

ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 2005-2006 2956



RECORDS CERTIFICATION



I, the undersigned, an employee of the State of Alaska, do hereby certify that the microfilm images on this microform are accurate reproductions of the original records of the State of Alaska as accumulated during the regular course of business, and that it is the established policy and practice of this State to microfilm its records and to dispose of the original documents after microfilm reproductions have been made.

William J. Carter

Signature of Camera Operator

6/25/2007

Date

HCR

2

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 3/8/05

FURTHER:

REPORTED OUT
APR 08 2005
SENATE FINANCE
COMMITTEE

DATE TURNED
IN TO OFFICE: 8 April 2005

Finance Committee considered HOUSE CONCURRENT RESOLUTION NO. 2

HCR 2 IN-STATE NATURAL GAS NEEDS

Urging Governor Murkowski to take quick action to conduct, approve, or sanction a study of in-state natural gas needs and take-off points for intrastate use of natural gas transported in a North Slope natural gas pipeline.

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:
 Same Title
 New Title

House Bill:
 Same Title
 Technical Title Change
 New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Ind.	Zero	FN#
DNR	2/24/05			✓	#1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			

APR 08 2005

SENATE FINANCE COMMITTEE

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: HCR 2
(H) Publish Date: 2/24/2005

Revision Date/Time (Note if correction): _____ Dept. Affected: Natural Resources
Title: In-State Natural Gas Needs RDU _____
Component _____
Sponsor: Rep. Samuels
Requester: House Rules Component No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2006 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

Passage of this resolution will have no fiscal impacts.

Prepared by: Janet Seitz, Staff Phone 465-3764
Division: House Rules Committee Date/Time 2/24/05 3:18 PM
Approved by: Representative Norman Rukeberg Date 2/24/2005
Agency: Chairman, House Rules Committee



Representative Ralph Samuels

House District 29

HCR 2

Sponsor Statement

This resolution is a request to Governor Murkowski to take quick action to carry out a study of in-state needs for natural gas within Alaska. As the FERC regulations that were issued in Order No. 2005 specify that this study must be completed before an open season and pipeline design can occur, time may be a critical factor. The sponsor intends the Legislature to offer support and encouragement to the governor in this endeavor

**SUMMARY OF FERC ORDER
ON
ALASKAN GAS PIPELINE OPEN SEASON
(ORDER NO. 2005)
PREPARED BY
DONALD C. SHEPLER**

ROLLED-IN PRICING FOR EXPANSIONS

Establishes a "rebuttable presumption" for use of rolled-in pricing for expansions (Pp. 43 and 56).

Finds that a rate increase from an expansion is not a "subsidy" if the new rate is no higher than the original rate. Leaves for future determination the question of whether the original rate itself was subsidized by virtue of the loan guarantees and the tax benefits (P. 43).

PRE-SUBSCRIPTION AGREEMENTS

Pre-subscription/anchor shipper agreements are allowed but only for the initial pipeline capacity (not for expansions).

Pre-subscription agreements must be made public within 10 days and other qualified bidders are entitled to negotiate the same terms and conditions and rates with the project sponsors

In case of oversubscription of capacity through pre-subscriptions and open season bids, the design capacity must be adjusted to accommodate all qualified bidders or pre-subscription shippers (and others adopting pre-subscription terms/conditions/rates) must bear all pro-rata reductions in capacity (Pp. 13-14 and 51)

IN-STATE NEEDS, DELIVERY POINTS AND STUDIES

Open seasons must conduct or adopt a study of consumption needs and prospective delivery points in the state, and rely on such study to develop the contents of the open season notice (Pp. 20 and 51).

Study shall be identified in the Notice and, if practicable, include or consist of a study conducted, approved or otherwise sanctioned by an appropriate governmental agency, office or Commission of the State of Alaska (Pp. 20 and 51).

Order cites to 2002 Study of in-state gas demand conducted by DNR (Pp. 17-18).

Notice of open season shall include an estimate (based on State's study) of how much capacity will be used in-state (P. 51).

Notice of open season must include a proposed in-state transportation rate based on the cost of providing that service (i.e., excluding costs related to out-of-state deliveries) (Pp. 20 and 52).

TIMING AND DURATION OF OPEN SEASONS FOR INITIAL PIPELINE

Sponsors must provide 30-day notice prior to start of open season and open season must last at least 90-days (Pp. 18, 51 and 54).

Sponsors must also file at FERC for approval by FERC detailed plans for proposed open season. This filing must be made at least 90-days prior to the start of the 30-day notice period (thus total "heads-up" time is at least 90-days (FERC filing) plus 30-days (public notice of open season) plus 90-days (duration of open season process) = 210 days) (Pp. 38 and 56).

EXPANSION EVALUATION DATA

Order does not require posting and updating of data that would allow independent assessment of expansion economics but indicates FERC will review project design for

expansibility at the outset and indicates that open season data plus certificate filing data should provide adequate information for independent evaluation (Pp. 29 and 36).

BID-EVALUATION CAPS

Order does not adopt bid-evaluation caps, but adopts "Standards of Conduct" rules to prevent affiliate abuse (production affiliate gaining information from pipeline affiliate) (Pp.26-28 and 53-54).

FERC will monitor results of open seasons to determine the appropriateness of any "unusually long contract terms (*e.g.*, a term exceeding the projected life of the pipe)" to determine whether shippers incorporated such terms in their bids to obtain an allocation of capacity (P. 33).

RULES RESPECTING ALLOCATION OF CAPACITY

Project sponsors must indicate in open season materials how capacity will be awarded and allocated (Pp. 32 and 53).

Any award/allocation methodology must not be unduly discriminatory or unduly preferential, and it is the Commission, not the sponsors who will apply those criteria to an open season (Pp. 32 and 55).

While no particular methodology for awarding/allocating capacity is being prescribed, any departure from a Net Present Value ("NPV") methodology heretofore standard in Lower-48 open seasons will be examined carefully (P. 32).

HCR 2
Background Memo regarding In-State Alaska Natural Gas Demand
Division of Oil and Gas
February 23, 2005

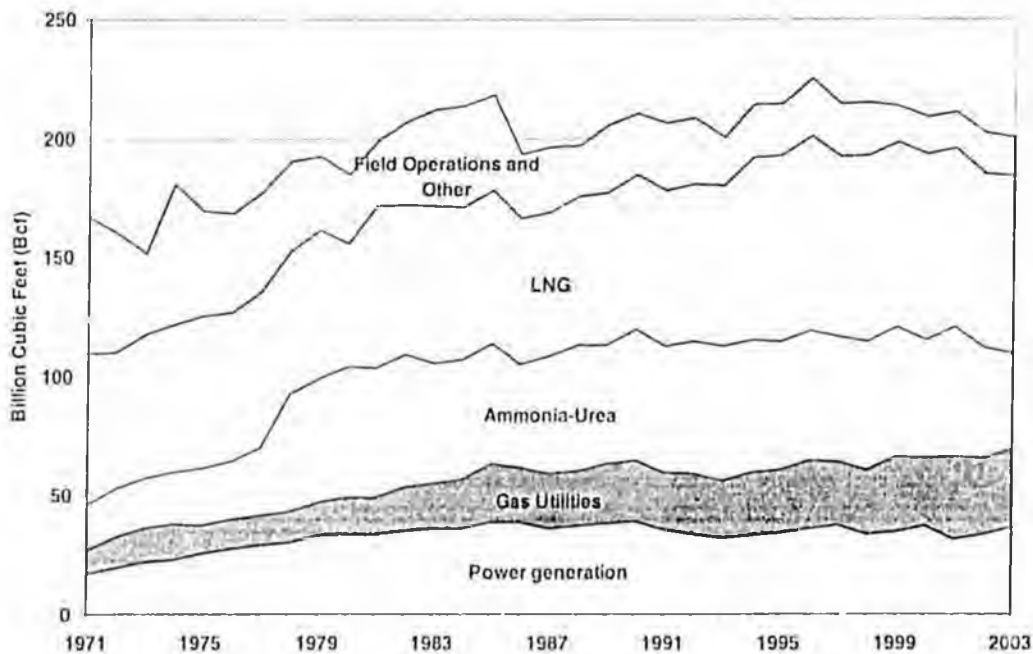
This memo summarizes potential in-state gas demand in the Southcentral Energy Belt and the greater Fairbanks area based on a review of three recent studies:

- o *Alaska Natural Gas In-State Demand Study* for DNR by Econ One, January 2002.
- o *ANGDA Revenue and Cost Model Instruction Manual* (and model) for ANGDA by Northern Economics, June 2004.
- o *Fairbanks to Anchorage Spur Report – Updated Analysis* for DNR by Lukens Energy Group, June 2004.
- o *South-Central Alaska Natural Gas Study* – Prepared for the U.S. DOE by Charles Thomas et al., Science Applications International Corporation, August, 2004.

South-Central Alaska

Current gas usage in Southcentral Alaska for all sectors is approximately 200 billion cubic feet per year (Exhibit 1.) Industrial usage from fertilizer manufacture and LNG exports accounts for about 60 percent of total gas consumption in the Cook Inlet Basin (CIB).

Exhibit 1. Cook Inlet Basin Natural Gas Consumption by Major Group, 1971-2003.



The future of industrial gas demand in the CIB, which relies on inexpensive, baseload gas supply, is uncertain due to tightening supply and the rising cost of gas in the Cook Inlet Basin. For example, the Agrium has been operating at reduced levels during 2003-04 and has indicated that plant closure is a possibility before the end of 2005 if adequate gas supply is not secured. Also, the Kenai LNG Plant export license expires in April 2009. So far, ConocoPhillips and Marathon have taken no steps publically to renew this license. The Department of Revenue (DOR) Prevailing Value for Cook Inlet gas is currently \$3.00 per mcf and has risen steadily over the past few years, in part due to high oil prices.

Greater Fairbanks Area and Interior Alaska

Current gas usage in Fairbanks in 2004 is approximately 500 million cubic feet per year (0.5 Bcf per year). This usage arises from an incipient but rapidly expanding local gas distribution (LDC) system operated since 1998 by Fairbanks Natural Gas, LLC (FNG). The FNG residential and small commercial customer base increased from 130 to 631 between 2000 and 2004.¹ Despite the rapid growth, this total Fairbanks usage of 0.5 Bcfy is, by comparison, a small fraction of the 200 Bcfy produced and consumed in the Cook Inlet Basin (CIB), as shown in Exhibit 1 (below).

Steady LDC expansion of residential and commercial usage in the greater Fairbanks area could result in growth to about 3 Bcfy by 2009 but would probably require gas supplies from sources beyond those currently used by FNG (E.g., new North Slope and/or Nenana Basin supplies). Central station electric power usage could increase consumption by another 6.5 Bcfy (assuming 50% gas-by-wire penetration). These potential residential, commercial, and power usages in 2009 combine to about 10 Bcfy, or about 5% of the current gas usage in the CIB. It still would amount to a fractional 6/10th of one percent of expected throughput for a major sales gas pipeline from the North Slope (1,570 Bcfy based on 4.3 Bcf per day at outlet of GTP).

The outlook for gas use and offtake beyond 2009 is less certain but it is possible to explore some contingent scenarios. If we assume higher gas-fired, central-station power penetration plus fuel-switching among interior-region utilities within range of a major gas pipeline, then power usage could increase to 27 Bcfy but this is a stretch.² Adding industrial load (including new industries) would increase the range of possible gas usage by another 30 to 300 Bcf per year depending on the particular industrial application. On top of this, a potential CIB gas supply shortfall could be served by a spur pipeline from Fairbanks to Anchorage. This highly uncertain shortfall could range from zero to 90 Bcfy by 2020, depending on assumptions about future CIB recoverable reserves growth, continued industrial usage, and spur pipeline economics. Plausible CIB shortfall estimates of between 18 and 91.5 Bcfy are considered in Exhibit 2, based on the analysis of Lukens Energy Group.³

Summary for Interior and South-Central

Exhibit 2 summarizes combined medium- and high-case outcomes for 2020, conditioned on assumptions about power and industrial usage, the potential future gas supply shortfall in the CIB, and Fairbanks-to-Anchorage spur line economics. When industrial usage and CIB gas shortfall are considered, the amount of total gas offtake in the greater Fairbanks area could rise to levels ranging from 4-to-27 percent of total gas pipeline throughput. Gas demand in the greater Fairbanks area rising to 400 Bcfy is very unlikely. It would occur only in conjunction with a major industrial usage, such as a large-scale NGL processing plant of the class found in the Alberta NOVA system. Future natural gas usage in the neighborhood of 10 to 70 Bcfy – not counting the potential CIB gas shortfall – is probable given the Interior region's high prevailing heating degree day load and energy costs, and its proximity to a major source of future natural gas transmission. Nenana Basin gas resources, which are estimated to range from 250 to 3,000 Bcf, could serve this potential future demand and/or provide a source of supplemental gas for replacement of offtake volumes for transmission to North American markets.⁴

¹ FNG liquefies and transports LNG by truck and trailer from Point McKenzie to its storage facility in Fairbanks. The operation involves 2-to-4 truckloads per week of about 9,500 gallons of LNG (760 Mcf) per truckload.

² Interior region fuel-switching power plants include the communities: Chena, Chistochina, Dot Lake, Healy, Mentasta, North Pole, and Tok.

³ Energy in the form of "gas-by-wire" could be generated in Fairbanks and delivered to Southeastern Alaska, as an alternative to a gas spur pipeline.

⁴ Nenana Basin gas resource estimates are: 250-to-1,000 Bcf (Doyon); 3,000 Bcf (Andex); and 867 Bcf (USGS).

