

**Denali Commission
Federal Fiscal Year 2009
DRAFT Work Plan**



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INTRODUCTION

Rural Alaska is an American treasure. Scattered across vast tundra, tucked away along rugged coastlines and forests and deep within Alaska's Interior, people living in over 300 communities raise families, educate their children, and work to provide opportunities for all. Alaska Native people rely heavily on subsistence hunting, fishing and gathering as a central part of both culture and economic sustenance. Values of sharing, love of family and country and traditional cultures run deep.

Rural Alaska still resembles the United States at the time of Lewis & Clark. Major rivers are undammed, unbridged and lack even basic navigational aids. Many health and social indicators still resemble those in developing countries.

No where else in our country can people live amidst wilderness, largely disconnected from highway and road connections and from regional power grids. Here, resilience and innovation are required both to survive and thrive. Reliance on air and river transportation is essential for everyday living. And where else in the country would women, in their third trimester of pregnancy, be required to fly into a regional center and wait to have their babies safely delivered, given the lack of local medical facilities?

The Denali Commission has now invested nearly a billion dollars in ten years on basic infrastructure projects at the local level. We know lives have been improved through greater access to primary health care, through safe and reliable energy projects, through job training programs, sanitation and landfill improvements and basic surface and water transportation improvements. We know the taxpayer benefits from an emphasis on coordinating the planning, construction and delivery of capital projects and through a focus on sustainability.

We see innovation everywhere. The regional corporations formed by the Alaska Native Claims Settlement Act, for example, are becoming economic powerhouses in their own rights. Major investments in private-sector anchors in each region complement the Commission's work in basic community infrastructure. Many regional non-profit corporations provide an array of effective health and social services. The Alaska Marketplace competition, now in its fourth year, proves again that local people have great ideas and with a small infusion of capital and technical assistance, have real potential for making positive and lasting change. The Community Development Quota program, for example, offers opportunities for residents in over 60 coastal communities to benefit directly from offshore fishing revenues.

We are buoyed by the sense of progress over the last ten years, at the resurgence of traditional culture, by the progress in celebrating diversity at all levels and by the awareness among leaders to reduce dependency on government and eliminate social ills that seem to come with long winters and isolation found in northern countries. We take

delight in working with many progressive and innovative partners, grant recipients and local champions whose leadership and inspiration is critical for village survivability.

We are alarmed, however, at the recent convergence of several issues which threaten the survival of many Alaskan communities and provide urgent impetus for the Commission to improve our investment strategies. These issues include the impacts of climate change, unpredictable and unaffordable energy costs at the village level, the expectation of declining federal revenues to support rural investment in Alaska, evidence of out-migration from many small communities into larger regional centers and urban areas such as Anchorage, and the urgent need to find regional and systemic solutions to bolster long-term community viability. The global financial crisis will also strain an already thin social service delivery system and bring other consequences yet unseen.

The following are some of the critical issues which frame the debate over the Denali Commission's FY09 Work Plan:

Climate Change

Evidence is now overwhelming that climate change is impacting Alaska and the north faster than elsewhere in the nation. Temperatures have been rising, plant and animal species have been moving north, and permafrost is melting, resulting in major challenges for all infrastructure programs. Denali Commission funded wind turbines for example, are major engineering challenges for successfully placing a vertical wind tower in a permafrost setting. The Denali Commission is committed to participating fully with the State of Alaska, the U.S. Corps of Engineers and other partners in a coordinated approach to policy formulation and the execution of adaptation measures for climate change.

The most immediate challenge is the urgent need to protect and relocate many coastal communities impacted by the lack of sea ice, the repetition of major storm events, flooding and erosion of coastlines. While Congress provides no funds to the Commission to support relocation efforts, we coordinate closely with other agencies and tribes. Our interagency Planning Work Group, for example, oversees relocation efforts in several communities, and the Commission funded a relocation community plan last year.

Unaffordable Energy at the Local Level

We recognize the urgent need to find breakthrough solutions to the widespread unaffordable energy costs in Alaska's rural communities. One study reveals that rural residents earning the lowest 20% of income spend almost half that income on home heating and electricity!

While the Commission's energy strategy remains a combination of completing bulk fuel and power system upgrades, an emphasis on conservation and energy efficiency projects and renewable energy, we continue to look for breakthrough solutions that can be replicated. We'll also focus on pursuing regional grids that can reduce the need for stand-alone generation in Alaska's small villages. We remain a strong partner as the State of Alaska prepares an overall Energy Plan for submission to the Alaska State Legislature this session.

