

HOUSE FINANCE COMMITTEE
April 24, 2025
2:42 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 2:42 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Calvin Schrage, Co-Chair
Representative Jeremy Bynum
Representative Alyse Galvin
Representative Sara Hannan
Representative Nellie Unangiq Jimmie
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

Representative DeLena Johnson
Representative Jamie Allard
Representative Andy Josephson, Co-Chair

ALSO PRESENT

Representative Ky Holland, Sponsor; Hannah Lager, Administrative Services Director, Department of Commerce, Community and Economic Development; Corbin Morrison, Staff, Representative Ky Holland.

PRESENT VIA TELECONFERENCE

Jared Reynolds, Executive Director, Center for Economic Development, University of Alaska, Anchorage.

SUMMARY

HB 30 OFFICE OF ENTREPRENEURSHIP

HB 30 was HEARD and HELD in committee for further consideration.

HB 34 AK INNOVATION COUNCIL

HB 34 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the meeting agenda. He suggested moving to committee questions on HB 30.

#hb30

HOUSE BILL NO. 30

"An Act establishing the office of entrepreneurship; relating to new businesses in the state; relating to reports concerning procurements by agencies; and relating to initial business license fees for new businesses in the state."

2:44:04 PM

Representative Galvin understood that there was a request for three new positions for the Alaska Office of Entrepreneurship. She observed that other states had similar entrepreneurship programs but generally only staffed one or two positions. She asked why the bill requested three positions rather than one or two.

REPRESENTATIVE KY HOLLAND, SPONSOR, responded that the staffing had undergone changes during the bill's development. He noted that a past version of the bill included six staff positions identified as necessary by the Department of Commerce, Community, and Economic Development (DCCED). He stated that after working with the department, taking feedback, and examining the scope of the proposal in comparison to similar offices in other states, the number had been reduced to three positions.

Representative Holland clarified that the bill itself did not specify the staffing level or structure because the bill was focused on policy. He suggested that representatives from the department could provide further detail on the assessment of the workload and staffing needs. He relayed that most other states already had stronger economic and business development functions in place and their entrepreneurship offices were built on existing structures. In contrast, Alaska's programs had previously been scaled back which left the state in a

rebuilding phase. He explained that the three positions represented a foundational step to restore capacity rather than simply adding onto a fully developed structure. He reiterated that the department could provide more details.

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HANNAH LAGER, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, agreed with Representative Holland's description. She explained that the work in Alaska was being built from the ground up.

Representative Galvin understood that the work was still in the design phase. She noted that one of the positions had been specified as a research analyst and asked what the scope of the position was.

Ms. Lager responded that the research analyst would primarily focus on the reporting requirements in the bill. She clarified that analyzing the impact on new businesses was a significant undertaking and there was a short timeline for the initial report. She added that the analysis would continue throughout the year and would involve reviewing different data sources to evaluate how economic actions affected small businesses.

Representative Galvin noted that she did not have the fiscal notes in front of her, but she recalled that one of the fiscal notes included a request for \$500,000 [FN1 by the Department of Administration (DOA), control code Ztaay](copy on file), which she believed was tied to the reporting requirements. She asked why the research analyst would carry out the reporting work and why the fiscal note reflected such a high cost for producing the report.

Ms. Lager replied that there were two separate reporting requirements in the bill. One was the responsibility of DOA, while the other was the responsibility of DCCED.

Co-Chair Foster relayed that some committee members needed to attend another meeting soon. There was time for one more question before the committee needed to move on to the next bill.

Representative Hannan recalled that between 2016 and 2019, DCCED had an Office of Economic Development and that the positions within the office had later been moved to the

Office of the Governor. She asked if any of the positions still existed at the department or in the governor's office. She assumed some coordination would be necessary.

Ms. Lager responded that several of the positions had been deleted during structural changes. She stated that she was uncertain what positions remained in the Office of the Governor. She recalled that possibly two positions still existed in the office. One of the positions within DCCED still remained and was located in the Commissioner's Office. She explained that the duties covered by the position included the International Trade Assistance Program grant, as well as several other grant programs. She added that the Commissioner's Office also provided direct business assistance, helped businesses connect with different divisions, and supported marketing for the department.

Representative Hannan explained that she was trying to determine the extent of the rebuilding effort. She asked whether the department would need to start over in order to rebuild the function of the positions or if there were still staff in place dedicated to economic development who could incorporate entrepreneurial development into their work.