Exhibit 2.
Potential In-State Demand for Natural Gas in the Greater Fairbanks Area

	Actual		Projected		
	2000	2004	2009	2020	
			<i>(medium)</i>		
			<i>(high)</i>		
	(Billion Cubic Feet per year)				
Res & Comm ¹	0.1	0.5	3.1	6.5	
Power ²			6.5	12.0	27.0
Industrial ³			-na-	30.0	30.0
SubTotal	0.1	0.5	9.6	48.5	333.5
Expected Southeastern Shortfall ⁴				18.0	91.5
TOTAL	0.1	0.5	9.6	66.5	425.0
Proportion of Cook Inlet Basin		0.3%	4.8%	33.2%	212.5%
Proportion of Gasline Throughput		0.035%	0.6%	4.2%	27.1%

¹ Equal to 2000 and 2004 actual gas usage in the Fairbanks local gas distribution system operated by Fairbanks Natural Gas, LLC. Projection in 2009 based on Econ One (2002) study for DNR assuming 50% penetration for both residential and commercial space heating. Projection in 2020 based on extrapolation of actual usage growth during 1998-2004 using 2nd order polynomial time-trend model.

² Based on central station (gas-by-wire) civilian and military power generation in Greater Fairbanks region assuming 50% penetration in 2009 and 83% penetration in 2020 (Econ One).

High-case power consumption (27 Bcf/yr) based on combination of central station (gas-by-wire) and fuel-switching in interior region utilities that could be served by gas pipelines.

³ Examples of industrial usage are:
 Internet Server Farm - 4.3 Bcf/yr (Econ One)
 Petchem Plant - 30-to-300 Bcf/yr (Econ One and ANGDA)
 Fairbanks Separator Plant - 73 Bcf/yr (ANGDA)
 Fertilizer Plant - 50 Bcf/yr (Agrum)

⁴ Medium case based on 50 Mmcfd assuming 1.5 Tcf reserves expansion in Cook Inlet Basin (CIB), LNG closure in 2009 and Fertilizer at 50%. High case based on 250 Mmcfd assuming zero reserves growth in CIB, Fertilizer plant closure in 2006, LNG plant closure in 2009. (Lukens)

Areas for Further Research

- Feasibility for Petchem in Fairbanks
- Spur pipeline costs
- Gas-by-wire feasibility (reverse the Railbelt Intertie)
- Engineering/ cost study for installation of gasline offtake and step-down equipment in Fairbanks and other Interior Alaska locations.

SENATE COMMITTEE REPORT

DATE: 2/28/05

FURTHER: Finance

DATE TURNED
IN TO OFFICE: 3/7/05

Resources Committee considered HOUSE CONCURRENT RESOLUTION NO. 2

HCR 2 IN-STATE NATURAL GAS NEEDS

Urging Governor Murkowski to take quick action to conduct, approve, or sanction a study of in-state natural gas needs and take-off points for intrastate use of natural gas transported in a North Slope natural gas pipeline.

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:
 Same Title
 New Title

House Bill:
 Same Title
 Technical Title Change
 New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
H-RLS/DNR	2/29			✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
Elton <i>[Signature]</i>	✓			
Guess <i>[Signature]</i>	✓			
Dyson <i>[Signature]</i>	✓			
Seelkins <i>[Signature]</i>	✓			
Stedman <i>[Signature]</i>	✓			
B. Stevens <i>[Signature]</i>	✓			
Wagoner <i>[Signature]</i> CHAIR	✓			

HCR

6

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: April 25, 2005

FURTHER REFERRALS:

Date of Committee Action: April 29, 2005

The FINANCE Committee considered:

HCR 6

HOUSE CONCURRENT RESOLUTION NO. 6

EXTEND INFRASTRUCTURE POLICY TASK FORCE

Relating to the continuation of the Alaska Information Infrastructure Policy Task Force until the first day of the First Regular Session of the Twenty-Fifth Alaska State Legislature in January 2007.

Recommends it be replaced with HCS or CS for _____ (_____)
 For Senate Bills with new title: Technical Title New Title: HCR _____ Same Title New Title

- attach amendments
- add new referral to _____ Committee
- Letter of Intent _____ Committee

List of Abbrev for Depts.:
 ADM
 CED
 COR
 CRT
 EED
 DEC
 DFG
 GOV
 HSS
 LEG
 LAW
 LWF
 MVA
 DNR
 DPS
 REV
 DOT
 UA

<u>NEW</u> FISCAL NOTES				
*Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
<u>LEG</u>		✓		

<u>PREVIOUS</u> FISCAL NOTES				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
	Hawk	*			
		X			
	MOSES	X			
	Kelly			X	
	FESTER	X			
Chair:	Meyer	X			
Chair:	Chennault	X			

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: HCR 6
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Legislature
Title: "Relating to the continuation of the Alaska BRU Legislative Council
Infrastructure: Policy Task Force until the first day of..." Component: Council and Subcommittees
Sponsor: "Kott, Harris, Rokeberg, Chenault, Berkowitz..."
Requestor: Representative Kott Component No. 783

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	62.0	44.0	0.0	0.0	0.0	0.0
Travel	12.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	74.0	44.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	74.0	44.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	74.0	44.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2005) cost: _____

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time	1					
Part-time		1				
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation extends the termination date of the Alaska Information Infrastructure Policy Task Force until the first day of the First Regular Session of the Twenty-Fifth Alaska State Legislature in January 2007. This fiscal note includes funding for one staff person and funding for the staff and the public members of the Task Force to travel to attend meetings of the Task Force. Other meetings of the Task Force will be teleconferenced. The Task Force shall submit a final report of its findings, the long-term infrastructure plan, and any draft legislation the Task Force finds necessary to meet the identified long-term infrastructure needs of the State, to the Legislature by the first day of the First Regular Session of the Twenty-Fifth Alaska State Legislature.

Prepared by: Karla Schofield, Deputy Director Phone: 465-3852
Division: Administrative Services Date/Time: 4/29/05 3:39 PM
Approved by: Patricia A. Varrin, Executive Director Date: 4/29/2005
Agency: Legislative Affairs Agency

ALASKA STATE LEGISLATURE

Chair:
Legislative Council

Member:
Community and Regional Affairs
Judiciary
Labor and Commerce - Vice Chair



Session:
Alaska State Capitol
Juneau, AK 99801-1182
Phone: (907) 465-5777
Fax: (907) 465-2819
Toll Free (877) 861-5688

Interim:
10928 Eagle River Road - Suite 238
Eagle River, AK 99501-2133
Phone: (907) 694-8944
Fax: (907) 694-8945

REPRESENTATIVE PETE KOTT DISTRICT 17 - EAGLE RIVER

Sponsor Statement for House Concurrent Resolution 6

In 2003 the Alaska State Legislature passed HCR 32 in order to establish the Information Infrastructure Policy Task Force. HCR 6 extends that task force. The task force is charged with consideration of Alaska's role and interest in long-term information infrastructure development in order to provide all Alaska communities improved telecommunications, health care, and education, homeland security, economic development opportunities, and access to government via broadband connectivity.

The Task Force will also investigate and recommend access to fiber optic connectivity to help bridge the divide that separates rural Alaska from the benefits of technological advances realized in urban areas. It will look at successful public-private partnerships to facilitate information infrastructure development. The Task Force will develop a comprehensive package with recommendations including legislation, if necessary, to meet the needs of Alaska.

House Concurrent Resolution 6 extends the termination date of the Alaska Information Infrastructure Policy Task Force until the first day of the First Regular Session of the Twenty-Fifth Alaska State Legislature in January 2007.

We respectfully request favorable consideration and support for HCR 6.



AT&T Alascom

Michael T. Felix
President

505 E. Bluff Drive
Anchorage, AK 99501-1100

April 18, 2005

The Honorable Pete Kott
State Representative
State Capitol
Juneau, Alaska 99801

Dear Representative Kott:

I want to take this opportunity to express AT&T Alascom's support for HCR 6.

The work of the Alaska Information Infrastructure Policy Task Force is important to the future of the state's infrastructure development and will serve as a planning process to meet those needs. With the varying interests and agenda in the industry, I view this task force as an un-biased third party, able to look for and recommend policies and solutions with the state's ultimate success at heart.

I applaud the legislature for taking on this important issue, and heartily recommend its continued funding.

Sincerely,

cc: Kristi Catlin
Ray Gillespie



Recycled Paper



**Preliminary Report to the
Alaska State Legislature
on HCR 32**

**Relating to Information Infrastructure
and the
Alaska Information Infrastructure Task Force**

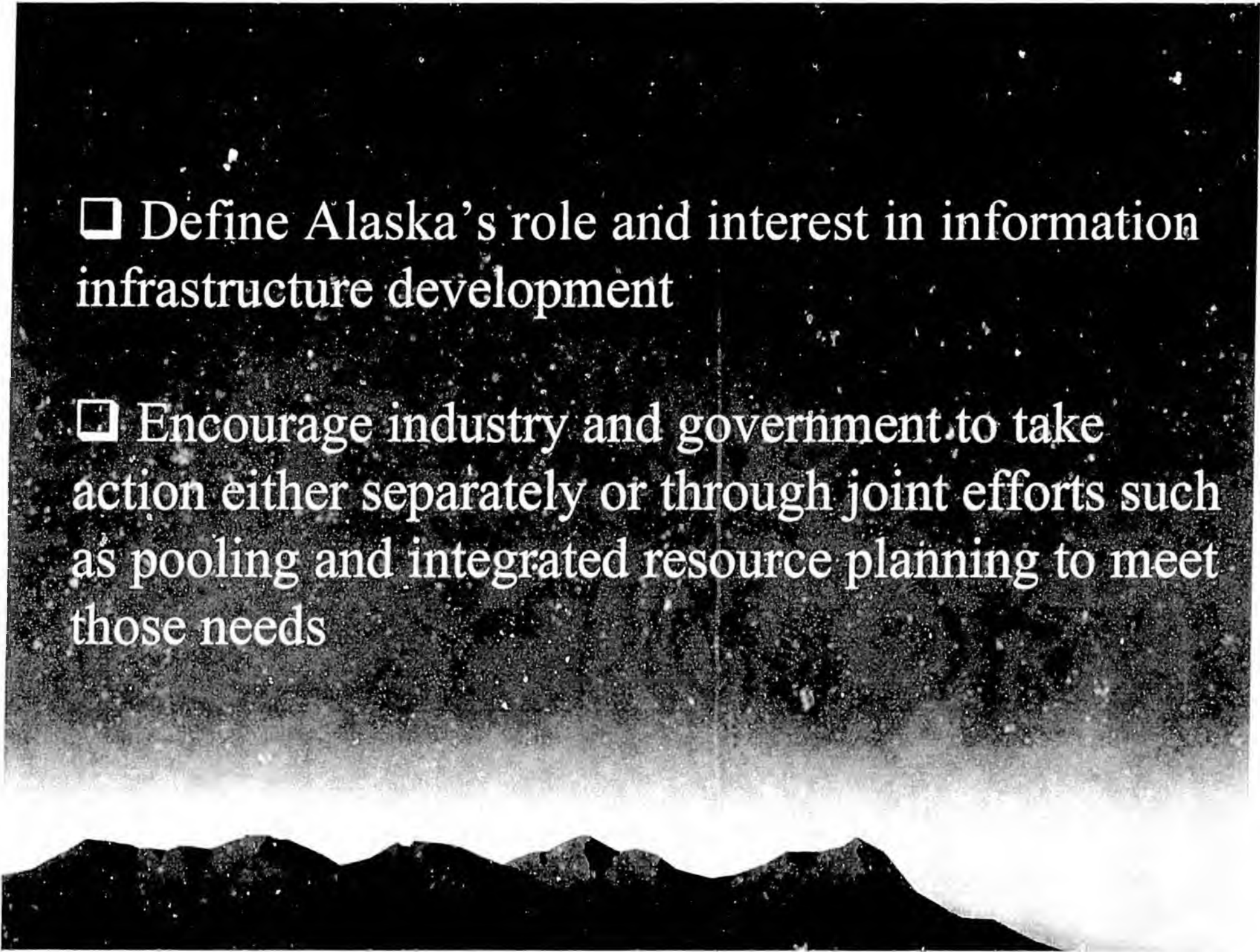
Alaska's Mission

- To develop its IT potential and digital economy
- To help everyone, particularly rural Alaskans, use the Internet and digital technology to expand opportunities in employment, education, healthcare, and access to government
- To develop the leadership to make this happen



Task Force Mission

- Review and analyze Alaska's current and long-term information infrastructure needs
- Identify Alaska's existing public and private and broadband infrastructure
- Conduct a preliminary analysis of Alaska's long-term infrastructure needs

A black and white photograph of a mountain range under a starry night sky. The mountains are dark and silhouetted against a lighter, hazy horizon. The sky is filled with numerous small, bright stars, creating a starry night effect. The overall image has a grainy, high-contrast appearance.

Define Alaska's role and interest in information infrastructure development

Encourage industry and government to take action either separately or through joint efforts such as pooling and integrated resource planning to meet those needs

f



Develop a long-term information infrastructure plan for Alaska that will efficiently enhance our economic future

Accomplishments to Date

AIP Task Force met three times in late November/December.

Initiated discussions centered around the services that could be provided with high-speed broadband connectivity in the areas of health care, education, homeland security, and economic opportunities.

What needs to be done now:

1. Extend Task Force through the end of the next Legislative session
2. Provide staff support and funding for research allowing the Task Force to identify existing public and private fiber and broadband infrastructure in Alaska, as charged



What a difference technology
can make....

