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October 2007

Denali Commission Program and Policy Review
Prepared for the Denali Commission
By the McDowell Group

I am pleased to present a copy of *The Denali Commission Program and Policy Review* prepared at our request by the McDowell Group (the McDowell Report).

This is the first comprehensive evaluation conducted by an independent third party reviewing the programs, policies and overall effectiveness of the Denali Commission. The report is both complimentary and critical, and gives us valuable insights and recommendations for improvement.

Next year will mark the 10th anniversary of the Denali Commission. The Commission has a history of working together with tribal, state, federal and local partners to improve infrastructure and the quality of life in rural Alaska. This report will serve as an important tool and resource as we move forward with our mission.

Thank you for your interest in the Denali Commission. Please visit our website at www.denali.gov where you can learn more about our programs or sign up for our monthly e-newsletter to receive updates on our progress on finding solutions to the challenges of Alaska.

Sincerely,

A handwritten signature in blue ink that reads "George J. Canelos".

George J. Canelos
Federal Co-Chair

Denali Commission Program and Policy Review

Prepared for:

***THE DENALI COMMISSION
and
BUREAU OF PUBLIC DEBT***

Prepared by:



Juneau • Anchorage • Kodiak

August 2007

SECTION 1: EXECUTIVE SUMMARY

1.1 Purpose of the Review

The purpose of this program and policy review is to provide an independent analysis of the performance impacts and outcomes of Denali Commission programs and policies as of the end of calendar year 2006. Since 1998, the Denali Commission has funded 1,600 projects in more than 200 communities throughout Alaska with more than half a billion dollars in total funding.

Denali Commission programs include:

- Energy
- Health
- Training
- Multi-use Facilities
- Washeterias
- Solid Waste
- Elder Housing
- Teacher Housing
- Domestic Violence
- Economic Development
- Transportation
- Government Coordination

Energy, Health and Training represent the largest investments (80 percent of total Commission funding) and the most extensive operating records. The remaining programs were either designated to the Commission by Congress or represent “emerging” programs, the potential of which is still being explored. Transportation, Government Coordination, and, to an extent, Economic Development fall into the last category.

This review also examines the impacts of seven Commission policies. These include:

- Sustainability
- Private Enterprise
- Cost Containment
- Open Door
- Investment
- Business Planning
- Community Planning

Descriptions of the programs and policies may be found in the body of the report.

1.2 Methodology

Major tasks for the review included the following:

- Semi-structured interviews with current and former commissioners and staff, representatives of major program partners and funding partners, and other key informants
- Confidential, structured interviews with residents of 53 affected communities (91 interviews with residents with knowledge of local Denali Commission funded projects)
- A telephone survey of 250 past participants in Denali Training Fund trainings to measure the effect of training programs on trainees' ability to find work
- Site visits and in-person interviews with key informants in nine communities in four regions of Alaska:
 - Nome/Golovin
 - Kodiak/Port Lions
 - Bethel/Kwethluk and Napaskiak
 - Klawock/Craig on Prince of Wales Island
- Secondary research including a variety of documents related to the Commission, including Commission Annual Reports and strategic planning documents, commercial publications, government reports, a sampling of grant documents and other Commission files, and other literature by and about the Commission. Extensive use was also made of the Denali Commission on-line project database.

1.3 Denali Commission Purpose

The Denali Commission Act of 1998 defines the organization's purposes as follows:

- *To deliver the services of the Federal Government in the most cost-effective manner practicable by reducing administrative and overhead costs.*
- *To provide job training and other economic development services in rural communities particularly distressed communities (many of which have a rate of unemployment that exceeds 50 percent).*
- *To promote rural development, provide power generation and transmission facilities, modern communication systems, water and sewer systems and other infrastructure needs.*

The Commission's mission statement identifies collaboration as a means to accomplish the purposes in the Act:

The Denali Commission will 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.

The Commission has also developed a vision statement and various principles, goals, policies, and other statements of its intent. These are described and discussed in the body of the report.

