

**ALASKA STATE LEGISLATURE**  
**SENATE COMMUNITY AND REGIONAL AFFAIRS STANDING COMMITTEE**

February 20, 2024

1:29 p.m.

**MEMBERS PRESENT**

Senator Forrest Dunbar, Chair  
Senator Donald Olson, Vice Chair  
Senator Elvi Gray-Jackson  
Senator Jesse Bjorkman

**MEMBERS ABSENT**

Senator Cathy Giessel

**COMMITTEE CALENDAR**

**SENATE RESOLUTION NO. 3**

Recognizing March 2024 as Chronic Kidney Disease Awareness Month in Alaska to raise awareness of the need for research, screening programs, and access to care for individuals who suffer from chronic kidney disease.

- HEARD & HELD

**PRESENTATION(S): CHALLENGES IN RURAL COMMUNITIES**

- HEARD

**PREVIOUS COMMITTEE ACTION**

BILL: SR 3

SHORT TITLE: CHRONIC KIDNEY DISEASE AWARENESS MONTH

SPONSOR(S): SENATOR(S) GRAY-JACKSON

01/24/24	(S)	READ THE FIRST TIME - REFERRALS
01/24/24	(S)	CRA
02/20/24	(S)	CRA AT 1:30 PM BELTZ 105 (TSBldg)

**WITNESS REGISTER**

BESSE ODOM, Staff  
Senator Elvi Gray-Jackson  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions during the discussion of SR 3.

NILS ANDREASSEN, Executive Director  
Alaska Municipal League  
Juneau, Alaska

**POSITION STATEMENT:** Introduced the top of challenges facing rural communities and the responsibilities and resources of local governments.

LAYTON LOCKETT, Manager  
City of Adak  
Adak, Alaska

**POSITION STATEMENT:** Discussed the challenges facing rural communities and the responsibilities and resources of local governments.

MARK SPRINGER, Mayor  
City of Bethel  
Bethel, Alaska

**POSITION STATEMENT:** Discussed the challenges facing rural communities and the responsibilities and resources of local governments.

SOPHIE SWOPE, Vice Mayor  
City of Bethel  
Bethel, Alaska

**POSITION STATEMENT:** Discussed the challenges facing rural communities and the responsibilities and resources of local governments.

ELLA SAM, Mayor  
City of Hughes  
Hughes, Alaska

**POSITION STATEMENT:** Discussed the challenges facing rural communities and the responsibilities and resources of local governments.

JUNE BEETUS WALKER, Representing Self  
Hughes, Alaska,

**POSITION STATEMENT:** Discussed the infrastructure and service improvement needs of the City of Hughes.

JOSEPH AMIK, City Administrator  
City of Napaskiak  
Napaskiak, Alaska

**POSITION STATEMENT:** Discussed the challenges facing rural communities and the responsibilities and resources of local governments.

DICKIE MOTO, Mayor  
Northwest Arctic Borough  
Kotzebue, Alaska

**POSITION STATEMENT:** Discussed the challenges facing rural communities and the responsibilities and resources of local governments.

SAM CHANAR, Mayor  
City of Toksook Bay  
Toksook Bay, Alaska

**POSITION STATEMENT:** Discussed the challenges facing rural communities and the responsibilities and resources of local governments.

GABRIEL NANOK, City Administrator  
City of Chevak  
Chevak, Alaska

**POSITION STATEMENT:** Discussed the challenges facing rural communities and the responsibilities and resources of local governments.

JOSH VERHAGEN, Mayor  
City of Nenana  
Nenana, Alaska

**POSITION STATEMENT:** Discussed the challenges facing rural communities and the responsibilities and resources of local governments.

MARY SWAIN, Presiding Officer  
Bristol Bay Borough Assembly  
Bristol Bay, Alaska

**POSITION STATEMENT:** Discussed the challenges facing rural communities and the responsibilities and resources of local governments.

KALEB WESTFALL, City Council Member  
City of Dillingham  
Dillingham, Alaska

**POSITION STATEMENT:** Discussed the challenges facing rural communities and the responsibilities and resources of local governments.

KATHY LEARY, City Manager

Gustavus, Alaska

**POSITION STATEMENT:** Discussed the challenges facing rural communities and the responsibilities and resources of local governments.

**ACTION NARRATIVE**

[1:29:25 PM](#)

**CHAIR FORREST DUNBAR** called the Senate Community and Regional Affairs Standing Committee meeting to order at 1:29 p.m. Present at the call to order were Senators Gray-Jackson, Bjorkman, Olson, and Chair Dunbar.

**SR 3-CHRONIC KIDNEY DISEASE AWARENESS MONTH**

[1:30:46 PM](#)

CHAIR DUNBAR announced the consideration of SENATE RESOLUTION NO. 3 Recognizing March 2024 as Chronic Kidney Disease Awareness Month in Alaska to raise awareness of the need for research, screening programs, and access to care for individuals who suffer from chronic kidney disease.

He said that this is the introductory hearing of SR 3. The intention is to have committee discussion and hear public testimony. He invited Senator Gray-Jackson to put herself on record and introduce her resolution.

[1:31:15 PM](#)

SENATOR GRAY-JACKSON, speaking as sponsor, introduced SR 3. She read the following sponsor statement:

[Original punctuation provided.]

The impact kidney disease has on patients and our healthcare system cannot be understated. To put it in perspective, there are more than 40 million people in the United States with kidney disease. This is roughly equivalent to the entire population of California. Even worse, more people will die from kidney disease this year than breast or prostate cancer.

[1:32:16 PM](#)

Chronic kidney disease (CKD) is often asymptomatic in the beginning making early detection a challenge. Alaska has many high-risk populations. The high-risk ethnicities in Alaska include African Americans, Hispanics, Asian Americans, Pacific Islanders, and

Alaska Natives and Native Americans. Another at-risk group includes individuals aged 65 and older, which make up nearly 14 percent of our population. Those living with kidney disease face challenges on many different fronts. Whether it is accessing a donor kidney for transplant, choosing between home or in-clinic dialysis while juggling a job or family responsibilities, or the constellation of challenges for this population adds an additional layer of stress to an already challenging chronic condition. A further complication for those suffering from chronic kidney disease is a lack of health insurance which results in lack of care and poorer health outcomes compared to 8 percent average nationwide. Nearly 13 percent of our population under the age of 65 are underinsured.