Toksook Bay, Alaska

Population:

550 Residents, 55 Houses

80 Students Grades K-3

85 Students Grades 4-12

Economy:

Subsistence hunting, trapping
and fishing; grass basketry,
ivory carving, two stores, one
airstrip

Demographics:

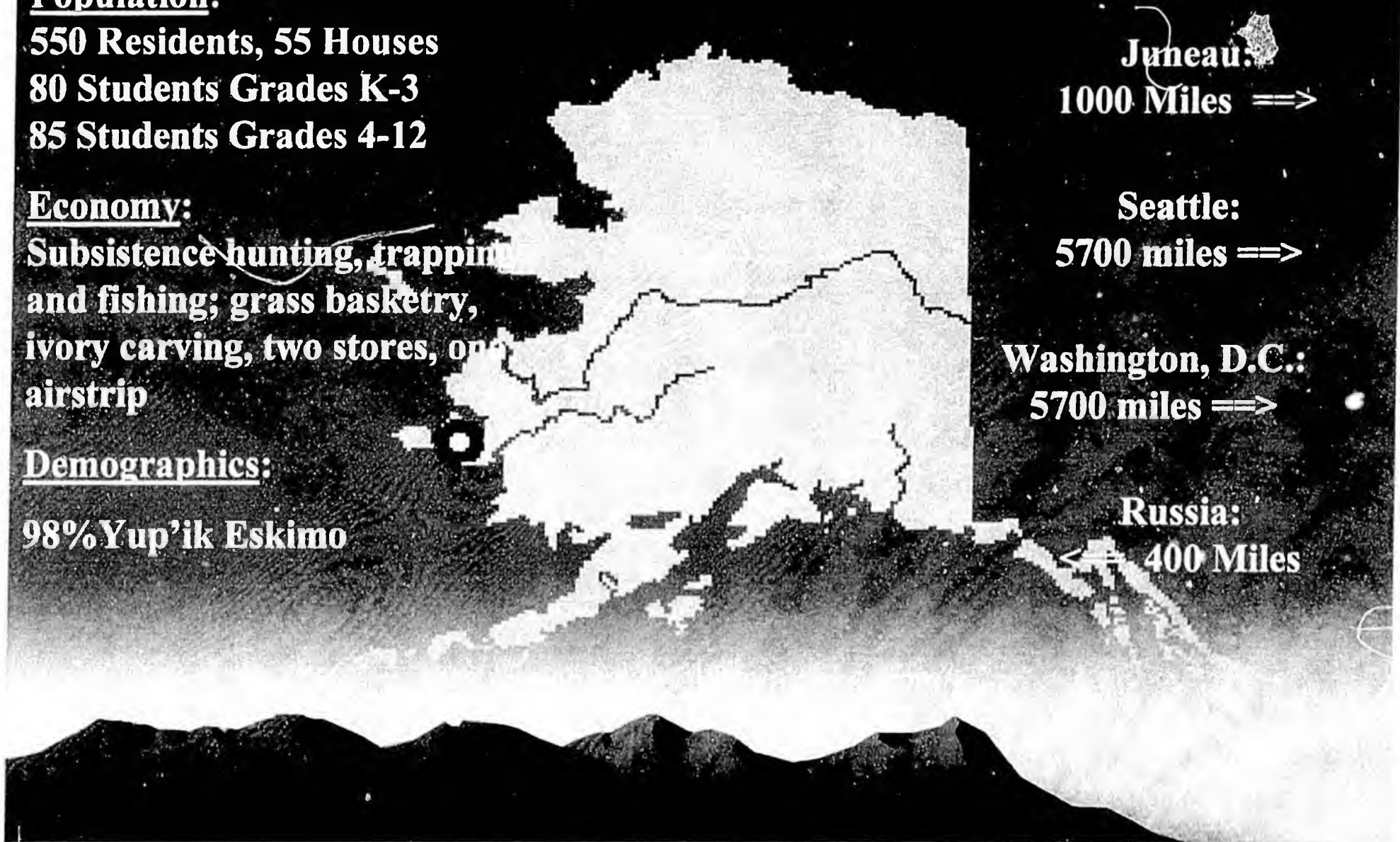
98% Yup'ik Eskimo

Juneau: 1000 Miles ==>

Seattle: 5700 miles ==>

Washington, D.C.: 5700 miles ==>

Russia: 400 Miles <==



A high-contrast, black and white photograph of a night sky. The sky is filled with stars, with a prominent starburst effect on the left side. The bottom of the image shows a dark silhouette of a mountain range against a lighter, hazy horizon. The text "Even the nation notices...." is overlaid in the center of the image in a white, serif font.

Even the nation notices....

The Washington Post

OUTLOOK

SUNDAY, AUGUST 9, 1998

Eskimos Warm to the Digital Age

By DOUG FINE

I had never seen a Web site materialize so fast. I was in Toksook Bay, a largely subsistence Yup'ik Eskimo village in western Alaska, 400 miles from Russia and 5,700 miles from Washington. My host, Greg Lincoln, a thirtyish Yup'ik man, was demonstrating the cutting edge of wireless digital technology.

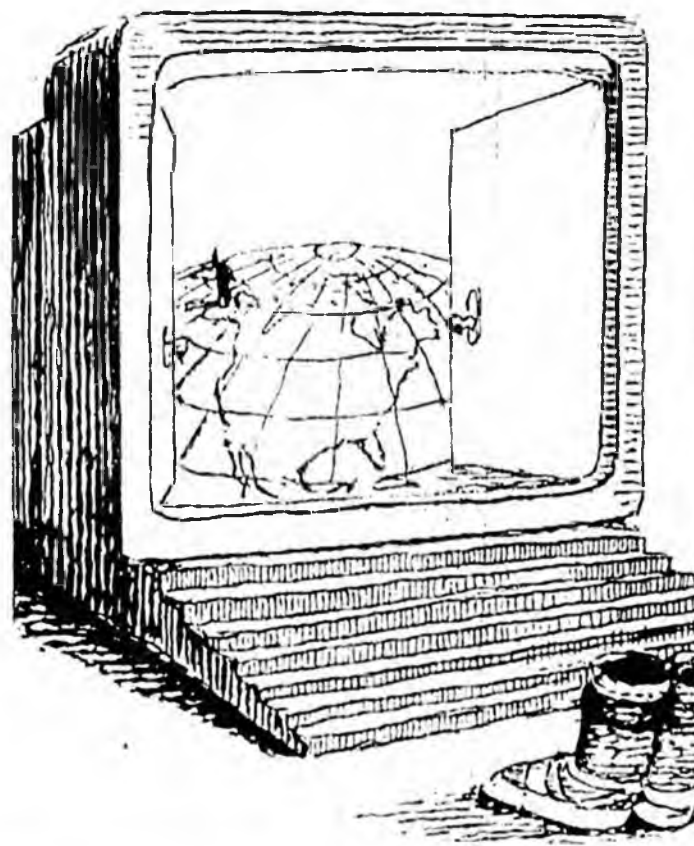
I was greeted by an immediate sound blast of Yup'ik voices accompanied by an animated image of Lincoln's daughter stomping in traditional clothing. Lincoln's Web site (members.aol.com/glincoln45/frame.html) celebrates traditional Eskimo life by displaying dancing rituals and stereophonic singing. I clicked on an icon, and was offered crafts made by his family and friends for sale in a "Village Mall." Chalk up one cluster of indigenous people who don't need to leave traditional lands in order to make a cash living.

The key to Lincoln's demonstration was a small box on the windowsill of his house which pulls down satellite-beamed transmissions powerful enough to provide him with Internet access at bandwidths something like three times faster than the current standard at American corporations and 10 times faster than in most American homes—all without a telephone line. What's more, Lincoln can keep his Internet connection all day—at no cost.

A fledgling company called Alaska Wireless is installing the boxes in Toksook Bay in the hope of show-

See CONNECTED, C5, C6, 1

Doug Fine, who has reported for The Washington Post from Burma, Laos and Rwanda, is directing a feature film in Alaska called "Migration."



BY ILLUSTRATION BY THE WASHINGTON POST

Alaska
TELECOM OLOGY
 The Magazine for the Internet, Computers and Technology
 October 1998

500
INSIDE

Inside:
 The Internet
 in Alaska
 Alaska
 High-tech
 High-tech
 Alaska
 The Virtual
 Emergency
 Incident

W. J. Schreyer
INSIDE

Funding Technology
converge
 TECHNOLOGY IS TECHNOLOGY IS ANY FORWARD

daretodream

W F W

Big Connector

The article text is partially legible and appears to discuss a significant figure in the technology industry.



Providing Opportunities For Rural Alaska

Community Learning Center Partnership

Joint Partnership of: The Community of Aniak, Alaska;
HP Computer Corporation; and AT&T Alascom

The critical challenge
for Alaska's leaders today is
to define an economic, social,
secure, and political vision,
using broadband IT technology,
and

LEAD THE CHARGE
to enhance the quality of
life for all Alaskans

Now more than ever before
SECURITY of Alaska's Information Systems
is paramount

People tend to think that someone else is taking
care of it

Our leaders must be responsible and accept their
role as policy makers



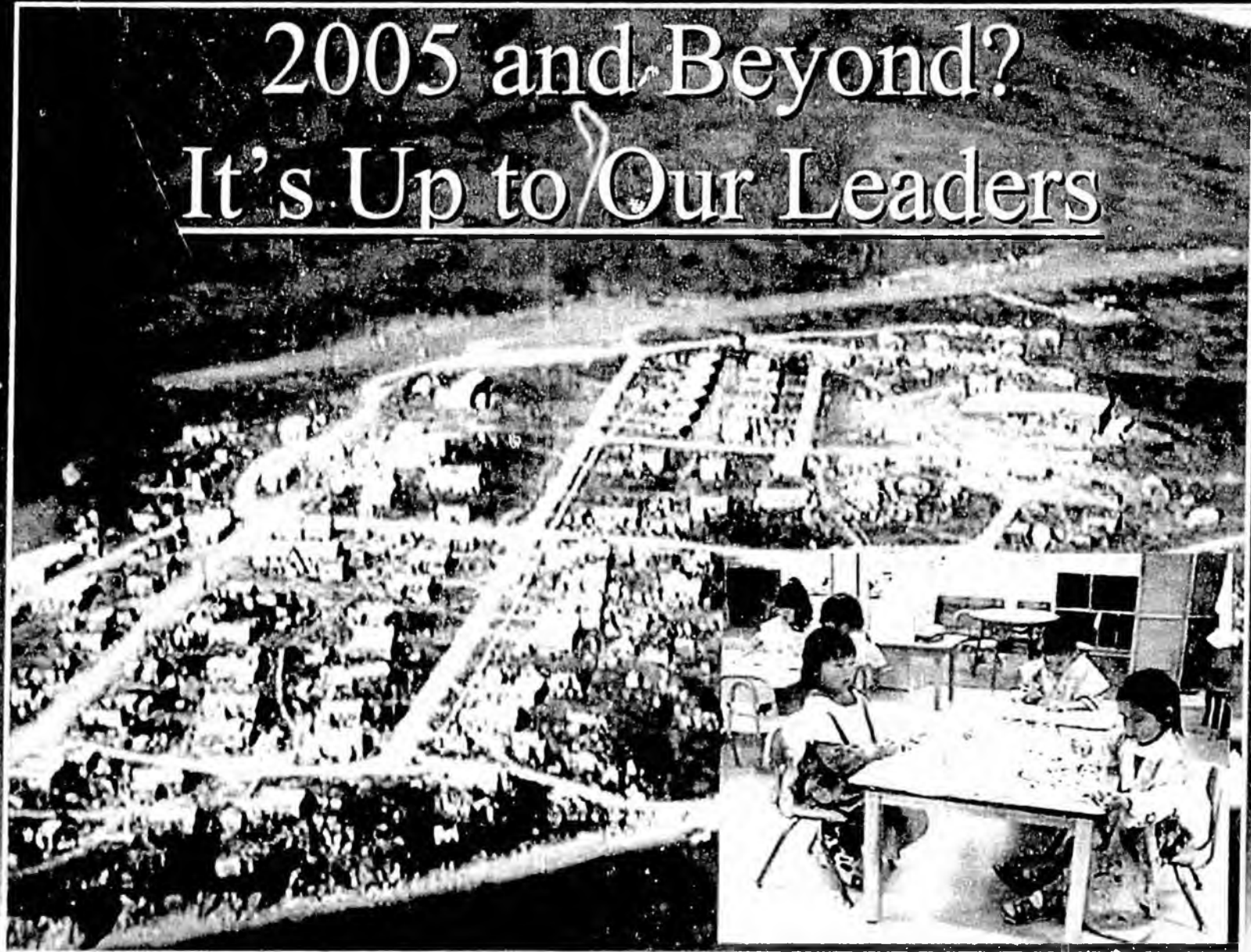
“The attitude that digital security is
someone else’s problem,
or is something to be addressed after
the real work gets done,
is pervasive in the business world.”

Thomas J. Parenty
Harvard Business School

“The one thing we would recommend, particularly due to recent events within the state, is a comprehensive IT Security Audit/Assessment done by a reputable third party. One that covers People, Processes and Technology. Beyond just a network scan, but a good look at policies, procedures, security architecture, incident response and reporting, backup and contingency plans and procedures, patch procedures, and importantly, the ability of the people to manage, react to and get ahead of cyber threats. Their ability can be influenced by training, certification, rewards and accountability.”

**Cyber Security Research Department
National Security Division
Idaho National Laboratory**

2005 and Beyond?
It's Up to Our Leaders





Respectfully Submitted

H.A. Boucher, Chairman

AIP Task Force

redbou@alaska.net

HCR

12

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: April 29, 2005

FURTHER REFERRALS:

Date of Committee Action: 5-5-05

The FINANCE Committee considered:

HCR 12

HOUSE CONCURRENT RESOLUTION NO. 12

LEG TASK FORCE ON RURAL SUSTAINABILITY

Relating to the Joint Rural Assessment Task Force.

