ORAL

TESTIMONY

TO:

UNITED STATES SENATE

SENATE COMMITTEE ON INDIAN AFFAIRS

By:

Ron Hoffman

President/CEO

Association of Village Council Presidents

Regional Housing Authority

and

President

Association of Alaska Housing Authorities

Good morning. My name is Ron Hoffman. I am the President/CEO of AVCP Regional Housing Authority and of the state-wide Association of Alaska Housing Authorities.

Welcome to Bethel. I want to express a special welcome and thank you to our senator, Lisa Murkowski. Thank you for holding this hearing on an issue that is a crisis for the people of rural Alaska. I hope the information you gather can be used to craft legislation that provides both immediate relief to desperate rural Indian families and long term solutions to the unbelievably high cost of energy in rural Alaska.

Our regional Native housing authorities were created to provide safe, sanitary and affordable housing, in particular, to rural Alaskans. For example, my housing authority serves Bethel and the Wade Hampton census districts, areas representative of Alaska off the road system. We are this committee's people: the Bethel census district population is 78% Alaska native; Wade Hampton population is over 90% Alaska Native. We also have unemployment rates at more than 15 and 23%, respectively.

Looking at the numbers, the native people of rural Alaska are living with the highest unemployment and poverty rates in the country. Factor in the energy crisis and you begin to have a picture of the critical need for immediate relief and long term solutions.

Off the road system, in Hooper Bay with a population approaching 2,000, gasoline is $7.24 per gallon; heating fuel is $7.37 per gallon. In the village of Kokhanok on Lake Iliamna, gas is nearly $9 per gallon with heating fuel $9.25.

In May the Institute of Social and Economic Research at the University of Alaska reported that in 2000, an Anchorage family spent 5.5% of its income on energy while a family in rural Alaska spent 16%. By 2008, the Anchorage family was spending 9% of its income on energy while -- hold on to your hat -- the family in rural Alaska had to spend 47% of its family income on energy. The gap between the two families has more than tripled. The rural family is spending one-half of its family income on energy.

Beyond the direct impact on families, energy affects the cost of doing business with increases passed on to residents. Air fares, groceries and our electric bills are through the roof. These costs are passed on to an Alaska Native population that simply cannot support them.

For the people of rural Alaska to survive, two things need to happen: unemployment and poverty numbers must be brought down through funding of training for current and future jobs.

Second, we must explore all energy possibilities, including development of alternative sources of energy.

As one example, an Alaska electric cooperative is using wind to lower costs and reduce dependency on diesel fuel. Projects like this should be supported by funding and tax credits. Other solutions include:

- Expediting a gas pipeline from the North Slope with Alaska access to that energy source.
- Legislation to allow and require the refining of Alaska oil here in Alaska with the product accessible to Alaskans.

Other proposals include:

- Opening ANWR to exploration and drilling;
- Relaxing excise taxes on fuel in rural Alaska;
- Energy and transportation subsidies for rural Alaska; and
- Development of central bulk fuel storage areas such as at the Adak Naval Base.

In some places in this country, the high cost of fuel is inconvenient. In rural Alaska this winter, our families will have to decide between feeding their children or keeping them warm. This winter, $100/barrel oil will begin to take not just livelihoods but the lives of rural Alaskans.

I ask you to come up with immediate relief and long-term solutions that allow us to get more from present resources while we explore new technologies for safe, clean and affordable energy.

Thank you for the opportunity to testify.

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Good morning. My name is Ron Hoffman. I am the President and CEO of the Association of Village Council Presidents Regional Housing Authority. I am also the President of the Association of Alaska Housing Authorities. Today I am addressing you representing the Association of Alaska Housing Authorities.

First of all, I welcome you to Bethel, Alaska and thank you for having a hearing on an issue facing all Americans and that has a great impact in the lives of the people of rural Alaska and I want to express a special thank you to our Senator Lisa Murkowski.

AAHA applauds the Senate Select Committee on Indian Affairs for coming to rural Alaska to hear first hand the effect high energy costs is having on the social and economic well being to the residents of rural Alaska. It is my hope that the information you gather in these hearings will be used to craft legislation that will provide for immediate relief for the families as well as long term solutions that provide low cost energy by exploring of all possible renewable and nonrenewable resources.

The Association of Alaska Housing Authorities is a private, non-profit 501(c)(3) corporation whose board of directors includes the executive's of Alaska's fifteen regional housing authorities and the executive director of the Alaska Housing Finance Corporation. Alaska's regional housing authorities provide housing in every part of Alaska by sponsoring a wide variety of resident initiatives with a wide range of programs and services, all geared toward increasing the supply of safe, sanitary and affordable housing by developing partnerships with local, regional, state and federally agencies.

