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*Stan Hubbard*

Signature of Camera Operator

*5-29-2009*

Date

**HB**

**2**

# Alaska State Legislature

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Representative.Mark.Neuman@legis.state.ak.us

## *Representative Mark A. Neuman*

*District 15*

### House Bill 2

#### **The "All Alaskan Vocational Education Account" - A tool to invest in Alaskans Sponsor Statement**

Alaska is facing a critical shortage of qualified workers in many areas of our economy. We have heard that message clearly from industry, unions, and academia in recent years.

Many upcoming projects in Alaska such as a Natural Gas Pipeline System (NGPS); further development of gas reserves in Cook Inlet and the North Aleutian Basin; multiple proposed projects in the mining industry; major road and rail improvements; and an ever growing need for new residential and commercial projects will require a significant growth in our trained work force.

Vocational education needs to be a cornerstone in building a prepared resident workforce. Studies have shown that as many as 30% of Alaskan jobs are held by non-residents, while Alaska has experienced unemployment rates reaching 50% above the national average.

Our efforts need to focus on providing Alaskans with early career education. By participating in vocational programs at the local school district level, our youth will learn about available new career paths. Experiences in the classroom will better prepare them for internships, apprenticeships, and employment opportunities after graduation.

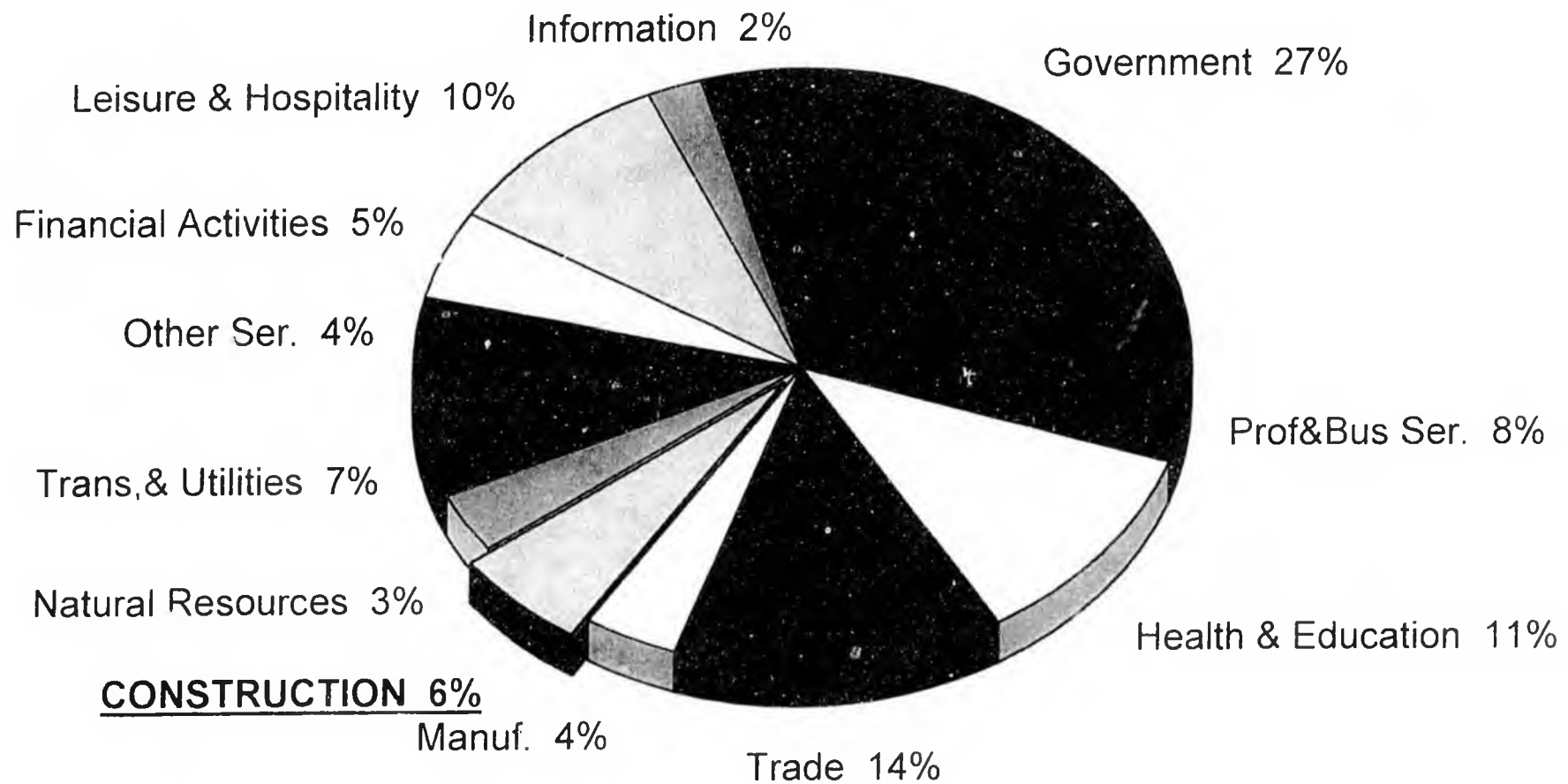
Funding of vocational education programs is the key to their success. House Bill 2 proposes the establishment of a Vocational Education Account within the general fund from which these necessary vocational programs may be funded.