1.4 Principle Findings

- *The Commission has facilitated and funded an impressive number of essential infrastructure projects in rural Alaska. The legacy programs in particular have been well-conceived and effective.*
- *The Commission is widely viewed as an effective and necessary organization.*
- *In terms of performance measures, the Commission's focus has been on outputs rather than outcomes or impacts.*
- *The Commission's policies are appropriate in concept, but unclear in practice.*

Overview of Program Accomplishments

- *The Denali Commission has been effective at establishing a substantial quantity of badly needed infrastructure in rural Alaska and is widely regarded as essential for that purpose.*

For example, Commission-funded projects include:

- 160 completed energy projects
 - 100 completed health projects
 - 100 other completed infrastructure projects
 - Employment training for more than 2,000 Alaskans
- *The work of the Denali Commission has resulted in improved access to healthcare for rural Alaskans, greater environmental safeguards around fuel storage, more efficient power generation, and a better-trained workforce than would have been the case in the absence of the Commission.*
 - *A wide variety of tribal, non-profit and other service organizations around Alaska are stronger and more effective as a result of receiving Commission grants and of partnering with the Commission in carrying out its programs*

External Perceptions of Commission Programs and Policies

- *Leaders in most communities believe critical, local projects would not have been accomplished without the Denali Commission.*

The 200-plus community representatives and rural experts interviewed were nearly unanimous in saying the Commission fills a unique need and has a central role to play in the future well-being of rural Alaska.

- *The Commission's role as an innovator and catalyst of rural development is highly valued by members of other agencies and by residents of affected communities.*
- *Community leaders consider the Commission more flexible and responsive than other agencies.*

At the same time, many community leaders say the Commission's process should be less prescriptive with more local participation.

- ***The concept of “sustainability” has become a keystone of Denali Commission programs and has, in principle, widespread support.***

However, there is frustration and confusion over what sustainability means and how it is to be achieved.

- ***Neither the Commission nor any other agency systematically evaluates the cumulative demands placed on a community by multiple projects, including those funded by the Denali Commission and those funded by other agencies.***

There is concern that those demands could exceed the financial capacity of a significant number of communities.

- ***There is concern about whether the scale of some projects is appropriate.***

Site visits and interviews in communities suggest there has been and is potential for infrastructure projects to be designed at a size and level of sophistication that exceed a community’s needs and/or its ability to support the infrastructure.

- ***The Commission’s process of implementing projects through program partners has significantly strengthened the base of technical knowledge and operating capacity represented by those organizations.***

However, there is some concern the Commission can’t ensure that the goals and priorities of its partner organizations are consistently aligned with those of communities or the Commission. While grant agreements and other documentation often address common goals, goals are not consistent for all partners and are typically confined to the construction process.

- ***Most community residents and many local leaders are unaware, for a given project, of what the Commission’s role was. The Commission’s partner organizations have become the public “face” of most projects.***

Further, many small villages depend on one or two individuals, or on someone from a borough, housing authority, health provider or other organization, to represent the village with respect to Denali Commission projects.

- ***The Denali Commission’s “distressed/non-distressed” criteria are widely perceived as arbitrary and overly restrictive, even by Commission staff.***

This is particularly true when the criteria are applied outside their originally intended purpose, which was to indicate a community’s ability to contribute matching funds to a healthcare project. There is also concern that the criteria are used, inappropriately, to prioritize projects for active processing by the Commission. Further, the designation alone is not a reliable basis for tracking incremental progress or lack thereof in communities.

Review of Program Impacts

Performance Measures

- *The Commission's current performance measures track "outputs," that is, the number and status of funded projects. Such measures are useful for evaluating progress relative to the Commission's statutory purpose of providing for infrastructure needs.*
- *The Commission's output performance indicators do not reflect the impact or "outcome" of the Commission's programs and policies on the sustainability of projects or the wellbeing of communities. With the exception of the Training Program, the Commission has not identified outcome performance measures.*
- *Beyond an accounting of the number of projects completed in each program area, there is little quantitative data available to measure the Commission's contribution to a community's economic diversity, sustainability or self-sufficiency.*

This is due to:

- Lack of meaningful local-level socioeconomic or other indicators of community wellbeing. In Alaska, most ongoing data collection and publication is at the census area level. The decennial US Census provides some detailed community and village level information, however, that information is timely for a short period only and in any case provides no useful trend data for evaluating programs that have been in place for only a few years.
 - Local economic and socioeconomic conditions that may be affected by Denali Commission projects are typically subject to a range of forces unrelated to – and beyond the control of – the Denali Commission.
 - Although it engages regularly in discussions with regional organizations and other agencies, the Commission has not adopted a strategic framework that defines the changes it is attempting to achieve at the community or regional level, either within each program or collectively across all programs. Neither has the Commission articulated how it expects its role to be complemented by the roles of other agencies.
- *The Denali Commission's major programs and numerous sub-programs are too loosely coordinated with one another for a third party to assess their combined effect.*

This heterogeneity is largely the result of congressionally directed funding, rather than strategic choices by the Commission.

