgroups generate agendas and submit minutes for circulation to all members and to the director.

CHAIR HUGHES inquired as to whether the workgroups are permanent or have a specific goal to achieve.

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MR. DYER said the workgroup process began in November, and the first step was to assess the community's interest. Eventually, the progress of each workgroup's action items will be published on a web site. In further response to Representative Hughes, he agreed some of the workgroups will be perpetual, such as outreach to veterans and businesses. Membership in the workgroups includes those from private industry and government, especially for transportation and planning issues. Returning to the presentation, he said the Mat-Su Borough's tax model ranks as the friendliest in Alaska, noting that large to mid-size companies are very tax-sensitive [slide 18]. He observed that Port MacKenzie is an all-Alaska project because in addition to shipping out mining material, the rail connection from the port to the mainline in Houston will enable heavy equipment and goods

needed for mining and infrastructure development to be brought in. After the infrastructure in the Interior is built, the resources can flow out [slide 19]. In response to Representative Drummond, he confirmed that the slide 19 image is representative of how the port is configured at this time.

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REPRESENTATIVE DRUMMOND urged for the committee to tour the port, the prison, and Knik Arm Bridge and Toll Authority (KABATA) offices.

MR. DYER said the Port of Anchorage and Port MacKenzie create a strategic redundancy to the port system and can solve many problems together. In response to Chair Hughes, he pointed out that the Port of Anchorage is the main access point for consumer goods into Alaska; however, Port MacKenzie can accommodate larger ships and has 14 square miles of staging area for materials prior to loading on railcars. Seward is the northernmost ice-free port and is a coal loading facility.

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MR. DYER directed attention to strategies the state can use to prepare for a post-oil economy and opined it is necessary to invert the thinking that the consumer capacity of Alaska is the target of a business model. Because of Alaska's small population, the customer base sought should be global, and global exports should be the economy of scale. This type of model has been very successful for Dubai and Singapore [slides 20-22].

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CHRIS GATES, Economic Development Consultant, provided a brief history of his professional experience and opined a huge demise in economic activity in Alaska - due to the decline of oil revenue - is only eight years away. He encouraged the committee to be very aggressive in economic development because by the time the Trans-Alaska Pipeline System (TAPS) is not sustainable, the state must have something else that comes close to replacing an economy based 70 percent on oil. Contrary to what has been said, economic activity in the future sufficient to keep a majority of the population in Alaska can be created, and the Mat-Su Borough is the most aggressive jurisdiction in Alaska working to create a post-oil economy. Mr. Gates said there is a bias in the constitution for developing natural resources but

the protection of resources, land, and fish and game assets have primacy in public policy; in fact, nowhere is there a team similar to that in Mat-Su to advocate aggressively for economic activity and create jobs statewide. For example, he suggested that because of the agricultural land available in Alaska there could be joint ventures with countries on the east coast of Asia to provide food security in the face of their population explosions. In addition, doing what is necessary to open the Arctic National Wildlife Reserve (ANWR) would supply enough oil to fill TAPS in the future. He recalled the Dow-Shell petrochemical consortium proposed for Fire Island in 1983 that could have produced 3,000 jobs and filled southbound cargo ships with value-added products. Mr. Gates said the Alaska Regional Development Organization (ARDOR), Department of Commerce, Community & Economic Development programs are a very important small investment for large regions of the state, and produce good ideas. Lastly, he extolled the benefits of the Susitna-Watana Hydro project that will bring electricity to the Mat-Su Borough and expressed his support for building the dam with capacity for expansion. Mr. Gates concluded that a non-oil economy is possible with creative thinking and a warlike attitude.

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MR. DYER called attention to Alaska's market advantages: 30 percent closer to Asia than Los Angeles [slide 23]; 4,000 ships per year transit the chain of Aleutian Islands; 2,000 cargo aircraft transit Ted Stevens Anchorage International Airport per month, many departing empty; ractopamine-free pork; no swine disease; and quality vegetables [slide 24-27]. Mr. Dyer urged for an Alaska-wide integrated focus instead of a regional or city focus and to think of Alaska as a country. It is important that a statewide development plan comes from grass-roots efforts by the private sector - in a manner similar to the Mat-Su economic plan - in that it is relevant to residents and is not a political tool. Further, the plan must be measured and reported by mechanisms than can "roll up and drill down effectively" [slides 28 and 29].

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REPRESENTATIVE TARR asked for the source of a poster provided in the committee packet entitled, "Value Added Food Production Cluster."

MR. DYER said the poster was generated from a technology system that creates a food hub from marketplace demand and producer inventory information. This type of a study is important for agriculture and food security.

REPRESENTATIVE DRUMMOND urged for cooperation between Anchorage and the Mat-Su Borough in many areas such as transportation.

MR. DYER advised the root of the transportation problem is how federal transportation funds are disbursed. He mentioned the Mat-Su Borough is in strong support of the South Denali Visitor Center project.

SOUTH DENALI NATIONAL PARK AND PRESERVE VISITOR CENTER

[12:12:17 PM](#)

CHAIR HUGHES announced that the next order of business would be a presentation on the South Denali National Park and Preserve Visitor Center.

