

# Infrastructure

This document is intended to summarize for interested parties the priority issues and recommendations put forward by the Walker/Mallott Infrastructure Transition Committee.

For each of the priority issues identified we were also tasked with identifying what success or resolution of the priority issues would look like and what actions would lead to success or resolution.

## Priority Issues selected by the Team

1. **Alaska Industrial Development and Export Authority (AIDEA)/ Alaska Energy Authority (AEA) Audit and prioritize mega projects**
2. **Redesign capital budget process to support eco-development, sustainability**
3. **Workforce training - regional schools**
4. **Encourage private construction/ownership of oil and gas infrastructure in Arctic**
5. **Address statewide Housing shortage**
6. **Create statewide tech and information system infrastructure**

## 1. AIDEA/AEA Audit / Prioritize current and future Mega Projects

### Goals and recommendations:

- Re-organized, effectively run, self-sustaining organizations operating with maximum benefit for Alaska.
- To the degree possible, list of prioritized, publically discussed projects would be followed.
- AEA would successfully partner with private industry, rail belt utilities.
- Board's to reevaluate their current policies and adopt necessary changes to assure they are fiscally responsible. Report directly to the Governor's Office.
- Establish a Governor appointed review team on fiscal responsibility and reform, including members of the public.
- De-politicize project decision making to the greatest degree possible. Re-evaluate the state's "Mega Projects" under standards of fiscal responsibility, justifiable measurements of need and impact on Alaskans; in part determined by standards set with input from the Governor appointed review team.

## **Executive Summary Priority Number 1:**

The Team felt very strongly that the public and many locally elected officials have lost faith in the process of determining which projects are funded, statewide. With entrenched interests on the AIDEA and AEA Boards the perception is that a culture of political decisions exists instead of one based on accountability, sustainability, facts and public support. It was hoped that a better vetting of Board members or a third party audit of the performance of the two agencies might identify where there can be improvements to the process and a re-building of the public's trust. The idea of a Governor appointed Review Board to help analyze the "Mega Projects" currently on the table was supported unanimously and passionately. The group again felt that many of these decisions had been made for more political reasons than responsible ones, and that Alaska does not have the luxury to fund massive, complex projects that arguably are not in the best interests of the State as a whole.

## **2. Redesign Capital Budget process to Prioritize Economic-Development, Sustainability, Health and Safety**

### **Goals and recommendations:**

State investments would follow established criteria, especially support for economic development, job creation and revenue generation, as well as basic health, safety and quality of life. Governor/Admin and Legislature agree on a set of published criteria for prioritizing capital expenditures with public input.

- There should be a demonstrated long-term sustainability of the project before funding.
- Local contribution/investment should be a requirement for state investment (\*cash, in-kind, land, etc.)
- Phased funding for projects should require a full fiscal analysis of the success/sustainability of the project before starting funding.
- Set a deadline for fiscal funding the previous year so projects can be fully vetted or reviewed before funding.
- Require that any potentially funded Capital projects have a written business plan demonstrating operational sustainability and financial feasibility.

- Require a 10 year operating and management plan for any project requesting State funding.
- Encourage private/public partnerships where feasible.

## **Executive Summary Priority Number 2:**

The team felt strongly that the Governor should use his first State of the State Address to secure public support for future funding criteria using the State's unarguable dire financial situation. It is vitally important that the public has the Governor's back as we move into what is going to be a very complex and chaotic Legislative session. Business as usual cannot take us through this difficult time, and we need to be honest about the challenges and short term pain some decisions may inflict.

The Governor should make it very clear that he will use his veto powers when he deems necessary.

There was a desire to form a project criteria task force for the Capital budget that includes members of the public and elected municipal officers who do the same for their communities using a matrix that prioritizes without the politics. Projects are both justifiable and feasible, or they aren't. If they aren't, they should not be funded by either the Governor's Capital Budget or the Legislature. The team also feels these criteria should include current partially funded projects before committing more money.

## **3. Workforce training - regional schools**

### **Goals and recommendations:**

- Identified Stakeholders who need to be engaged: business, industry and organized labor, Alaska departments of Labor and Education, philanthropic organizations, the university system, school districts and Alaska Native Corporations.
- Look at best practices such as junior achievement like programs year-round: evaluate, adapt, adopt, and fund.
- Digital/e-learning skills in access including broadband.

- Workforce development industry report; Department of Labor to evaluate need statewide.
- Move workforce investment board back to Governor's office.
- Vigorously engage private partnerships to get broadband to as much of the state as possible.
- Regional funding cooperatives
  - Public-private partnerships
- Expand the classroom to the workplace
- Create common, transferable, accessible curriculum
- Create career awareness
- State to provide infrastructure where training is needed in rural Alaska
  - Housing/dorms, teachers and students/Daycare would need to be constructed and operated
  - Transportation network of roads or the ferry system may be needed

### **Executive Summary Priority Number 3:**

A knowledgeable and qualified workforce that is employed statewide is the goal of this priority. There was recognition that there are industry led workplace development programs currently in place, but we realize no one is coordinating a review of additional areas that could be identified for new programs. There was a sense that it may be difficult to get buy in from industry as there are trust issues between UA and the State regarding studies in the past.

Also, there may be proprietary information that is difficult to get released unless the Governor takes the lead in encouraging participation.

The cost to develop and operate new training centers or new Regional Schools with the addition of possible housing and transportation elements was recognized as a real challenge during this fiscal downturn, but the team felt it was in the state's best long term interests to consider this a critical piece of the infrastructure plan, long term.

The Shipyard in Ketchikan was used as a prime example of the opportunity for jobs in Alaska for our youth if they have the training available to them.