The regional housing authorities have built over 6,000 housing units and administer over 100 million dollars in federal and state funding on an annual basis.

The regional housing authorities are providing the rural residents affordable housing activities and opportunities as well as provide jobs in the construction of the new homes and employment in the deliver of housing services. The employment and training opportunities have played a critical role in helping to sustain rural bush economies. For instance, AVCP Housing provides training and employment opportunities for local

people where in the past most of the jobs went to outside contractors who bought in their own crew with very few, if not, no jobs for local people. Today AVCP Regional Housing Authority, on annual basis, employees over 500 people contributing over $5 million dollars to the local economy.

The rising energy costs are affecting all Americans especially the residents of this region. It is also affecting the members of AAHA ability to provide critical housing opportunities that are affordable in rural Alaska.

The fuel prices in rural Alaska are much higher than urban Alaska and the lower 48. As of today, regular gas price in Anchorage is $4.36 and in Glenallen it is $4.89 per gallon. Glenallen is on the road system. The diesel prices are $4.99 in Anchorage and $5.99 in Cordova.

Bethel's gas prices are $6.16 per gallon and the diesel prices are $7.12 per gallon.

Fuel prices in rural Alaska are even higher. The gas price in Kokhanok, on Lake Iliamna, is $8.83 per gallon and $9.25 per gallon for heating fuel. In Hooper Bay, on the western Alaska coast, price for gasoline is $7.24 per gallon and $7.37 per gallon for heating fuel.

Below is a cost comparison between Anchorage fuel prices and for villages listed above:

		Difference			Difference	
City	Gas	Dollar	Percentage	Diesel	Dollar	Percentage
Anchorage	4.36			4.99		
Bethel	6.16	1.80	41.28%	7.12	2.13	42.69%
Kokhanok	8.83	4.47	102.52%	9.25	4.26	85.37%
Hooper Bay	7.24	2.88	66.06%	7.37	2.38	47.70%

Recently two state senators in Anchorage have called for an investigation on why Anchorage is paying $.75 more per gallon than the Lower 48 cities. We would request

your support that rural Alaska be part of the investigation on why rural Alaska residents are paying more than $6.00 per gallon for gasoline than the Lower 48?

In May 2008 the Institute of Social and Economic Research of University of Alaska Anchorage report on the Estimated Household Costs for Home Energy Use reported the following: The copy of the report is attached.

In 2000 a family in Anchorage spent 5.5% of their income on energy versus a family in a remote community spent 15.9% of their income. In 2008 in Anchorage a family spent 8.7% of their income on energy versus a family in a remote community spent 47% of their income. In Anchorage that was a 3.2% increase over that time period versus in a remote community an increase of 31%.

The high fuel costs are distressing and are affecting the residents of rural Alaska ability to get and keep basic energy services. With the current high fuel prices we have not seen the impact it will have to a family when it gets cold or when a family has to decide between feeding their children or heating their homes. One impact we know is it is going to get tougher.

The rising energy costs are affecting the cost of doing business in rural Alaska. When the cost of doing business rises these costs are paid by the residents of Alaska. Already we have seen the cost of air fares, cost of groceries, and electric bills go up.

Most recently AVCP Regional Housing Authority awarded a $3 million dollars materials and supply contract to build new houses in rural Alaska. 48% of this award went to the cost of transportation of materials and supplies.

The high energy costs have a ripple affect on the social and economic well beings of all Alaskans residents and especially rural Alaska residents. The high energy costs affects the business and local and regional services providers such housing authorities, local governments, school districts, and health corporations.

The Anchorage Daily News recently reported on increase of fuel prices and how it affected an electric provider in rural Alaska. The Alaska Village Electric Cooperative (AVEC) is a cooperative who provides electricity to many remote Alaskan villages. ADN reported on the fuel purchased by AVEC in 2007 and in 2008. In June 2007 AVEC paid $14 million dollars for fuel. In 2008 AVEC paid $26 million dollars for fuel. That is an 85% increase in the purchase of fuel to keep the generators operating so rural Alaskan communities can have electricity.

The Lower Kuskokwim School District is reporting that it had to increase its budget to purchase fuel for all its school in Bethel and in the villages by 82%. In FY'08 LKSD's total cost for fuel and electrical was $4,619,117. For FY'09 LKSD is projecting, based on current fuel prices and conditions, to pay $8,417,310. This estimated cost is about 12.5 % of LKSD annual budget. To put this in perspective, this is roughly the cost of 43 classroom teachers, based on average salary and benefits.

