

HOUSE FINANCE COMMITTEE

March 18, 2013

1:31 p.m.

1:31:24 PM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 1:31 p.m.

MEMBERS PRESENT

Representative Alan Austerman, Co-Chair
Representative Bill Stoltze, Co-Chair
Representative Mark Neuman, Vice-Chair
Representative Mia Costello
Representative Bryce Edgmon
Representative Les Gara
Representative Lindsey Holmes
Representative Scott Kawasaki, Alternate
Representative Cathy Munoz
Representative Steve Thompson
Representative Tammie Wilson

MEMBERS ABSENT

Representative David Guttenberg

ALSO PRESENT

Representative Shelly Hughes, Sponsor; Daniel George, Staff, Representative Bill Stoltze; Shelly Wright, Director, Southeast Conference ARDOR; Lorene Palmer, Director, Division of Economic Development, Department of Commerce, Community and Economic Development; Nicole Grewe, ARDOR Program Coordinator, Department of Commerce, Community and Economic Development.

PRESENT VIA TELECONFERENCE

Jason Hoke, ARDOR, Copper Valley Development Corporation; Carl Berger, Executive Director, Lower Kuskokwim Economic Development Council; Bryant Hammond, Director, Bering Strait Development Council; Andy Varner, Executive Director, Southwest Alaska Municipal Conference.

SUMMARY

HB 71 AK REGIONAL ECONOMIC ASSISTANCE PROGRAM

CSHB 71(FIN) was REPORTED out of committee with a "do pass" recommendation and with one new fiscal impact note from the Department of Commerce, Community and Economic Development.

#hb71

HOUSE BILL NO. 71

"An Act extending the termination date of the Alaska regional economic assistance program; and providing for an effective date."

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Co-Chair Stoltze discussed another bill.

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REPRESENTATIVE SHELLY HUGHES, SPONSOR, discussed the ARDORS legislation. The bill would extend the program for an additional three years. She shared that there were 12 ardors in Alaska with the purpose of providing local input and she stressed that the program was formed 25 years earlier. She communicated that the program had been a lifeline for some of the state's villages. She discussed the annual cost per ARDOR. She noted there were different accomplishments across the state. She stated that an audit had not been conducted during the program's lifetime. She pointed to an ARDORS Annual Report (copy on file). She explained that Anchorage had worked with their ARDOR to reach out on an international level. She shared that the Anchorage ARDOR had recently hosted a supplier conference related to the Kodiak based aerospace program. She stressed that the ARDORS had a positive impact on Alaska's economic development.

Representative Costello MOVED to ADOPT the proposed committee substitute for HB 71, Work Draft 28-LS0288\N (Martin, 3/18/13).

Co-Chair Stoltze OBJECTED for discussion.

DANIEL GEORGE, STAFF, REPRESENTATIVE BILL STOLTZE, explained the CS. He read the summary of changes. The title was changed to read, "An Act extending the termination date of the Alaska regional economic assistance program; and providing for an effective date." Other changes included the requirement of an annual report to be submitted to the legislature. The bill also spelled out requirements in the report, and outlined assistance provided by departments for federal funding, sponsorships and sources, meeting dates, locations, agenda description. He explained that much of the information was currently available, but the bill spelled out how the items should be described. He concluded that there were some technical changes, including section numbering.

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Representative Costello shared that there had been questions in a subcommittee related to the value of the ARDORS program. The subcommittee felt there was a need to keep the legislature more informed on the program, and a development plan had been added.

Representative Holmes expressed support for the committee substitute. She assumed the intent of the CS was that the annual report should not be expensive, and the importance was the communication of the information to the legislature.

Co-Chair Stoltze noted that there were testifiers that could express that the ARDORS could provide more information, and could benefit those who were focused on the public purpose

Representative Holmes believed it was the intent of the CS to save Alaska money.

Vice-Chair Neuman asked for an explanation of the relationship between the ARDOR and the State of Alaska. Representative Hughes deferred the question to a division director. She explained that it was a grant program, and the Department of Commerce, Community and Economic Development (DCCED) administered the grant. She pointed out that there was communication with the program manager, and stressed the importance of communication between the regions.

Co-Chair Stoltze WITHDREW his OBJECTION. There being NO further OBJECTION, Work Draft 28-LS0288\N was ADOPTED.