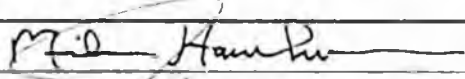
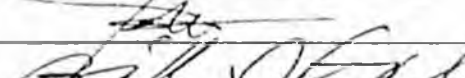
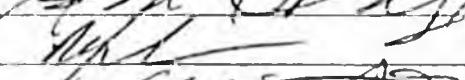
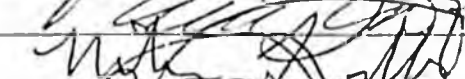


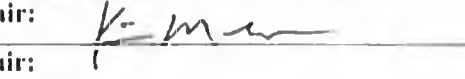


Recommends it be replaced with HCS or CS for HCR 12 (FIN)
 For Senate Bills with new title: Technical Title New Title: HCR _____ Same Title New Title

- attach amendments
- add new referral to _____ Committee
- Letter of Intent _____ Committee

List of Abbrev. for Depts.:
 ADM
 CED
 COR
 CRT
 EED
 DEC
 DEG
 GOV
 HSS
 LEG
 LAW
 LWF
 MVA
 DNR
 DPS
 REV
 DOT
 UA

<u>NEW FISCAL NOTES</u>				
*Assigned by Chief Clerk's Office				
List by Dept(s):	*FN#	Fiscal	Indet.	Zero
leg				✓

<u>PREVIOUS FISCAL NOTES</u>				
List by Dept(s):	FN#	Fiscal	Indet.	Zero

<u>Signing with recommendations</u>	Printed Last Name	DP	DNP	NR	AM
	Hawker	*			
	Hawker			X	
	STOTTEN	X			
	Soule	X			
	CHERRY			✓	
	Kelly			X	
	FESTER	X			X
Chair: 	Meyer	X			
Chair: 					

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CS HCR 12 (FIN)
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Legislature
Title Relating to the Advisory Commission on BRU Legislative Council
Local Government Component: Council and Subcommittees
Sponsor House Community and Regional Affairs
Requestor House Community and Regional Affairs Component No. 783

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
-----------------------------	------------	------------	------------	------------	------------	------------

CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
-------------------------------	------------	------------	------------	------------	------------	------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

CS HCR 12 (FIN) establishes the Advisory Commission on Local Government consisting of nine members, three Senators appointed by the President of the Senate, and three Representatives appointed by the Speaker of the House, and three public members appointed jointly by the Presiding Officers. The Commission shall review and develop recommendations for Alaska's cities within the unorganized borough and deliver a report of its findings and appropriate legislative proposals for consideration to the Legislature by January 15, 2006. Committee Aides for the House and Senate Community and Regional Affairs Committees will staff the Commission. Public members of the Commission are not entitled to compensation, per diem, or reimbursement for travel or other expenses. Travel costs for members of the Legislature will be absorbed within existing budgets.

Prepared by: Karla Schofield, Deputy Director Phone 465-6626
Division Administrative Services Date/Time 5/5/05 2:18 PM
Approved by: Pamela Varni, Executive Director Date 5/5/2005
Agency Legislative Affairs Agency

5-5-05

adopted

24-LS0964V

Cook
5/3/05

M/D

CS FOR HOUSE CONCURRENT RESOLUTION NO. 12()

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FOURTH LEGISLATURE - FIRST SESSION

BY

Offered:

Referred:

Sponsor(s): HOUSE COMMUNITY AND REGIONAL AFFAIRS COMMITTEE

A RESOLUTION

1 **Relating to the Advisory Commission on Local Government.**

2 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 **WHEREAS** the Constitution of the State of Alaska provides that the Alaska State
4 Legislature serves as the assembly for the unorganized borough; and

5 **WHEREAS** the Alaska State Legislature exercises that responsibility to support the
6 future economic stability of Alaska; and

7 **WHEREAS** the rural economy of the state is a significant contributor to urban
8 economies; and

9 **WHEREAS**, in the past few years, many local communities in Alaska have either shut
10 down, entered deeply into debt, or ceased providing basic local services as a result of lower
11 local revenue; and

12 **WHEREAS** crafting legislative solutions that will efficaciously address both short-
13 term and long-term sustainability issues will be dependent upon conducting an appropriate
14 needs assessment to guide these efforts;

15 **BE IT RESOLVED** that, pursuant to the authority granted under art. II, sec. 11,
16 Constitution of the State of Alaska to establish interim committees, the Advisory Commission

1 on Local Government is established; and be it

2 **FURTHER RESOLVED** that the Advisory Commission on Local Government shall
3 consist of nine members, three senators appointed by the president of the senate, three
4 representatives appointed by the speaker of the house of representatives, and three public
5 members appointed jointly by the president of the senate and the speaker of the house of
6 representatives; and be it

7 **FURTHER RESOLVED** that the president of the senate and the speaker of the house
8 of representatives shall jointly appoint the chair and vice-chair of the commission; and be it

9 **FURTHER RESOLVED** that the public members may not receive compensation, per
10 diem, or reimbursement for travel or other expenses incurred in serving on the Advisory
11 Commission on Local Government; and be it

12 **FURTHER RESOLVED** that the House and Senate Community and Regional
13 Affairs Committees shall assign committee staff to provide support services for the
14 commission; and be it

15 **FURTHER RESOLVED** that the duties of the Advisory Commission on Local
16 Government include

17 (1) studying the specific reasons for the hardships that communities in Alaska
18 have experienced and developing proposals to continue the evolution of local government;

19 (2) defining the role of state government in the financing of local public
20 services;

21 (3) recommending specific means by which local governments, when desired,
22 can move towards borough formation;

23 (4) reviewing findings of previous local government studies and incorporating
24 useful information in its report; and

25 (5) exploring the potential to utilize taxation of natural resource extraction
26 activities in the unorganized borough; and be it

27 **FURTHER RESOLVED** that the Advisory Commission on Local Government shall
28 develop recommendations for Alaska's cities within the unorganized borough as a critical
29 element of the state's economic future; and be it

30 **FURTHER RESOLVED** that the Advisory Commission on Local Government shall
31 deliver a report of its finding to the legislature by January 15, 2006, together with appropriate

1 legislative proposals for consideration during the Second Regular Session of the Twenty-
2 Fourth Alaska Legislature; and be it

3 **FURTHER RESOLVED** that the Advisory Commission on Local Government may
4 meet during and between legislative sessions and that the commission is terminated on
5 February 1, 2006.

FISCAL NOTE

STATE OF ALASKA
2005 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: CSHCR 12(CRA)
(H) Publish Date: 4/29/05

Revision Date/Time (Note if correction): _____ Dept. Affected: Legislature
Title Relating to the Joint Rural Assessment BRU Legislative Council
Task Force Component: Council and Subcommittees
Sponsor House C&RA Component No. 783
Requestor House C&RA

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	14.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	14.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
----------------------	-----	-----	-----	-----	-----	-----

CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0
------------------------	-----	-----	-----	-----	-----	-----

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	14.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	14.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2004) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: This Legislation establishes an eight member Joint Rural Assessment Task Force. It is anticipated the Task Force will be staffed by House C&RA committee aides. The Senate President will appoint three members, the House Speaker will appoint three members, and the First Alaskans Institute and the Alaska Municipal League will each appoint a designee to the Task Force. For the purposes of this fiscal note, the six members appointed by the Presiding Officers are assumed to be members of the Alaska Legislature. The Task Force will travel to four communities to hold hearings on rural issues, and consider the findings and recommendations of the needs assessment prepared by AML and the First Alaskans Institute, the Denali Commission's Five-Year Strategic Plan, and the Rural Energy Action Council's Finding and Action Recommendations. They will submit a report to the Legislature by January 15, 2006, including proposals to address rural needs. The fiscal note includes travel costs for the Senate members of the Task Force. Travel for the House members of the Task Force will be absorbed within existing budgets. We are advised the public members will be responsible for their own travel costs.

Prepared by: Karla Schufeldt, Deputy Director Phone 465-6626
Division: Administrative Services Date/Time 4/27/05 1:26 PM
Approved by: Pamela Varni, Executive Director Date 4/27/2005
Agency: Legislative Affairs Agency

Alaska State Legislature

Rep. Gabrielle LeDoux
Rep. Pete Kott
Rep. Mark Neuman
Rep. Sharon Cissna
Rep. Woodie Salmon



State Capitol, Room 124
Juneau, AK 99801-1182
Co-Chairs
Rep Kurt Olson
(907) 465-2693 FAX 465-3835
Rep. Bill Thomas
(907) 465-3732 FAX 465-2652

COMMUNITY & REGIONAL AFFAIRS COMMITTEE

HCR 12 RELATING TO THE JOINT RURAL ASSESSMENT TASK FORCE SPONSOR STATEMENT

Dozens of communities in Alaska are shutting down, going into debt, and/or terminating local services because of inadequate state and federal funding and the lack of sustainable local economies that could generate the revenue necessary to fund local services.

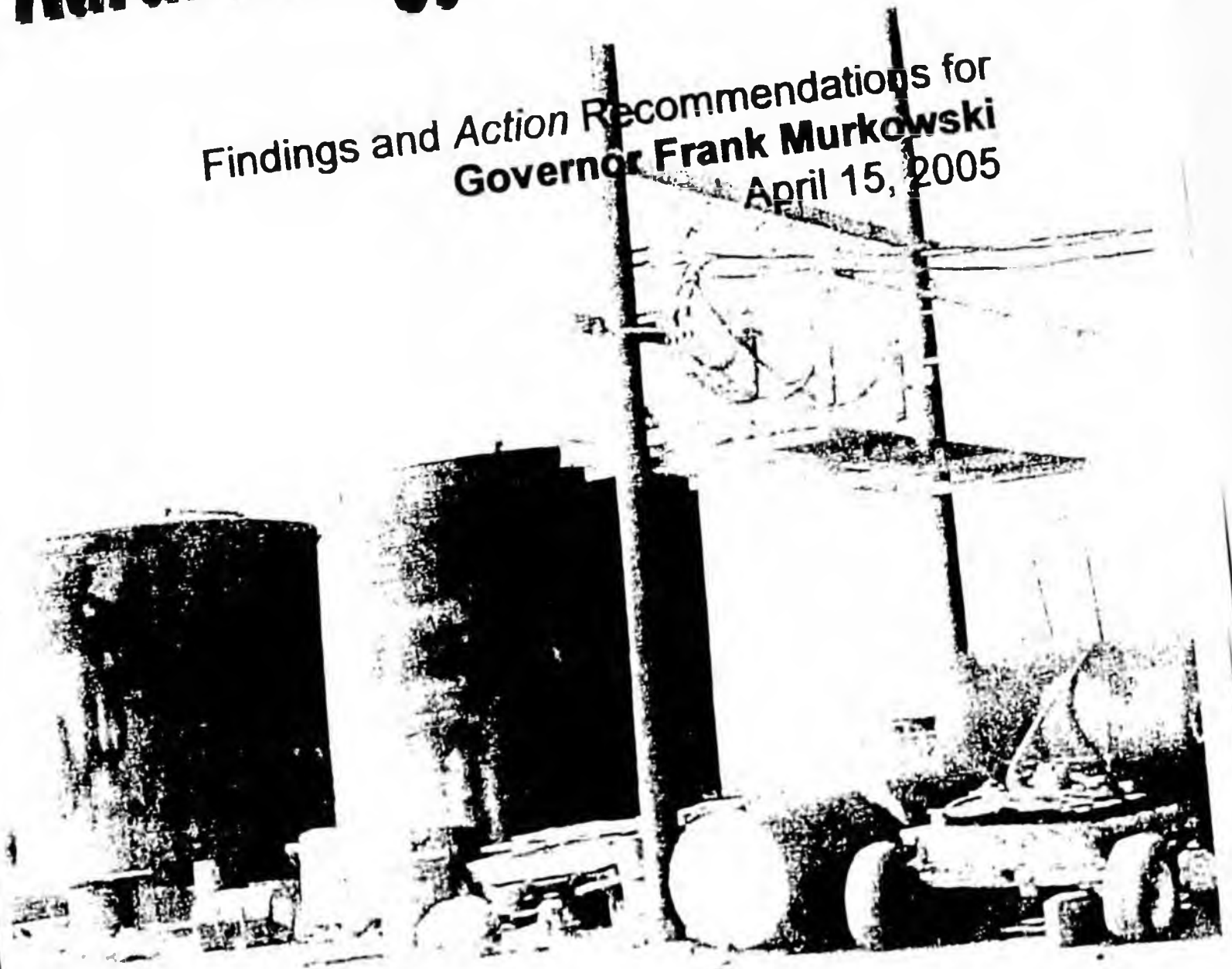
As state leaders debate the sustainability of rural communities, the Legislature would benefit from a clear picture as to the current state of Alaska's rural communities. This concurrent resolution calls on the Legislature to establish a Joint Rural Assessment Task Force. The Task Force, which will consist of six legislators, one designee of the Alaska Municipal League, one designee of the First Alaskans Institute, and one public member will be charged with conducting an assessment of the needs of rural communities and reporting its findings to the Legislature by January 15, 2006.

It is anticipated that the Task Force will draw on the work of several organizations to conduct its assessment and develop its findings, including recommendations made by Governor Murkowski's Rural Energy Action Council, the Denali Commission's Five-Year Strategic Plan, and the report on a community needs assessment to be completed by the Alaska Municipal League and the First Alaskans Institute by September 1, 2005. It is further anticipated that the Task Force will conduct hearings in three to five communities across Alaska to assist them in developing their findings.

