

Northwestern Alaska Career and Technical Center

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January 29, 2018

To: The Honorable Representative Chris Tuck

RE: HB233 Education Tax Credits Legislation

Dear Representative Tuck,

The Northwestern Alaska Career and Technical Center (NACTEC) supports extending the Education Tax Credit sunset from December 31, 2018 to January 1, 2025.

As State and Federal funding streams have been eliminated from NACTEC's budget in recent years, the Education Tax Credit has provided a mechanism to seek funding through industry partners that has grown enrollment in Nome's Regional Training Center. As enrollment in NACTEC vocational training has increased, high school graduation rates began a steadily climb from an average of 39% in the years before tax credit availability (FY05-FY09), increasing to an average of 76% in FY13-FY17.

A 2009 research study by Northeastern University determined the lifetime cost of a dropout was **\$292,000** in incarceration costs and lower tax revenues. Bering Strait School District has seen its 12th grade dropouts decrease from an average of 38 in FY07-FY09 to an average of 9 in FY15-FY17; **resulting in a savings of \$8.5M** per graduating class, as more students are now engaged and staying in school. NACTEC's vocational training programs have been recognized as critical to this remarkable transformation, with education tax credits as a primary source of funding support.

The education tax credit is a program that should be recognized as working for intended outcomes and one deserving of a sunset extension.

Sincerely,

Douglas J. Walrath, Director

Cc:

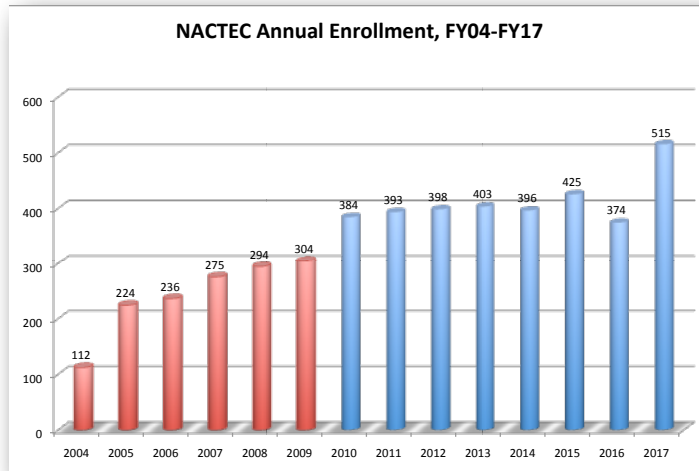
Representative Neal Foster
Representative Charisse Millet



Northwestern Alaska Career and Technical Center

EDUCATION TAX CREDIT

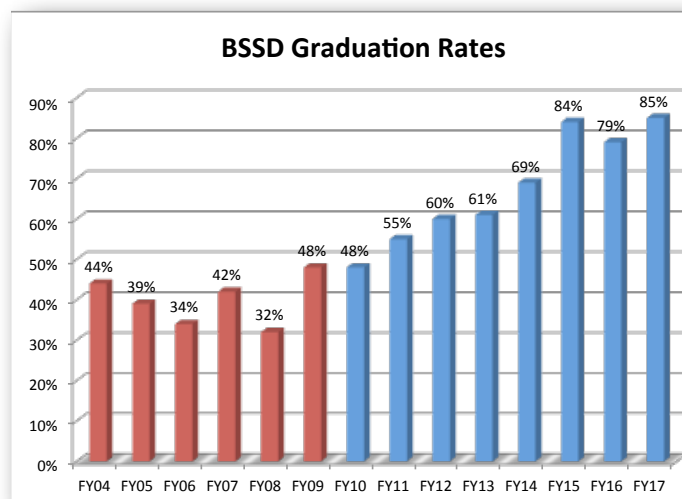
The Alaska Education Tax Credit has become increasingly important for NACTEC, as industry partners now support 1/3 of the annual operating budget. *The Education Tax Credit has contributed to a significant increase with students receiving vocational training the past 8 years.* The top bar graphs displays an average student enrollment of 241 students between 2004-2009 (in red). Then, coinciding with the first tax credit contributions to NACTEC in FY10, student enrollment grows by 66% to 400 students/year (FY10-FY15). In the most recent two years enrollment grew another 10% to 445 students/year (FY16-FY17 in blue).