- *Information about the Commission and its programs that is readily available to the public, either in the Commission's project database or in other easy-to-find documents, is not sufficient for a third party to understand the effects of most projects.*

The Commission is actively engaged in updating the database structure to make it more comprehensive and easier for all stakeholders to use, including grant recipients.

Energy Program

The Energy Program is one of the Commission's three largest programs (known as the "legacy" programs). It funds primarily bulk-fuel storage and power generation projects. The program also funds power distribution systems and some alternative/renewable-energy projects.

- As a result of Denali Commission grants, 61 bulk fuel facilities are now in compliance with Coast Guard and other regulations. Another 48 are in the process of being made compliant.
- Many of the 36 rural power system upgrades completed by the Commission have resulted in cost savings through improved efficiency and heat recapture.
- Rural residents benefit from more reliable heat, power and other critical services, as well as better access to fuel, as a result of Commission projects.

Health Program

The major (legacy) component of the Health Program funds primary care clinics, both upgrades and new construction. Other funding components developed over time include behavioral health facilities, domestic violence facilities, elder housing, primary care in hospitals (primarily funds for new equipment), emergency medical services, and hospital design.

- The Commission has funded primary healthcare facilities in 84 communities. Facilities are under construction in another 34 communities and planning/design is underway in 59 additional communities.
- Commission-funded clinics are providing the foundation for new, more efficient and effective rural service strategies by regional and other healthcare providers. Regional provider statistics show more local patient visits and more preventative procedures, as well as new kinds of service, after Commission-funded clinics are built. Some healthcare providers estimate significant savings in patient transportation costs.
- Residents in communities where new clinics have been built or renovated say they now have access to better emergency care. They also highly value the increased privacy and new services made possible by the clinics.
- No data is available that correlates changes in rural public health with Commission projects.

Health Sub-Programs

- Elder housing projects are too new to show impacts on residents or communities. However, residents perceive these projects to be key to community and family stability. These projects also help keep elder-care funds and retiree income circulating in the community.
- Domestic violence program grants have improved the safety and functionality of shelters, based on anecdotal information. There is no data available on the client impacts of these grants.

Training Program

The third legacy program, the Training Program, provides job training and other economic development services in rural communities, particularly communities that meet the Commission's "distressed" criteria. Training is coordinated through the Alaska Department of Labor and Workforce Development (DOLWD), with training provided by a variety of partner organizations.

- Based on DOLWD data, Commission training grants correlate with increases in employment and income for trainees, and those increases persist in subsequent years.
- Survey research conducted for this study indicates Denali Commission-funded training programs have increased the employability of trainees. More than 2,000 people had received Commission-funded training by March of 2006. Based on the results of a random-sample survey, 70 percent of trainees who were not employed at the time of the training found work immediately after the training. Two-thirds (64 percent) of those who found work said they would not have been able to get that job without the training.
- Trainees report greater confidence in themselves and stronger communities overall as a result of Commission funded training.

Economic Development Program

The Commission has funded a broad range of economic development projects, primarily through the Alaska Department of Commerce, Community & Economic Development (DCCED). Sub-programs include DCCED's Mini-Grant Program, a community mapping program, and business lending (through Alaska Growth Capital), as well as various marketing initiatives, and economic development conferences organized by the Alaska Federation of Natives and others.

- Past and ongoing evaluation efforts for Economic Development sub-programs demonstrate positive impacts in many cases, but ones that are difficult to generalize.

Teacher Housing Program

The Teacher Housing Program was congressionally designated in 2004 and funds upgrades and new construction based on priorities developed from a statewide survey of school districts.

- Reductions in teacher turnover correlate with Denali Commission grants that have improved the quality of housing for teachers in very small communities.
- Districts and teachers believe better teacher housing is critical to teacher retention and therefore to the quality of education in rural Alaska. At this time there is no data correlating improved teacher housing with student performance.