# Alaska's Construction Workers Are there enough?

Richard Cattanach  
Associated General Contractors of  
Alaska



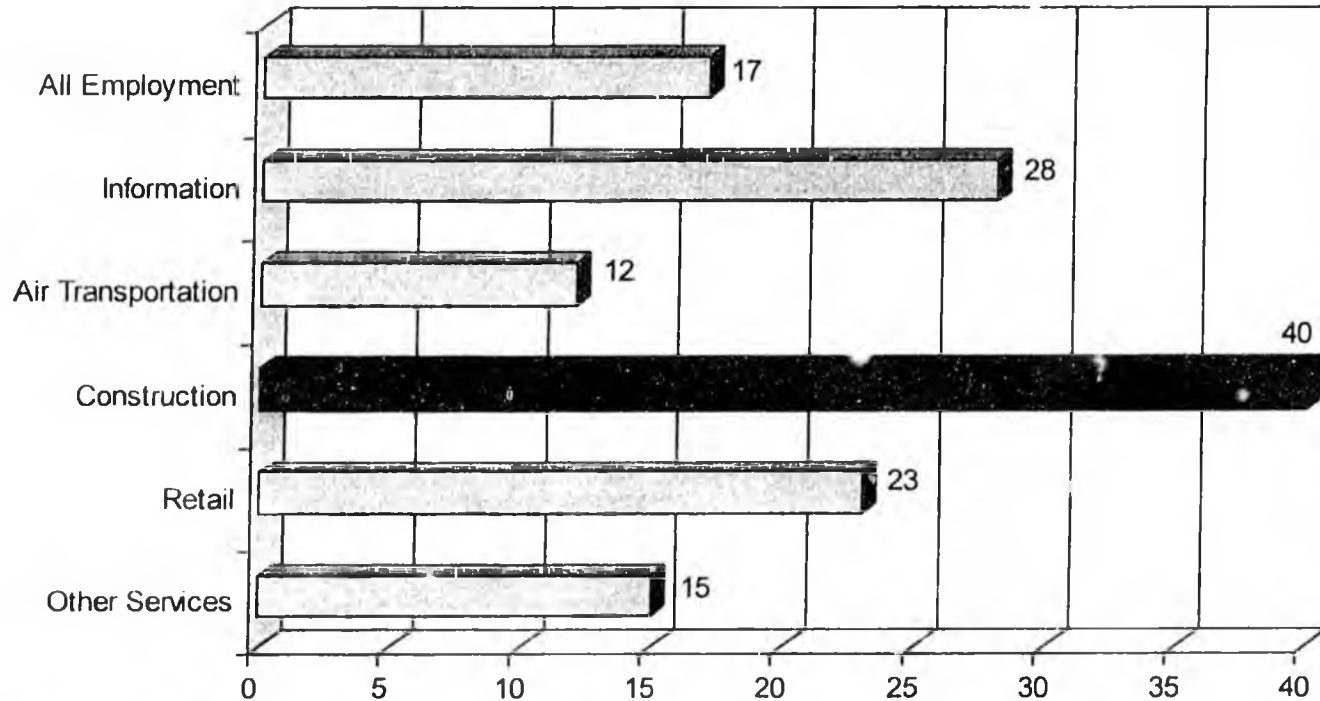
# Alaska's Construction Industry Employment 2004