GRADUATION IMPACTS

The graph below depicts the trend in Bering Strait School District (BSSD), *which represents 90% of NACTEC's student population*, growing in relation to the student enrollment gains (above). *Since FY10 NACTEC has averaged \$378K in tax credit contributions per year.*

A 2016 review of over 1,700 BSSD students, revealed that: 80% of all dropouts between FY04-FY15 did not attend a single NACTEC program; while an



average of 83% of graduates in FY14-FY16 attended one or more NACTEC high school training programs. *Completing NACTEC programs is keeping rural students in school and on a path to graduation.*

REPORT PREPARATION

This 2018 legislative report was developed by NACTEC Director, Douglas J. Walrath, Ph.D. with the purpose of identifying legislation that works in N.W. Alaska and in need of a sunset extension.

The Education Tax Credit, since becoming available at the secondary vocational training level in FY10, has increased both the quantity and quality of NACTEC training programs.

In the six years before Education Tax Credit availability at NACTEC, in FY04-FY09, enrollment averaged 241 students/year. Student enrollment **grew by 66%**, following tax credit availability, averaging 400 students/year in FY10-FY15.

Graduation rates have increased from a five year average of **39% in FY05-FY09** for Bering Strait School District students to **76% in FY13-FY17**. As could be expected, the inverse is occurring with high school dropouts. Dropouts have decreased from an average of **77 per year (FY07-FY09) to 27 per year (FY15-FY17)**, a decrease of **65%!**

With tax credit partners supporting 30% of NACTEC's budget, a sunset extension is our top 2018 priority.

-Douglas J. Walrath, Ph.D.

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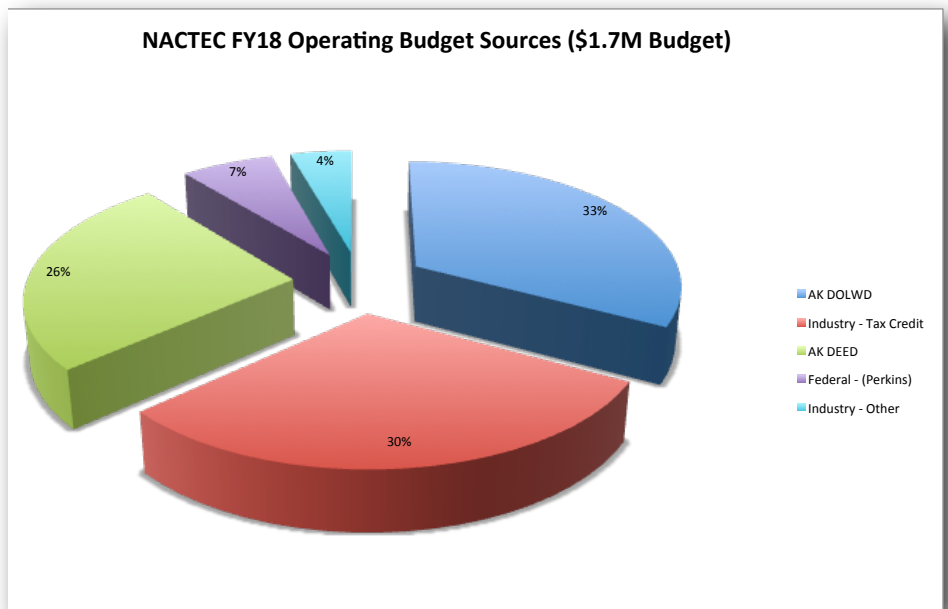




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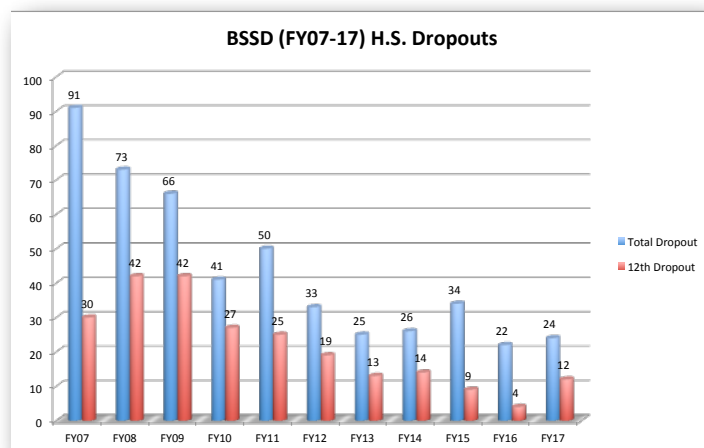
INDUSTRY PARTNER'S EDUCATION INVESTMENT VIA TAX CREDITS

