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State-Federal Relationships – Reviewing, Rebuilding, and Renewing

Alaskans struggle with their relationship with the federal government, not least because more than 60% of the state is federal lands. This **unique combination of conflict and dependence** can be referred to as a “frigid embrace.”

This relationship has had highs, characterized by the Statehood Act, ANCSA and the Trans Alaska Pipeline System; and lows, including ANILCA, the Exxon Valdez and culminating in the Ted Stevens indictment. **The issues are deep and have been around a long time.** They require sensitivity to the historic context in working to address them. For an overview of how the federal government impacts Alaska’s economy – a third of all spending in the state is federal—visit ISER at www.iser.uaa.alaska.edu.

The state-federal relationship cannot be fully discussed without thinking about Sen. Ted Stevens, who brought so much funding back to Alaska. More than anything else, Stevens created money-making agents by creating solutions (e.g. Denali Commission) and redesigning federal programs to make the rules work for the state (e.g. Community Development Quotas). The current Congressional delegation is busy defending what exists with little time for new priorities. With Sen. Stevens’ passing, the “Ted Stevens effect” will mean that less federal interest is paid to our rural issues at the same time appropriations to the state decline. **The Congressional delegation will have to work twice as hard to educate colleagues and federal agencies about what makes Alaska unique.**

However, **increased interest in the Arctic, climate change impacts and the role of Alaska in northern transportation and development has the potential to keep Alaska in the spotlight.** These issues have led to increased Alaska exposure and close attention being paid to Alaska’s strategic location. For instance, Shell’s offshore drilling has been very measured by federal agencies and a priority has been on ensuring safety. It’s not a question of whether government officials will pay attention to Alaska; the reality is that they will have no choice but to recognize Alaska as essential.

A key question from the federal side is why the federal government should spend money when “there is all that money in Alaska’s Permanent Fund.” While the dividend has overshadowed the true purpose of the Permanent Fund, the PFD is a club against Alaska to prevent spending in the state. Our inability to adapt the Permanent Fund and its structure is part of the problem; the size prevents discussion and the dividend is “radioactive.”

Finally, **Alaskans need to look closely at this relationship and take their fair share of the responsibility for the solutions rather than pinning blame on the federal government.** Alaska can sometimes be its own enemy; a proactive stance now will help to avoid catastrophe later. Recognizing that we can’t control all variables, there are certainly decisions to be made now to address challenges.

This proactive stance starts with how we view one another. The federal government and NGOs have often facilitated discourse between stakeholders, for people within the state who don't understand each other and different interests between regions and values. To address this, **Alaska needs the human capacity – in the general populace and legislature – with the cumulative knowledge to understand and explain complex issues, such as tribal recognition, development of resources, fiscal policy, and federal agency priorities.**

State priorities should be reflected in the budget. The work the state is doing has a lot to do with scaling up its services and infrastructure to meet the needs of its people and can be considered relative to other states. Other states are economically integrated, with transportation corridors that are linked and pipelines and transmission lines that provide energy between states. In the lower 48, states can rely on each other (i.e. utilities can help during booms and busts in energy cycles). **Because Alaska does not have that connectivity, in order to mature the state has to focus on development.**

The State should prioritize land that it can control, while encouraging federal landowners to follow through on opportunities (NPR-A, ANWR, OCS) in support of the State's priorities. Long-heralded **development offshore means jobs and the opening up for development along rights-of-way but royalties go to the federal government and no revenue to the State.** Another big issue right now is the natural gas pipeline and conflict around markets, export, and projects. Access to land and resources – including hydropower, which is not considered renewable by federal agencies – is the biggest contention.

If the state's goals are to have oil in the pipeline, develop strategic minerals, and commercialize gas, there has to be a good working relationship between state and federal agencies. The biggest priority is to get the relationship out of its current down-cycle and start working together to develop economies for mutual benefit. One way to move the relationship off high-center is to do more data-sharing, mapping and coordinated science. This can happen in both state and federal governments, but federal science should also be more open to industry. Industry in Alaska is doing a great deal of research and should be included as a partner.

A lot of the state interaction with the federal government has to do with permitting through DNR, but also includes: tax reform, with the federal government looking at removing tax exempt bonds that Alaska uses for capital projects; internet taxes that would require the state to collect a sales tax; and federal financing of child support services and Alaska housing finance.