Green Building Design and Construction Cost Containment

High construction costs in rural Alaska result from a combination of vast distances, harsh climates and the rising cost of construction materials. We are committed to carrying out innovative, cost-effective and creative design and construction solutions. This year we anticipate engaging in more diverse and experimental partnerships, and we'll be seeking more innovative design, construction and program and project management practices. We may enhance our normal project scopes to allow for greater energy efficiencies. We anticipate undertaking several pilot projects focusing on green design, cost containment and the combined use of facility activities.

A Focus on Community, Regional Planning and Government Coordination

The Commission is committed to a greater emphasis on community and regional planning to ensure long-term viability of our infrastructure investments. Last year, we worked with the State of Alaska, for example to help reopen a tribal clinic that had closed its doors for lack of capacity. This may be the first instance of a Denali Commission project which had suspended service. Through our efforts in government coordination, we work to ensure our projects fit within a framework of a local and regional plan, and are designed, sized and placed in the most optimum locations and setting for long-term success.

BACKGROUND

The Denali Commission (Commission) is an independent federal agency based on an innovative federal-state partnership designed to provide critical utilities, infrastructure and support for economic development and in training in Alaska by delivering federal services in the most cost-effective manner possible. The Commission was created in 1998 with passage of the October 21, 1998 Denali Commission Act (Act) (Title III of Public Law 105-277, 42 USC 3121).

The Commission's mission is to partner with tribal, federal, state, and local governments and collaborate with all Alaskans to improve the effectiveness and efficiency of government services, to develop a well-trained labor force employed in a diversified and sustainable economy, and to build and ensure the operation and maintenance of Alaska's basic infrastructure.

By creating the Commission, Congress mandated that all parties involved partner together to find new and innovative solutions to the unique infrastructure and economic development challenges in America's most remote communities.

Pursuant to the Denali Commission Act, as amended, the Commission determines its own basic operating principles and funding criteria on an annual federal fiscal year (October 1 to September 30) basis. The Commission outlines these priorities and funding recommendations in an annual Work Plan.

Pursuant to the Act, the Work Plan is first provided in draft by the Commission for publication in the *Federal Register* providing an opportunity for a 30-day period of public review and written comment. The Draft Work Plan is also disseminated widely to Commission program partners including, but not limited to the Bureau of Indian Affairs (BIA), the Economic Development Administration (EDA), and the United States Department of Agriculture – Rural Development (USDA-RD). Commission staff is responsible for compiling written public comment and forwarding it to the Commission’s Federal Co-Chair (Mr. George J. Canelos) and the other six Commissioners.

Please submit written comments to Ms. Tessa Rinner, Director of Programs, Denali Commission, 510 L Street, Suite 410, Anchorage, AK 99501; Telephone: (907) 271-1414; or Email: trinner@denali.gov, by January 15th, 2009.

Public comments are then reviewed by staff and the Denali Commissioners. Following a public meeting of the Denali Commission where additional testimony may be taken and where Commissioners offer comment, the Federal Co-Chair then adopts a final version of the annual Work Plan. The final version of the Work Plan is forwarded to the Secretary of Commerce for approval on behalf of the Federal Co-Chair.

The Work Plan authorizes the Federal Co-Chair to enter into grant agreements, award grants and contracts and obligate the federal funds identified by appropriation below.

FY 09 APPROPRIATIONS SUMMARY

Public Law 110-329, *Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009*, was signed by President Bush on September 30, 2008. The Continuing Resolution section of that law provides for Fiscal Year (FY) 2009 funding for named agencies at the same levels utilized in the first two quarters of FY 2008 (October 1, 2007 to March 31, 2008), through to March 6, 2009.

Since a new Administration will take office in January 2009, it is unknown at this time if there will be a new budget presented to Congress, or if this Continuing Resolution will be extended to September 2009 or modified in some other way. For the Commission, this may result in budgetary resources as high as \$113,879,591 for FY 2009. If FY 2009 congressional appropriations are significantly different from the amounts in this Work Plan the Commission will develop an alternate Work Plan for FY 2009.

The Denali Commission has historically received several federal funding sources (identified by the varying colors in the table below). These fund sources are governed by the following general principles:

- In FY 2008 no project specific earmarks were defined.
- Energy and Water Appropriations (commonly referred to as Commission “Base” funding) is eligible for use in all programs, but has historically been used substantively to fund the Energy Program.
- The Energy Policy Act of 2005 established new authorities for the Commission’s Energy Program, with an emphasis on renewable and

alternative energy projects. No new funding accompanied the Energy Policy Act, and prior fiscal year Congressional direction has indicated that the Commission should fund renewable and alternative Energy Program activities from the available “Base” appropriation.