Source: Alaska Department of Labor and Workforce Development, Research and Analysis.

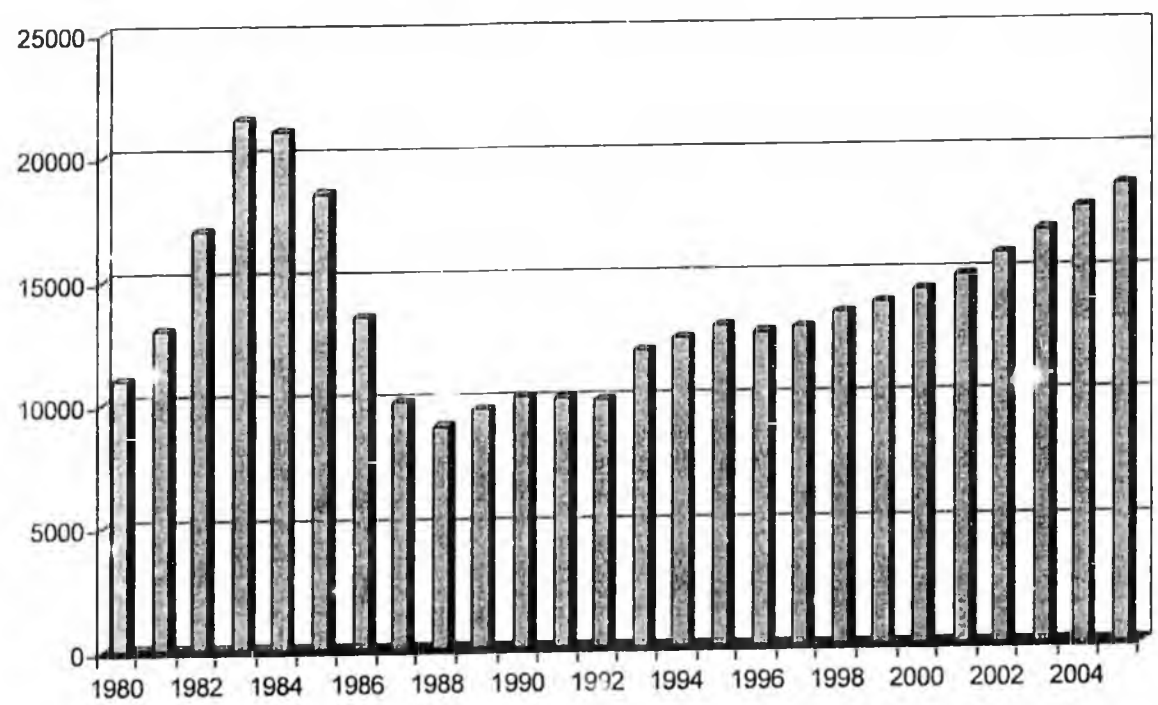
# Construction has been one of the employment stars over the past decade