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Co-Chair Foster announced that the committee would set HB 30 aside and take it up again later so members would have the opportunity to ask further questions.

HB 30 was HEARD and HELD in committee for further consideration.

#hb34

HOUSE BILL NO. 34

"An Act establishing the Alaska Innovation Council; and relating to financial disclosures for members of the Alaska Innovation Council."

[2:52:08 PM](#)

CORBIN MORRISON, STAFF, REPRESENTATIVE KY HOLLAND, introduced the PowerPoint presentation "House Bill 34 v. H: Alaska Innovation Council" dated April 10, 2025 (copy on

file). He explained that the bill established the Alaska Innovation Council (AIC), a strategic initiative designed to accelerate the growth of emerging industries and diversify Alaska's economy. He stated that the council would serve as a statewide resource to identify barriers, recommend solutions, and support entrepreneurs, innovators, and investors. He remarked that Alaska's economy was overly dependent on a few key industries. The bill was a proactive step toward long-term prosperity by aligning with the state's economic development strategies and empowering communities to lead in areas such as technology, energy, and sustainable development. He noted that startups and young businesses had been the driving force behind most private sector job growth in Alaska. The bill ensured that the state created an environment where new businesses could thrive and Alaskans could be supported in building their futures in the state.

Mr. Morrison continued that AIC would deliver an annual plan to guide policy and investment decisions. He stated that the council would help benchmark progress to maintain focus on outcomes such as job creation, business growth, and increased investment in Alaska. He stated that the bill established a foundation for a more resilient and opportunity-rich future.

Representative Holland added that the bill provided a macroeconomic perspective and was an effort to elevate the state's focus by creating a space to bring together industry, the university, and key community stakeholders to develop a long-term strategy. He stated that the goal was to identify Alaska's distinctive innovative opportunities and align resources to prepare for future economic opportunities.

Representative Holland continued to slide 2 and relayed that the state's comprehensive economic development strategy was a "roll-up" of U.S. Comprehensive Economic Development Strategy (CEDS) documents. He explained that the strategy outlined the need to continue supporting Alaska's economic engines, but also called for more effort in diversifying the economy and investing in high-growth emerging sectors such as mariculture, food systems, seafood technologies, outdoor technologies, logistics, and blue ocean industries. The emerging sectors created innovation opportunities both by supporting existing economic engines and by developing new businesses. Some examples of existing

businesses were 60 Hertz and Beaded Stream, which added capacity to the state's existing economic activity, and Alpine Fit and Ermine Skate, which were manufacturing new value-added products. He explained that the efforts reduced imports, provided import substitution, and created exports that reached markets beyond Alaska.

Representative Holland emphasized that jobs in the emerging sectors were the jobs of the future. He stated that innovation-based investments had fueled two-thirds of economic growth in the U.S. since World War II and had accounted for approximately 90 percent of Alaska's net job creation. He stressed that the bill would create opportunities that would encourage Alaskans to remain in the state, particularly young people and families.

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Representative Holland continued on slide 3 and remarked that AIC's primary purpose was to diversify and support emerging sectors. He observed that the sectors all worked in separate focus areas and all activities were critical for helping startups and creating innovation opportunities. He emphasized that there was a need to bring sectors together to develop a unified focus in order to ensure that the state moved in a direction that would create the jobs of the future.

Representative Holland advanced to slide 4 and shared that the State of Entrepreneurship Report was part of a broader stream of work that included the Economic Development Strategy, the Seafood Task Force, the Energy Security Task Force, and the Choose Anchorage Plan. He observed that although Alaska had seen a series of economic development initiatives, there had not yet been a venue to bring the efforts together to determine how to align the visions and plans to advance the economy.

Representative Holland continued to slide 5 and explained that AIC was designed as a 12-member body to bring together government, industry, academia, labor, and investment capital sectors in order to assess distinctive opportunities and competitive advantages for Alaska. He stated that the council would develop a CEDS that would help inform both the governor and the legislature regarding opportunities for investment and ways to improve support for initiatives. He added that the council would also

produce an innovation index to measure progress and compare Alaska's standing to national metrics.

