

**Denali Commission
Federal Fiscal Year 2008
Work Plan**



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INTRODUCTION

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 are responsible for compiling written public comment and forwarding it to the Commission's Federal Co-Chair (Mr. George J. Cannelos).

The Federal Co-Chair then adopts a final version of the Work Plan, which includes, to the degree the Federal Co-Chair deems appropriate, modifications, additions and deletions based on the policy and program recommendations of the full Commission and public comment. 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 08 APPROPRIATIONS SUMMARY

The FY 08 Work Plan has been developed based on the appropriations approved by Congress for Fiscal Year 2008 (FY08), as detailed in the FY08 Denali Commission Funding Summary Table below. Some appropriations have been identified as “Estimates.” These figures will be updated in the final Work Plan upon receipt of FY08 appropriations by the Commission.

The Denali Commission has historically received several federal funding sources (identified by the varying colors in the table below). These fund sources, commonly referred to as “appropriations,” are governed by the following general principles:

- In FY 08 no project specific earmarks were provided in any appropriations;
- 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 appropriations 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 be moved to the Economic Development Program.

The figures appearing in the table below include an administrative deduction of 5%, which constitutes the Commission’s 5% overhead. In instances where the overhead differs from the 5% it is due to the requirements related to that appropriation. For example, USDA- Rural Utilities Services (RUS) funding is limited to 4% overhead.

Final transportation appropriations 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 appropriation:

- **Total FY 08 Appropriations:**
These are the figures that appear in various colors (i.e., blue, red, orange, etc.) and are the original appropriation amounts which do not include Commission overhead deductions. These appropriations are identified by their source name (i.e., “Energy and Water Appropriation; USDA, Rural Utilities Service, etc.)

- **Total FY 08 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 FY08 Work Plan recommends, within each appropriation.
- **Subtotal of Program Funding**
These are the figures that appear in white and are the subtotals of all program funding within a given appropriation. The subtotal must always equal the Total FY 08 Program Available Funding.

Denali Commission FY 08 Appropriations Funding Table	
FY 08 Energy & Water Appropriation	\$21,800,000
FY 08 Energy & Water Appropriations ("Base") - Program Available (less 5% Commission overhead)	\$20,511,620
<i>Energy Program: bulk fuel, RPSU, etc.</i>	\$10,000,000
<i>Energy Program: alternative & renewable energy</i>	\$9,000,000 (up to)
<i>Teacher Housing Program: design & construction</i>	\$1,000,000
<i>Economic Development Program: various</i>	\$511,620
sub-total \$	\$20,511,620

FY 08 USDA, Rural Utilities Service (RUS)	\$15,000,000
FY 08 USDA - Rural Utilities Service (RUS) - Program Available (less 4% overhead)	\$14,400,000
<i>Energy Program: high energy cost communities</i>	\$14,400,000
sub-total \$	\$14,400,000
FY 08 Trans Alaska Pipeline Liability (TAPL) Trust	\$4,201,398
FY 08 Trans Alaska Pipeline Liability (TAPL) – Program Available (less 5% overhead) ESTIMATE	\$3,991,328
<i>Energy Program: bulk fuel</i>	\$3,991,328
sub-total \$	\$3,991,328
FY 08 DHHS - Health Resources & Services Administration (HRSA)	\$39,283,200
FY 08 DHHS- Health Resources & Services Administration (HRSA) – Program Available (less 5% Commission overhead)	\$37,319,040
<i>Health Program: Primary Care Clinic Design, Planning, and Construction</i>	\$23,319,040
<i>Health Program: Behavioral Health</i>	\$5,000,000
<i>Health Program: Primary Care in Hospitals</i>	\$4,000,000
<i>Health Program: Domestic Violence Facilities</i>	\$1,000,000