- All other funds outlined below may be used only for the specific program area and may not be used across programs. For instance, Health Resources and Services Administration (HRSA) funding, which is appropriated for the Health Facilities Program, may not fund the Economic Development Program.

Final transportation funds received are typically slightly reduced due to agency modifications, reductions and fees determined by the U.S. Department of Transportation.

The table below provides the following information, by fund source:

- **Total FY 09 Budgetary Resources provided in the Continuing Resolution:**
These are the figures that appear in various colors (i.e., blue, red, orange, etc.) and are the original funding amounts which do not include Commission overhead deductions. These funds are identified by their source name (i.e., Energy and Water Appropriation; USDA, Rural Utilities Service, etc.)
- **Total FY 09 Program Available Funding:**
These are the figures that appear in gray and are the amounts of funding available for program(s) activities after Commission overhead has been deducted.
- **Program Funding:**
These are the figures that appear in yellow and are the amounts of funding the Draft FY09 Work Plan recommends, within each fund source.
- **Subtotal of Program Funding**
These are the figures that appear in white and are the subtotals of all program funding within a given fund source. The subtotal must always equal the Total FY 09 Program Available Funding.

Denali Commission FY09 Funding Table	Totals
FY 09 Energy & Water Appropriation	\$21,800,000
FY 09 Energy & Water Appropriations ("Base") - Program Available (less 5% Commission overhead)	\$20,511,620
<i>Energy Program: bulk fuel, RPSU, etc.</i>	\$10,750,000
<i>Energy Program: alternative & renewable energy</i>	\$4,261,620 (up to)
<i>Teacher Housing Program: design & construction of teacher & health professional housing</i>	\$4,750,000
<i>Economic Development Program: various</i>	\$500,000
<i>Recruitment and Retention of Health Workers</i>	\$250,000 (up to)
sub-total \$	\$20,511,620

FY 09 USDA, Rural Utilities Service (RUS)	\$10,000,000
FY 09 USDA - Rural Utilities Service (RUS) - Program Available (less 4% overhead)	\$9,600,000
<i>Energy Program: high energy cost communities</i>	\$9,600,000
sub-total \$	\$9,600,000
FY 09 Trans Alaska Pipeline Liability (TAPL) Trust	\$5,830,940
FY 09 Trans Alaska Pipeline Liability (TAPL) – Program Available (less 5% overhead) ESTIMATE	\$5,539,393
<i>Energy Program: bulk fuel</i>	\$5,539,393
sub-total \$	\$5,539,393
FY 09 DHHS - Health Resources & Services Administration (HRSA)	\$38,596,726
FY 09 DHHS- Health Resources & Services Administration (HRSA) – Program Available (less 5% Commission overhead)	\$36,666,889
<i>Health Program: Primary Care Clinics - Design, Planning, and Construction</i>	\$29,000,000
<i>Health Program: Behavioral Health</i>	\$2,000,000
<i>Health Program: Primary Care in Hospitals</i>	\$3,000,000
<i>Health Program: Elder Housing/Assisted Living Facilities - Construction</i>	\$2,666,889
sub-total \$	\$36,666,889
FY 09 Department of Labor (DOL)	\$6,754,894
FY 09 Department of Labor (DOL) – Program Available (less 5% Commission overhead)	\$6,417,149
<i>Training Program: Various</i>	\$6,417,149
sub-total \$	\$6,417,149
FY 09 Federal Transportation Administration (FTA) – Estimate	\$5,000,000
FY 09 Federal Highway Administration (FHWA)	\$25,463,091
FY 09 Transportation (less 5% Commission overhead) -	\$ 28,939,936
<i>Transportation Program: Docks & Harbors</i>	\$8,804,686
<i>Transportation Program: Roads</i>	\$20,135,250
sub-total \$	\$ 28,939,936
FY 09 USDA, Solid Waste	\$433,940
FY 09 USDA - Solid Waste – Program Available (less 5% Commission overhead)	\$412,243
<i>Solid Waste Program: planning, design and construction</i>	\$412,243
sub-total \$	\$412,243

TOTAL FY 09 Appropriations - Estimate	\$113,879,591
TOTAL FY09 Program Available – Estimate	\$107,987,230
FY 09 PROGRAM DETAILS & GENERAL INFORMATION	

The following section provides narrative discussion, by each of the Commission Programs identified for FY 09 funding in the table above, in the following categories:

- Program History and Approach
- Applicant/Grant Process
- Program Project Selection Process
- Program Policy Issues (as applicable)

In addition to the FY 09 funded program activities; the first section of the narrative provides an update on the Commission’s Government Coordination Program. The Program is not funded by Commission appropriations, but is an integral component of the Commission’s mission, the success of other programs, and the legacy of the Commission’s work in Alaska.