Labor Growth over the Past Decade

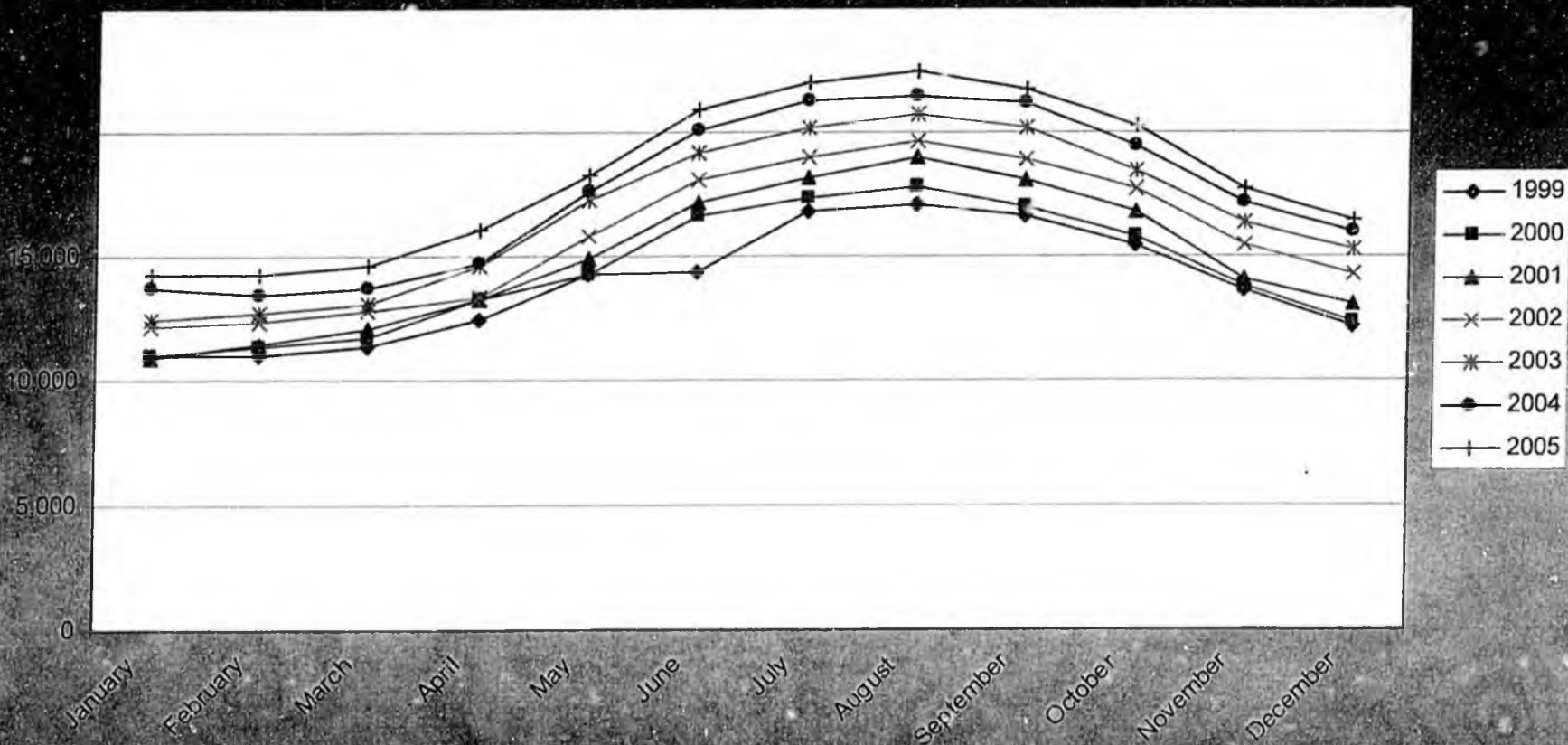


# Construction Industry since 1980