<i>Health Program: Hospital Designs</i>	\$4,000,000
sub-total \$	\$37,319,040
FY 08 Department of Labor (DOL)	\$6,875,000
FY 08 Department of Labor (DOL) – Program Available (less 5% Commission overhead)	\$6,531,250
<i>Training Program: Various</i>	\$6,531,250
sub-total \$	\$6,531,250
FY 08 Federal Transportation Administration (FTA) – Estimate	\$5,000,000
FY 08 Federal Highway Administration (FHWA) – Estimate	\$19,000,000
FY 08 Transportation (less 5% Commission overhead) -Estimate	\$22,800,000
<i>Transportation Program: Docks & Harbors</i>	\$9,000,000
<i>Transportation Program: Roads</i>	\$13,800,000
sub-total \$	\$22,800,000
FY 08 USDA, Solid Waste	\$437,000
FY 08 USDA - Solid Waste – Program Available (less 5% Commission overhead)	\$415,150
<i>Solid Waste Program: planning, design and construction</i>	\$415,150
sub-total \$	\$415,150
TOTAL FY 08 Appropriations - Estimate	\$111,596,598
TOTAL FY08 Program Available – Estimate	\$105,968,388

FY 08 PROGRAM DETAILS & GENERAL INFORMATION

The following section provides narrative discussion, by each of the Commission Programs identified for FY 08 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 08 funded program activities; the last 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 also includes a general summary of the Commission’s potential role in erosion and relocation in Alaska, as well as a summary of the Commission’s goals regarding agency-wide program evaluation in FY08.

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 (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 reachable by road or rail.

The needs in the bulk fuel and power generation projects are presently estimated at \$198 million and \$211 million, respectively, in 2004 construction costs. At FY06 funding rates, it will take another eight to nine years for BFU and ten to eleven years for RPSU before these programs are completed. The Commission has also funded a very successful program of competitively selected energy cost reduction-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. In FY07 the Commission issued a request for proposals for alternative and renewable energy projects. The FY08 Work Plan outlines a strategy to rebalance the Energy Program in both legacy and renewable systems, providing up to \$9,000,000 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 include these types of energy infrastructure also. Each community and project must be evaluated holistically. Program partners also perform initial due diligence and Investment Policy 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 policy considerations, site availability, the timing of funding decisions, etc.

It is anticipated that alternative/renewable projects will be selected via a Request for Proposal (RFP) process, similar to the RFP utilized in FY07. Commission staff and an independent body will review and select projects submitted via RFP. The Energy Advisory Committee, provides policy guidance to the Program. The Energy Advisory Committee does not select or prioritize individual projects.

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 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, 70 clinics have been completed (either new construction or renovation), 33 are in construction and 62 are in planning/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, 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.

The Health Facilities Program anticipates two major policy changes in FY08, 1) the development of size guidelines for large clinics, as well as potential changes to the existing size guidelines for medium and large clinics, and 2) issuance of an RFP for the design of a multi purpose/clinic facility for communities with less than 100 year round residents.

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 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 knowledge necessary to work on the construction of projects funded by the Denali Commission. In addition the Commission builds sustainability into the development of infrastructure by providing training for the long term management, operations and maintenance of facilities and thus increasing local employment at the same time.

The Program's mission is to increase the employment and wages of unemployed or underemployed Alaskans through training for careers in construction, operations and maintenance of public facilities.

The Program is also guided by the following principles:

- Priority on training for construction, operations and maintenance of public infrastructure
- Training will be tied to a job
- Training will encourage careers not short term employment
- Funding will support a "Training System"

To date the Commission has dedicated training funds to the 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 Training Program's primary purpose is to support the Commission's investment in infrastructure development by providing training for the careers related to the Commission infrastructure programs (such as Energy and Health Facilities).

The Commission anticipates that the general priority areas of construction, operations and maintenance of Commission Projects; management training for Commission Projects; youth initiatives in support of Commission projects; and construction, operations and maintenance training of "other public infrastructure" will continue to be funded in FY08.

Projects are selected through various RFP processes with partners, and at the recommendation of Commission staff, and policy guidance and priority areas for funding are set by the Training Advisory Committee.

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

Transportation

On August 10, 2005, the President signed into law new highway program reauthorization legislation titled Safe, Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). This Act provides the Commission with \$15 million annually for fiscal years 2005-2009 for a Denali Access System program. The Act also provides the Commission \$10 million annually for Fiscal Years 2005-2009 for docks, harbors and related waterfront development projects. The Act also outlined the array of road projects Denali Access System is designed to target, rural community streets and roads, roads between rural communities, state highway system; and roads to access resource development.