Representative Holland moved to slide 6 and explained that the council's role was also to bring policy makers and key industries together to support accelerated commercialization and to ensure that work was carried out on both statewide and regional levels. He noted that the current version of the bill reflected several changes from the original draft [Version LS0230\G to Version LS0230\H]. He pointed out that the original bill cast a wide net similar to the larger Alaska Workforce Investment Board (AWIB), but feedback prompted the design to be contracted down to 12 members. He clarified that AIC membership would include entrepreneurs and key stakeholders. He added that he had used the Oregon Innovation Council framework as a model for AIC. He remarked that the Alaska council would be more narrowly focused than Oregon.

Representative Holland highlighted that additional adjustments were made to allow the council to meet electronically or telephonically, which would help reduce costs for travel and staffing. He stated that more attention was given to the investment capital available as part of the annual report. He reiterated that the framework was modeled based on plans in other states but tailored to Alaska's needs.

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Representative Holland continued to slide 8 and reiterated that AIC would allow various plans and efforts to be coordinated. He noted that successful innovation efforts in other states were built at the intersection of strengthening the market economy to create private sector jobs and aligning the growth with the civic economy, which supported schools and public services. He stated that the council's work would align with regional economic development throughout the state.

Representative Holland moved to slide 9 and explained that the expected outcome of the bill included accelerating the creation of new jobs to encourage Alaskans to remain in the state, building future growth opportunities, and reversing a stagnant GDP trend that had persisted for 15 years.

Representative Holland continued to slide 10 and stated that sectors such as clean energy, manufacturing, and critical minerals offered additional opportunities. He emphasized that creating a CEDS for Alaska would be central to aligning industry and academic priorities, particularly in research and technology transfer. He added that identifying new products and services would be critical.

Representative Holland moved to slide 11 and reiterated that many of the pieces existed in a fragmented way, and the council was intended to bring the pieces together into a unified plan that the governor, agencies, and the legislature could use to guide investments and efforts.

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Co-Chair Foster suggested proceeding with the fiscal notes.

Ms. Lager shared that the first fiscal impact note from DCCED was for OMB component 1027 with the control code TQlKy. She explained that the request was within the commissioner's office and included \$350,500 of general funds to support personal services, contractual services, and commodities. She explained that the personal services request covered the hiring of one program manager to support the council's activities, including support for the board, facilitation of deliverables, reporting, and liaising with other organizations and agencies to ensure that data needs were met. She added that contractual costs included research, data analysis, analytics, report writing support, and development and maintenance of an innovation index. She noted that other costs included statewide and departmental core services, such as general operating expenses and setup costs for the new position.

Ms. Lager relayed that the next note from DCCED was a zero fiscal impact note within Alaska Industrial Development and Export Authority (AIDEA) for OMB component 1234 and with the control code GLROD. She explained that the fiscal note was no longer applicable since the relevant section had been removed from the bill.

Co-Chair Foster suggested that that committee could move to questions while it waited for the invited testifier to come online.

Representative Stapp asked for a simplified explanation of the bill. He shared that his understanding was that the bill created a council to review regional economic plans and then develop pathways for regional economic development.

Representative Holland responded that page 3, line 11 of the bill provided a framework for the council's work. He noted that AIC would review the many existing individual business plans and work on commercialization, identify areas of distinct or emerging advantage for the state, and support startup capital and entrepreneurship efforts. He stated that the council would provide much needed visibility. He observed that many business plans were developed, but the plans often remained on paper and the council would help operationalize the plans. For example, the Choose Anchorage plan was an initiative that could be advanced through the help of the council.

Representative Holland continued that page 4 of the bill focused on identifying and expanding industry and core research strengths that the state could invest in to promote the growth of emerging industries. He emphasized that the goal was to follow through on existing plans and provide staff support within DCCED to advise the legislature on resource allocation. He added that he hoped the council would convene stakeholders and subject matter experts to determine how to build the future economy that he envisioned for Alaska. He stressed that the intent was to move beyond simply writing plans and begin bringing individuals with the necessary resources into the same room. He remarked that the work was exciting and that while many existing plans showed promise, his goal was to turn the sentiment of "this would be great" into "this is great."

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Representative Stapp commented that he liked the idea of moving beyond studies to real action. He observed that within the legislature there was a running joke about funding the "study industry," where studies were funded, reviewed, and then set aside without implementation, only for the process to repeat later. He asked whether Representative Holland had been able to quantify the amount of resources invested in CEDS and similar plans that had not been acted upon.