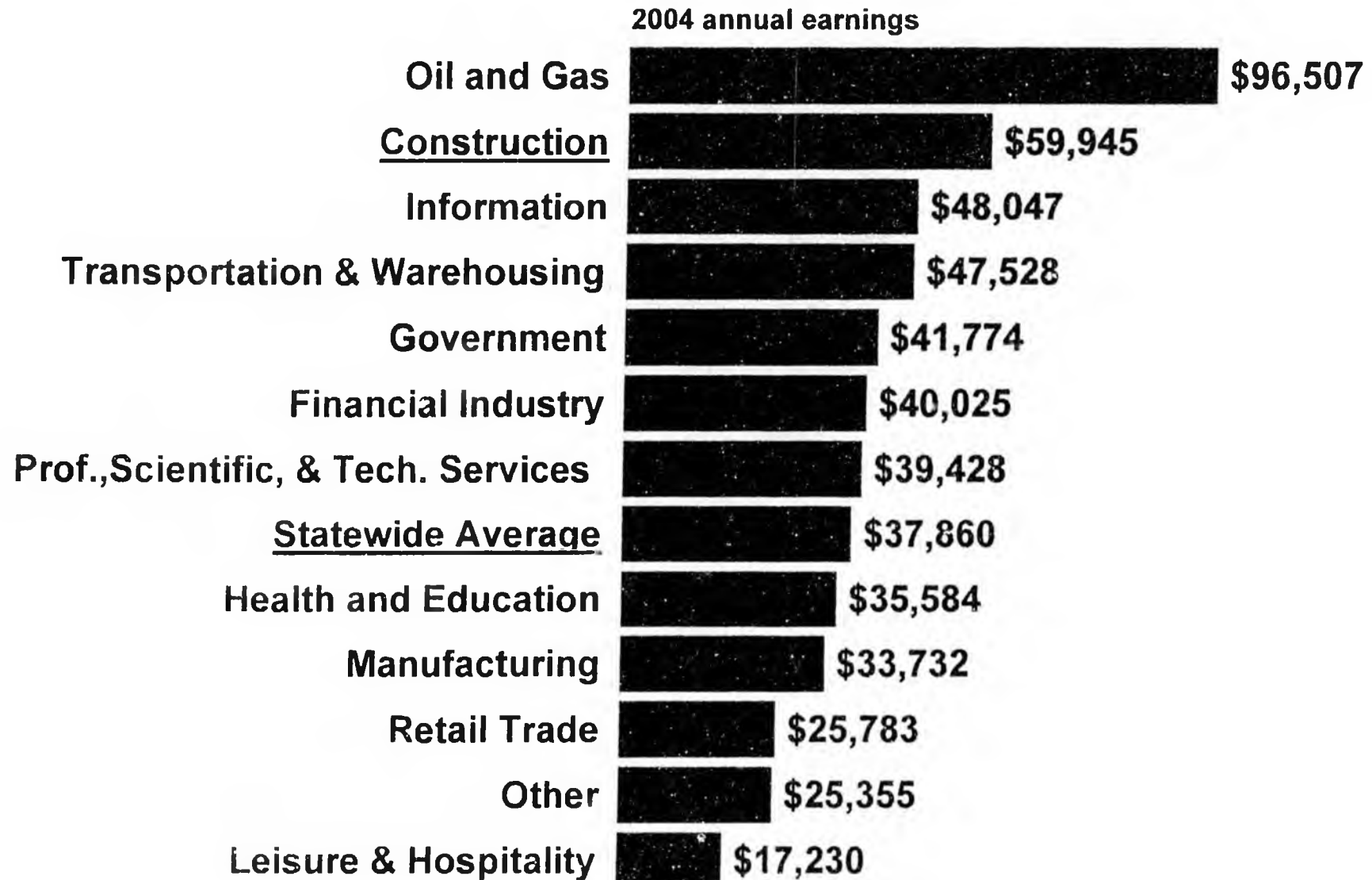
Industry Employment Since 1980



# Construction Employment 1999-2005