When it comes to education, the frustration goes up the ladder from the district through the federal government. Currently, funding is tied to proficiency by NCLB – a source of growing discontent as stakeholders question standardized tests, accountability models, and minimum requirements. The state has updated its standards to meet federal expectations so that **students can compete against their peers in other states and be successful.**

Approximately one-third of homeless people are kids. School becomes a secondary priority and those children have little hope of success. The federal government can help with people going to college, but here children don't even get that far. Alaska has to take care of its children before it can take care of its students. This means addressing huge factors like domestic violence and sexual assault. Alaska also has communities that want to start preschool and other community programs, but no one can pass a background check.

At Fish and Game, a large portion of federal-state issues is with fisheries and wildlife – offshore, subsistence, and commercial. State officials have to “battle” on several fronts in different ways, relying on political skill and personal contacts, gathering data, deploying science, and unifying Alaskans to advance the state's interest. The issues include sustainably managing fisheries that have grown by eight times under state management and supporting efforts by CDQ groups to move fleets back to Alaska if there is adequate infrastructure. **We often ignore the thing we are successful at instead of trying to double that success.**

Many of these issues are intertwined but departments set up disparately so that getting people working together on a common cause is difficult. On the other hand, communities often don't have the resources to make decisions that are technically complex. State agencies should be able to help assess opportunities for feasibility, while avoiding duplication and overlap. Whether it's education or land management, energy or marine resources, tensions abound. Alaskans have an opportunity to step into leadership roles to facilitate good communication between multiple stakeholders, including the federal government.

In many ways, **federal agencies regard themselves as part of the solution, not the problem.** Land management agencies have to contend with access issues on private and public lands, and manage multiple challenges, including predator-prey relationships, subsistence opportunities, local hire, and sustainability (physical footprint, energy use and budget/operations).

Alaska ranks on the same level as Papua New Guinea on the ease of commerce. Our strength should be in producing, but it's not easy. **Being effective means trying to understand interests and priorities—labels obscure more than they inform.** It's easy for Alaskans to be critical about the federal government, but when an emergency hits, the federal government is expected to come and fix the damage.

A good success story is the Fire Island Wind project that got finalized with help from federal, state, regional, tribal, private, and NGO entities. People can debate the cost-effectiveness of the project, but it is significant in that it was the first project—costs will always go down. **It's important to remember that it doesn't matter who you are, rural communities want lower energy costs.** That's a bottom line everyone can work toward.

BLM has had a great relationship with the state on lease sales and fire response. There have been challenges, though, including the lease sale for the legacy wells in NPR-A. That contrasts

with a longtime USCG experience and priorities, which have evolved from marine mammals to the Arctic. The slogan – **get there early and beat the Rush** – defines their approach to the state. Today, the Coast Guard is working on pollution prevention, spill response, and search and rescue.

On a very broad level, **federal agency staff in DC is just starting to understand the Alaska context, primarily by coming to grips with how much they don't understand.** Agencies rely on state staff and stakeholders for educating colleagues in D.C. Timing is always an essential issue, and there are hot button issues to address. Engagement is mixed based on different issues; reactions are different inside and outside the state.

Sustainability needs to be promoted, but we need to understand its role in the future. For instance, if it was not for oil revenue, there would not be money for the renewable energy fund, community planning, energy efficiency and winterization that are all critical for Alaska communities. Increasing capital expenditures for efficiency and long-term use reduces overall cost during the lifetime of development.

The biggest challenge in the next 10 years is to bring in a new, educated federal workforce that understands the Alaska context. To do this, federal agencies will have to address budget challenges; entice people to come work here knowing they have to deal with a contentious, often adversarial relationship with the state; keep up with demand; and apply a rigorous risk analysis. With Congress locked up in different debates, agencies will struggle to address future challenges.

Small group summaries:

Access to Resources

Alaska is a state committed to responsible resource development, but there are ongoing issues with access and other barriers, including: lack of physical infrastructure; burdensome legal environment; disconnect between resource inventory and public awareness; and the need for more market-like behavior from both the state and federal governments.

The state's leadership in and oversight over resource development can earn the federal trust by demonstrating the capability to do it right. This means not only responsibly developing those resources but gives Alaska a say in its future at a time when federal agencies are facing cutbacks.

The Institute of the North can convene land owners – federal, state, private and Alaska Native – to coordinate cooperation and strengthen relationship and communication.