Representative Holland replied that he had not attempted to quantify the resources. He explained that he preferred to focus on doing the work directly. He noted that when he tallied the volunteer hours that he and others had spent on developing the council, the total came to approximately 50,000 hours. He emphasized that the high number of volunteer hours demonstrated how much individuals were willing to invest in order to make progress. He acknowledged that the University of Alaska and the state had done valuable work in advancing economic development in Alaska. However, the next step was to accelerate the work by convening stakeholders a few times each year to align the efforts of each sector and amplify the benefits. He reported that more than half of young people and many families were leaving the state because they did not see opportunities in Alaska. He stressed that opportunities existed in the state and noted that the startups he had worked with had no difficulty finding employees. He relayed that the goal was to link and leverage existing work via AIC in order to expand the efforts.

Co-Chair Foster noted that the invited testifier was now available.

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JARED REYNOLDS, EXECUTIVE DIRECTOR, CENTER FOR ECONOMIC DEVELOPMENT, UNIVERSITY OF ALASKA, ANCHORAGE (via teleconference), explained that the Center for Economic Development (CED) conducted applied research, economic development, and technical assistance throughout Alaska and operated several entrepreneurship programs. He relayed that he had many years of personal experience working directly with science-based companies with the potential to scale and introduce new innovations.

Mr. Reynolds stated that the center was responsible for publishing the aforementioned State of Entrepreneurship report and he wanted to share additional data points to provide context. He explained that Alaska's economy was at an inflection point. The state ranked twentieth for young employer firm density, but it lagged significantly in commercializing research and scaling technology-driven firms. He noted that Alaska's share of Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) awards was consistently among the lowest in

the nation. He added that only 3 percent of Alaska's firms had more than two employees annually, which trailed innovation leaders in other states by double digits. He highlighted that Alaska ranked forty-ninth in the number of patents granted per 1,000 residents and had similarly low rankings in venture capital investment.

Mr. Reynolds suggested that the numbers told an important story. He noted that Alaska was a state of entrepreneurs where many companies were started, but the state struggled to innovate, commercialize, and scale at a pace that retained promising companies and kept talent and intellectual property in the state. He explained that HB 34 could help address the challenges. The bill could align research and development with market needs by bringing together researchers and private industry. The focus should be on sectors where Alaska had comparative advantages, such as Arctic technology, mariculture, critical minerals, and forestry.

Mr. Reynold added that the bill could also help capitalize the formation of capital. He emphasized that entrepreneurs could not scale without access to capital, which was a significant barrier in Alaska. He pointed out that funding was needed at every stage of growth, including research, venture capital, angel investment, and seed funding. The council could streamline innovation policy by tracking metrics such as patent filings, investment, and export revenue, allowing lawmakers to evaluate what worked and make adjustments. He noted that similar efforts had been successful in states such as Utah, Colorado, and North Carolina, and that even small victories in could increase investment. For example, improving the state's SBIR and STTR funding rates could support dozens of proof-of-concept projects, scalable companies, and high-quality jobs.

Representative Tomaszewski noted that in the summary of changes document (copy on file), the number of council members had shifted from 12 to 19, yet the version of the bill he had in front of him still listed 19 positions. He suggested that the language might need to be updated to reflect the correct number. He observed that the bill contained a specific list of individuals that would be eligible for appointment to the council and he wondered if it might be too restrictive. He asked Representative Holland if he had considered the potential difficulty of

filling the positions. He remarked that identifying 12 qualified appointees could be challenging, let alone 19.

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Representative Holland responded that he was looking at Version H [Version LS0230\H] which stated that the council had 12 members. He agreed that it would be a challenge to find qualified members, but he knew the innovation ecosystem and he was confident that he could find qualified people. He emphasized that specifying categories of expertise of each council member ensured that there would be expertise in innovation, startups, and commercialization on the council, rather than members having general business backgrounds. He added that he was open to further suggestions.

Representative Tomaszewski observed that his copy of the bill still listed 19 members and suggested that the bill might need cleanup.

Representative Hannan clarified that page 2, line 2, item 3 designated seven members appointed by the governor. She added that the following paragraphs delineated the seven categories. She noted that when the seven were combined with the additional listed positions, the total equaled 12 members, not 19. She admitted that she initially miscounted the number in the same way before re-reading the bill.

HB 34 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the meeting agenda for the following day.

#

ADJOURNMENT

3:20:04 PM

The meeting was adjourned at 3:20 p.m.