The final section includes a general summary of other issues facing the Commission, statements of support by the Commission for the funding requests and activities of other program partners which the Commission works in partnership with, and detail regarding the Commission’s evaluation and reporting efforts.

Government Coordination

The Commission is charged with the special role of increasing the effectiveness of government programs by acting as a catalyst to coordinate the many federal and state programs that serve Alaska. In FY09 the Commission will continue its role of coordinating State and Federal agencies and other partner organizations to accomplish its overall mission of developing Alaska’s communities. Particular focus will be given to the collaborative efforts of the Commission’s Federal and State Memorandum of Understanding (MOU) and the various workgroups and planning sessions and forums that occur as a result of the MOU meetings. The Commission intends to engage, along with MOU members, in at least two regional forums in FY09. These sessions will be regionally focused, and will provide regional partners and community members with an opportunity to discuss projects successes, failures and opportunities, and provide direct feedback to the Commission and other funding organizations regarding their policies and funding processes.

Additionally, the Commission continues to recognize the issues related to erosion, relocation and climate change which are effecting Alaskan communities and policy decisions. The Commission plays an active role in the Immediate Action Working Group and has also worked to build relationships with the Innovative Readiness Training (IRT) program which includes the various military branches.

Energy Program

The Energy Program is the Commission’s oldest program and is often identified, along with the Health Program, as a “legacy” program. The Program focuses on bulk fuel facilities (BFU) and rural power system upgrades/power generation (RPSU) across

Alaska. The purpose of this program is to provide code-compliant bulk fuel storage and electrification throughout rural Alaska, especially for communities “off the grid” and not accessible by road or rail.

The needs in the bulk fuel and power generation projects are presently estimated at \$250 million and \$135 million, respectively. The Commission has also funded a very successful program of competitively selected energy cost reduction and alternative energy projects. In three completed rounds of funding, approximately \$6 million in grant funds have leveraged \$8.1 million in participant funding, with estimated life-cycle cost savings (generally diesel fuel avoided over the life of the project) of \$29 million.

The *Energy Policy Act of 2005* established new authorities for the Commission's Energy Program, with an emphasis on alternative and renewable energy projects, energy transmission, including interties, and fuel transportation systems. Although the 2005 Energy Policy Act did not include specific appropriations, the Commission is expected to carry out the intent of the Act through a portion of its “Base” funding. To date, the Commission has co-funded a number of renewable projects, including hydroelectric facilities, a geothermal power plant, a biomass boiler, and a number of diesel-wind power generation systems. The FY09 Work Plan outlines a strategy to balance the Energy Program in both legacy and renewable systems, providing up to \$4,261,620 for alternative and renewable projects. About 94% of electricity in rural communities which receive Power Cost Equalization (PCE) payments is produced by diesel and about half the fuel storage in most villages is used for the power plants. Any alternative means of generating power can reduce the capacity needed for fuel storage. This reduces capital costs and operations and maintenance (O&M) and repair and renovation (R&R) costs for fuel storage facilities) and may reduce the cost of power to the community.

The Energy Program has historically used a “universe of need” model to determine project and program funding. Specifically, the Program is focused on using the existing statewide deficiency lists of bulk fuel facilities and power generation/distribution systems to prioritize project funding decisions. A program partnership model is utilized for project management and partners are actively involved in the design and construction of projects. Partners coordinate project funding requests with the Commission to balance the relative priority or urgency of bulk fuel and power generation needs against available funding, readiness of individual communities and project participants for the project(s), and capacity of the partners to carry out the work. Communities are identified by partners and through the deficiency list process. Legacy program (RPSU, bulk fuel and intertie) projects are selected and reviewed by Commission staff and program partners. Thus, a renewable project sometimes is proposed in conjunction with a deficiency list project to reduce the dependence on diesel fuel, and the concomitant fuel storage requirements. So too, an intertie, can remove the need for a new power plant, and reduce fuel storage requirements in the intertied communities. Therefore, the legacy program may also include these types of energy infrastructure. Each community and project must be evaluated holistically. Program partners also perform initial due diligence and Denali Commission's Investment Guidance screenings, as well as assisting in development of the business plans for the participants as the designs are underway. The Program is

dynamic: priorities fluctuate throughout the year based on design decisions, due diligence and investment guidance considerations, site availability, the timing of funding decisions, etc.