Senate Resolution 3 seeks to reduce the impact of chronic kidney disease by increasing awareness and screening.

[1:34:04 PM](#)

CHAIR DUNBAR invited questions from committee members.

[1:34:13 PM](#)

SENATOR OLSON asked about the prevalence of chronic kidney disease and the number of people with kidney failure.

SENATOR GRAY-JACKSON deferred the question to her staff, Ms. Odom.

[1:34:28 PM](#)

BESSE ODOM, Staff, Senator Elvi Gray-Jackson, Alaska State Legislature, Juneau, Alaska, replied that the answer is a little hard to define. Kidney disease is not a medical issue that the state actively or aggressively tracks compared to other conditions, such as cancer, heart disease, or stroke. She said that she does not necessarily have those numbers, but there are over 600 Alaskans with chronic kidney disease who require dialysis treatment.

SENATOR OLSON asked about the breakdown of that population, specifically the proportion of Alaska Natives and non-Alaska Natives.

MS. ODOM replied that she does not have the breakdown but will gather that data for the committee.

SENATOR OLSON asked whether the type of dialysis treatment is peritoneal dialysis, administered through the abdomen, or renal dialysis, administered through a shunt in the wrist or arm.

MS. ODOM answered that the facility administers the treatment through a dialysis port.

[1:36:08 PM](#)

CHAIR DUNBAR asked if there were further questions and found none. He opened public testimony on SR 3; finding none, he closed public testimony.

CHAIR DUNBAR held SR 3 in committee.

[1:36:56 PM](#)

SENATOR GRAY-JACKSON thanked the committee for hearing the resolution.

[1:37:04 PM](#)

At ease.

**PRESENTATION(S): CHALLENGES IN RURAL COMMUNITIES**

[1:37:42 PM](#)

CHAIR DUNBAR reconvened the meeting and announced a presentation organized by Nils Andreassen from the Alaska Municipal League (AML) on the challenges facing communities and the responsibilities and resources of local governments.

[1:37:58 PM](#)

NILS ANDREASSEN, Executive Director, Alaska Municipal League, Juneau, Alaska, organized a group of local government officials to discuss the challenges rural communities face and the responsibilities and resources of local governments. He emphasized the importance of hearing directly from local government officials and that AML represents 165 local governments, cities, and boroughs in organized areas of the state and the unorganized borough.

MR. ANDREASSEN stressed the importance that the committee understand the on-the-ground perspectives of local governments. This understanding is crucial as committee members decide on budgets and bills affecting residents statewide. AML's role is to bring together local governments to listen, learn, and coalesce around shared priorities and common issues and advocate for these issues to state policymakers. He noted that the best advocates for communities are the communities themselves. He

said each local government representative prepared brief remarks about their challenges and what is important for committee members to understand.

1:40:10 PM

CHAIR DUNBAR noted that the legislature is considering several bills related to taxable property, such as those affecting farm property, nonprofits, and tax exemptions. He expressed interest in hearing from local government representatives about their funding mechanisms, specifically whether their communities rely on property taxes or have other primary sources of revenue.

1:40:54 PM

MR. ANDREASSEN said that he has gathered feedback on those bills from AML members over the past few months and has wrestled with these questions. He emphasized that the best taxes are broadly applied. The broader the tax base, the more equitably it is implemented. This means fewer exemptions are preferable, as they ensure the tax is applied evenly across the community. However, he noted the significant variation among communities, indicating that a one-size-fits-all approach is not feasible.

MR. ANDREASSEN said that the majority of communities do not have a property tax. Property tax applies to many within boroughs. Sales tax is the most common revenue source; one hundred six local governments have implemented one. Communities with fish taxes, either landing or business, are critically impacted by the activities in those sectors.

MR. ANDREASSEN highlighted that any reduction in available revenues affects funding for education, public safety, and other economic and community development activities within a jurisdiction. He said that he looked forward to hearing from communities on the topic.

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CHAIR DUNBAR announced the first invited government official and asked him to put himself on the record and begin his testimony.

1:43:21 PM

LAYTON LOCKETT, Manager, City of Adak, Adak, Alaska, discussed the challenges facing rural communities and the responsibilities and resources of local governments. Adak primarily generates revenue through the sale of raw seafood or fish tax, mainly shared through the state. The fishing industry generates a lot of revenue for Adak.

[1:43:51 PM](#)

MR. LOCKETT said that due to the composition of Adak and its generation as a second-class city through the closure of the Naval Air Facility Adak (NAF-Adak), the community was not appropriately surveyed. A property tax would require a comprehensive survey of land transferred into private hands, which would be costly without federal support. He mentioned that Adak has been managing its way through the infrastructure left behind by the U.S. Navy over twenty years ago. The difficulties include:

- Obtaining safe water.
- Maintaining a power supply.
- Overseeing two hundred million dollars worth of property, which was transferred to the city, on a city operating budget of \$1 million.

MR. LOCKETT noted an impending substantial increase in the cost of power due primarily due to an antiquated electrical distribution system. Adak will soon be paying over \$2 per kilowatt-hour for residential power before power cost equalization (PCE) which is already at the statutory maximum.

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MR. LOCKETT mentioned the challenges Adak faces trying to right-size, working with federal agencies and State agencies to obtain administrative support. This is particularly difficult with the Alaska Department of Fish and Game (ADF&G) and the Department of Environmental Conservation (DEC). As Adak navigates the new Environmental Protection Agency (EPA) rule requiring a lead service line inventory (LSL), it must address thousands of buildings technically connected without as-built records. The resources provided by DEC are insufficient to undertake this task privately. Despite these obstacles, Adak is doing its best with the available resources.