Representative Edgmon spoke in support of the legislation. He asked for more information regarding the three year authorization. Representative Hughes replied that after looking at the program it had been unclear what accomplishments some of the state's ARDORS had been making. She discussed that there had not been an audit in the 25 year history of the program; an audit would take 2 to 3 years; as a result she had suggested the three year time frame instead of five years.

Representative Hughes noted that the audit would sunset prior to the time period.

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JASON HOKE, ARDOR, COPPER VALLEY DEVELOPMENT CORPORATION (via teleconference), shared the responsibilities of ARDORS, including networking with other ARDORS throughout the state. He discussed the importance of communication between the ARDORS. He pointed to a food distribution network between different regions of the state. He discussed ADA regional energy plans, agriculture development had been working with Nome, and developing environmental agriculture units for food sustainability throughout the state. He mentioned a cardboard waste plant for the cardboard waste disposed of in Mat-Su. He stated that they were the only ones conducting economic development in Copper Valley. The program was funded with \$62,000, and about one-third of the funds were used on rent and other. He understood there had been concerns that the private funds were low coming into the program.

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CARL BERGER, EXECUTIVE DIRECTOR, LOWER KUSKOKWIM ECONOMIC DEVELOPMENT COUNCIL (via teleconference), testified in support of HB 71 had been in the position for over 21 years. He shared that the region was primarily dependent on the fishing industry. The commercial fishery ebbed and flowed, and remarked that community had worked hard to improve the salmon cache to take better care of harvested fish to receive a higher price. He felt that the ARDORS helped in promoting tourism in the area.

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Mr. Berger continued that his local ARDOR had provided \$2,000 to \$4,000 to several individuals each year, and that small amount of money was able to serve the community. He stressed that it was a grassroots operation, and pointed out that the ARDOR was able to provide access to a government organization. He stressed that the operating costs were increasing annually.

Co-Chair Stoltze remarked that the Special Education Service Agency (SESA) had discussed funding for their program, and the legislature was still attempting to pass a bill for SESA.

Mr. Berger concluded his remarks.

Representative Gara thanked Mr. Berger for his explanation of the program, and he expressed the support for the program.

Vice-Chair Neuman asked about grants in the amount of \$2,000 to \$4,000 per year. He pointed to the ARDORS bylaws of up to \$10,000 per year, and \$5,000 without revision. He asked if grants to individuals were one-time grants. Mr. Berger replied that the grants were provided using money from other organizations in the community. He stressed that the awarded money was not state money. He explained that approximately 12 people had been served over the course of three years. He remarked that it was a small effort in his region.

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BRYANT HAMMOND, DIRECTOR, BERING STRAIT DEVELOPMENT COUNCIL (via teleconference), testified in support of the legislation. He shared that the program had a staff of six people and a board of seven people. He stated that the board represented regional business, sub regions of the regional tribes, and higher education. The staff assisted in research and planning specifically related to energy; and served as a liaison between the community, tribes, and outside experts. The staff also provided grant writing support to the tribes, to assist the communities in developing their capacity to plan and gain funding for priority projects. The staff provided support for e-

commerce marketing to gain a wider market for the region's artist. He stated that the ARDOR funds helped to support a single position that traveled to each community in the region to facilitate economic development planning. He explained that the plans helped to develop community priorities, in order to determine five-year development strategies. He stressed that the ARDOR funding was essential, but provided valuable coordinated assistance.

Representative Kawasaki pointed to the revenue portfolios of the ARDORs under the annual plan. He noticed that Bering Strait's revenue portfolio had 10 percent from the state, 11 percent from the federal government, and 79 percent from other funds. He wondered what the "other funds" included. Mr. Hammond replied that "other funds" referred to all tribal compact funds.

Co-Chair Stoltze surmised that the "other funds" sounded like federal funds.

ANDY VARNER, EXECUTIVE DIRECTOR, SOUTHWEST ALASKA MUNICIPAL CONFERENCE (via teleconference), shared that the Southwest ARDOR was one of the longest serving ARDORs, and remarked that one of the things that the program had done well was that it acted as a good sounding board and central area for a diverse region.