Washeteria and Multi-use Facility Programs

Both these congressionally designated programs provide funding for facilities considered important by many rural residents. In some communities the local washeteria is the only access to potable water and laundry facilities.

- Washeteria and multi-use facilities funded by the Commission have met high-priority community needs. However, measurable public health and other benefits to the community are difficult to identify.

- The financial performance of these facilities after completion is not monitored, and community interviews indicate that some are not likely to be fully self-supporting.

Solid Waste Program

The Solid Waste Program funds improvements to solid waste handling in communities where existing conditions threaten drinking water supplies.

- Residents report cleaner communities and improved operator safety resulting from Solid Waste Program grants. However, there is no data correlating solid-waste projects with water quality or local health.

Transportation Program

The Transportation Program was funded by an act of Congress in 2005. It has two primary elements: roads and waterfront development. The Transportation Program funds smaller projects that typically are not part of the State Transportation Improvement Plan (STIP).

- There is broad support for the “gap-filling” strategy of this program and the advisory committee concept specified in the establishing legislation.

Government Coordination

The Denali Commission’s government coordination efforts encompass a variety of activities from convening meetings to facilitating workgroups around topics relevant to other Commission programs. In the past, these efforts have lacked elements of structure normally associated with a “program” in that no explicit goals or budget allocations were adopted. The program is currently being modified and revitalized.

- Program and funding partners report better agency coordination and more innovative approaches as a result of the Commission’s work.
- Regional and local organizations report they have been strengthened by their relationships with the Commission.

Review of Commission Policies

General Comments

- *As a whole, the Commission’s completed projects do not represent the impact of consistently applied policies.*

Policies emerged and have been adapted within programs to meet complex and disparate situations, rather than to reflect a fully formed strategy. Many projects pre-date policy requirements. Inconsistent and confusing language and formats make the policies difficult to interpret and challenging to apply.

- *The Commission has not attempted to track compliance of funded projects with its policies beyond the construction phase.*

There is little post-construction monitoring to confirm that projects are proving sustainable or are being operated in a way that is consistent with the Open Door and Private Enterprise policies, for example.

- *The Commission's stated "vision," "mission," "policies," "principles," "values," and "goals," are so complex as to be more of an obstacle than an aid to understanding what the Commission is trying to do and the extent to which it has succeeded.*

The Commission's various memoranda of agreement, along with other official documents, including planning documents, are similarly difficult to interpret, in part because concepts such as "sustainability" are presented in multiple contexts and with varying modifiers and implications.

Sustainability

- *The concept of infrastructure-project sustainability is widely supported by communities, funding partners, and program partners.*

However, Commission documents give limited direction on how to apply the policy.

- *Based on application documents and interviews with program managers and partners, project sustainability as a concept is an important factor in the Commission's infrastructure project selection.*

Prior to grant award, community and business planning requirements, community and regional support, appropriate project partner selection, and other factors are used to assess project sustainability.

- *Program managers generally have neither the tools nor the resources to address concerns about sustainability should they arise after projects are constructed.*

With the exception of 20 business-plan reviews commissioned by the Alaska Energy Authority, limited effort has been made to determine if funded projects have proven to be sustainable after completion.

- *Including "renewal and replacement" costs in the definition of project sustainability is perceived as unrealistic for some communities.*

- *Application of the Sustainability Policy to infrastructure projects is confused by many with the much broader and ill-defined goals of rural sustainability or rural economic self-sufficiency, as discussed in some Commission documents.*

Investment

- *The Investment and Sustainability Policies overlap.*

The Investment Policy appears, at its core, to be a policy of project sustainability, for example, "The Commission will promote investment in infrastructure where the promise of sustainability can reasonably be demonstrated..."

- *The Investment Policy does not address the heart of most investment issues, the relationship between risk and return.*

Program managers use the policy as a check-list to help identify potential project problems. However, the relative importance of the ten criteria in the Investment Policy is not defined and neither are cumulative thresholds to help differentiate projects that are desirable from those that are not.

Business and Community Planning

- *The concept of promoting business and community planning has widespread support.*

However, the quality of plans is difficult to assure or confirm, in part because many communities depend on partners or consultants to prepare the plans.