[1:46:05 PM](#)

SENATOR GRAY-JACKSON asked about Adak's population.

MR. LOCKETT replied that the official population of Adak is 330, although the current unofficial population is at or below 100.

[1:46:26 PM](#)

CHAIR DUNBAR asked why the population is officially 330 but unofficially only 100.

MR. LOCKETT replied that when the U.S. Census Bureau conducted the census, it counted many of the shore-based fish processing plant workers. The plant was in operation, and the census counted many of the workers. Another factor that contributed to the higher population was the federal cleanup contracts related to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). Since the census, the fish plant has closed, and Adak now has a larger transient population due to tourism or ship-to-ship transfers. Due to a lack of industry, Adak's resident population has decreased.

[1:47:16 PM](#)

SENATOR OLSON asked about the number of children that attend school in Adak.

MR. LOCKETT answered that the school closed this year because Adak has zero children on the island. Since the city owns the municipal building and the school is located within, the closure only involved locking a few classroom doors. Still, it maintains the remainder of the building for various operations. He likened it to Whittier, explaining that Adak could reopen the school tomorrow if there were children as the rooms are ready to go.

SENATOR OLSON asked about ownership of the airport.

MR. LOCKETTE replied that the Department of Transportation and Public Facilities (DOTPF) owns it.

SENATOR OLSON sought clarification on whether the federal government had transferred the airport to the State.

MR. LOCKETTE answered yes.

[1:48:13 PM](#)

CHAIR DUNBAR thanked Mr. Lockett, noting that Adak is a fascinating community with a fascinating history and unique challenges.

[1:49:03 PM](#)

MARK SPRINGER, Mayor, City of Bethel, Bethel, Alaska, discussed the challenges facing rural communities and the responsibilities and resources of local governments.

[1:49:21 PM](#)

SOPHIE SWOPE, Vice Mayor, City of Bethel, Bethel, Alaska, discussed the challenges facing rural communities and the responsibilities and resources of local governments.

[1:49:34 PM](#)

MR. SPRINGER said that Ms. Swope is a lifelong resident of Bethel and brings a unique perspective to the discussion.

MR. SPRINGER addressed Bethel's funding mechanisms, specifically property taxes and other sources of revenue. He said that Bethel is the best-kept secret in Alaska real estate. A new house costs around \$700,000. He explained that Bethel has no property tax, so there are no carrying costs once the owner boards it up, drains it, and turns off the electricity. Bethel generates revenue through a 6 percent sales tax, a 50 percent sales tax on marijuana and alcohol, and a 45 percent excise tax on tobacco products.

MR. SPRINGER highlighted several challenges faced by Bethel. He said the community has a population of about 6,000 and is a second-class city. Bethel does not exercise any education powers and is part of the Lower Kuskokwim School District (LKSD), Regional Educational Attendance Area (REAA). The city is responsible for water and sewer services, maintaining a mix of piped and hauled systems. The city maintains approximately 25 miles of roads, with the central artery being a state highway maintained by the DOTPF. Bethel has public safety, police, and a fire department but no health powers.

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MR. SPRINGER said several of Bethel's core issues are:

### **Housing**

There is not enough housing, and it is expensive. When the Yukon-Kuskokwim Health Corporation (YKHC) built the new hospital, the arrival of 400 health professionals significantly drove up real estate prices, making housing unaffordable for young families. This is a factor in the difficulty of filling positions; there are a lot of job openings in Bethel.

### **Infrastructure**

Infrastructure is a major concern. Buildings in Bethel as well as in other communities around the state, were constructed in the 1970s and 1980s, community halls, police stations, and water and sewer systems. Construction costs have nearly doubled since 2020. Bethel went out to bid for a new water and sewer system. The city received one proposal that was double the city's estimated cost.

[1:53:06 PM](#)

SENATOR GRAY-JACKSON asked about Bethel's population and budget.

MR. SPRINGER replied that Bethel's population is around 6,000, and the budget is around \$25,000,000.

[1:53:25 PM](#)

CHAIR DUNBAR asked whether Bethel has zoning.

MR. SPRINGER replied that it does. Bethel's zoning is based more on the type of use than the size of a house on a lot. Bethel does not have zoning regulations restricting the size of houses on lots, so people can build almost anything they want on their house lot.

CHAIR DUNBAR asked if someone could build a multi-family home in Bethel, which is an issue in Anchorage right now.

MR. SPRINGER replied yes, certainly.

[1:54:03 PM](#)

SENATOR OLSON asked which utility provides Bethel's electricity.

MR. SPRINGER replied that Bethel is now an Alaska Village Electric Cooperative (AVEC) member.

SENATOR OLSON sought confirmation that AVEC provides the power.

MR. SPRINGER replied yes.

SENATOR OLSON asked whether Bethel has a village public safety officer (VPSO) who provides public safety.

MR. SPRINGER replied that Bethel has its own police department.

SENATOR OLSON sought confirmation that there are no VPSOs in Bethel.

MR. SPRINGER replied that there are no VPSOs in Bethel.

[1:54:18 PM](#)

SENATOR OLSON recalled that Hooper Bay had a police department and a VPSO.

MR. SPRINGER replied that is correct. Sometimes, there was a VPSO, a police department, and sometimes both.

[1:54:32 PM](#)

CHAIR DUNBAR invited Vice Mayor Swope to testify.

[1:54:33 PM](#)

MS. SWOPE said that besides serving as the vice mayor for the City of Bethel, she also serves on the Orutsararmiut Traditional Native Council, which is the tribe in Bethel. She said that working with both government organizations, she has noticed the transient nature of many employment opportunities in Bethel. This is particularly true in healthcare at YKHC and in law enforcement. The community lacks the structure needed for stable police enforcement.

She said that over the past two years, she has observed a significant rise in the use of drugs such as heroin, fentanyl, and other opioids. Access to Narcan would provide substantial relief to the community. The community has experienced numerous overdoses, which often necessitate costly medevac services to Anchorage. Addressing this issue would greatly benefit Bethel's families.