Mr. Varner stated that the ARDOR grant represented approximately 25 percent the funding portfolio. The office had two full-time staff, and shared that if the ARDOR money went away the office would need to cut one staff. He understood the importance of eliminating duplicate state services, but remarked that the Municipal Conference worked to ensure that certain state operations functioned well. He emphasized the importance of working together.

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Representative Wilson asked how much the state and private funds were. Mr. Varner answered that the office received \$62,000 per year in state funds and approximately \$100,000 in private funds.

SHELLY WRIGHT, DIRECTOR, SOUTHEAST CONFERENCE ARDOR, stated that all ARDORs throughout the state had different missions to focus on the diverse needs in the state. She shared that the effort was to help with a collaborated approach for

Southeast communities. The areas became a network of supply and services; and she pointed to timber recovery, and a threshold analysis related to a timber industry in Southeast. She stressed that the office did not have the bureaucracy to weed through the different projects, but when the projects were completed the staff would be dismissed. She noted that the program was a membership organization.

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Co-Chair Stoltze wondered if the Southeast Conference engaged in political activities. Ms. Wright responded in the negative.

Co-Chair Stoltze asked if she considered a redistricting lawsuit a political activity or joining a political party. Ms. Wright did not know, and asked if the Southeast Conference had done that.

Co-Chair Stoltze stressed that he had a reason to ask the question, and restated his question. Ms. Wright replied that she did not know the answer.

Co-Chair Stoltze wondered if she did not know the answer because of moral ambiguity or legal ambiguity. Ms. Wright responded that she was not familiar with that particular incident.

Co-Chair Stoltze wondered if endorsing a candidate would be a political activity. Ms. Wright replied in the affirmative.

Co-Chair Stoltze asked if hosting a political party's conference be considered political activity. Ms. Wright replied in the affirmative.

Co-Chair Stoltze did not believe that she had the history to answer. He stated that he was merely curious.

Representative Edgmon wondered if the five cycle proposal would have any impact on the program. Ms. Wright replied in the negative. She noted that having the five year stability was good, but it would not be a deterrent for the program if it sunset in three years.

Representative Munoz acknowledged the terrific work of the Southeast Conference. She discussed that the Southeast Conference had been established to start the ferry system.

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Representative Gara asked about the three and five year extension under the bill. He wondered if the change would have a negative impact on the ability to hire staff or enter into contracts. Ms. Wright replied in the negative. She stated that staff was considered on a year-to-year basis.

Co-Chair Stoltze CLOSED public testimony.

Co-Chair Stoltze asked if Department of Commerce, Community and Economic Development (DCCED) whether it had a position on the bill.

LORENE PALMER, DIRECTOR, DIVISION OF ECONOMIC DEVELOPMENT, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, replied that the department was available for questions. She pointed to the significant comments provided by ARDORS. She believed the original premise of the program was still valid.

Co-Chair Stoltze asked if the administration supported the program. Ms. Palmer replied in the affirmative.

Co-Chair Stoltze guessed that the administration wanted the program to continue.

Representative Wilson asked how it was determined whether the money was being used in the best interest of the program. Ms. Palmer understood that there were expectations in the application process that determined the eligibility for the grants. She did not believe the department had taken a role in determining the value of the work done in the different areas the program existed.

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NICOLE GREWE, ARDOR PROGRAM COORDINATOR, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, noted that there was a board of directors for the ARDORS by design. She noted that there were three core deliverables associated with the grant: 1) An economic development plan,

that was updated every two years and was submitted to DCCED; 2) The ARDOR was to execute economic development activities that were in line with the plan; and 3) The ARDOR have a board of directors that reflected the economic diversity and leadership of that region, and convened on a regular basis.

Representative Wilson wondered if the review process determined a reissuing for a period of time. Ms. Palmer replied that there were requirements that needed to be fulfilled, if the requirements were not fulfilled the ARDORS were no longer eligible for the grant.

Co-Chair Austerman noted that the annual report did not tell him anything other than the numbers. He explained that the report was vague. He did not believe there was any way to tell if there was a value to the program based on the report. He pointed to the CS that laid out some structure that would allow the department to do what it should have been doing all along. He asked about the department's view of the CS. Ms. Palmer replied the report could go into more depth and detail. She understood there was room for improvement, and felt the CS would help in detailing more reporting requirements.