THE
FOLLOWING
DOCUMENT(S)
ARE
POOR
ORIGINAL
COPIES

Rural Energy Action Council

Findings and Action Recommendations for
Governor Frank Murkowski
April 15, 2005



Rural Energy Action Council (REAC)
Created by Governor Frank H. Murkowski

Headquartered at:
AIDEA / Alaska Energy Authority
813 W. Northern Lights Boulevard
Anchorage, Alaska 99503

Executive Summary of Actions

REAC believes the following areas offer the best strategies and instruments to achieve short term success in lowering the cost of energy in rural Alaska. For each, more detailed background, findings and recommendations follow.

For the purposes of this report, short-term is defined as within one year, i.e., before April 15, 2006.

1. Fully fund the Power Cost Equalization (PCE) program.
2. Front-load the PCE endowment.
3. Create a bulk fuel operator technical assistance program.
4. Including downstream tanks and pipes into upgrades.
5. Support the creation of regional bulk fuel cooperatives.
6. Enable single and cooperative applicants to receive higher loan limits for the bulk fuel revolving loan program.
7. Improve power plant operational efficiencies and remote capabilities.
8. Increase support for alternative energy systems, such as coal, in-stream, wind and gas projects.
9. Accelerate renewable energy programs and implement energy conservation measures.
10. Continue Low Income Home Energy Assistance Program (LIHEAP) funding and programs.
11. Create a new line-item for energy funding for school districts.
12. Suggest ways to get affordable insurance coverage in rural Alaska.

Items of interest that came up during deliberations, but require a longer term, are listed:

- Economic study of impacts of high cost of fuel in rural Alaska on net migration to urban Alaska
- Set up regional energy centers on rural campuses
- Fund feasibility study to examine links with the Railbelt Energy Grid
- Set up a fuel price reporting system for "non-PCE" communities
- Divest the State of rural energy infrastructure
- Transportation and distribution systems.

adn.com

Anchorage Daily News

Print Page

Close Window

Rural energy council seeks relief**PRICES: Panel calls cheaper power the key to economic growth in Bush.**By MATT VOLZ
The Associated Press*(Published: April 21, 2005)*

JUNEAU -- When the warm weather unlocks winter's hold on the Yukon River, the first barges of spring will bring new supplies of fuel to Bush Alaska. That's when the villages will feel the effects of the steep increase in gas prices since the river froze last fall.

The price of fuel in rural Alaska can be more than twice that in cities after adding the cost of transportation, loan interest, maintenance and other fees.

Those high prices have crippled rural communities, say rural lawmakers.

"We've had many people in the Legislature since I've been here tell us time and time again that rural Alaska has to pay its own way," said Sen. Albert Kookesh, D-Angoon. "And you know what? We're willing to do that. But the first step has to be affordable energy."

The seven members of the Rural Energy Action Council say they know where to start. The council Wednesday released 12 recommendations on how to lower energy costs in rural Alaska.

"I know you understand there will be no economic development in rural Alaska unless we have low-cost energy," said council co-chairman Nels Anderson Jr. of Dillingham.

Members of the council, appointed by Gov. Frank Murkowski in February, said some of the suggestions could be implemented right away, such as fully funding the state's power cost equalization program and forming cooperatives in rural Alaska to buy fuel in bulk.

"Some may be more challenging," said council member Edgar Blatchford.

Murkowski called the recommendations sound solutions to bring down the high cost of rural fuel.

Gas that costs \$2 per gallon in Seattle can be sold for \$4.54 per gallon in Bush Alaska once transportation, operation and maintenance costs, loan interest, repair and replacement costs and a profit margin are added in, according to the council's report.

Council member Andy Baker of Kotzebue said other things that drive up costs are communities with bad credit that pay high interest rates, adding up to an additional 52 cents per gallon. Also, insurance can add up to 35 cents per gallon, he said.

The report and recommendations were presented at a news conference Wednesday attended by



State Sen. Albert Kookesh, D-Angoon, is pushing for affordable energy in the Bush. The price for a gallon of gas, already going up, is often twice as high in villages as it is in cities. ()

several lawmakers from rural Alaska who gave their support to the council's findings.

"My belief is that if we can get one of these proposals adopted, one of these proposals pushed to the finish line, we will have made real progress," Kookesh said.

Rep. Reggie Joule, D-Kotzebue, called the recommendations a long-term approach that lays the groundwork for sustainable communities.

Rep. Mary Kapsner, D-Bethel, said the report was a big step in the right direction:

"I hope this is an indication of the tide turning ... that we do need rural energy assistance."

Kapsner said she hopes the power cost equalization program can receive full funding in this year's legislative session.

The program subsidizes power rates in rural communities that have not received government-subsidized power projects or grids.

The state House has included \$18.7 million for the program in its operating budget proposal for next year. The rest of the \$21.5 million recommended by the council could come from other measures, Kapsner said.

Forming eight fuel cooperatives would cost about \$400,000, according to the council. The cooperatives would save money -- from 20 to 70 cents per gallon, Baker said -- by buying the fuel in large quantities.

Murkowski said putting together those cooperatives could be one of the more immediate items from the list to be addressed.

Other recommendations by the council include:

- Set higher limits for the state's bulk fuel revolving loan program. The cost to implement the recommendation was not known by the council.
- Improve power plant efficiency and capabilities, at a cost of \$2.8 million.
- Create a bulk fuel operator technical assistance program, at a minimum cost of \$300,000.
- Increase support for alternative energy systems, using existing resources, private resources at an unknown cost and up to \$5 million to install wind-diesel systems.
- Speed up renewable energy and conservation programs, at a minimum cost of \$11 million for eight programs.
- Continue energy assistance funding for low-income homes, at a cost up to \$250,000.
- Pay for energy funding for school districts, cost unknown.
- In addition to fully funding the power cost equalization program, fund the power cost equalization endowment, which would require \$15 million a year for seven years.
- Upgrade residential fuel storage, tanks and pipes, costing \$1 million.

- Establish rural energy centers at the University of Alaska's rural campuses, cost unknown.

Print Page

Close Window

Copyright © 2005 The Anchorage Daily News (www.adn.com)



Denali Commission
510 L Street, Suite 410
Anchorage, AK 99501

907.271.1414 tel
907.271.1415 fax
888.480.4321 toll free
www.denali.gov

Issue: Distressed Community Criteria 2004 Update

Date: May 2004

Background:

In an effort to ensure Federal funding provided by the Denali Commission is being distributed to communities with the most need compared to other areas of Alaska and the United States, the Denali Commission adopted a Distressed Community Criteria as part of its Code. Concurrently, Congressional intent language, providing a mechanism for the Denali Commission to construct community health facilities in rural Alaska, directed the Commission to provide funding not to exceed 50% for communities not designated as distressed and to provide funding not to exceed 80% for communities designated as distressed.

The Commission's Distressed Community Criteria is:

1. Per capita market income no greater than 67% of the U.S. Average.
2. 150% of the U.S. Average or greater of Poverty Rate.
3. 3 year unemployment rate at 150 percent of the U.S. average or greater.

Or have twice the U.S. poverty rate and qualify on one other indicator.

Surrogate Standard Background

The last update to the Denali Commission Distressed Community Criteria was in 2002. The 2002 update used community level data that was collected as part of the 2000 Census. This community level Census data which was collected in 1999-2000 will not be updated until the next decennial census in 2010 and therefore is not deemed current for the 2004 update.

Therefore the Denali Commission adopted an alternate method of determining community eligibility when community level Census data is not available. This alternative method is called the "Surrogate Standard". The Surrogate Standard considers additional data and methodology using community level information that is available annually from the State of Alaska Department of Labor and Workforce Development, Research and Analysis (DOL&WD/R&A). For this 2004 Distressed Community Criteria update, The DOL&WD/R&A compiled the data required to implement the Surrogate Standard and determine community classifications.

Surrogate Standard Data Sources

Three sources of data were used for the 2004 update:

- 2003 Permanent Fund Dividend Application (PFD) - includes applicant's age, social security number, and zip code.
- Calendar year 2002 Unemployment Insurance (UI) wage records - includes wage and earning information reported from all private, state and local employers (does not include the federal government).
- Calendar year 2002 Commercial Fisheries Entry Commissions (CFEC) - included Total Fish Value for each community.

All 2003 Permanent Fund Dividend (PFD) applicants aged 16 or older in 2002 were assigned to an Alaska census area/borough and community by zip code of place of residence.

PFD data is available only by zip code, so data will not be available for communities with a zip code that did not appear on any PFD application or for small communities that receive mail through a larger community's zip code. For example, PFD data is not available for Atmautluak, Kongiganak, Napaskiak, and Newtok because they receive mail through the Bethel zip code. Therefore, Bethel's 2004 distressed/non-distressed determination will be used for those communities.

Wage information from UI records was cross-referenced to PFD applicants by social security number. Earnings from UI were calculated by community and CFEC 2002 Total Fish Value earnings by community were added to compute average market income.

2004 Update Surrogate Standard

A community that meets two of the following three surrogate standard criteria is considered distressed:

Criteria 1 Average market income is less than \$14,872

$$\text{Average market income} = \frac{\text{Community UI Earnings} + \text{Community CFEC Earnings}}{\text{Number Community Residents 16 and Over}}$$

$$\$14,872 = \text{Minimum Wage } (\$7.15/\text{hour} \times 2,080 \text{ hours/year})$$

Any community with an average market income of less than \$14,872 meets this criteria.

Criteria 2 More than 70% of residents 16 and over earned less than \$14,872 in 2002.

$$\text{Percent Residents w/Emgs < than } \$14,872 = 100 \times \frac{\text{Number Residents w/Emgs < than } \$14,872}{\text{Number Residents 16 and Over}}$$

Any community with more than 70% of its residents earning less than \$14,872 in 2002 meet this criteria.

Criteria 3 *Less than 30% of residents 16 and over worked all four quarters of 2002.*

$$\text{Percent Residents Employed All 4 Qtrs} = 100 \times \frac{\text{Number Residents Employed All 4 Qtrs}}{\text{Number Residents 16 and Over}}$$

Any community with less than 30% of its residents employed all four quarters of 2002 meets this criteria.

Note:

- Fort Wainwright is a military base. Its inclusion on this list is probably a quirk in the data series and may not be an accurate indicator of meeting the criteria.
- Juneau - Rural (zip code 99850) includes Cube Cove, Excursion Inlet and Funter Bay
- Ketchikan - Rural (zip code 99950) includes Neets Bay, Naukati Bay, Port Protection, Edna Bay, Whale Pass, and part of Kasaan.
- 2003 data were either incomplete or not available for some communities included in the 2002 update. These include Fort Greely, Eielson AFB, US Coast Guard stations at Attu Station and Port Clarence, Flat, and Kenaitze (ANVSA).

Updates and Appeals

The data used for determining the Surrogate Standard distressed criteria will be updated annually by DOL&WD/R&A.

Any community that believes a classification was determined in error may appeal to the Denali Commission Chief of Staff in writing. Communities that wish to appeal the Denali Commission's classification must provide information that proves the classification is in error.

Attachments

Attached is:

1. List of Distressed Communities and Non-distressed Communities by 2004 Surrogate Standard
2. A list of Alaska communities with employment and earnings information used to determine their distressed community status
3. Maps by economic region that show locations of communities that meet the distressed criteria

Distressed Communities as Defined by 2004 Surrogate Standard

The following is a list of communities that meet the surrogate standard for distressed communities.

Communities that meet 2004 Distressed Criteria

AKIACHAK
AKIAK
ALAKANUK
ALATNA - see ALLAKAKET
ALCAN BORDER - see NORTHWAY
ALEKNAGIK
ALEXANDER CREEK - POINT MACKENZIE - see ALEXANDER CREEK
ALEXANDER CREEK (includes BELUGA)
ALLAKAKET
ANCHOR POINT
ANDERSON
ANGOON
ANVIK
ARCTIC VILLAGE
BEAVER
BELUGA - see ALEXANDER CREEK
BIG DELTA - see DELTA JUNCTION
BILL MOORE'S - see KOTLIK
BIRCH CREEK - see FORT YUKON
CANTWELL
CENTRAL
CHALKYITSIK
CHASE - see TALKEETNA
CHEFORNAK
CHICKEN
CHILKAT - see HAINES
CHILKOOT - see HAINES
CHISTOCHINA - see GAKONA
CHITINA
CIRCLE
CIRCLE HOT SPRINGS - see CENTRAL
CLAM GULCH
COFFMAN COVE
COOPER LANDING
COPPER CENTER
COPPERVILLE - see GLENNALLEN
COVENANT LIFE - see HAINES
CROOKED CREEK
CUBE COVE - see JUNEAURURAL
DELTA JUNCTION
DELTANA - see DELTA JUNCTION
DENALI NATIONAL PARK (McKinley Park in 2002)

Communities that meet 2004 Distressed Criteria

DOT LAKE - see DELTA JUNCTION
DOT LAKE VILLAGE - see DELTA JUNCTION
DRY CREEK - see DELTA JUNCTION
EAGLE
EAGLE VILLAGE - see EAGLE
EDNA BAY - see KETCHIKAN RURAL
EEK
EKWOK
ELFIN COVE
ELIM
EXCURSION INLET - see JUNEAU RURAL
FORT WAINWRIGHT¹
FORT YUKON
GAKONA (includes NABESNA, GULKANA, SLANA)
GAMBELL
GLENNALLEN
GOODNEWS BAY
GRAYLING
GULKANA - see GAKONA
GUSTAVUS
HAINES
HAMILTON - see KOTLIK
HAPPY VALLEY - see ANCHOR POINT, NINILCHIK
HARDING-BIRCH LAKES - see SALCHA
HOLY CROSS
HOOPER BAY
HOPE
HUGHES
HUSLIA
HYDABURG
HYDER
ILIAMNA - see NEWHALEN
IVANOF BAY - see PERRYVILLE
JAKOLOF BAY - see SELDOVIA
JUNEAU-RURAL (includes CUBE COVE, EXCURSION INLET)
KALSKAG
KALTAG
KARLUK
KASAAN - see KETCHIKAN RURAL
KASIGLUK
KENNY LAKE - see COPPER CENTER