In 2008 the Commission completed a study on intertie/transmission lines between communities, regions and statewide. The study summarized the vast amount of research, planning and studies that have occurred to date and identified the policy and economic considerations for investment in intertie infrastructure. The program will continue to support projects where connections via intertie are feasible. The program will also be further defining the role of the Denali Commission in intertie planning, development and execution statewide as recommended in the study.

Health Facilities Program

The Denali Commission Act was amended in 1999 to provide for the “planning, constructing and equipping of health facilities.” Since 1999, the Health Facilities Program has been methodically investing in the planning, design and construction of primary care clinics across Alaska.

Primary care clinics have remained the “legacy” priority for the Program. However, in 2003 the “Other Than” primary care component of the Program was adopted in response to Congressional direction to fund a mix of other health and social service related facility needs. Over time, the Program has developed Program sub-areas such as Behavioral Health Facilities, Domestic Violence Facilities, Elder Housing, Primary Care in Hospitals, Emergency Medical Services Equipment and Hospital Designs. The FY09 Draft Work Plan emphasizes the priority of the Primary Care Clinic Program as the legacy program area, with the majority of funding dedicated to clinics. Under the scenario in which the Commission receives apportioned funds in advance of appropriations under a Continuing Resolution, staff recommends these funds be dedicated solely to the clinic program.

The Program utilizes a “universe of need” model for primary care and a competitive selection process for other sub-program areas. In 1999 the Program created a deficiency list for primary care clinics, which totaled 288 communities statewide in need of clinic replacement, expansion and/or renovation. Currently, 110 clinics have been completed or are in construction and approximately 40 are in design.

The Program is guided by the Health Steering Committee, an advisory body comprised of the following membership organizations: the State of Alaska, Alaska Primary Care Association, the Alaska Native Tribal Health Consortium, the Alaska Mental Health Trust Authority, the Alaska Native Health Board, the Indian Health Service, the Alaska State Hospital and Nursing Home Association, the Rasmuson Foundation and the University of Alaska.

Projects are recommended for funding by Commission staff if they demonstrate project readiness, which includes the completion of all due diligence requirements. This includes an approved business plan, community plan, site plan checklist, completed 100% design,

documentation of cost share match, and realistic ability to move the project forward in a given construction season.

In addition to construction challenges, the health program has indicated that a major sustainability risk to health projects is workforce recruitment and retention. Recommendations on this challenge are made in the “Other Issues” section of the Work Plan.

Additionally, the Health Program is committed to assisting in the discussion regarding access to primary care facilities and services for veterans. The Health Steering Committee will engage in discussions about this issue during FY 09.

Training Program

In a majority of rural communities unemployment rates exceed 50% and personal capita income rates are over 50% below the national average. When job opportunities in rural Alaska do become available, rural residents often lack the skills, licensing and certifications necessary to compete and often lose those jobs to people from outside the community, region or even state. With the limited number of jobs available, the Commission believes it is imperative to ensure that local residents have the skills and essential certifications necessary to work on the construction of projects funded by the Denali Commission. Through the Training Program, the Commission builds sustainability into their investments by providing training for the long term management, operations and maintenance of these facilities and thus increasing local capacity and employment.

The Training Program’s mission is to build a communities capacity through training and increase the employment and wages of unemployed or underemployed Alaskans. The Training Program’s primary purpose is to support the Commission’s investment by providing training for the careers related to the Commission infrastructure programs (such as Energy and Health Facilities).

The Training Program is also guided by the following principles:

- Priority on training for Denali Commission infrastructure, projects and priorities
- Training will be tied to a job
- Training for construction, operations and maintenance for other public infrastructure
- Training will encourage careers not short term employment

Each year, the Commission dedicates training funds to careers associated with infrastructure development and long-term sustainability in rural Alaska. The Commission has funded construction, operations and maintenance training in communities statewide with large success.