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Co-Chair Austerman pointed to funding listed in the annual report. He asked what made up the remainder of funds outside of state funds. Ms. Grewe asked for verification of the page number (four). Co-Chair Austerman replied in the affirmative.

Co-Chair Austerman wondered why there was a \$252,000 in funding. Ms. Grewe replied that some of the ARDORS brought in additional state funds, competed for grants from other state agencies that the department was not involved in. She elaborated that there were various grants from the legislature, like Southeast Conference grants.

Co-Chair Austerman requested a list of the grants. Ms. Grewe agreed to provide that information.

Co-Chair Austerman surmised that DCCED did not track the grants. He felt that DCCED needed more oversight regarding funding for the ARDORS.

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Representative Kawasaki wondered how DCCED planned to track the finances of a specific ARDOR, if the grant was added to the remainder of their funding. Ms. Grewe responded that DCCED had a budget table in the grant agreement with the ARDORS. She stated that the state funding must be reported on by the ARDOR, based on its use.

Vice-Chair Neuman asked if the department approved of the grants administered. Ms. Grewe responded that DCCED must approve all spending over \$5000.

Vice-Chair Neuman referred to page 28 and the promotion of the Valdez Port Promotion. He noted that the strategic report for the natural gas export. He wondered if DCCED approved of that funding. Ms. Grewe replied that the funding may have been used for staff time, but was not used as a sub-contact outside the entity. She remarked that she did not know the details of the activities.

Vice-Chair Neuman wondered if there was a standard policy for salaries and benefits. Ms. Grewe replied that there were no standards, and the revenue was considered unrestricted. She remarked that each ARDOR was required to provide a breakdown of how the \$62,000 was spent each year.

Vice-Chair Neuman asked if the ARDOR board could determine the salary of their director. Ms. Grewe replied in the affirmative.

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Representative Edgmon asked whether the creator of the program had envisioned it to be a state/private partnership. He thought the audit would look at state activities and private funding move would more towards the board of directors. He asked if the statement was fair. Ms. Palmer replied in the affirmative, and felt that the audit would provide more information regarding the ARDOR activities across the board.

Representative Edgmon surmised that many of the ARDOR activities were outside the scope of state oversight. Ms. Palmer replied that the purpose of the ARDOR was for economic development in different regions. The department

hoped that the individual ARDOR programs were able to leverage the money to get the most out of it.

Representative Edgmon asked if the structures of the organizations and boards were determined by the individual ARDORS. Ms. Palmer replied in the affirmative.

Co-Chair Austerman wondered if it was the department's responsibility to ensure that the money was being spent in the way it was intended. Ms. Palmer replied in the affirmative.

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Co-Chair Austerman noted that he could read the reports, but he did not see the economic development that occurred over the past 25 years. He was not that hopeful unless he could see it in black and white. He believed the department needed to take on a more active role in shepherding the funds. Ms. Palmer replied that DCCED was exploring ways to evaluate and review the plans to allow the ARDOR to exercise its autonomy while ensuring grant performance recording.

Co-Chair Austerman supported the ARDORS, but with no information it was hard to know what was going on. He wanted to make sure funds were spent on the right thing.

Representative Thompson asked if any of the funds in the ARDORS programs could be available to board members or their families. Ms. Grewe answered that if an ARDOR was using state money, the ARDOR did not report to the recipient of the grant. She furthered that it would not be appropriate under the terms to provide a grant.

Representative Thompson surmised that the ARDOR did not need to report a grant recipient to DCCED. Ms. Grewe responded had not seen a single ARDOR give out a grant in the past three years.

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Representative Kawasaki referred to AS Title 44. He referred to concern over grant eligibility requirements, specifically concerning matching grant funds with non-state sources. He wondered if DCCED helped grantees to find other sources outside of state sources. Ms. Grewe replied in the

affirmative. She stated that DCCED provided assistance in encouraging ARDORS to pursue non-state and federal funding.

Representative Kawasaki pointed to statute and asked if there was a specific formula the department could show regarding matching grant funds. Ms. Grewe replied that it was typically 20 percent match.

Representative Wilson wondered if DCCED had ever not renewed an ARDOR grant. Ms. Grewe answered in the affirmative. She continued that every few years an award would be reduced for non-compliance. She added that things could happen in the middle of a fiscal year that would free up funds.