KETCHIKAN-RURAL (includes Naukati Bay, Port Protection, Edna Bay, Whale Pass, and part of Kasaan
KIPNUK
KLUKWAN - see HAINES
KOKHANOK - see NEWHALEN

Communities that meet 2004 Distressed Criteria

KOTLIK
KOYUK
KOYUKUK
KWETHLUK
KWIGILLINGOK
KWINHAGAK - see QUINHAGAK
LAKE LOUISE - see GLENNALLEN
LAKE MINCHUMINA
LEVELOCK
LOWER KALSKAG
LUTAK - see HAINES
MANLEY HOT SPRINGS
MANOKOTAK
MARSHALL
MARY'S IGLOO - see TELLER
MCCARTHY - see GLENNALLEN
MCKINLEY PARK - see DENALI NATIONAL PARK
MEKORYUK
MENDELTON - see GLENNALLEN
MEYERS CHUCK
MINTO
MOOSE PASS
MOSQUITO LAKE - see HAINES
MOUNTAIN VILLAGE
MUD BAY - see HAINES
NAPAIMUTE - see KALSKAG
NAPAKIAK
NAUKATI BAY - see KETCHIKANRURAL
NELCHINA - see GLENNALLEN
NEW ALLAKAKET - see ALLAKAKET
NEW STUYAHOK
NEWHALEN (includes ILIAMNA, KOKHANOK)
NIGHTMUTE
NIKOLAEVSK - see ANCHOR POINT
NIKOLAI
NIKOLSKI
NINILCHIK
NONDALTON
NORTHWAY
NORTHWAY JUNCTION - see NORTHWAY
NORTHWAY VILLAGE - see NORTHWAY
NULATO
NUNAM IQUA - see SHELDON POINT(NUNAM IQUA)
NUNAPITCHUK
OHOGAMIUT - see MARSHALL
OLD HARBOR

Communities that meet 2004 Distressed Criteria

OUZINKIE
PAIMIUT - see HOOPER BAY
PAXSON - see DELTA JUNCTION
PELICAN
PERRYVILLE
PETERSVILLE - see TRAPPER CREEK
PILOT STATION
PLATINUM
POINT BAKER
POPE-VANNOY LANDING - see NEWHALEN
PORT ALEXANDER
PORT ALSWORTH
PORT LIONS
PORT PROTECTION - see KETCHIKANRURAL
QUINHAGAK
RAMPART
RED DEVIL
RUBY
RUSSIAN MISSION
SALCHA
SAVOONGA
SCAMMON BAY
SELAWIK
SELDOVIA
SELDOVIA VILLAGE - see SELDOVIA
SHAGELUK
SHELDON POINT
SILVER SPRINGS - see GLENNALLEN, COPPER CENTER
SKWENTNA
SLANA - see GAKONA
SLEETMUTE
SOUTH NAKNEK
STEBBINS
STEVENS VILLAGE
SUNRISE - see HOPE
TALKEETNA
TANACROSS
TATITLEK
TAZLINA - see COPPER CENTER, GLENNALLEN
TELLER
TENAKEE SPRINGS
TETLIN
THORNE BAY
TOGIK
TOKSOOK BAY
TOLSONA - see GLENNALLEN

Communities that meet 2004 Distressed Criteria

TONSINA - see COPPER CENTER
TRAPPER CREEK
TULUKSAK
TUNTUTULIAK
TUNUNAK
TYONEK
UPPER KALSKAG - see KALSKAG
VENETIE
WHALE PASS - see KETCHIKAN RURAL
WHITE MOUNTAIN
WILLOW
WILLOW CREEK - see COPPER CENTER
Y - see TALKEETNA , WILLOW

¹Fort Wainwright is a military base. Its inclusion on this list is probably a quirk in the data series and may not be an accurate indicator that Fort Wainwright meets the criteria.

adn.com

Anchorage Daily News

Print Page

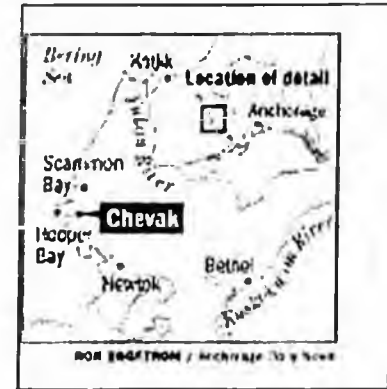
Close Window

Chevak village skips payments; several residents lose power**PARTIAL OUTAGE:** More than \$100,000 in electric bills prompts utility to pull plug on several homes.By JOEL GAY
Anchorage Daily News*(Published: February 4, 2005)*

Detailing a long record of inept management, state officials say the Western Alaska village of Chevak has tumbled deep into debt, including spiraling electric bills that total more than \$100,000.

The electric utility responded to the rising unpaid bill Wednesday by shutting off power to a dozen homes.

Though most of the village of 900 still has electricity, Mayor William Vaudrin and other city officials elected last fall are scrambling to find a way out of Chevak's financial hole. State officials say the village owes \$500,000 or more in back taxes and bills.



()

Click on photo to enlarge

"We're trying to do what we can," Vaudrin said. "But with no administrator and no one to guide us, we don't know who to turn to. We're calling all our creditors and apologizing, trying to get things straightened out."

It's not uncommon for small rural communities to fall behind on their financial obligations, though rarely do they fall as quickly or as far as Chevak has, said Scott Ruby of the state Division of Community Advocacy.

But Chevak's situation offers insight into the challenges of governing a village where costs are high, revenues are low, state and federal oversight is minimal, and a few families can dominate decision-making, Ruby said.

"I'd say most rural communities are struggling with a lot of these same issues," he said.

Chevak is a Cup'ik Eskimo subsistence hunting and fishing community about 17 miles inland from the Bering Sea coast, one of the largest villages on the Yukon-Kuskokwim Delta.

The city employs about 20 people. Two years ago its budget was about \$280,000 a year, Ruby said.

His agency offers financial and management advice to villages like Chevak, with expensive new water and sewer systems that require steady tending to ensure longevity. Installation of the village's \$26 million sanitation system was completed about two years ago.

Chevak had struggled financially in the late 1990s, then got its act together, said Mike Black, head of the division. Four or five years ago, it was a model of financial health, he said.

Then things started going downhill. Reports stopped coming. Requests for budgets and audits were

ignored. When the division sent specialists to the village, they found certain Chevak residents didn't have to pay their bills, he said.

"For a long time we've been advising the city it needed to be doing things differently regarding finances," Black said. "That advice fell on deaf ears, for various reasons. They told us to take a hike."

Ruby watched the situation deteriorate as the administration changed hands in 2002, he said. A Chevak resident was hired as city administrator, but the mayor wanted to replace him within a year, Ruby said.

When the city council refused to hire a replacement, the mayor quit. He was replaced by the vice mayor -- who was the administrator's brother, Ruby said.

"We see that quite often," he said. "In small communities it's very easy for one family to take over and control things." It can work out well or poorly, and sometimes the family will include both excellent employees and slackers, he said.

During that period, Chevak's finances started slipping. It stopped paying IRS payroll taxes in 2002, Ruby said. Between back taxes, penalties and interest, the city now owes \$200,000 or more, he said.

The village also owes the state Department of Labor \$15,000 or more, Ruby said, and is having a hard time paying its employees on time.

City officials applied for a low-interest state loan to purchase \$145,000 worth of fuel this summer. The fuel was delivered. But when the city couldn't pay 10 percent of the cost, the state refused to complete the loan, leaving the fuel company unpaid.

The city fell behind in its electric bills more than a year ago, said Meera Kohler of the Alaska Village Electric Cooperative. The co-op, which includes more than 50 villages, carried Chevak's share as it swelled to more than \$100,000.

Half the overdue bill came from a single meter at Chevak's old school. After a new \$29 million school was completed two years ago, the city inherited the old facility, plus all the teachers' housing, which it began renting out.

Joe Symbol was among the tenants, moving into a two-bedroom apartment in the complex with his wife and three children. At \$550 a month, including heat, electric, water and sewer, it seemed like a good deal, he said.

But a year ago, the oil heat went out, and tenants had to provide their own small oil heaters or electric space heaters, Symbol said. Last fall, the water and sewer service was shut off because pipes started freezing.

"Each time there was a drop in the service, they dropped the rent," Symbol said. In December, he and the remaining tenants started getting notices from AVEC that the power would be shut off because the bills weren't paid.

Rather than disconnect the whole city, AVEC chose to shut down only the service to the old school, which cost the city \$5,000 a month.

AVEC issued a series of shut-off warnings starting at 30 days.

"Disconnection is always a last resort," Kohler said, "but in a situation like this, you've got to do something."

Wednesday, a lineman flipped the switch. While most of the city still has power, the outage was a double whammy for Symbol. With no other place to go, he moved his family into his business, the Hillside Grill. Now it's too crowded to cook in, he said.

"In one day I lost my home and my business," Symbol said.

He's not happy that AVEC shut off the power, but he's furious with the city. Rental money that should have paid the electric bill was spent elsewhere, he said. The city also failed to make good on its promise to buy stove oil after soliciting money from the tenants, Symbol said.

Throughout the last year, "The city would tell us not to worry, we've got this under control," he said. "We've been lied to constantly, over and over."

Ruby agreed the city has been mismanaged. "Whether it gets into the realm of malfeasance or criminality is a question the current city council is looking into. They told us if they find enough evidence for criminal charges, they'll file them."

One explanation for the city's out-of-balance books may be that Chevak's income has tumbled in the last few years. About 20 percent of its revenue once came from pull-tabs and bingo receipts. The city lost its gaming license after failing to send in the proper reports, Ruby said.

And like all other Alaska municipalities, Chevak lost tens of thousand of dollars in revenue sharing as the state eliminated those programs.

"Where did all this money go," Ruby asked. "That's the big question."

Contrary to rumors floating around Chevak, the Alaska State Troopers are not investigating the former administration, spokesman Greg Wilkinson said.

City voters cleaned house in the October elections. Vaudrin was part of a new slate and in mid-January was selected mayor by the council.

"We had heard horror stories" about the city's finances, he said. "We wanted to get things straightened out and see what we could do."

Vaudrin was reluctant to detail the problems uncovered so far, in part because he and other council members are still exploring financial records that had been denied them. The former administrator has been suspended, he said.

Climbing out of debt will be a challenge, Ruby said. It may require the city to cut back on services such as police and to lay off employees. User fees may have to rise, and the city may have to shut down the old school and its expensive electric service.

City officials have considered asking the Chevak tribal council to take over the water and sewer system. Resuming bingo and pull-tabs could be an important source of revenue, he said.

"I think they might be able to do it," Ruby said. "It's a little bigger debt load than other communities have faced, but I don't think it's insurmountable."

Daily News reporter Joel Gay can be reached at jgay@adn.com or at 257-4310.

Kevin Ritchie

From: Kevin Smith [kevins@amljia.org]
 Sent: Monday, December 22, 2003 8:16 AM
 To: Terri McFarland; Tammy White; Rick Gifford; Kevin Ritchie; Karl Short; Joe Evans; Jerome Selby; Betty Glick; Clement Richards
 Cc: Venus Zink; Kevin Ritchie; Betty Jo Svensson; Annie McIlvain; Sarah Gilbertson
 Subject: Budget crunch burdens villages

<http://www.adn.com/front/story/4541566p-4516702c.html>

Here's an interesting article from yesterday's paper. Times are tough. Happy Holidays. Kevin



- News
- Classifieds
- Marketplace
- Services
- Around Alaska
- Specials
- 24-Hour News
- Today's ads
- Transportation
- Newspaper ads
- Travel Deals
- Iditarod
- Go to....
- Search ads
- Employment
- Directory
- Winter Guide
- Photo Galleries
- Place an ad
- Real Estate
- Alaska stores
- Alaska.com
- Editors' Picks

- Registration
- Alaska
- Money
- Sports
- Outdoors
- Life
- Entertainment
- Obituaries
- Perfect World
- Video Clips
- Legislature
- Mike Doogan
- Opinion
- Letters to the Editor
- Voice of the Times
- Corrections
- Weather
- ADN Links
- Newsletters
- ADN Store
- Home



TOP ALASKA STORIES

Budget crunch burdens villages

CUTS: Slashed state aid leaves small towns facing financial straits.

By JOEL GAY
Anchorage Daily News

(Published: December 21, 2003)

Anchorage isn't the only community struggling to fill the hole in its budget after Gov. Frank Murkowski and the Alaska Legislature axed state aid to cities and boroughs earlier this year.

They're dousing the streetlights in Huslia and laying off cops in Hooper Bay. Taxes may triple in White Mountain, while Coffman Cove can't pay its insurance bill. And more than one village could merge its municipal operations with the local Native tribe.

These are tough times for the state's smallest communities, said Larsen King, mayor of Me Koryuk, a community of 200 on Nunivak Island. In villages where jobs are scarce and expenses are high, the state grants of \$25,000 to \$50,000 kept the city office open and the bills paid, he said.

The already rocky financial footing of rural Alaska villages has dramatically worsened, said King and other community leaders.



Top Jobs

[View all 20 Top Jobs](#)

[Go to Employment](#)

[Daily News job openings](#)

Search

in today's news

Search

- Previous days' news
- Advanced search
- Archives search

Editors' Picks

Read adn.com's best recent stories.

Top Ten Stories

See which stories other readers are sending to their friends.

