

HOUSE FINANCE COMMITTEE
May 7, 2007
2:24 p.m.

CALL TO ORDER

Co-Chair Chenault called the House Finance Committee meeting to order at [2:24:06 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Harry Crawford
Representative Les Gara
Representative Mike Hawker
Representative Reggie Joule
Representative Mike Kelly
Representative Bill Thomas, Jr.
Representative Mary Nelson

MEMBERS ABSENT

Representative Richard Foster

ALSO PRESENT

Representative Mark Neuman; Nico Bus, Acting Director, Division of Administrative Services, Department of Natural Resources; Antony Scott, Commercial Analyst, Division of Oil and Gas, Department of Natural Resources; Jerry Burnett, Director, Division of Administrative Services, Department of Revenue; Guy Bell, Assistant Commissioner, Department of Labor and Workforce Development; Clark (Click) Bishop, Commissioner, Department of Labor and Workforce Development

PRESENT VIA TELECONFERENCE

Robert Lang, University of Alaska, Anchorage; Jeffery Callahan, Professor, Construction and Design Technology, University of Alaska, Anchorage; Pat Pitney, Vice President, Budget and Planning, University of Alaska, Anchorage; Jane Gehler, University of Alaska, Anchorage

SUMMARY

HB 177 "An Act relating to the Alaska Gasline Inducement Act; establishing the Alaska Gasline Inducement Act matching contribution fund; providing for an Alaska Gasline Inducement Act coordinator; making conforming amendments; and providing for an effective date."

CSHB 177 (RES) was heard and HELD in Committee for further consideration.

[2:25:36 PM](#)

HOUSE BILL NO. 177

"An Act relating to the Alaska Gasline Inducement Act; establishing the Alaska Gasline Inducement Act matching contribution fund; providing for an Alaska Gasline Inducement Act coordinator; making conforming amendments; and providing for an effective date."

Co-Chair Chenault drew attention to zero fiscal note #1 prepared by Alaska Oil and Gas Conservation Commission (AOGCC) for the Department of Administration. There were no comments or questions regarding the fiscal note.

Representative Gara requested information about the AGIA schedule for the week. Co-Chair Chenault discussed the upcoming schedule.

[2:27:49 PM](#)

Co-Chair Chenault turned attention to zero fiscal note #2 by the Department of Commerce, Community and Economic Development. There were no comments or questions on this fiscal note.

Co-Chair Chenault asked for discussion on fiscal note #3 by the Department of Natural Resources.

NICO BUS, ACTING DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF NATURAL RESOURCES, explained that fiscal note #3 requests \$6,550.0 million, appropriated earlier as a supplemental appropriation and contingent on this legislation passing. Co-Chair Chenault requested a breakdown of the \$6,550.0 million. Mr. Bus drew attention to the analysis at the bottom of the fiscal note.

[2:30:41 PM](#)

Representative Hawker spoke about a think tank which analyzes the success or failure of a project. He opined that in studying risk assessment, the sure route to failure is to not dedicate enough funding up front. He thought \$6.5 million might not be enough for such a large gas pipeline project.

Mr. Bus related that fiscal note #4 has been replaced by a new fiscal note by the Department of Natural Resources. He explained that it went from \$300,000 to a zero note with a \$500,000.0 million appropriation. The fiscal note prepared by the governor's office will take care of the expense for a

state gas pipeline coordinator. Co-Chair Chenault summarized that the fund was being moved from DNR to the governor's office.

Representative Hawker maintained that the \$500 million fiscal note is an issue in the bill and should require more discussion.

Co-Chair Chenault asked about page 2, the last line of the fiscal note, which states that \$300 million was appropriated last year from the general fund to Alaska Housing Finance Corporation for the purpose of funding capital projects. He questioned where the other \$200 million would come from. Mr. Bus did not know.

Representative Crawford called the \$500 million inducement an investment for Alaska's future.

[2:35:43 PM](#)

Representative Gara thought the fiscal note should be an indeterminate note. He recalled that the producers testified that some of the \$500 million inducement probably would not be needed if the project proves successful. Co-Chair Chenault said he understands the issue that the money might not be needed.

Representative Hawker referred to last year's attempt at negotiation and the cost to the state. He said he has yet to see an analysis which he requested from DNR.

ANTONY SCOTT, COMMERCIAL ANALYST, DIVISION OF OIL AND GAS, DEPARTMENT OF NATURAL RESOURCES, offered to provide the analysis for Representative Hawker. He explained that the analysis was done by the legislature's consultant EconOne explaining the exact costs to the state from the previous contract.