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CHAIR DUNBAR asked whether Narcan is available through YKHC, and if Bethel has a fire department. He said the Anchorage Fire Department administers Narcan.

MS. SWOPE replied yes. Bethel has a fire department with emergency medical services (EMS).

[1:56:36 PM](#)

MR. SPRINGER interjected, stating that YKHC has Narcan and understood it is available across the counter. He commented that at a Saturday market, public health nursing distributed opioid rescue kits. The kit contained two NARCAN nasal sprays, a pair of gloves, and some instructions inside a little canvas bag. He said public health nursing has them available in quantity.

[1:58:00 PM](#)

ELLA SAM, Mayor, City of Hughes, Hughes, Alaska, discussed the challenges facing rural communities and the responsibilities and resources of local governments. She said the City of Hughes lost its chief and mayor, a great person. She expressed that she is filling in for him and will try to make good on her testimony.

[1:58:27 PM](#)

CHAIR DUNBAR sought confirmation that the name of the recently departed mayor was Mr. Beetus.

MS. SAM affirmed Mr. Beetus was the former mayor and she introduced his sister, Ms. Walker.

[1:58:31 PM](#)

JUNE BEETUS WALKER, representing self, Hughes, Alaska, discussed the infrastructure and service improvement needs of the City of Hughes.

[1:58:35 PM](#)

CHAIR DUNBAR said that it was good to see Ms. Walker again.

[1:58:40 PM](#)

MS. SAM said the City of Hughes has a population of 92, and the city has 35 students. She said she had a "wish list," which outlined the infrastructure and service improvement needs of the City of Hughes as follows:

#### Water and Sewer Upgrade

- Winter Challenges: This past winter, the community faced numerous issues with frozen water lines.
- Equipment and Personnel Issues: The mayor and chief were the only ones who knew the location of the equipment. This led to inefficiencies as people searched for tools. Meanwhile, temperatures plummeted to around 60 degrees below zero.
- Impact on Homes: More than a couple of homes had frozen water lines and leaks, causing a lot of work during the extreme cold weather.

#### Septic System Sanitation Concern

- No Pumping Truck: The community lacks a septic pumping and hauling truck, resulting in unpumped septic tanks.

#### Housing Rehabilitation

- Home Repairs: 21 homes need to be rehabilitated. Older homes built from logs have frozen water pipes and foundation erosion issues.
- Raven Subdivision Development: Plans to develop the new subdivision are underway. The city needs help surveying, planning, and constructing up to 14 single-family home lots.

[2:01:12 PM](#)

#### Biomass Boiler Rehabilitation

- The interior of the biomass boiler facility burned. The city needs funding to rehabilitate the facility.

### School Gymnasium

- The City of Hughes has a half-court gym built in 1969-70, which is too small to accommodate the growing student population. A full-court gym is needed to serve the students better.

### Solar Panels

- The city would like solar panels that face east and west at the existing solar panel site to provide sufficient power for the entire village.

### Elder Assisted Living Home

- A local assisted living home is needed to keep elders at home in their community. Currently, elders are sent to the Denali Center in Fairbanks for care. After spending their lives caring for their community, sending them away is disheartening.

### Birch Hill New Bridge and Road Maintenance

- The bridge is over a running creek at the bottom of a hill. The bridge washes away every year yet remains in use. A new bridge and road maintenance are needed to remedy that problem.

### New Water Plant

- The existing water plant, built in the 1960s, needs replacement.

MS. SAM said that this is a big wish list.

[2:03:36 PM](#)

MS. WALKER requested permission to comment on the City of Hughes.

[2:03:40 PM](#)

CHAIR DUNBAR said yes, of course, and invited Ms. Walker to testify.

[2:03:45 PM](#)

MS. WALKER expounded on the City of Hughes' needs. She said the existing water and sewer service was part of a 20-year-old pilot project. It is not working as well as it should, so the community would like it upgraded. She spoke to the 21 homes in need of rehabilitation, stating that many were built as temporary housing in the 1980s after a flood, yet people still live in them today. An engineer from Anchorage did a lot of the planning for the Raven Subdivision. The plan is for 14 lots

because Hughes is growing. She said the community gets only 13-15 percent of its power from its solar panels. With funding to purchase panels that face east and west, the amount of power supplied to the city could increase to around 50 percent.

[2:05:33 PM](#)

SENATOR GRAY-JACKSON thanked Ms. Sam for sharing her "wish list," stating that it is more like a quality-of-life list that urban communities take for granted. She asked about the city budget and revenue sources.

MS. WALKER replied that she was unsure; it was more than a million dollars.

SENATOR GRAY-JACKSON asked that the city gather that information for the committee.

MS. SAM said that she is trying to do the best possible with the information available. She said that though she sits on the city council, the city administrator was supposed to attend this hearing but was called away on other business.

[2:06:34 PM](#)

SENATOR GRAY-JACKSON asked what the city's source of revenue are and where the city gets its funding.

MS. WALKER replied that the city had a pilot project to build a new road to the cemetery this summer. Previously, people had to climb a hill with all the necessary equipment for burial. The project employed and trained young people to build the road, with around 45 participants involved. Participants came from local villages. The State gave the city about \$4 million.

[2:07:32 PM](#)

SENATOR GRAY-JACKSON asked how the budget is funded, wondering whether it is funded through fish tax.

MS. WALKER replied that Hughes owns its electric plant and some heavy equipment used for construction.

[2:07:56 PM](#)

CHAIR DUNBAR inquired about ownership of the Raven Subdivision land.

MS. SAM replied that the city does.

CHAIR DUNBAR asked whether the State donated that land to the city or if the City of Hughes owned it for a long time.

MS. WALKER replied that the city always owned the land.

CHAIR DUNBAR sought confirmation that it was part of the original incorporation of the city.

MS. SAM said that the State owns the airport and explained that Raven Subdivision is further back, near a little slough.

CHAIR DUNBAR commented that the subdivision is a great use of municipal land.