The Act requires the formation of the Denali Access System Transportation Advisory Committee (TAC) to advise the Commission with members appointed by the Governor of Alaska. The nine member committee includes by law, four members who represent existing regional Native corporations, native non-profit entities, tribal governments and four members who represent rural Alaska regions or villages. The committee chair is Denali Commission Federal Co-Chair, George J. Canelos.

The TAC is a central feature of the amendments to the Denali Commission Act of 1998 that defines the Denali Access System. Section 309 defines key committee responsibilities that include: recommend transportation priorities and funding strategies; develop public involvement and coordinating planning programs; develop annual capital budget recommendations; and coordinate multi-region projects.

As a result of a TAC-directed public outreach and agency coordination effort, the program has now begun to focus attention on two important transportation needs: roads and boardwalks, and barge landing moorage systems. Village connector roads and roads to local and regional resources will continue to receive significant attention, but to the extent practical each year, local roads and boardwalks in small rural communities will receive primary attention. The program will also maintain its focus on dust control in villages. In the waterfront development program, docks and harbors in small coastal communities will continue to receive attention, but there is a significant need for barge landings in coastal and riverine communities to improve operational safety and efficiencies. This class of project will receive primary consideration each year to the extent funding and construction schedules allow.

Another evolution in Program development, especially in the road Program, has been a shift from maximizing financial leveraging opportunities with other transportation agencies, to fully fund, as necessary, the program's highest priority projects. In FY 06, the \$23 million transportation program leveraged almost \$100 million in projects. In coming years, while striving to leverage funding opportunities, an emphasis on priorities over funding partnerships will likely reduce the overall program joint-fund total. This has been critical because of the nature of the projects the Commission is able to fund. These projects are typically very important, but may not rise to prioritization for funding on State or other Federal transportation systems.

The TAC reviews project nominations on a semi-annual basis, once in December for project selections and once during the summer to monitor project development.

In addition to meeting transportation-specific criteria and processes, the Program fully incorporates Denali Commission policies including a commitment to sustainable community projects, and a commitment to the Commission's Investment Guidance.

Solid Waste

The Commission began receiving solid waste funding in FY06. The Commission partners with USDA Rural Development to address deficiencies in solid waste disposal sites which threaten to contaminate rural drinking water supplies.

Proper solid waste collection, processing and disposal are an essential public service that often presents a difficult challenge in rural Alaska. Due to several factors, including limited rural Alaska local government budgets, community remoteness, limited transportation infrastructure and obstacles posed by Alaska's severe climate, solid waste service is a prominent widespread deficiency in the context of Alaska's wide array of environmental issues and public health and quality of life issues.

The program relies on a competitive RFP process to select and identify projects, and utilizes a multidiscipline review panel to ensure that projects meet all Commission due diligence and policy requirements. Program partners administer individual grant awards on behalf of the Commission. Typically this RFP process occurs once or twice in a given year depending on need and project eligibility.

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.

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. It is anticipated that FY08 funds will be made available via an RFP process.

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 FY08 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.

Other Emerging Issues

The Commission anticipates an active role in the emerging issues and challenges related to erosion and relocation in Alaska in the future. The Commission is committed to partnering with other federal, State and tribal entities to ensure that public policy solutions are developed in the most expedient, responsive and culturally-appropriate manner. While no funds are appropriated for the Commission for this purpose in FY08, Commission staff are working diligently to ensure that communities that may experience erosion or relocation issues are being vetted and reviewed appropriately prior to infrastructure development occurring. .

The Commission is committed to innovative, cost-effective and creative design and construction solutions. To that end, the Commission anticipates engaging in more diverse and experimental partnerships in FY08, and will be seeking innovative design, construction and program and project management practices.

In FY08 the Commission will be creating a on-going, agency-wide evaluation system to measure the outcomes of Commission programs. It is anticipated that this work will begin in late spring or early summer, 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.