[2:39:47 PM](#)

Representative Gara commented that an analysis of the \$10 billion in under taxation was summarized in a Petroleum News article. He said he also requested information from DNR, as well, regarding taxes relative to the world average.

Co-Chair Chenault turned attention to fiscal note #5.

JERRY BURNETT, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF REVENUE, explained that the FY 07 and FY 08 costs were funded in SB 82. The costs shown are on-going for FY 09 and beyond for consulting services and additional internal development of economists.

Representative Gara brought up the problem of attracting qualified applicants. Mr. Burnett noted that the fiscal note would allow for the hiring of a couple economists at a market-based salary, but it does not address any global issues.

Co-Chair Chenault asked when the two positions would end. Mr. Burnett said that discussion would take place next session during budget procedures. Co-Chair Chenault asked about the hiring of legal help and whether the Department of Law would also be requesting money. Mr. Burnett responded that the money is so that DOR can work through the Attorney General's office to hire legal help. He did not anticipate additional external costs.

[2:44:37 PM](#)

Co-Chair Chenault brought up fiscal note #6 by the Office of the Governor. He noted that the position count was not filled out on the fiscal note.

Mr. Bus reported that three full-time positions are listed in the analysis section.

[2:45:46 PM](#)

Co-Chair Chenault turned to fiscal note #7 by the Department of Labor and Workforce Development.

CLARK (CLICK) BISHOP, COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, explained that the fiscal note is in response to Sec. 43.90.470 in the AGIA bill. He offered to meet one-on-one with the committee members.

GUY BELL, ASSISTANT COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, reported that there is a section of HB 177 that requires the development of a pipeline employment plan and training program. The multi-year fiscal note addresses that requirement. The years after year one will be subject to the plan itself. He noted that the department has worked with the university on the fiscal note. The first piece of the FY 08 request of \$6.500 million is for \$4.1 million for the completion of the pipeline training center in Fairbanks. This would be a grant to the Alaska Works Partnership to build a facility in Fairbanks. It is estimated that up to 13,000 Alaskans would be trained.

Representative Gara asked why Fairbanks was selected for the site. Commissioner Bishop explained that Fairbanks was chosen because of location, acreage, and equipment assets. Representative Gara wanted assurance that most of the labor pool is from that area. Commissioner Bishop said he would

have better figures later on. He opined that Fairbanks is the best place and the most cost effective site. Representative Gara pointed out that many would not be from the area. He wondered about stipends to help people relocate there. Commissioner Bishop said in the past, room and board has been provided. Representative Gara summarized that he wants the most people possible trained.

[2:53:52 PM](#)

Vice Chair Stoltze thought it was a political decision to locate the center in Fairbanks. Commissioner Bishop offered to meet with Vice-Chair Stoltz for further discussion.

Representative Crawford related that there is a need for 600 ironworkers each year. The plan is to train 13,000 construction workers, 8,000 for the pipeline. He related the history of employing pipeline workers. He noted the time it takes to train workers. He wondered to what level the workers would be trained.

Commissioner Bishop envisioned that there would be a number of apprentices and a number of journey persons to be trained. He expected the number of workers trained to be less than are actually needed. He said he wanted to do further research to find out how many are really needed. He thought it might take another year to get those numbers. He stated that he intends to provide a better job of training than has happened in the past. Representative Crawford hoped that things improve next time around. He shared his experience with the type of training needed.

[3:03:14 PM](#)

Commissioner Bishop agreed with Representative Crawford's comments. He speculated on possible training ideas.

Representative Thomas thought that by the time the pipeline was done, the trained workers would already be employed otherwise. He expressed frustration with those who are trained but have no job experience. He thought that current pipeline maintenance workers would be ready to retire soon. Commissioner Bishop agreed. He reported that 90 percent of workers trained in Fairbanks got jobs. He shared his experience with training and job placement. He maintained that resident hire on the North Slope could be improved.

Representative Thomas suggested leaving off the word "trades" in describing training so that it includes non-union workers. He related a personal experience about the difficulty of getting into a union. Commissioner Bishop said that his daughter was not accepted into a union program.

[3:11:37 PM](#)

Co-Chair Meyer wondered if the training should start in 2008 or be delayed until the producer is known. He thought the producers could train their own workforce. He suggested holding off on the training if the route goes through Canada, due to conflicts in international training requirements. He wondered if there was coordination of all the various training programs.