[2:09:31 PM](#)

JOSEPH AMIK, City Administrator, City of Napaskiak, Napaskiak, Alaska, discussed the challenges facing rural communities and the responsibilities and resources of local governments. He said Napaskiak is a small community of 450 people made up of 99 percent Natives. Napaskiak has winter roads that connect to Bethel and nearby villages. The school has about 280 students. The city and tribal governments collaborate to help with Napaskiak's infrastructure.

MR. AMIK said he wanted to come to Juneau to share the challenges facing his community, including:

#### Law Enforcement

- The community lacks sufficient funding for law enforcement. Despite exploring various federal grants, obtaining them remains challenging.
- Due to the legalization of marijuana and alcohol in Bethel, Napaskiak has experienced an increase in alcohol-related crimes, including domestic violence. Although there is no road system, residents use skiffs in the summer and snowmobiles in the winter to commute to Bethel to make these purchases.
- The community is desperate for more law enforcement. A 3 percent sales tax generates revenue to fund law enforcement. The city can employ two village police officers with tax revenues. The tribal government employs up to six, but given the crime rate, this is insufficient.
- Both city and tribal police officers have high turnover rates due to the high crime rate and challenging work conditions.

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#### Waste Heat System

- Napaskiak has a new waste heat system due to start up in June. The power company will utilize the waste heat from the power plant generators to heat multiple public buildings.
- The location of City Hall must be closer to the new waste heat system to benefit from it. Relocating it would save on heating costs. Currently, heating fuel in Napaskiak costs close to \$8 a gallon due to barge delivery, compared to \$3 - \$4 in Anchorage. Despite the Payments in Lieu of Taxes (PILT) program and Community Assistance Program (CAP) funding, heating costs pose a challenge.

#### Insurance Costs

- The cost of building insurance rises every year, increasing by over \$30,000 in the past 10-15 years. This increase poses a challenge given the community's fixed PILT and CAP funds. The rising costs have affected city employees and council members, who now work fewer hours per week.

#### Revenue Generation

- The community needs to explore ways to generate more revenue to address these challenges.

[2:16:30 PM](#)

CHAIR DUNBAR asked from where PILT funds come.

MR. AMIK replied that PILT comes from the State of Alaska, revenue-sharing.

CHAIR DUNBAR expressed his understanding that PILT is associated with some kind of facility, like an Army facility. He sought clarification about whether a State facility is paying PILT or if it is just a direct payment.

MR. AMIK replied that it is a payment that goes through AML. Napaskiak gets those funds annually at the end of the fiscal year in June or July.

[2:17:13 PM](#)

SENATOR GRAY-JACKSON asked about Napaskiak's budget and revenue sources. She said funding communities without a sufficient revenue stream is challenging, so she asks every community these questions. She recalled that Napaskiak has a sales tax that pays for law enforcement.

MR. AMIK replied that the city submits CAP fund applications but, with the exception of funds for administrative personnel, heating, water, and sewer bills, the city receives no funding.

He said that the city has a 2 percent sales tax to fund local law enforcement.

SENATOR GRAY-JACKSON inquired about the city's annual budget.

MR. AMIK replied that the city gets \$86,000 from the CAP alone.

[2:18:55 PM](#)

DICKIE MOTO, Mayor, Northwest Arctic Borough, Kotzebue, Alaska, discussed the challenges facing rural communities and the responsibilities and resources of local governments. He said the Northwest Arctic Borough consists of eleven communities. The borough faces the challenge of aging infrastructure every day. The borough prioritizes public safety, including fire service, search and rescue, and VPSOs. He recounted a recent tragic experience. A fire in one of the villages claimed six lives in one house. This heightened the borough's focus on improving public safety, but funding remains a significant hurdle. He said that education funding is getting tight. The borough oversees the schools in all the villages. He said that villages lease their school buildings. He explained that generating property taxes to fund education is not an option because residents lease or rent, making property taxes impractical. The list of challenges goes on and on. It is an everyday struggle.

MR. MOTO said the borough generates revenue through the Red Dog Mine via a PILT agreement. The Red Dog Mine ends in 2031. The borough will renegotiate the PILT agreement after 2026 and is no longer looking at \$25 million revenue. He noted that the Red Dog Mine contributes roughly 94 percent of the borough's revenue.

MR. MOTO emphasized that fuel costs rise every year. He pointed out that residents in Noatak pay between \$1,000 and \$1,200 monthly for electricity due to fuel surcharges. Fuel is flown in, and costs add up. The borough provides a \$2 million water and sewer subsidy to all eleven villages to reduce the cost of water and sewer, ensuring clean homes.

[2:23:31 PM](#)

SENATOR GRAY-JACKSON inquired about the population of the Northwest Arctic Borough.

MR. MOTO replied that the population of all eleven villages is 11,000.

[2:23:51 PM](#)

SENATOR OLSON brought up the tragic fire in Noorvik a month ago and another similar incident in Selawik several years ago, asking what plans the borough has implemented to address fire suppression.

MR. MOTO replied that a couple of years ago, Selawik experienced a fire that claimed four lives in one house. Following this tragedy, the borough lobbied hard for grant money to improve fire prevention and search and rescue services. The borough expects to complete the fire, search and rescue, and warm storage projects in Selawik, Buckland, and Noatak this summer. However, this still leaves seven villages without adequate services. The borough hopes to get more funding through a State grant program to ensure better community safety measures.

[2:25:14 PM](#)

SENATOR OLSON said considering the overall public safety situation and given his experience as a former VPSO, he asked him to expound on the performance of the VPSO program now that it is contracted with the borough.

MR. MOTO replied that when he first started his tenure as mayor, there were zero VPSOs. Now, in his third year, there are roughly seven trained VPSOs. However, the borough has eleven villages and is financially unable to provide adequate public safety for them. As a result, the residents live in fear. He said no one should have to live that way.

[2:26:04 PM](#)

SENATOR OLSON asked about the number of villages that:

- have their own municipal light and power, and
- are a member of the Alaska Village Electric Cooperative (AVEC).