Community Revenue Sharing - Key points to understand and plan forward

- Alaska will receive no (very little) revenue from offshore development

- Alaskans – the general public as well as policy makers – aren't aware of this, nor are they making it a priority

The State of Alaska and its communities share all the risk of development while receiving little of the benefit. Gulf States, on the other hand, because of the Gulf of Mexico Energy Security Act of 2006, don't share the same concern. Alaska, excluded from that Act, does not receive the same benefit those states do - 37% from the federal share (12.5%) of offshore revenue.

Alaska needs to develop a message and new story to support the effort to increase revenue sharing. The new story has to explain both the equity issue and the cost. Alaska – the state and its communities – should have the same opportunities that Gulf States have had. At the same time, as offshore development becomes a reality, we can be better at explaining what the associated costs are. They will come in the form of emergency response needed in coastal communities, infrastructure development in staging areas, increased social services and workforce issues. Associated costs can also be explained in terms of the risk undertaken with little benefit to the people living closest to it.

We can do three things:

- 1) Educate one another! A simple message conveyed by many will generate the public interest in the topic and elevate the issue as a priority.
- 2) Support our Congressional delegation in their communication. We can create an intelligent story by inviting a small group of people/organizations to answer key questions of the cost burden to the state, the risk coastal communities face, the infrastructure needed (e.g. capital costs of ports, airports, etc.), and the additional resources state agencies will need to address critical issues.
- 3) Engage companies as part of the solution. Offshore revenue sharing could result in less litigation—environmental NGOs might lose an ally in coastal communities—and more coastal support—communities may potentially be more open to development if getting direct revenue from the resource being developed.

The Institute of the North will develop a white paper that articulates the cost justification for offshore revenue sharing.

Education

The purpose of education is to prepare students from the beginning and throughout life for the workplace, citizenship, lifelong learning and leadership. We achieve this purpose through an education that is meaningful to all students by being: grounded in students' communities, places and cultures; explicitly linked to career goals; differentiated to meet individual students' needs; with high expectations and standards for all; and leading to successful outcomes for students in the workplace, as citizens, as leaders and as lifelong learners.

Some initial steps to take toward this are as follows:

- Alaska Studies is something that should be built on. It can give purpose and destinations to our young people *if* taught well—if teachers are both eager and prepared to teach it. There are excellent curriculum materials, but educators need professional development in using them. Pieces of the Alaska Studies curriculum should be integrated throughout K-12 education, not just taught in the one semester mandatory class. Alaska Studies also should be linked to current debates and issues, such as those happening at the dialogue.
- Link learning to something meaningful to the child – careers, athletics, arts. No matter what is being taught, connecting it to real life (e.g. CTE, 4H, science with labs, Alaska History, culturally responsive, place based) makes it relevant. We need innovative initiatives that connect students to their future, like the example of Chevak students building planes.
- Eliminate the division between career and technical education and academic education – they need to be integrated.
- All students should receive individualized education program planning, not just special education students. Furthermore, every student should develop a personal learning career plan (PCLP).
- The sense of purpose in education needs to be provided to students at an early age – some students may not have adults in their lives encouraging them to pursue their education, so we need to make sure someone provides that mentoring and guidance as they progress through their schooling.

The Institute of the North will focus on addressing elevating Alaska Studies and producing research on the potential impact of IEPs for all students.

Energy for Alaskans

In the midst of plenty, the majority of Alaskans are starving for (affordable) energy. Economic and cultural survival is at risk. Leadership at the state and federal government levels can collaborate to develop solutions and accompanying projects to serve Alaskan residents, businesses and industry across the state. Affordable energy is the underpinning of sustainability at all levels.

Projects “in the hopper” should be assessed based on their impacts to improving quality of life and commerce and industry across the state. The viability of Railbelt Alaska hinges on the viability of resource development in rural Alaska. Alaska’s rural communities define the uniqueness and worth of Alaska as a state and should not be forced into extinction due to a dearth of energy and the unaffordable burden of staying warm. We need to act now to plan, permit, finance and build (a) project(s) that will deliver the most value for the investment and large enough in scope to address statewide needs. Alternatives should be kept on the table until a comprehensive life cycle cost analysis is completed on each.

The Federal Government can assist by addressing regulatory and permitting challenges through proactive engagement. Federal (and state to a lesser extent) regulatory and permitting hurdles take an inordinate amount of time and frequently favor contrary entities inimical to the development of any project that could potentially address Alaska’s internal energy challenges.