Mr. Bell addressed the first question regarding who trains and delivers the work force. The Department of Labor believes that it is the state's job to invest in the training program. Whether it is a Canadian/Alaskan project or not, Alaskan workers would still be needed. There is funding built in for a more comprehensive training program. This is a capital appropriation so work can begin immediately before the contract is entered into. Basic training can occur and specialized workers can be delivered to the sites. He maintained that training should begin now to meet the current and future demand.

[3:17:32 PM](#)

Co-Chair Meyer recalled past "social impact" problems related to so many pipeline workers employed on the pipeline. He wondered if anyone was considering that aspect of a gas pipeline project. Commissioner Bishop replied that he has asked that question, but needs to follow up on it.

Mr. Bell showed a graph that reflects a spike in employment during the first pipeline project and maintained that the same spike would not happen this time.

Co-Chair Meyer requested information about Canadian hiring requirements. Commissioner Bishop said he does not have that information yet.

Co-Chair Chenault asked if it was Alaskan workers who made up the spike. Mr. Bell replied that the spike depicts the total construction employment, both Alaskan and non-Alaskan. He said that the permanent fund statistics could provide information about how many of the workers were Alaskans. Commissioner Bishop informed the committee that 43 percent were Alaska hire.

[3:21:30 PM](#)

Representative Gara asked if Commissioner Galvin was committed to the Fairbanks training center location. Commissioner Bishop replied that there are five components; Fairbanks is only one. There will also be regional training

centers, high school programs, university systems, and others.

Representative Gara recalled last year's discussion on Alaska hire. He thought there would be a "boom/bust" economy unless there is Alaskan hire. He wanted assurance that the maximum number of people would use the Fairbanks facility. He argued for relocating that center. Commissioner Bishop had no further comment.

Co-Chair Chenault commented that the training center is only one aspect of the training program.

Representative Thomas noted that vocational technical programs need to start at the high school level. Mr. Bell replied that there is funding for regional training centers in the state. There are some really good models shared by secondary and post-secondary students.

[3:27:28 PM](#)

Mr. Bell returned to the analysis of fiscal note #7. He pointed out that there is a need for detailed planning and to look at workforce strategies, training facilities assessments, methods to improve Alaska hire, evaluation of what should be included in RFP's, and other activities overseen by the commissioner. There needs to be a skills gap analysis and improvements made to the web-based labor exchange system. There is an investment for direct training and for engineering and construction management programs at the University of Alaska.

Representative Kelly asked if there are Alaskans to fill the jobs and if the training would be timed based on need. Mr. Bell reported that the skills gap analysis would be done to determine what is needed. Alaska's unemployment rate is higher than the national average by 2%.

Representative Kelly asked about the breakdown between union and non-union. Mr. Bell promised to provide data.

[3:34:21 PM](#)

PAT PITNEY, VICE PRESIDENT, BUDGET AND PLANNING, UNIVERSITY OF ALASKA, ANCHORAGE, noted that the university would provide training for the engineering program expansion at the University of Anchorage. Juneau entry level students would be able to transfer to Anchorage and Fairbanks. The intent is to train individuals for jobs beyond the construction of the gas pipeline.

In response to a question by Representative Kelly, Ms. Pitney noted that their engineering programs are bursting at the seams. There are nearly 140 applicants for the current

fiscal year. There is a higher response rate by the under-employed as well as from high school students and transfers. Construction management is industry led. As a state, there are plenty of people looking for the right jobs. The availability of training programs at the right locations is the issue.

[3:38:49 PM](#)

ROBERT LANG, UNIVERSITY OF ALASKA, ANCHORAGE, noted that he was available for questions.

JANE GEHLER, UNIVERSITY OF ALASKA, ANCHORAGE, reported that between 50 - 70 graduates a year would be reached by the programs over the next two years.

JEFFERY CALLAHAN, PROFESSOR, CONSTRUCTION AND DESIGN TECHNOLOGY, UNIVERSITY OF ALASKA, ANCHORAGE, related that the construction management program is a relatively new degree program. He observed that there is movement out of the trades into management positions.

[3:40:57 PM](#)

Mr. Bell concluded discussion of fiscal note #7 by stating that a purchase of a rock drill would enhance training delivery in Anchorage at the Alaska Laborers Training School.

Mr. Bell noted that the out years are somewhat speculative. It would involve more intense review in investment in training infrastructure, direct training program development, and continuation of the university's engineering and construction management programs. The estimation is in broad strokes. Co-Chair Chenault requested that the department return to the committee if the pipeline is not funded. Mr. Bell said they would.

CSHB 177 (RES) was heard and HELD in Committee for further consideration.

ADJOURNMENT

The meeting was adjourned at 3:43 PM.