Crossword

Play our interactive puzzle online.

ALASKA.com

Get information on travel, relocation and entertainment. The business directory allows you to locate stores and services statewide.

School News

Find your child's classroom in SchoolNews. Also, learn about Newspapers in Education.

Community News

Check our free Web sites for non-profit groups.

"How does anyone expect the little places to survive?" he asked.

The state has been providing grants to cities and boroughs since statehood, according to Bill Rolfzen of the state Division of Community Advocacy. The grant programs evolved and expanded as Alaska developed, and by 1985 the two main programs, Municipal Revenue Sharing and Safe Communities, paid out more than \$160 million.

Although Safe Communities grants were restricted to police, fire, emergency services or sanitation, Revenue Sharing could be spent on almost anything. That was the beauty of the program, Rolfzen said. The money might buy a winter's worth of diesel in one village and a year's worth of workers' compensation in another, he said.

Nearly 20 years of budget cuts eroded the two programs to \$25 million last year. But even that was more than Murkowski wanted, and he vetoed funding for both and for a third program that funded capital projects.

"It is clear to me," Murkowski wrote to the communities, "that Alaska's fiscal situation requires us all to make the tough choices. ... We must take responsibility for prioritizing what our governments can do based on what we can afford."

Murkowski gave the municipalities a one-year reprieve, splitting \$15 million in federal funds among them. But for the fiscal year that begins next July, they're on their own. Throughout Alaska this winter, city administrators and councils are coming to grips with the looming shortfall.

Some officials are optimistic.

"We'll just have to start tightening our belts and watch where our money goes," said Linda Getz, city clerk in Ouzinkie, a coastal village of 200 near Kodiak.

It will mean making do with old equipment, scrimping on paper clips and saving this year's grant, she said. The city hasn't even talked about raising taxes. But Ouzinkie will survive, she said. "I think we can do it."

Other administrators fear the effect on their cities but are resigned to it.

"When you don't have the money, you don't have the money," said Pete Platten, city manager in Tanana.

The cuts to rural communities were shortsighted, Platten said, because rural Alaska spends its money in the cities.

"Once they kill the Bush, they have no customers out here," he said. If villages shut down, "all that money is not going to Fairbanks anymore."

Rural communities are less able to cope than their urban cousins, said Raphael Murrin, city manager in Hooper Bay. The village of 1,100 on the Bering Sea coast has cut several city positions, including one police officer, and city employees have taken pay cuts.

But raising revenues will be difficult in Hooper Bay, Murrin said. The city has a 4 percent sales tax, but increasing it won't yield much more. "We don't have that much economy."

And the city can't charge property tax because there is no private property, Murran explained. As in most rural villages, the land is owned by the village Native corporation or the federal government, which provides a small payment in lieu of taxes, or PILT.

During better times, the Yukon River village of Ruby built up a city savings account, said Mayor Donald Honea Sr., "but we've almost completely wiped the thing out now."

Ruby has reduced employee hours and city services, and now there's little left to cut, Honea said. It can no longer afford a public safety officer and may have to turn off the streetlights. Volunteers staff city hall, and the teen center remains closed unless an adult offers to open it for a night or two.

"We can't hire people to do a lot of the work we had before, like plowing snow," he said. "This year if we get a heavy snow, we have the guy do it when he can." Because the roads aren't getting plowed, Honea is nervous about house fires. "You'd have a hard time getting to the houses," he said.

The city has no sales tax, and just 200 residents to pay it if the council decides a tax would help.

"Like all the small villages, there's no employment and there's no revenue coming in, so it's pretty hard," Honea said. Commercial salmon fishing has been poor for years, and firefighting wages have declined. "The only thing is the (Permanent Fund) dividend, and a lot of people use it to catch up with their light bills."

But Ruby isn't throwing in the towel, Honea said.

"We'll continue to exist. We've existed before when times were tough. We're just going to have to cut what we had before," he said, perhaps returning to the kind of village it was before streetlights and running water.

They're also at a crossroads in small villages like Ouzinkie, White Mountain, Koyuk and Kiana, municipal officials there said. Losing the state grants will force crucial decisions that affect their communities' survival, they said.

"Insurance -- that's the scary thing. It's pretty well mandated," said city administrator Judy Willis of Coffman Cove, a former logging camp in Southeast. "Do you run the risk of not having insurance?"

Small communities are in a tough spot, acknowledged Mike Black, community development chief for the Department of Community and Economic Development. State and federal agencies that have poured millions of dollars into water plants or health clinics want those facilities insured, he said.

"But when you're the mayor or council, you're going to have to make decisions based on what you think your residents will support," Black said. "Insurance is one of those costs that doesn't immediately provide the local residents a demonstrated product. It's not like buying another policeman."

Many small communities operate their own water, sewer or electric utilities, and customers pay for the plant operations. But state municipal grants often paid for the clerks who did the billing.

"That's what pays my salary," said Dorothy Barr, city administrator in White Mountain, a village near Nome. She also writes grants, which have provided

services to White Mountain residents, such as a part-time librarian.

Her village voted down an increase to the 1 percent sales tax, and utility rates are as high as they can go, Barr said. She and other city employees have cut their hours.

"Right now we're looking at taxing pull-tabs and bingo winnings," she said. "We have to try to find different revenues."

State officials empathize with the ailing villages, but have little to offer except advice, said Rolfzen, with the state. Cities that can't afford to operate have few choices, he said. They can formally dissolve their municipal government, as several villages did as a statement of Native sovereignty in the 1980s or simply close the doors and stop functioning.

With the loss of municipal grants, Rolfzen said, "We might see a little of both, or a lot of both."

But some communities, including Mekoryuk, are considering a third option -- retaining the city government, but turning over the administration to the local tribe.

It may offer the best of both worlds, said Hultman Kiokun, administrator of the Native Village of Mekoryuk. The city can levy a sales tax -- it's 2 percent now -- and apply for grants available only to incorporated cities, while the tribe can tap federal resources.

"Having two governments in one small village, there's a lot of funds being wasted. We can eliminate those, and use that money for where it's needed most in the village," Kiokun said. "We need to make the best use of what little is coming to our village."

Mekoryuk's city and tribe are still negotiating, Kiokun said. The tribe doesn't want city liabilities to drag it down, he said, and may consider dropping money-losing services like cable television.

Nevertheless, the potential merger makes him more optimistic about Mekoryuk's future.

"It's got to change," Kiokun said. "The leaders have to understand that unless we make this change we're going to be stuck with the past, and possibly lose the services we have now."

Mekoryuk Mayor King agrees that a merger is likely, but isn't happy about it. He blames the village's poor financial condition on the "goody do-gooders" who brought water and sewer and other services to rural Alaska.

"These people bring these good things, but don't throw in operating and maintenance costs," King said. "There's no way the municipalities can survive if they cut revenue sharing off. If we raise funds like other little villages, with (bingo and pull-tab) gaming, we'll just exploit ourselves and make our community poorer and poorer."

Kiana and Koyukuk are also considering city/tribe mergers, and more villages could follow now that municipal funding is gone, said Anthony Caole, a former Quinhagak city and tribal administrator who is now an Anchorage consultant.

The merger "is not an ideal arrangement," Caole said. It will create an unwieldy council of 10 to 14 members working in a gray area that is both city and tribe.

"The ideal would be one form of government," he said. "It's just that nobody knows what that looks like."

And a merger is not for every community, he said. Some tribes may be reluctant to merge with their local municipality. Cities bring little to the bargaining table except sales tax powers, and many tribes are already overwhelmed with work, he said.

In addition, the future of tribal funding is uncertain. Sen. Ted Stevens has said it is increasingly difficult to secure funding for Alaska's 229 federally recognized tribes and has proposed they consider some form of consolidation.

In the meantime, the mergers may be the best option for foundering municipal governments, Caole said, though he doesn't see why it's necessary.

"I just can't imagine the state not providing resources to keep their sister governments alive," he said.

State officials are sympathetic to the plight of Mekoryuk, Ouzinkie and other small municipalities. But like the state, they'll have to find their own ways of balancing local needs and revenues, said Edgar Blatchford, commissioner of community and economic development. If that means dissolving their government because they can't afford it, "that's their decision," he said.

The Murkowski administration believes rural communities' fate lies with basic economics, Blatchford said. "If there's an economic base that local people can seize, there's hope for the future."

But where the only income is state and federal grants, the future looks bleak, Blatchford said.

"Sad to say," he said, "these are very challenging times for Alaska."

Daily News reporter Joel Gay can be reached at jgay@adn.com or at 257-4310.

The Anchorage Daily News - Get the whole story every day - Sign up for home delivery!

[Contact ADN](#) | [Forms](#) | [Subscriptions](#) | [Advertising](#) | [Sister Sites](#)

[Daily News Jobs](#) | [ADN History](#) | [ADN Store](#) | [Newspapers in Education](#)



McClatchy Company Privacy Policy

For Alaska travel information and services, visit ALASKA.com

Copyright © 2003 The Anchorage Daily News



[Click here to return to the original story](#)

Tenakee eyes solutions to its fiscal crisis

Loss of revenue sharing means trouble for dozen small towns

It's not news to residents that Tenakee Springs has had some financial problems. But Shelly Wilson, mayor of the town of 150 people, said she was frightened when she realized how serious the problems are.

When Gov. Frank Murkowski stopped sharing revenues with local governments in 2004, Tenakee Springs lost \$40,000 a year. It is facing a \$25,000 deficit. The city is applying for a \$50,000 loan.

The Tenakee Springs City Council has proposed selling some city land to increase revenues and expects to put the issue on the ballot within the next two months. Council members also contemplated increasing the sales tax from 1 percent to 2 percent.

For the first time, the city might impose a property tax.

"These are some short-term solutions," Wilson said. "We look forward to receiving some funding from the state."

The Chichagof Island town is not alone.

According to the Alaska Municipal League, 14 small towns have contacted the state about formal dissolution or entered into an agreement with a tribe to resume city responsibilities - or simply have not held local elections. Twenty towns have had their insurance canceled for lack of payment.

An Alaska Municipal League report said the crises result from massive state cuts to cities at a time of skyrocketing local costs and economic downturn. In 2004, Alaska became one of a handful of states that eliminated its local government revenues-sharing programs.

"All the communities face the same problems," said Kevin Ritchie, executive director of Alaska Municipal League. "But the smallest communities, which have the smallest tax bases, have the biggest problems."

Becky Hultberg, spokeswoman for the governor, said Murkowski stopped the local government revenue-sharing program because he doesn't believe it is the state's responsibility to give block grants to local governments.

But Hultberg said when local governments experience the difficulties such as the rise of the fuel and the increase of the public employment retirement system, the state has a role in giving the community some temporary help.

In this session, Murkowski proposed giving \$6.5 million to towns with populations of fewer than 1,200 to help them deal with the rise in fuel prices. Towns with populations between 100 and 600, such as Tenakee Springs, can receive \$50,000. The governor also proposed to offer \$37.5 million for cities and \$77 million for school districts in the next two years to help them pay for the public employment retirement system.

"This is not ongoing funding. This is only temporary help," Hultberg stressed.

And that is exactly the problem, Ritchie said.

"Cities are part of the government," Ritchie said. "The Legislature is responsible for all the state to have some public services. Revenue-sharing is the most efficient way."

Wilson said she hopes the Alaska Legislature would approve the small city fuel assistance program as soon as possible.

"I will just pray we can hold that long," Wilson said. "I know it is just a one-time deal, though."

• I-Chun Che can be reached at ichun.che@juneauempire.com.

Click here to return to story:

http://www.juneauempire.com/stories/021505/sta_20050215001.shtml



[Click here to return to the original story](#)

Ten communities drop city insurance

Municipal League anticipates another dozen to follow

December 2, 2004

By **TIMOTHY INKLEBARGER**
JUNEAU EMPIRE

Ten small communities across the state have recently discontinued their municipal insurance due to a decline in assistance from the state and rising insurance and fuel costs.

Another dozen could follow within the next few months, according to Kevin Smith, executive director of the Alaska Municipal League Joint Insurance Association.

Smith would not release the names of the communities affected, but the league confirmed that Juneau is not one of the 10 cities. Juneau expects to pay roughly \$12 million in various forms of insurance in 2005, according to Juneau Finance Director Craig Duncan.

The league's insurance program covers workers' compensation, natural disasters, third-party injury liability and other costs for about 134 Alaska cities, boroughs and school districts.

Gov. Frank Murkowski vetoed \$22 million in municipal revenue sharing last year, which had helped many communities pay insurance costs in the past. Combined with the rising costs of fuel, the cuts have made it impossible for some cities to continue paying.

"In the past when they could count on a municipal assistance and revenue-sharing check, we'd carry them until the state checks were cut," Smith said. "They can't pledge zero, so I can't carry them. We carried them as long as we could and finally had to pull the plug."

In an effort to offset the cuts, Murkowski sent \$15 million to cities that same year in one-time federal money from President Bush's Jobs and Growth Tax Relief Act, with minimum payments of \$40,000 going to smaller communities.

This year Murkowski is asking the Legislature to approve \$6.8 million in aid for about 125 small, rural communities. The program would provide

\$25,000 for communities with fewer than 100 residents, \$50,000 for those with 100 to 500 residents and \$75,000 for those with 500 to 1,200 residents. The program is intended to offset rising fuel costs.

"These communities have experienced higher energy costs than the rest of Alaska and they have no tax base and insufficient commerce to support a sales tax," Murkowski said in a statement released in October.

But it is unlikely that the revenue-sharing program will be reinstated this year as it existed before the cuts, said Becky Hultberg, a Murkowski spokeswoman.