The Commission anticipates that the general priority areas of construction, operations and maintenance of Commission Projects; management training for Commission Projects;

youth initiatives that support employability skills; and construction, operations and maintenance training of “other public infrastructure” will continue to be funded in FY09. These projects are selected through a competitive Request for Grant Application (RGA) process with partners, and at the recommendation of Commission staff, and policy guidance and priority areas for funding are set by the Training Advisory Committee (TrAC).

In 2008, the TrAC recommended several new initiatives for the FY09 Work Plan. These new initiatives are explained in the following paragraphs.

The Commission and the TrAC recognizes the threat of out migration due to high costs of living and joblessness in Alaska communities. For this reason, the Training Program recommends expanding its priorities to include “Funding ‘other’ training that contributes to the survivability of a community”. However, funding for these projects will be facilitated through the RGA competitive process and funding will be substantially less than the other priority areas.

The Commission and TrAC support regional employment and training entities and recommend a shift of workforce development ownership and responsibility in that direction. These local training entities know first-hand the workforce needs and challenges and resources available. The TrAC recommended that funding be directed to Regional Training Centers/Campuses, Community Development Groups (CDQ), Regional Health Corporations and rural Job Centers for training related to Denali Commission investments.

Historically the Commission has provided funding directly to organizations that are able to deliver results in the priority areas as described above. These organizations have typically been selected by the Commission directly or through competitive requests for proposals managed by partner organizations. This process is recommended to continue in the FY09 Work Plan.

Transportation

Section 309 of the Denali Commission Act 1998 (amended), created the Commission’s Transportation Program, including the Transportation Advisory Committee. The advisory committee is composed of nine members appointed by the Governor of the State of Alaska including the Chairman of the Denali Commission; four members who represent existing regional native corporations, native nonprofit entities, or tribal governments, including one member who is a civil engineer; and four members who represent rural Alaska regions or villages, including one member who is a civil engineer.

The Transportation Program addresses two areas of rural Alaska transportation infrastructure, roads and waterfront development. There is a solid base of 114 projects underway, with the FY09 project nomination and selection process likely to add another 15 to 20 projects. Up to 10 projects currently in the design phase in the Commission program will also move to construction in FY09.

There is a consensus amongst agencies and communities that the Transportation Program is successfully addressing improvements to local and regional transportation systems. This is largely a function of the Transportation Advisory Committee's success at project selection and monitoring, and the success of the program's project development agencies.

The program is generally a competitively-bid contractor or materials-based system grounded in Title 23 CFR. These strict project development and construction rules have presented some challenges to the Denali Commission's ability to respond quickly to targets of opportunity, but they have also had the positive effect of ensuring project design and construction is executed at a professional level. The program operates under a reimbursable payment system that requires local and state sponsors pay close attention to accounting procedures prior to their payments to contractors and vendors. This system helps ensure project payments are eligible when submitted to the Commission.

Four important trends are emerging as the program enters its fourth year of operations:

- Fewer project partners, with fully developed project development capabilities
- Narrowing focus on core project types
- Commission's use of State of Alaska General Funds to match Title 23 CFR funds
- Preparation for federal highway reauthorization legislation

Project Partners

As the transportation program began its work in FY 2006, the Commission, responding to local and regional interests sought to encourage local sponsor project development through tribal governments and regional non profits, cities and boroughs, as well as traditional state and federal transportation agencies.

Through experience, the level of project management oversight needed for small cities and tribes to succeed in the Title 23 CFR environment is not sustainable under the limited personnel resources available to the Commission. Therefore, partnerships with state and federal transportation agencies will increasingly become the Commission's primary project development partners; they have the level of expertise and resources needed to successfully execute project development.

Core Project Types

As the transportation program got underway in FY06, a wide array of rural transportation projects was undertaken. As the road program has evolved under the guidance of the Transportation Advisory Committee, the original emphasis on local street improvements has been confirmed. Local street improvements in villages, including board roads in tundra communities are a necessary focus area. While a mix of projects is still likely, it is clear that local roads, sometimes including access between communities and/or access to local resources, including gravel and rock, will increasingly become the focus of the road program.

In the waterfront development program, there will continue to be limited contributions to major small boat harbor projects and regional port developments. In these cases, the

Commission is often providing needed funds in the range of \$500,000-1,000,000 for projects with other fund sources in the range of \$4,000,000-12,000,000. There is currently an array of these successful projects underway and it is expected that there will continue to be a mix of these projects in the program.