The graph below depicts the sources of funding supporting NACTEC's \$1.7M FY18 operating budget. The largest source of funding in FY18 comes from 11 industry partners, *with 88% of industry partner funding deriving from the Alaska Education Tax Credit*. Pictured below 30% of industry funding is tax credit, and 4% are "Other" industry partner contributions. Department of Labor funding at 33% (TVEP & Construction Academy) and 26% for Department of Education (Residential Funding) are equally important sources supporting short-term, residential training. Carl D. Perkins federal funding from school district partners at Bering Strait School District and Nome Public Schools represents 7%. *In light of Alaska's budget challenges, industry partnerships will remain increasingly important in the future. Education Tax Credit funding has contributed 31% of NACTEC's annual operating budget between FY10 - FY18.*



THE COST OF DROPPING OUT, \$292,000 - NORTHEASTERN UNIVERSITY STUDY (2009)

Bering Strait School District's dropout rate has decreased by 65% between FY07-FY09 (prior to tax credit) compared with FY15-FY17. 12th grade students,



averaging 38 dropouts in FY07-FY09, down to 9 dropouts in FY15-FY17 have decreased by 76%. Using a conservative and somewhat outdated (2009) estimate of \$292,000 as the cost of a high school dropout, this dropout rate decrease results in **a net savings of \$8.5M annually, per senior class alone in BSSD!**

The Education Tax Credit, with its 31 December 2018 sunset, is NACTEC's top priority for a ten-year sunset extension. This program has led to the development of quality vocational training programs, aligning with Alaska's priority industries. An extension provides an opportunity for future industry partner investment in education. A win-win!



NACTEC Tax Credit Donations FY10-18

Industry Partner: Tax Credit Revenue	FY10	FY11	FY12	FY13	FY14	FY15
Bering Straits Native Corporation	\$200,000	\$200,000	\$300,000	\$100,000	\$100,000	\$100,000
Era Alaska	0	0	\$150,000	0	0	0
<i>Pollock Conservation Cooperative</i>	0	0	0	0	0	0
1. American Seafoods	0	0	\$23,888	\$24,000	\$24,000	\$24,000
2. Arctic Storm/Fjord	0	0	\$4,444	\$4,000	\$4,000	\$4,000
3. Glacier Fish Company	0	0	\$23,889	\$24,000	\$24,000	\$24,000
4. Starbound LLC	0	0	\$23,889	\$24,000	\$24,000	\$24,000
5. Trident Seafoods	0	0	\$23,890	\$24,000	\$24,000	\$24,000
Norton Sound Economic Development Corp.	\$200,000	0	\$0	\$0	\$90,000	\$170,000
Saltchuk Partners	\$0	0	0	0	0	0
Alaska National Insurance Company						
	\$400,000	\$200,000	\$550,000	\$200,000	\$290,000	\$370,000
 Industry Partners: Non-tax credit revenue						
Shell Exploration	0	0	0	0	10,000	25,000
Wells Fargo	0	0	0	0	0	30,000
Alaska Airlines	0	0	0	0	0	10,000
ConocoPhillips	0	0	0	0	0	0
Norton Sound Fund	0	15,000	39,200	160,000	7,637	13,722
Graphite One Resources	0	0	0	0	0	0
Sitnasuak Native Corporation	0	0	0	0	0	0
USI Kibble and Prentice	0	0	0	0	0	0
Arctic Native Brotherhood Charitable Trust						

NACTEC Tax Credit Donations FY10-18

FY16	FY17	FY18	
\$250,000	\$155,000	\$125,000	\$1,530,000
0	0	0	\$150,000
0	0	0	\$0
\$25,000	\$25,000	\$28,000	\$173,888
\$0	\$0	\$0	\$16,444
\$25,000	\$25,000	\$28,000	\$173,889
\$25,000	\$25,000	\$28,000	\$173,889
\$25,000	\$25,000	\$28,000	\$173,890
\$190,000	\$196,500	\$250,000	\$1,096,500
\$20,000	\$20,000	\$20,000	\$60,000
	\$10,000	\$10,000	
\$540,000	\$481,500	\$517,000	\$3,488,500
25,000	0	0	\$60,000
15,000	25,000	25,000	\$95,000
0	0	0	\$10,000
0	5,000	0	\$5,000
65,151	88,000		\$388,710
0	2,500	0	\$2,500
0	\$24,000	0	\$24,000
0	\$2,500	0	\$2,500
		\$2,714.00	\$2,714
			\$590,424

NACTEC Tax Credit Donations FY10-18

FY10	\$400,000
FY11	\$200,000
FY12	\$550,000
FY13	\$200,000
FY14	\$290,000
FY15	\$370,000
FY16	\$540,000
FY17	\$481,500
FY18	\$517,000