The Institute of the North will host a follow-up work session to develop a framework for the establishment of an organization at the state administration level who is the proponent for dealing with and empowered to address the statewide energy problem.

Export Policy - Alaskans' arguments in favor of allowing LNG exports

There are economic, social, political and environmental benefits to both Alaska and the nation from exporting natural gas. Construction of a gas pipeline and liquefaction site would mean jobs nationwide, including the need for manufacturing, earthmoving equipment, pipe laying and welding equipment, compressor stations, production models and raw steel. Because Alaska does not have enough of any of these, the supplies and labor would come from outside of Alaska and provide economic benefits nationwide.

With the ability to export and the corresponding increase in development, it is envisioned that the availability of more affordable energy would promote industrial development in Alaska spurring further economic growth. Additionally, the federal government would receive direct revenue from taxes on the corporate income of producers and pipeline owners. Instead of selling the gas at low domestic prices, Alaska would be obtaining the highest value for the product in the world market meaning increased revenues for all.

Environmentally, Alaska's North Slope gas comes from conventional sources instead of the controversial hydraulic fracturing methods used in the lower 48. The gas that is produced reduces carbon dioxide emissions by 50% and 66% compared to oil and coal, respectively. Other emissions, including sulfur oxides, nitrogen oxide and particulate matter, are also drastically reduced. As China and other nations grow in both industry and population, the need for cheap power grows. By providing them with the more environmentally friendly option, we are encouraging these nations to use cleaner-burning natural gas over oil and coal. This would also reduce air pollution coming from Asia across the Pacific.

Politically, by increasing our exports to China and other Asian nations, the US would not only be improving the US trade deficit, but also promoting regional cooperation and supporting free market principles. Aircraft, cars, and agriculture are open to free trade, so why shouldn't energy also be included? Domestically, the creation of a gas export economy would spur further exploration for oil and gas within Alaska leading to a reduction in foreign oil dependence. With the gas boom in the lower 48, there is no current need for gas from Alaska, but if there were ever a shortage or immediate need for natural gas, by creating an LNG project now, Alaska will be prepared for shipments to the lower 48 when/if they are needed.

The Institute of the North will collaborate with the Federal Coordinator of Alaska Natural Gas Transportation Projects to develop a public outreach tool for distribution to a wide audience.

Jones Act

The key issue for Alaskans is the critical importance of consistent, committed, year-round service to communities, large and small (especially small coastal communities) and the assurance of responsible environmental stewardship by ship operators.

Yet, despite the importance of seagoing deliveries to Alaska, and the role of the Jones Act in that trade, many Alaskans are unaware of the requirements of the federal law. We can look for ways to help inform Alaskans about the Jones Act and its implications for the state, and to review the need, the relevancy and the feasibility of the Jones Act waiver process to determine whether Alaskans need to push for improvements in that process.

Other questions to be answered:

- Is there an economic cost to Alaskans of the Jones Act? Does the law drive up the cost of shipping goods?
- Does the benefit of a skilled, domestic shipyard and maritime industry outweigh any additional costs of Jones Act requirements?
- Does the national security benefit of Jones Act ships argue in favor of continuing the law?
- Does the law help preserve the nation's industrial base?

The Institute of the North will work with others to develop a white paper that answers these questions and packages messages effectively for distribution to a wide audience.

Tribal Recognition

Both the state and the federal government should put renewed focus on building respect for and trust with indigenous peoples in Alaska. Included in this effort is the need to increase Alaskans' understanding of the complexity of the issues and the time it is going to take to help achieve that. To help in this, engagement and outreach with young Alaska Native leaders is also necessary.

Work should be done to analyze the Millennium Agreement as a possible starting point for dialogue between the state and tribes. The idea and discussion of "tribal recognition" should be incorporated into exchanges between rural and urban communities.

As government-to-government tribal consultation becomes widely accepted and mandatory among federal and state agencies, uniform and effective protocol and accepted best practices for meaningful and efficient consultation should be adopted. The state and federal governments should work with tribes and explore similar concurrent jurisdictional consultation methodology of other global indigenous communities to incorporate and protect tribal rights and traditional ecological knowledge.

The Institute of the North will explore formal tribal consultation as practiced by other states and northern nations, to include a focus on stakeholder engagement and traditional knowledge.