However, the program will specifically increase its focus on barge landings at rural communities. These projects range from a couple of mooring piling to secure a barge, to small dock structures, depending on community size and barge operation characteristics. The value of these structures lies in improved fuel/freight transfer operations and improved worker and environmental safety. The Commission and U.S. Army Corp of Engineers have prepared a barge landing analysis that under review at this time, with the final report due in December 2008. This work has turned out to be an excellent analysis of barge operation needs and it is forming the basis of a design and construction program. The universe of need for the first generation of projects is in the range of \$40,000,000.

For both road and waterfront development projects, a continuing planning effort, especially through regional tribal non-profits like Kawerak, Inc. and the Alaska Village Council Presidents, will provide valuable information on future program needs.

State General Fund Match

Federal Highway Authority (FHWA) and Federal Transit Administration (FTA) funds require a match of 9-20%. As the program got underway in FY 2006, it became apparent that the need to provide match funds severely limited the types of projects the Commission could undertake.

In FY 2007, the state legislature, with information from the Commission and guidance from Alaska Department of Transportation and Public Facilities (DOT&PF) leadership at that time, appropriated \$4,500,000 to DOT&PF for the purpose of providing match funds to Commission projects. This appropriation has been critical to the success of the Commission's effort to address local street and barge landing projects where the need is great, but the community resources to provide sometimes substantial match is often limited.

Using a quarterly report/request method, the Commission provides a list of projects underway to DOT&PF. Upon approval, DOT&PF transfers funds to an account at the Commission, which is subsequently assigned to selected projects. Again, this single action by the State of Alaska has been critical to being able to provide transportation improvements to smaller communities.

There are currently informal discussions with DOT&PF regarding the potential for a separate appropriation to provide for joint funding between the Commission and DOT&PF for state-owned rural roads. This may be an opportunity to expand what has been a successful program of upgrading and surfacing DOT&PF roads in small communities like Cantwell, Eagle, Circle and Tanana.

Highway Legislation Reauthorization

The Safe, Accountable, Flexible, Efficient Transportation Act: A Legacy for Users (SAFETEA-LU) expires at the end of FY 2009. Due to significant transportation policy and program discussions underway in Congress, it is likely that continuing resolutions will fund existing programs at FY08 or FY09 levels for at least FY10 and likely FY11.

In the meantime, the Commission is working with FHWA and FTA to provide information regarding the emerging focus on local roads and barge landing projects. Both agencies recognize that the Commission's transportation program is addressing these categories of projects in a systematic and statewide manner. There also appears to be a consensus that it is appropriate to try to address these program elements directly in new highway funding legislation. Other efforts to address more efficient funding transfers between the Commission and Western Federal Lands Highway Division (WFLHD) are also underway.

Solid Waste

The goal of the solid waste program at the Denali Commission is to provide funding to address deficiencies in solid waste disposal sites which threaten to contaminate rural drinking water supplies. Solid waste handling and disposal is one of the most under-served arenas in the context of rural Alaska's environmental and public health.

The program employs a competitive RFP process to select and identify projects, and has utilized a multidisciplinary review panel to ensure that projects meet all Denali Commission due diligence and policy requirements. The Commission intends to utilize this same process for selection of FY09 projects.

The Rural Alaska Community Action Program is a program partner with the Denali Commission Solid Waste Program. The program also coordinates with USDA Rural Development's Water and Environmental Program and the U.S. Environmental Protection Agency.

Teacher Housing

Teaching in rural Alaska can be one of the most rewarding and challenging professions. A critical issue for rural teachers is finding safe, affordable housing during the school year. Housing availability varies by community from newer adequate homes, to old housing units with multiple safety and structural problems, to a lack of enough available housing, requiring teachers to double-up or even live in the school.

Teacher turnover rates are high in rural Alaska, with many teachers citing unavailable or inadequate housing as a factor in their decision to move. The quality of education received by students is impacted by teacher retention. By improving the availability and quality of housing for teachers, the Commission strives to also increase the quality of education received by the next generation of Alaskans.

In FY04, Congress directed the Commission to address the teacher housing needs in rural Alaska. The Commission launched a statewide survey of 51 school districts and rural education attendance areas to identify and prioritize the teacher housing needs throughout

the state. Urban districts in Anchorage, Fairbanks, Mat-Su and Juneau were not included in the survey.

The Commission utilizes a program partnership model to implement the teacher housing program. An annual RFP process identifies eligible projects and other funding sources, such as debt service, available to fill the gap between the project's capacity to carry debt and the total development cost of the project. Acquisition, rehabilitation, new construction, and multi-site rehabilitation are eligible development activities under this program.