- *With a few exceptions, neither the Commission nor its partners systematically monitors the performance of the plans over time.*
- *Most projects pre-date the community plan requirement, which was adopted in 2005.*

Open Door and Private Enterprise

- *The Open Door Policy is designed to assure that Commission-funded infrastructure is available to all Alaskans. It was created for health projects, but occasionally has been applied in other programs, for example Multi-use Facilities. Open Door has been an issue in only a small number of projects.*

- *The Private Enterprise Policy is appropriate in its intent but is vaguely defined. The policy offers little structured guidance or predictable constraint on investment in those areas of rural Alaska where private enterprise is at work.*

There has been little effort to determine if funded projects have been compliant with the policy post-construction. Once a project is built, the Commission has little control over program partners who may not have the same interest in avoiding competition with private enterprise.

Cost Containment

- *The promotion of cost-control techniques is perceived as appropriate by program partners.*

However, program staff question the usefulness of some Commission benchmarks. Detailed audits would be necessary to assess the degree to which cost control measures affect individual projects.

- *Program partners report that project costs can be substantially affected by the timeliness, or lack thereof, of grant disbursements.*

1.5 Recommendations

1. *Refine the mission and goals so that the Commission's priorities are clear to staff, Commissioners, and the public.*

The mission of the Denali Commission is too broad and its principles and policies too complex for consistent interpretation or assessment. The Commission may choose to refocus on building infrastructure, or to pursue a broader mission of rural development. In either case, the mission should articulate the areas where the Commission intends to have measurable impact. Refining the mission may require discussion with other stakeholders.

The new mission and goals should relieve the Commission of the perception that its program success is directly linked to the sustainability or self-reliance of rural Alaska communities. The issues affecting the long-term sustainability of rural Alaska are complex and diverse. The Commission lacks the resources and the authority to address this issue other than as part of a larger, as yet undefined, strategy. The Commission must clarify internally, but especially externally, what it will be held accountable for and what will fall to other entities.

For example, the Commission can play only a small role in the "effectiveness and efficiency of government services." If the Commission adopts government efficiency as a goal, the mission should identify what the Commission's contribution to efficiency will be. Similarly, the Commission may train workers, but it cannot ensure they will be "employed in a diversified and sustainable economy." What workforce challenges will the Commission tackle?

2. *Develop a system, possibly in conjunction with other agencies, for tracking and assessing the aggregated impacts of multiple infrastructure projects on communities and regions. This includes the financial impacts on local governments and residents of meeting sustainability requirements for what is typically an increasing number and range of projects.*

In addition, if sustainability continues to be a core objective for Commission projects, take steps to bring the concept more fully into the public arena in order to develop a broader understanding of its implications as practiced by the Denali Commission, the State of Alaska, and others. Promote discussion and analysis of how sustainable projects are related to each other and to local and regional social-economies.

3. *If sustainability remains a core objective for Commission projects, establish a more effective system for monitoring projects after construction and for intervening or arranging assistance, when project sustainability appears threatened.*

If, on the other hand, the Commission chooses to focus purely on project planning and construction phases, then another entity or entities will need to accept the task of monitoring facility operations and management if sustainability is to be ensured.

4. *To get the most benefit from Commission investments, initiate bi-annual program evaluations that assess performance program-by-program, and as a whole, toward better-defined goals. Identify indicators and require program partners to collect and report needed data regularly.*
5. *Define more specifically the process by which communities, partners and the Commission reach a common understanding of the priority, scale, timing, and potential impacts of projects. The process should ensure that the expectations of all parties – not simply those of the Commission – are clear.*

6. *Reconsider the purpose and language of Denali Commission policies.*

Though its purpose and application are currently confusing, the Investment Policy addresses many of the Commission's strategic priorities. Consider reformulating the Investment Policy as the primary project evaluation tool and develop project assessment measures defined narrowly for that policy. Sustainability, Open Door, Private Enterprise, and Cost Containment might be best used and described as principles or translated into criteria that are specific to the individual programs for which those criteria are relevant.

7. *Look for more ways to tap the considerable expertise of the Commission's own staff.*

The review process demonstrated that current and past staff and Commissioners represent a valuable storehouse of institutional knowledge. One way to tap it might be to give staff opportunities to develop "white papers" and other in-depth analyses of issues and choices confronting the organization and the field of Alaska rural development in general. Analyses might be purely for internal use or, where appropriate, for public discussion. At minimum such analyses would provide valuable context for current and future Commissioners and help the Commission's different programs be more consistent and focused in their efforts.