The other affect of high energy costs is employee turnover it causes for service organizations such as the school districts and health corporations. Salaries do not compete well with urban Alaska when you factor in the cost of living in rural Alaska. LKSD is reporting they are having a very difficult time recruiting and retaining teachers for Bethel. The increase in energy cost is likely to make the problem of recruiting and retaining staff.

Most recently, the City of Bethel talked about adding $200,000 to their budget to cover the increase of the monthly electric bills. The Tundra Women Coalition reported a bill of about $3,000 for the month of July. These increases will no doubt have an affect on City of Bethel and TWC's ability to provide basis services to the people that need the services.

AVCP Housing serves the Bethel Census and Wade Hampton Census Districts, which has the worst unemployment rates in Alaska at 15.6% and 23.8% respectively (State of Alaska, June 2008). Other high unemployment areas include the Yukon-Koyukuk Census District at 14.8% and the Nome Census at 13.8%. Overall, the Alaska

unemployment rate is 6.8%, while the U.S. unemployment rate is 5.7% (U.S.D.O.L., July 2008). It is my understanding the unemployment numbers are based on the number of people that are looking for work. But in a rural community there are no jobs so people are not looking for jobs so the unemployment numbers are probably higher than what is reported.

In Alaska, the poverty rate is 7.8% or 52,264 Alaska residents out of 670,053. The Bethel Census poverty rate 20.7% (U.S. Census, 2004 est.) or a fifth of the people out of the 17,147 population (U.S. Census, 2006 est.). In Wade Hampton, the poverty rate is 26% (U.S. Census 2004) or a *quarter* of the population of 7,580 (2006 est.).

When you look at the unemployment and the poverty numbers the people of our region have already been living with the highest unemployment and poverty rates. And when you factor in the energy crisis you have a picture of how difficult it is and will be if something is not done to provide immediate relief and address the long term energy needs and the solutions of this region.,

To address the unemployment and poverty we would strongly recommend that Congress consider appropriation to provide employment training in areas of high employment and poverty rates. We have many jobs in the region but the employers need trained and skill labor force from which to hire. As an example, in the aviation industry, many local people are now commercial pilots flying for local airlines. In the education field many local people are now teachers or administrators. In the health field many local people are now working as trained professional in the health field in hospital and local clinics. In the construction field many local people are now working as projects superintendents, carpenters, plumbers, and electricians. This was made possible because of funding that provided for training. And to make a real dent in the unemployment and poverty numbers funding is needed to continue provide training for current and future jobs region.

I have spoken to you about the problems that the people and the organizations are facing in the AVCP region. These problems are real and they are happening now. Now is the time to provide solutions by appropriating funding to put the solutions into action.

I am recommending appropriating funding to put solutions into actions. This means that if we have the information or that a certain method has been studied that we take this information and fund it and put it into action. Let's use the technology that has been proven in the United States or in other parts of the world to bring relief to the American people and the residents of Alaska.

For example, the Alaska Village Electric Cooperative has taken advantage of the renewable resource of wind to address lowering costs and to reduce the dependency on diesel fuel. It is projects like this that we need to fund and explore the use in other areas that can support a wind turbine project.

Some of the areas to look at are:

- Funding built the capacity and infrastructure to produce and refine Alaska-based resources in Alaska for use by Alaskans. Today majority of Alaska crude oil is sent to refineries outside the state of Alaska. This increases the cost of fuel.
- Relaxing or waiving excise taxes on fuel.
- Reviewing current statutes and regulations and removing those which drive the cost of energy.
- Providing subsidy price of energy in rural Alaska.
- Providing subsidy for transportation costs of energy supplies.
- Developing central bulk fuel storage areas such as the Adak Naval Base.
- Supporting and funding for the development of alternative source of energy.
- Looking for ways to reduction the dependency on foreign countries for crude oil such as exploring and opening the Arctic National Wildlife Refuge.

Addressing the high energy costs is crucial to the well being to the State of Alaska and to the survival of rural communities and the preservation of a lifestyles and culture in rural Alaska.

You have heard about the problems we are facing. You have heard some of the suggestions and recommendation we have in addressing this situation. And finally I ask you to come up with the solutions that provide immediate relief to the problems we facing with an eye to providing legislation and funding for long term solution that allows us to explore and use new technologies and strategies that provide for safe, clean, and affordable energy.

Thank you for the opportunity to testify.