A suggestion was made to evaluate the "Molly Hootch" action and have the Governor ask Alaska Native communities to review the possibility of regional school expansion. Again, it was noted that this may be extremely difficult in the next several years because of the current fiscal downturn, but should be analyzed for the not too distant future. The team hoped that the State of Alaska should play the leadership role in strengthening the partnership between private and public entities to ensure opportunities for our workforce now and into the future.

## **4. Allow private construction/ownership of infrastructure in Arctic**

### **Goals and Recommendations:**

Private partnerships between industry and Alaska Native Corporations could provide airports and docks to accommodate offshore development and northern waters traffic.

- This could promote regional employment.
- Related industry development to provide offshoot services and new small business opportunities.
- Provide economic stability and growth for neighboring communities as well.
- Revenue generation for the State via Outer Continental Shelf revenue sharing if passed by Congress.
- Arctic development issues are planned for and addressed in the short term.
- Infrastructure needs of the State and the Federal Government are met without a drain on their financial resources.

### Executive Summary Priority Number 4:

The Governor and his Administration must continue to strongly encourage the delegation and key members of Congress to push revenue-sharing from OCS development.

There was a suggestion that the Governor's office take a leadership role in engaging private industry to form partnerships within the regions, and that doing so would spur planning for regional development and economic growth. It was acknowledged that in the past, trust issues between the State and ANC's and Industry have built walls that impede a simple partnership, and that past disappointments on both sides will need to be overcome before this idea can move forward.

Further, it was acknowledged that there is a legitimate difficulty in Industry identifying the primary regional voice to engage, and there are regions that may be in competition with each other for development. The basic hope was that the State would not interfere with an ANC's plans to develop infrastructure in the Arctic in partnership with outside funding sources, but actively encourage it. Because successful ARDOR's are the primary planning bodies in some regions, they should be encouraged as a tool to tie regions together.

## **5. Housing**

### **Goals and Recommendations:**

- Establish statewide master plan with all stakeholders to meet Alaska's housing needs and prioritize need situations
- Incorporate housing into economic development opportunities before funding
- Possible tax credit Incentives
- Matching grants from local governments if possible
- State infrastructure support: site prep, utilities and acquisition funding

## **Executive Summary Priority Number 5:**

This discussion had several controversial elements that we agreed were difficult, but important to overcome. A tax credit for instance, if offered by the state would be an unfunded mandate that would have a negative financial impact on the municipalities that must provide needed services to the new development. Also, there was the fact that the most significant cost drivers for new housing development in Alaska are land availability and cost, site development cost, the cost of the actual bricks and mortar for construction, permitting and mitigation costs and transportation cost. These are (with the exception of permitting and state mitigation of a development area) elements that the State has no authority over.

A suggestion that AHFC is not filling all of its purpose and that a single agency dealing with housing may not be enough was made, but there was no suggestion as to how that might be fixed.

There was also discussion that housing is not considered in the state Capital budget process and should be part and parcel of any plan by industry, business or government for new facilities from the very start. If the state partners with private funders, additional housing for employees needs to be part of the project. It was thought that the State should evaluate the role and success of AHFC to encourage the production statewide, and that the SOA should also gather data to better identify the factors that make it difficult to develop housing.

## **6. Create statewide tech and information system infrastructure**

### **Goals and Recommendations:**

- Business is enhanced, rural development enabled, equity for rural Alaska, and Government efficiencies save dollars in the long run.
- Accessibility to all industry sectors' operating system.
- Expand emergency response statewide.
- Better technology for all government and increased capacity.

- Significantly upgraded Telemedicine, University, Local Government, Business and Safety opportunities are critical for the future.
- Inventory existing resources and make recommendations to Governor.
- Governor appointed task force to coordinate with private sector with a goal of minimizing cost/maximizing services.
- Investment in state of the art tech and communication network with the goal of completion in 5 years.
- Provide incentives for providers to improve the system.
- Appoint Director of Broad Band Adoption to serve under office of Governor and appoint a state Communication Information Officer (CIO) to administer a new Technological and Information Department.

## **Executive Summary Priority Number 6:**

It was recognized that there are significant barriers for success in this endeavor, but again, the group felt very strongly that these barriers must be overcome for Alaska to reach its full potential. A lack of statewide technology infrastructure due to geography and competing interests was identified, and the cost of providing the technology by creating the necessary infrastructure is enormous. It was hoped that the state could partner with the providers to reach this goal, and the group felt it was critical that the Governor take the lead for success.

## **Final Team Comments:**

- Trust in the process of state government has eroded after many years. Time to re-evaluate the standard of criteria of how capital projects get approved.
- We need to make the best of what we currently have, and improve where feasible
- The Governor will hit the ground running to address many complex issues. This Transition Team process gave at least 250 average Alaskans a personal understanding of just how difficult it will be.
- We want the state to have clear and definable goals for future projects that meet the needs of a majority of Alaskans.
- There are the competing realities of our economic position and the needs of our diverse and huge state. We must recognize that as we move forward.

- The State must choose its priorities carefully and keep the focus on making them successful.
- It is important to accept that every decision involves some risk. Accept that it sometimes takes time to make solid decisions that don't create unintended negative consequences.
- What structure may the state already have in place that could be used to solve a problem before creating a new one?
- In terms of new infrastructure, answer the question "is it simply not working, or not available" before funding a fix.

It was a real pleasure to work with such an interesting and passionate group of Alaskan's. We had different backgrounds and experience in both our professional and personal lives, and enjoyed some robust and far ranging discussions during the two days. At the end of the process, we agreed that all of Alaska is in this together, and we need to be patient and tough as we weather this storm, and we WILL weather this storm.

Respectfully,

Shirley Marquardt  
Chair of Infrastructure, Walker/Mallott Transition Team 2014