MR. MOTO replied that Deering is the only village that is self-run without AVEC. Deering and Buckland manage their own light plant operations, the Kotzebue Electric Association serves Kotzebue, and the other communities are members of AVEC.

[2:26:39 PM](#)

CHAIR DUNBAR asked whether Kotzebue has a police force.

MR. MOTO said yes, it has a local police department. The city government runs it. The other ten villages do not have local village police officers or village public safety officers. The

borough has been working with tribes to establish tribal police in the villages.

[2:27:40 PM](#)

SAM CHANAR, Mayor, City of Toksook Bay, Toksook Bay, Alaska, discussed the challenges facing rural communities and the responsibilities and resources of local governments. He stated that the city's operating budget totals \$609,000, with revenue sources including Payments in Lieu of Taxes (PILT), CAP funding, and sales tax. Toksook Bay has charitable gaming, and its budget is about \$90,000. He noted that in previous years, before his tenure as mayor, the administration would allocate some proceeds from charitable gaming to contribute to the city administration.

MR. CHANAR said Toksook Bay's funding challenges include heating, insurance, freight costs, and a high local law enforcement turnover rate. While the municipality does not have police officers, the tribe recently acquired a VPSO contract. So, the community now has a village public safety officer.

MR. CHANAR said the community has about 130 households, with around 90 connected to water and sewer and 30 without it. Last month, the water and sewer provider sent notices to about 30 households warning of disconnection due to non-payment. Poverty and unemployment are also issues of concern in the community.

[2:30:24 PM](#)

MR. CHANAR discussed the rising insurance costs, which have increased by about 10 to 15 percent since the national fires and flooding in the Lower 48. He said the insurance company informed him to anticipate a 12 percent increase next year.

[2:31:19 PM](#)

CHAIR DUNBAR asked about Toksook Bay's population.

MR. CHANAR replied the population is about 650 to 700.

CHAIR DUNBAR inquired about the number of children attending school.

MR. CHANAR responded that he did not have that information. He noted that one facility houses K-12 students, estimating the number to be under 100.

[2:32:55 PM](#)

GABRIEL NANOK, City Administrator, City of Chevak, Chevak, Alaska, discussed the challenges facing rural communities and

the responsibilities and resources of local governments. He highlighted the need to upgrade the over 20-year-old water and sewer infrastructure. Additionally, the community is hoping for a new laundry facility for residents.

MR. NANOK asked whether "Chevak was able to become a hub" and the city sought an answer to this. He emphasized the necessity for more trained personnel, suggesting that training would empower the next generation and reduce the need for external assistance. Chevak's annual budget is approximately \$250,000, primarily generated from a 3 percent sales tax. He mentioned that this rate is relatively low and could be increased to generate more revenue.

[2:34:28 PM](#)

SENATOR GRAY-JACKSON asked about Chevak's population.

MR. NANOK replied that according to the census, it is 943. He expressed his belief that it should be over 1,000.

[2:34:39 PM](#)

CHAIR DUNBAR commented that a budget of only \$243,000 seems quite small for a population of around 943. He asked if there were other sources of funding.

MR. NANOK replied, yes, the city has a the Community Oriented Policing Services (COPS) grant, PILT, and gaming revenue.

CHAIR DUNBAR inquired about the number of city employees.

MR. NANOK replied that there are six good ones.

[2:35:18 PM](#)

CHAIR DUNBAR asked whether Chevak has a police department or VPSO.

MR. NANOK replied that the city was blessed with a VPSO, which has been very good for the community. He explained that if the city were responsible for law enforcement, he would not want to be in a position where he might have to arrest his own brother. He expressed gratitude for the VPSO program and out-of-town law enforcement, stating that having even one VPSO is better than having none at all.

[2:36:01 PM](#)

CHAIR DUNBAR inquired about the partner organization that has the VPSO.

2:36:05 PM

MR. NANOK replied that Chevak has a traditional council that is in the process of establishing a tribal court. He expressed hope that it will receive a COPS grant and more VPSOs, as Chevak desperately needs trained personnel.

MR. NANOK highlighted that the aging water and sewer infrastructure is the main concern due to its old age. The community is seeking a status update on its HUB request, noting that it has been a while since Chevak made the request.

MR. NANOK mentioned that Hooper Bay, located 17 miles west of Chevak, has a sub-regional clinic. The challenge is that it is only accessible by snowmachine, making it difficult to reach. He said that having easier access to a sub-regional clinic, either by establishing one in the Chevak area or building a road to Hooper Bay, would greatly benefit the community. He emphasized that a road would also provide an escape route in case of disasters like Typhoon Merbok, which hit Southwest Alaska in 2022.

2:37:56 PM

JOSH VERHAGEN, Mayor, City of Nenana, Nenana, Alaska, discussed the challenges facing rural communities and the responsibilities and resources of local governments. He noted that he is the president of the Alaska Conference of Mayors. He said he would add the committee as the mayor then as the president of the Alaska Conference of Mayors. The population of Nenana is 400; the city has a 12-mill property tax, a 4 percent sales tax, and an annual operating budget of \$1.1 million.

MR. VERHAGEN acknowledged that the State cannot pay for all of Nenana's needs, so the community has sought additional revenue sources elsewhere, mainly through grants. Many grant opportunities exist for water, sewer, and energy projects, which have been instrumental in improving otherwise cost-prohibitive projects. One aspect that can be difficult through legislative grants or State funding is match requirements. He asked for consideration of the match requirements, explaining that sometimes the match requirements make it too expensive to accept a grant. For instance, Nenana had a grant opportunity that would have given the community some new equipment and required a one-to-one match. The match requirement was more than Nenana could afford, which was a significant lost opportunity. He noted that many small communities struggle with this, noting there are grant opportunities available, but they cannot afford the match.

[2:40:18 PM](#)

MR. VERHAGEN spoke on behalf of the Alaska Conference of Mayors. He addressed the issue of cost-shifting from the State to municipalities, particularly for services and unfunded mandates. He cited the senior tax exemption as an example, noting that while the State used to fund this, it has not reimbursed municipalities for lost revenues in a long time. The trend is that the State still requires municipalities to fund these obligations, but the legislature does not appropriate funds to reimburse communities. He said this feels like a double standard, and the legislature may be out of compliance with statutes. The Alaska Conference of Mayors requests that the legislature consider eliminating mandates when the State no longer appropriates funds to reimburse them.