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MYRON P. NANENG SR., President/Chairman, Sea Lion Corporation, informed the committee Sea Lion Corporation is the village corporation in Hooper Bay. The corporation purchased a former Native allotment, the location of which is identified as "Private Property" on the Department of Natural Resources (DNR) South Denali Visitor Center, Denali State Park, Project Overview Plan map provided in the committee packet. Sea Lion Corporation is working with the state to donate 100 acres of that land for the South Denali Visitor Center. He pointed out the road through the previously identified property is the most esthetic access to the proposed visitor center. Through its subsidiary, United Companies Inc. (UCI), Sea Lion Corporation has agreed to transfer \$1 million worth of land to the visitor center project. At this time, \$13 million has been received from the state and work has begun on the road. Although Hooper Bay is located in Western Alaska, it is a party with the state and the Mat-Su Borough for this economic development project occurring in the Interior. Mr. Naneng added that the village corporation is also working to reestablish the Lower Yukon Alaska Regional Development Organization (ARDOR), Department of Commerce, Community & Economic Development program in Wade Hampton as an opportunity for future economic development. He urged the committee to preserve funding for the ARDOR program in order to foster projects that benefit the village of Hooper Bay.

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BEN ELLIS, Director, Division of Parks and Outdoor Recreation, Department of Natural Resources (DNR), informed the committee the South Denali Visitor Center Complex is located adjacent to Denali State Park and the George Parks (Parks) Highway, about one mile from the Denali View South Scenic Overlook. The planned build-out includes a visitor center, campground, trails, and the electrification of the Parks Highway from Talkeetna. The total cost is \$46 million - of which \$6 million is for electrification - and funds received to date are \$13.4 million from the state and a \$1 million corporate contribution from Princess Cruise Lines (Princess) [slide 2]. Mr. Ellis said phase 1 of the project has been discussed for 40 years and will finally break ground in the spring of 2013 to build a 2.3 mile-long gravel access road to 35 Recreational Vehicle (RV) campsites, a day use trail head parking lot, an Americans With Disabilities Act (ADA) gravel trail, and a maintenance shop, and to fund the preliminary design of the access road to the visitor center and electrical extension. The total cost of phase 1 is \$13.4 million [slide 3]. A schematic map of phase 1 indicated the property donated by Sea Lion Corporation adds 104 acres to the park. The land retained by the corporation is the site of a proposed lodge, thus phase 1 is the beginning of economic development and growth for the area. The road will provide access to the proposed lodge and is the preferred egress to the campground, which should open in the spring or summer of 2014 [slide 4].

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MR. ELLIS returned attention to the electrical upgrade, noting that three-phase electricity will be installed from Milepost (MP) 121 to MP 135 along the Parks Highway, in support of businesses, fire and emergency facilities, schools, and the community of Trapper Creek. This electrical upgrade will benefit the local area and tourism business opportunities [slide 2]. He explained that phase 2 does not have a starting date or funding and includes the access road, the visitor center, walk-in camping, more ADA accessible and other trails, and trails eventually culminating in hut-to-hut hiking. The estimated cost of phase 2 is \$32.6 million [slide 6]. A schematic map of phase 2 was provided [slide 7].

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MR. ELLIS, in response to Chair Hughes, said phase 1 is projected to open to the public in the summer of 2014. The timeline for phase 2 depends on funding. He recalled that the first funds received for the project were \$8.9 million in general funds (GF) in fiscal year 2009 (FY 09). The money was "stored" until \$3 million was provided in FY 12 and \$1.5 million in FY 13. He expressed his hope that the completion of phase 1 will bring in a small amount of revenue and will raise interest in future funding for phase 2.

CHAIR HUGHES asked whether there are funds in the governor's budget for phase 2.

MR. ELLIS said no, and added that phase 1 funding will first be put to use.

REPRESENTATIVE TARR asked for the basis of the \$1 million corporate contribution by Princess and whether there are opportunities for other private investment.

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MR. ELLIS explained the corporate donation from Princess is earmarked to be added to the \$5 million of state funds for the electrical extension. The electrical extension will benefit the Princess hotel nearby. He assured the committee his division is always looking for collaborative opportunities and is working with the national park service and the Matanuska-Susitna Borough. Mr. Ellis stressed some of the positive economic impacts of the project as follows: additional visits by residents and non-residents; possible increase in tourism revenue to \$44.8 million per year; jobs during the construction phase and to service ongoing visitor services; and the development of adjacent private land supporting tourism growth [slide 8].

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DAVID KASSER, Vice President, Tourism Development & Sales, Visit Anchorage, said the South Denali Visitor Center project brings [Mount McKinley] to the people because a visit to Denali is one day closer for tourists who are on tight schedules. This time savings will allow the expansion of visitor experiences in the Kenai Peninsula, Homer, and Valdez so that more tourism dollars are spent in Southcentral. In addition, in the winter months there will be convention opportunities and better opportunities to see the park and the mountain.

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JOHN BITTNER, Vice President, Anchorage Economic Development Corporation (AEDC), stated AEDC supports the proposed South Denali Visitor Center project because it fits in with AEDC's mission to grow and diversify the Anchorage economy. The tourism and service sector is projected to be a major growth sector for Anchorage and Southcentral.

REPRESENTATIVE TARR asked whether the South Denali Visitor Center is part of AEDC's Live.Work.Play effort.

MR. BITTNER said the expansion fits with the mission and intent of Live.Work.Play.

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ADJOURNMENT

There being no further business before the committee, the House Special Committee on Economic Development, Trade and Tourism meeting was adjourned at 12:40 p.m.