In FY09 the Commission will expand its teacher housing program to include housing for health care professionals. This change will be administered through the Commission's program partner, the Alaska Housing Finance Corporation (AHFC), and its Greater Opportunity for Affordable Living (GOAL) process. This expansion shall include the following provider types: mid-level providers, nurses, mental and dental health specialists and health aides.

Economic Development

Since its earliest days as a territory of the United States, Alaska has contributed to the economy of America, largely through supply of raw materials or partially processed products. Now Alaska's abundant natural resources, from fossil fuel and mineral products to timber and fish, must compete in the global marketplace. Innovation and entrepreneurship have become critical to business success.

One of the purposes of the Commission is economic development. The Commission firmly believes that sustainable economic development for Alaska's rural communities, like that of the rest of America, will be generated in the private, commercial sector, not within government. To that end, the Commission supports the development of public infrastructure upon which the private sector creates jobs and wealth, and helps ensure that good businesses and business ideas have a chance to become long-term, self-sustaining enterprises.

Over the history of the Program, the Commission has supported and advanced a wide-array of economic development program activities ranging from community profile mapping to supporting innovative models for lending, and equity investment in Alaska.

The Program is guided by Commission staff and the Economic Development Advisory Committee, which provides general policy guidance and funding recommendations in broad categories.

Other Policy Issues

Multi-use Facilities

At this time the Commission is not undertaking a stand-alone program for multi-use facilities. However, as opportunities arise in FY09 for the Commission to leverage federal funds for combined use facilities or to take advantage of placing community infrastructure, such as clinical facilities, within the confines of existing community

buildings the Commission may utilize program funds for such efforts. Projects will be selected based on the opportunity for cost savings, construction readiness and correlation to existing Commission program activities. Funds will not be used to identify stand-alone multi use projects.

Pre-Development

The Commission intends to continue to engage in the Pre-Development program in FY09. Pre-Development is a joint collaboration between the Alaska Mental Health Trust Authority, the Denali Commission, The Foraker Group, and the Rasmuson Foundation to assist organizations with development of plans for successful capital projects.

The funding agencies are concerned that inadequate planning during the initial project development phase can result in projects that are not sustainable in the long term. The Pre-Development Program was created to provide guidance and technical assistance to ensure that proposed projects: meet documented need, are consistent with strategic and community plans, consider opportunities for collaboration, have appropriate facility and site plans and realistic project budgets, are financially sustainable and will not negatively impact the sustainability of the proposing organization. Through this partnership an agency's capital project is better equipped to proceed.

Strategic Planning & Agency Evaluation

In FY09 the Commission will be creating an on-going, agency-wide evaluation system to measure the outcomes of Commission programs. It is anticipated that this work will begin January of 2009, and would be designed to provide by empirical and qualitative data regarding Commission programs, projects and overall goal accomplishments in a broad set of evaluation criteria. It is the Commission's intent to maintain high-level measures that are correlated to the Commission's goals related to improving access, reducing cost and improving the quality of services and facilities across Alaska. Program Advisory Committees, staff and Commissioners will play a critical role in shaping this evaluation methodology.

Specific evaluation and strategic planning undertakings include the following:

- Adoption and implementation of program missions and 2-3 key output and outcome measures for each program.
- Development, draft, and application of strategic plan in accordance with GPRA provisions and Denali Commission needs.
- Production of annual performance plan per OMB requirements.
- Establishment of processes to support performance measurement improvements.

Such processes include:

- Compilation and maintenance of projects by community,
- Mechanism to obtain feedback about impact of projects,
- Semi-annual assessment by key staff and management of long and short term performance by program, and
- In-depth and comprehensive evaluation of dedicated program annually.

Recruitment & Retention of Health Workers

Alaska Rural Human Resources Collaborative (ARHRC) provided presentations to both the Health Steering Committee and the Training Subcommittee in 2008. Both advisory committees support the concept which develops a system for recruitment and temporary staffing of health professionals. Seed funding in the amount of \$250,000 is needed at this time, with startup funds in the amount of \$1.2m over the next year. This Work Plan includes a challenge grant of up to \$250,000 for this collaborative project. This funding will be provided to the project from the Energy and Water Appropriations (Base) and will include an incentive for Regional Health Corporation and other financial contributors to provide funding (challenge grant). In conclusion, this initiative cannot be funded through either the Training Program or the Health Program due to restricted funding requirements.