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Representative Gara wondered if DCCED used ARDOR money for oversight. Ms. Palmer replied that DCCED used ARDOR funds for administering the program.

Representative Gara was concerned about that. He noted that the funds were already small. Ms. Palmer replied that 6 percent was used for administering the grants.

Co-Chair Stoltze wondered if money was used from inactive ARDORS. Ms. Palmer answered that the money came out of the total allocation and then money was dispersed to ARDORS.

Co-Chair Austerman asked for verification that the number was 6 percent. Ms. Palmer replied in the affirmative.

Representative Gara restated his concern about the money being taken from ARDORS from the department.

Representative Wilson wondered if the 6 percent was used for the position's total wages, or if it was an additional 6 percent. Ms. Palmer answered that the 6 percent represented what was allocated to DCCED.

Representative Wilson asked for verification that the funds were used was for a person. Ms. Palmer responded in the affirmative.

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Representative Edgmon discussed his perception of the ARDOR program as a state and private partnership. He discussed

leveraging state funds in planning, conferences, research, and other services. He noted that some of the conversation may seem to indicate otherwise. He asked about the department's perception of the program. He wondered how effective the program is. Ms. Palmer answered that every ARDOR is different, with a different purpose and region. She pointed to inherent challenges such as lack of infrastructure and other that meant performance would be different across the state. She discussed support from DCCED for leading, directing, guiding and overseeing on their behalf. She believed the program had a lot of strengths, but also needed improvements. She discussed the need to communicate the importance of the individual ARDORS to the individual regions across the state.

Representative Gara queried the reason for the 6 percent cut to the ARDORS from DCCED. Co-Chair Stoltze stated that the discussion would occur during the budget process the following year.

Representative Costello MOVED to ADOPT a conceptual amendment:

Page 2, line 27:

Delete "the board."

Insert: "the board; and

(c) a report on any work done on statewide economic development projects."

Co-Chair Stoltze OBJECTED for discussion.

[2:59:58 PM](#)

AT EASE

[3:04:53 PM](#)

RECONVENED

Representative Costello WITHDREW the conceptual amendment. She MOVED to ADOPT Amendment 1:

Page 1, line 7

Insert a after "Shall"

compile a report on work on statewide economic development projects and

Renumber the following sections of the bill.

Co-Chair Stoltze explained that the subject was originally in the wrong section of the bill, so it would be in a new section.

Representative Gara wondered why the report should not include regional economic development projects. He wondered if they were already doing that. Co-Chair Austerman believed so, but will reread the bill.

Co-Chair Stoltze surmised that the ARDORS were responsive, and felt that DCCED should provide more information.

Representative Edgmon noted that ARDORS are regional organizations with regional boards of directors.

Co-Chair Austerman pointed to Alaska Forward. He wondered whether ARDORS were still involved with Alaska Forward.

[3:07:13 PM](#)

Representative Gara MOVED to AMEND Amendment 1 to insert "and regional" following the word "statewide":

Page 1, line 7

Insert a after "Shall"

compile a report on work on statewide and regional economic development projects and

Renumber the following sections of the bill.

There being NO OBJECTION, the amendment to Amendment 1 was ADOPTED.

Representative Costello spoke to Amendment 1. She remarked that the importance of economic development was important to the legislature. She felt that communication with the regions would further legislative objectives.

Amendment 1 as amended was ADOPTED.

Representative Costello spoke to the fiscal note. She stated that there would be a fiscal impact of \$859,500 to DCCED for FY 14, FY 15, and FY 16.

Representative Gara moved to amend the fiscal note. He felt that DCCED should not have a full-time employee to "watch" what the ARDORS were doing. He felt that \$20,000 should be moved to the grants and benefits position.

3:11:01 PM

AT EASE

3:11:57 PM

RECONVENED

Co-Chair Stoltze asked if there were other questions on the fiscal note.

Representative Costello MOVED to REPORT CSHB 71(FIN) out of committee with individual recommendations and the accompanying fiscal note.

CSHB 71(FIN) was REPORTED out of committee with a "do pass" recommendation and with one new fiscal impact note from the Department of Commerce, Community and Economic Development.

Co-Chair Stoltze made remarks. He discussed the schedule for the following day.

#

ADJOURNMENT

3:15:35 PM

The meeting was adjourned at 3:15 p.m.