"Things are still open," she said. "We are still considering alternatives. The state this year will have some very important priorities, education being one of them. It is unlikely that insurance for cities would rise to that level. But the governor has recognized the needs of some of the smaller communities due to the disproportionately high cost of fuel and is making an effort to address those needs."

The Alaska Municipal League has made the reinstatement of some form of revenue sharing for cities its top priority this legislative session, which begins in January, according to program and policy coordinator Kathie Wasserman.

Wasserman, the former mayor of the Southeast coastal community of Pelican, said some communities drop their insurance before cutting other costs because citizens often are not informed.

"The mayor and councilmen have to react to their communities," she said. "If the roads aren't plowed, you'll get calls every day. They're not going to call you about the lack of insurance because it's not going to touch them."

Insurance costs have increased substantially, according to Mike Black, director of the state's Division of Community Advocacy, who also said the loss of insurance is often not visible to the public.

He said communities without insurance would have to appeal to the Legislature, Alaska's congressional delegation or some other state or federal agency for assistance. Black said he's advised communities with municipal employees to maintain their workers' compensation insurance policies because injured workers can sue the city, resulting in large court settlements.

"It's required under state law that an employer have workers' compensation insurance," he said. "We tell them that's something you have to retain."

• Timothy Inklebarger can be reached at timothy.inklebarger@juneauempire.com.



Ketchikan Daily News

A Division of Pioneer Printing Co., Inc.

501 Dock St./P.O. Box 7900 Ketchikan, Alaska 99901

(907) 225-3457 FAX (907) 225-1096 news@ketchikandailynews.com

Ten small Alaska communities drop city insurance

JUNEAU (AP) — Ten small Alaska communities have discontinued their municipal insurance because of declining assistance from the state and rising insurance and fuel costs.

Another dozen could follow within the next few months, said Kevin Smith, executive director of the Alaska Municipal League Joint Insurance Association.

Smith would not release the names of the communities affected, but the league confirmed that Juneau is not one of the 10 cities.

The league's insurance program covers workers' compensation, natural disasters, third-party injury liability and other costs for about 134 Alaska cities, boroughs and school districts.

Gov. Frank Murkowski vetoed \$22 million in municipal revenue sharing last year that had helped many communities pay insurance costs. Combined with the rising costs of fuel, the cuts have made it impossible for some cities to continue paying.

"In the past when they could count on a municipal assistance and revenue-sharing check, we'd carry them until the state checks were cut," Smith said. "They can't pledge zero, so I can't carry them. We carried them as long as we could and finally had to pull the plug."

In an effort to offset the cuts, Murkowski sent \$15 million to cities that same year in one-time federal money from President Bush's Jobs and Growth Tax Relief Act, with minimum payments of \$40,000 going to smaller communities.

This year Murkowski is asking the Legislature to approve \$6.8 million in aid for about 125 small, rural communities.

The program would provide \$25,000 for communities with fewer than 100 residents, \$50,000 for those with 100 to 500 residents and \$75,000 for those with 500 to 1,200 residents. The program is intended to offset rising fuel costs.

But it is unlikely that the revenue-sharing program will be reinstated this year as it existed before the cuts, said Becky Hultberg, a Murkowski spokeswoman.

"Things are still open," she said. "We are still considering alternatives. The state this year will have some very important priorities, education being one of them. It is unlikely that insurance for cities would rise to that level. But the governor has recognized the needs of some of the smaller communities due to the disproportionately high cost of fuel and is making an effort to address those needs."

The municipal league has made the reinstatement of some form of revenue sharing for cities its top priority this legislative session, which begins in January, according to program and policy coordinator Kathie Wasserman.

Insurance costs have increased substantially, according to Mike Black, director of the state's Division of Community Advocacy.

Communities without insurance would have to appeal to the Legislature, Alaska's congressional delegation or some other state or federal agency for assistance, according to Black. He said he has advised communities with municipal employees to maintain their workers' compensation insurance policies because injured workers can sue the city, resulting in large court settlements.

"It's required under state law that an employer have workers' compensation insurance," he said. "We tell them that's something you have to retain."

Wednesday, December 01, 2004

Fairbanks Daily News-Miner

10 Alaska communities forgo insurance

Friday, December 03, 2004 - Staff and Wire Reports

JUNEAU—Ten small Alaska communities have discontinued their municipal insurance because of declining assistance from the state and rising insurance and fuel costs.

Another dozen could follow within the next few months, said Kevin Smith, executive director of the Alaska Municipal League Joint Insurance Association.

Smith would not release the names of the communities affected.

Somewhat ironically, the city of Fairbanks just started purchasing insurance through the municipal league in July as a means of saving money.

The city was self-insured previously and was able to save money by purchasing insurance as part of the larger group, said Fairbanks Mayor Steve Thompson. "By going together in a pool with more people you can keep rates down," he said. He said the news that some communities might be dropping out and making the pool smaller is troubling.

"That's kind of a lother," he said.

The league's insurance program covers workers' compensation, natural disasters, third-party injury liability and other costs for about 134 Alaska cities, boroughs and school districts.

Thompson said Fairbanks received notice that its workers' compensation coverage through the AML would increase by 12 percent effective July 2005. The AML requires six-months' notice for dropping out of its program. The mayor did send a letter of tentative notice to the AML Thursday, he said, but he emphasized that the letter is standard procedure to allow the city to shop for other carriers and the city has no intention of going without coverage.

"It is only responsible for us to continually do that," he said. "It's no different that any responsible business would do to continually make sure they're saving as much money as possible."

The Fairbanks North Star Borough is self-insured and does not use the AML program.

Gov. Frank Murkowski vetoed \$22 million in municipal revenue sharing last year that had helped many communities pay insurance costs. Combined with the rising costs of fuel, the cuts have made it impossible for some cities to continue paying.

"In the past when they could count on a municipal assistance and revenue-sharing check, we'd carry them until the state checks wore out," Smith said. "They can't pledge zero, so I can't carry them. We carried them as long as we could and finally had to pull the plug."

In an effort to offset the cuts, Murkowski sent \$15 million to cities that same year in one-time federal money from President Bush's Jobs and Growth Tax Relief Act, with minimum payments of \$40,000 going to smaller communities.

This year Murkowski is asking the Legislature to approve \$6.8 million in aid for about 125 small, rural communities.

The program would provide \$25,000 for communities with fewer than 100 residents, \$50,000 for those with 100 to 500 residents and \$75,000 for those with 500 to 1,200 residents. The program is intended to offset rising fuel costs.

But it is unlikely that the revenue-sharing program will be reinstated this year as it existed before the cuts, said Becky Hultberg, a Murkowski spokeswoman.

"Things are still open," she said. "We are still considering alternatives. The state this year will have some very important

JUNEAU EMPIRE

ROBERT HALE
Publisher

LEE LESCHNER
Advertising director

MIKE LOCKRIDGE
Circulation director

FRED YATES
Controller

LORI THOMSON
Managing editor

CONNIE MCGEE
New-media director

JESSE SWANSON
Press director

GALEN WYATT
Pressroom director

Empire editorial

State needs to share the windfall with cities

Some states would be envious of Alaska even in our worst budget times, but once again financial fortune has smiled on this state and the result will be hundreds of millions of unexpected dollars into its lap.

Revenue from record-high oil prices likely will close the state's \$360 million budget gap and send an additional \$500 million to its general fund. This rare stroke of luck isn't going to last forever and state leaders therefore need to make sure the extra income isn't squandered.

Education is at the top of the list of items that need greater funding. Juneau is not the only city in the state in which teachers struggle with classrooms of more than 30 students. Key to improving education in this state is reducing class size by increasing the state's allocation to schools. Gov. Frank Murkowski already has called for a \$126 million increase in spending for K-12 education over the next two years. The Alaska Legislature needs to follow up on that and make sure that some of this fleeting wealth brings improvements in classrooms across the state.

The Murkowski administration also is looking at putting money back into social-service programs, many of which have been trimmed in recent years. The governor is proposing \$6 million for children's services, \$15 million for juvenile justice and \$71 million for preventing drug and alcohol abuse. These are all wise investments and could save the state money down the road, particularly in the criminal justice system.

With its financial windfall, the state needs to make sure that it avoids two things: using the money for pet capital projects and leaving cities to struggle

on their own.

Too many schools and other public buildings are in need of maintenance that has been delayed because of tight budgets in recent years. These need to be brought up to par before money is frittered away on new capital projects, which will in time need maintenance of their own.

Most importantly, though, Alaska's legislators cannot leave cities out in the cold financially. Lawmakers have failed to take real action to solve the state's long-term budget problems. Too worried about their own political careers, legislators haven't made the tough decisions that are needed on broad-based taxes, increasing revenue from the oil industry or other measures that would bring long-term financial stability. What lawmakers have done is shift the burden to cities by slashing their state funding.

As revenue sharing with cities has been cut, local governments statewide have had to increase property taxes by 33 percent and at least 30 rural communities have had to cut essential services, such as road maintenance or public safety, according to the Alaska Conference of Mayors. Ten small towns have had to drop their municipal insurance program, which covers workers' compensation, natural disasters and other costs.

With the unexpected oil revenues, the state needs to share the wealth and restore funds to its Municipal Revenue Sharing Program. Many of Alaska's small cities are desperate for a financial boost because of belt-tightening in recent years, and it's only fair that this windfall of cash should be used to bring them some relief.

ALASKA

10 towns can't pay insurance

DECEMBER 6, 2004

■ **BROKE:** Without state aid to pay premium, small cities risk disaster.

By JOEL GAY
Anchorage Daily News

Nearly a dozen rural communities are flirting with financial disaster after failing to pay their insurance bills and dropping out of a statewide pool of self-insured cities, boroughs and school districts.

The 10 small cities are no longer carrying workers' compensation, snowplow insurance or basic liability coverage, in large part because the state has eliminated the grants they once relied on to pay such expenses, said Kevin Smith, executive director of the Alaska Municipal League Joint Insurance Association.

Now uninsured, they could be fined for failing to meet legal requirements. They also run the risk of bankruptcy if slapped with a big lawsuit, Smith said.

INSURANCE: *If town is sued, state may take hit*

Continued from B-1

much to collect from a bankrupt city, Smith said.

"He can be the proud owner of an old waste-water treatment plant," he said.

It's also possible that a person could turn to the state, if a city were bankrupt, Smith said.

"You might decide the deeper pocket is to go after the state," since every city is a political subdivision of the state government, he said.

That's untested legal ground in Alaska, he added.

The cities that lost their insurance could get it back, Smith said, but it will take work. Not only must they make up the last four months, but they'll have to pay ahead several months.

They could get help if the Alaska Legislature approves a Murkowski proposal to give communities another one-time grant, with the smallest receiving

Several small cities that last year had feared the loss of state aid said Friday that they are still financially so vent, though it has required extreme measures.

"We're still floating," and keeping up with insurance payments, said Larsen King, mayor of the Nunivak Island village of Mekoryuk.

But to save money, the city has merged with the local tribe, he said. The arrangement allows the city to tap state aid whenever it can but share the cost of administering the city's government with the tribe.

To the north, the village of Kiana did the same thing, said Dolores Tuckfield, deputy director of Kiana Traditional Council. In a move driven largely by the loss of revenue sharing, the city contracted with the council to administer city services, she said.

"It's been a lot of work" to establish the new system, which began July 1, Tuckfield said. But

so far, it's working well, she said, and the city has stayed ahead of its insurance bills.

The Southeast logging village of Coffman Cove is also meeting its financial obligations, though not without some sacrifices, said city administrator Judy Willis.

"Our (insurance) payments aren't always on time," she said. "But we haven't got a cancellation notice yet. I think they're being generous."

Insurance is a major expense in the city of 165, Willis said. Even after paring away nonessential costs, it was still more than \$20,000 a year, she said.

Coffman Cove has survived the loss of state revenue sharing so far, Willis said. But there's not much more the community can cut or raise without help from the Alaska Legislature. Willis wants to allow second-class cities such as hers to levy a flat property tax — say, \$100 an acre. Current law prohibits property

And the state may end up paying the cities' bills anyhow, he said.

"You could make an argument that they're a political subdivision of the state, and if they're not making it (financially), the state is on the hook," he said.

Alaska's cities and boroughs received state aid for years. Some of the grants were specifically for public safety or construction. Others could be used for anything, including heating oil, city hall salaries and expenses such as insurance.

The three main sources of municipal aid dwindled over many years but finally expired when Gov. Frank Murkowski vetoed the last of them in 2003. Murkowski later used a federal grant to give municipalities a one-time check, which for the smallest communities was \$40,000.

Most cities absorbed the loss by cutting services, raising taxes and fees, or both. In small communities with fewer resources, the cuts meant reducing or shutting down popular services, such as snowplowing, teen centers and street lights.

But 10 communities, which Smith would not name, started falling behind on their monthly payments to the statewide insurance pool. This month, their insurance was canceled, he said.

The pool has "been carrying them for four months," Smith said. "I couldn't do it any longer." And another dozen or so communities are close to losing their insurance, as well, he said.

Cities are required to carry workers' compensation, and most provide it for their volunteer firefighters and emergency medical personnel, Smith said. Asked what the uninsured cities are doing now, he said, "panicking."

The Alaska Department of Labor could fine the cities for failing to insure their workers, Smith said. That would just drive the cities further into debt, he said.

If a worker got hurt or a visitor slipped on city property and successfully sued, there wouldn't be

See Page B-3, INSURANCE

taxes unless they're based on an assessment.

"If we had enough money to have everything assessed, we wouldn't need the tax," she said.

Otherwise, communities such as hers will have to rely on bake sales and raffles to raise money for expenses such as insurance and salaries, Willis said. She was going to a fund raiser Friday night for local sports teams. "Next week it's the fire department," she said.

■ Daily News reporter Joel Gay can be