MR. VERHAGEN stressed that communities can no longer afford to take on more responsibilities; it places a financial strain on them. He emphasized that municipalities are required to meet these obligations even when state appropriations do not align with the mandates. It creates a financial burden on communities. He pointed out that many communities, including Nenana, have had to cut essential services such as police departments and libraries due to this financial strain. Cost-shifting affects communities statewide, and he urged consideration of this issue to ensure municipalities are not overwhelmed by unfunded mandates.

[2:42:11 PM](#)

CHAIR DUNBAR stated that he is familiar with unfunded tax exemptions as a former chair of the Anchorage Assembly. He said that on the question of exemptions, there are two bills in committee. One has not had a hearing yet, but it concerns nonprofit tax exemptions stemming from a case in Fairbanks regarding a food bank. He asked whether Nenana is in a borough.

MR. VERHAGEN replied, no.

CHAIR DUNBAR asked whether Nenana has taxed farmland.

MR. VERHAGEN replied that Nenana has no zoning for farmland in its city limits.

[2:43:07 PM](#)

CHAIR DUNBAR said the other bill concerns exempting farmland, which the Fairbanks North Star Borough voluntarily did. He

sought confirmation that there is a state project to increase agriculture in the Nenana area.

MR. VERHAGEN responded, right.

CHAIR DUNBAR expressed his belief that there is a State project to increase agriculture in that area and asked if that was correct.

MR. VERHAGEN responded, yes.

CHAIR DUNBAR asked about his thoughts on the roughly 140,000-acre proposed development and its potential effects on Nenana.

[2:43:40 PM](#)

MR. VERHAGEN replied that the agricultural development is about 6 miles west of the city limits. It is not within the city's jurisdiction; however, Nenana has a 27-mile right-of-way through the agricultural development land. So, the city has had some involvement in the development of the road and has promoted the project and power access because it has the potential to benefit the community by bringing in industry and supporting local businesses, such as gas stations, restaurants, and hotels.

MR. VERHAGEN mentioned that Nenana expects to see an increase in the population of the nearby, non-taxable area. These residents are likely to use city services and attend school without contributing to the city's revenue. He said there are some pros and cons, but overall, the city sees it as a benefit for food security and the indirect industry it may bring.

[2:45:28 PM](#)

MARY SWAIN, Presiding Officer, Bristol Bay Borough Assembly, Bristol Bay, Alaska, discussed the challenges facing rural communities and the responsibilities and resources of local governments. She said that, like many of her colleagues, the borough faces numerous challenges in rural Alaska. She pointed out that declining fish prices are at the heart of everything the borough does; fish tax is central to everything. Every decision revolves around the fishing industry, and it impacts the borough's core missions: education, health, and safety.

#### Education

- Bristol Bay was the first state borough founded to fund education. However, underfunding has resulted in cuts to many programs.

- Underfunding education has meant a cut in all extracurricular activities. Outside of basketball, volleyball, and wrestling, no extracurricular activities exist. The borough lacks art programs and is trying to establish a shop through the regional career and technical education (CTE) program. The program involves four school districts and has been successful. Unfortunately, individual schools have been unable to fund other activities.

[2:46:48 PM](#)

#### Health Services

- The borough does not have funding for an emergency medical service (EMS) or non-Indian Health Service (IHS) community health center, which poses a risk to elders and residents.
- The community, with a population of 800, swells to between 10,000 and 25,000 during the May, June, and July fishing season. This influx strains the infrastructure, which is built to support a community of 800 but must meet the needs of up to 25,000 people for a six-week period.

#### Underfunded Jails

- Jails in the region are underfunded. Bristol Bay has had to absorb the responsibilities of other jails in the region. Bristol Bay does not have the capacity for this. Despite having no warning or funding to prepare properly, the community has made do. She said she is proud of Bristol Bay Borough; however, a lack of preparation and funding has been challenging.

MS. SWAIN said that the borough needs partners and would like more school funding, noting that the borough is fortunate to fund to the cap every year. She said the borough tries to find other funding options, but it has been difficult. The borough's budget is between \$16 and \$18 million, with the majority of taxes coming from fish tax. The borough also has a property tax of just over 11 percent.

MS. SWAIN commented that the housing issue in the borough differs from those in other communities. The borough has housing. However, with the rapid growth of the fishing industry, the sector buys every house on the market. These houses are used for only three months and remain empty for the rest of the year.

[2:48:58 PM](#)

CHAIR DUNBAR asked about the villages in the Bristol Bay Borough.

MS. SWAIN replied that Naknek, King Salmon, and South Naknek are in the Bristol Bay Borough. It is the only school district in the country that flies children to school daily.

[2:49:34 PM](#)

SENATOR GRAY-JACKSON compared the \$1.1 million budget of Nenana, with a population of 400, to the \$16 - 18 million budget of Bristol Bay Borough, with a population of 800.

MS. SWAIN said, correct. It is all about the fishing industry. The community is built on the industry.

[2:50:20 PM](#)

KALEB WESTFALL, Council Member, City of Dillingham, Dillingham, Alaska, discussed the challenges facing rural communities and the responsibilities and resources of local governments. Dillingham is about 350 miles west of Anchorage and has a population of about 2,200. He said that like the Bristol Bay Borough, the population swells in the summer to about 10,000 to 12,000.

MR. WESTFALL said Dillingham has 392 students in the school system, including 13 intensive students. Most of the income comes from a six percent sales tax. The property tax mill rate is 13 percent. About \$4.9 million is received through various taxes, including gaming, alcohol, transient lodging, remote sales tax, sales tax, tobacco, and marijuana excise. The total budget is approximately \$25 million, but the aim is to reduce it to around \$16 to \$18 million.

MR. WESTFALL stated some of the struggles in Dillingham are similar to those faced by many other communities. There is a high cost of living and housing constraints, largely due to land access issues. Much of this is attributed to Section 14(c) of the Alaska Native Claims Settlement Act (ANCSA) properties and the federal park, which restricts expansion.

MR. WESTFALL said that water and wastewater management is a significant issue. Like many communities with state-owned airports, there are contamination issues from the per- and polyfluoroalkyl substances (PFAS) in the firefighting aqueous film-forming foam (AFFF). This is the number one capital improvement priority. The city has a plan in the design phase and seeks a partnership with the state to address this issue.

[2:52:49 PM](#)

SENATOR GRAY-JACKSON asked why he wants to see the budget drop from \$25 million to \$16 - 18 million, wondering if that is because of a budget deficit.

MR. WESTFALL replied that the budget increased due to past COVID funding and other funds coming through the city. Some items are budgeted but will not be allocated. The city council is looking for a right-sized budget for Dillingham to ensure there is no spending in deficits and to practice realistic government.

SENATOR GRAY-JACKSON said that with COVID funding ending, the budget will be lower.

[2:53:44 PM](#)

CHAIR DUNBAR said the drop from \$25 to \$16 - 18 million is significant. He asked what Dillingham plans to cut in the budget.

MR. WESTFALL replied that an investigation just started to figure out where the fat was and where the city could get more efficient. Dillingham has a large tribal entity, with about 50 percent of the population being Alaska Native Yupik and the other 50 percent non-Native. There is a good partnership between the tribal entity and the city, and efforts are underway to leverage each other's abilities to earn and receive grant funding. The goal is to work together to grow, become more independent, and be able to shrink the budgets while also generating more revenue and services through a growing infrastructure. The aim is to achieve sustainable growth and revenue rather than relying on one-time funding.

[2:55:37 PM](#)

KATHY LEARY, City Administrator, Gustavus, Alaska, discussed the challenges facing rural communities and the responsibilities and resources of local governments. She said that according to the census, Gustavus has a population of about 655, although this number likely reflects the summer population when tourism is at its peak. The population doubles in the summer due to the tourism industry, with many residents working for the National Park Service (NPS) at Glacier Bay National Park in Bartlett Cove. The number of park service employees also increases during the summer.

MS. LEARY stated that the city has a K-12 school with 61 students this year. The school population fluctuates with the arrival of new families each year. Additionally, there is a homeschool population in the community. The city employs two

full-time salaried employees, six part-time employees, and a couple of seasonal employees, such as the marine facilities coordinator.

2:57:02 PM

MS. LEARY highlighted that Gustavus has a large airport run by the Department of Transportation and Public Facilities (DOTPF). Alaska Airlines, through Essential Air Service, operates flights in the summer. However, this service is at risk because the city lacks law enforcement. NPS rangers provided emergency services until the Department of Interior made a determination to no longer offer these services. The city, DOTPF, and the Department of Public Safety (DPS) are working to resolve this issue to ensure the airline continues to operate as it significantly contributes to tourism revenue.

MS. LEARY said the city generates revenue through a three percent tax, a four percent bed tax, a fish box tax, PILT money, CAP funds, and national forest receipts. She said that the city uses a lot of these funds to maintain almost 30 miles of dirt and gravel roads, with maintenance contracted out. The city faces significant PFAS issues, particularly related to testing at the airport. She said that she is uncertain why funding for ongoing testing was not budgeted this year, which is a concern. Continual PFAS readings are necessary to monitor the situation.

2:58:57 PM

MS. LEARY said that the water system in Gustavus consists of wells and septic systems. She announced that the city applied for and was awarded an areawide planning grant safe water and septage planning. In the interim, the city purchased two 10,000-gallon tanks, which are installed below ground. Juneau Septic Services ferries a septic pump truck to Gustavus for about a week and pumps out home septic systems, storing the waste in the tanks. A bigger tanker returns to Gustavus; it is first off and last on the ferry. The bigger tanker pumps the storage tanks and returns to Juneau for proper disposal of the waste. She said this is how Gustavus manages its sewage. This method, though unconventional, is necessary due to the high water table in the area.

MS. LEARY expressed concerns about a looming borough petition from Hoonah, which encompasses a huge swath of water and land. This petition proposes taxing tourism activities less than half a mile off the dock. This has brought up concerns about the city's PILT money and the potential compromise of city revenues due to this petition. She said it is an alarming amount of land

and water, and adjoining neighboring communities such as Pelican, Tenakee, and Elfin Cove also oppose this petition.

[3:00:57 PM](#)

CHAIR DUNBAR asked whether the petition includes any of those small communities.

MS. LEARY replied that Gustavus and Pelican were not part of the petition. The City of Hoonah wants Elfin Cove and Funter Bay. She said the Local Boundary Commission (LBC) oversees boundary changes whose standards must be reviewed and met.

[3:01:31 PM](#)

CHAIR DUNBAR observed that the meeting just ran out of time and asked if she would like to make concluding remarks.

[3:01:37 PM](#)

MS. LEARY said that Gustavus is trying to prolong the life of its gravel pit so that residents can access materials without incurring the high costs associated with dredging operations. Gustavus handles many local city projects using its revenues. However, expenditures beyond the city's capability, like some requirements involving permitting and wetlands, pose significant challenges. While the city strives to manage its needs, it faces potential threats from impending borough boundary changes.

[3:02:36 PM](#)

SENATOR GRAY-JACKSON asked about the budget.

MS. LEARY said it is about \$1.2 million.

[3:02:44 PM](#)

CHAIR DUNBAR thanked Mr. Andreassen for organizing the testifiers from rural communities. He said that although the communities are varied with diverse needs, there are recurring similar themes: a lack of revenue sources, law enforcement, housing, and high energy costs. He said there has been a tremendous shifting of costs from state to local governments.

[3:04:19 PM](#)

There being no further business to come before the committee, Chair Dunbar adjourned the Senate Community and Regional Affairs Standing Committee meeting at 3:04 p.m.