## Construction Pays High Wages

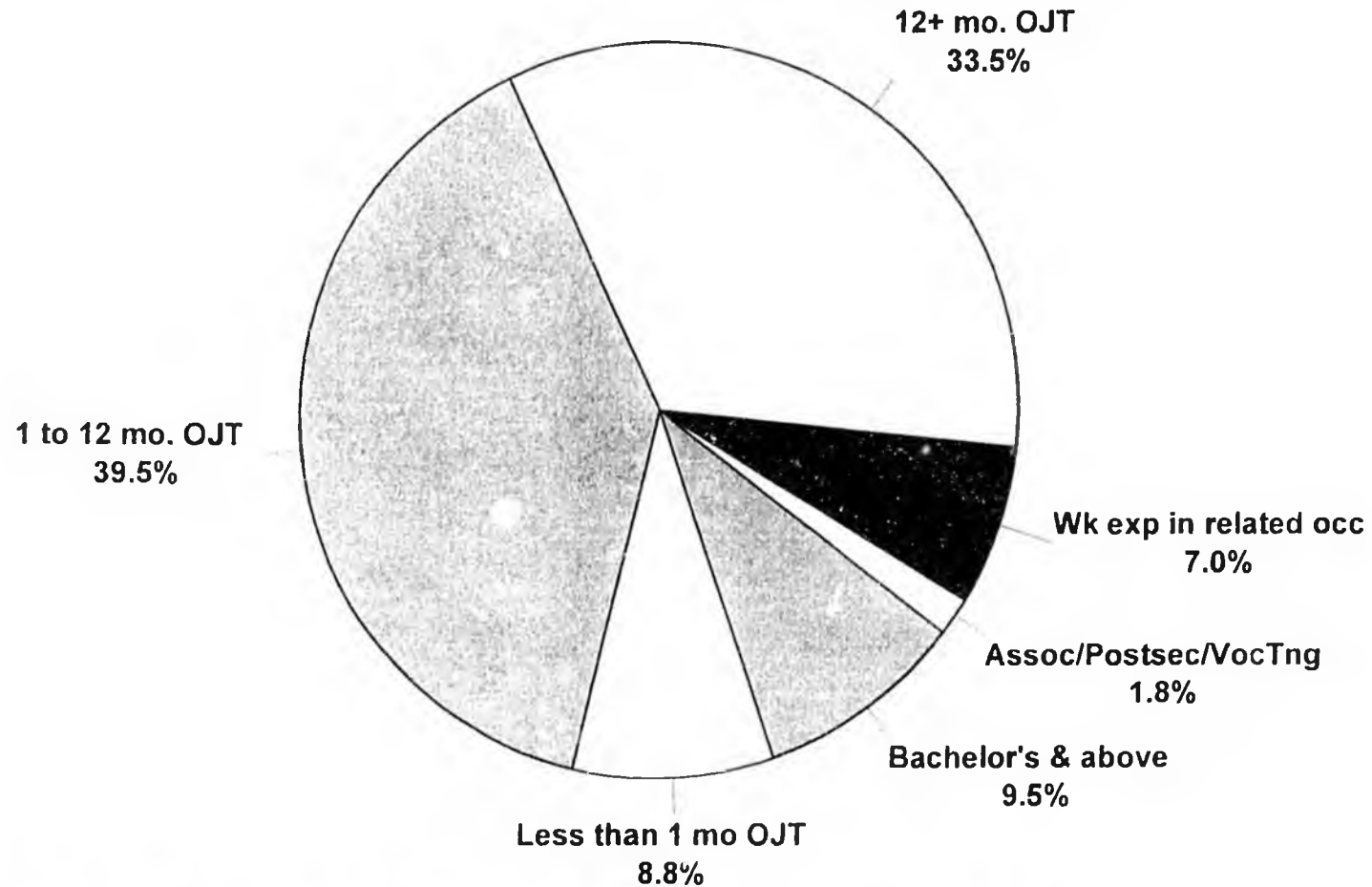


# Projected Employment Growth



# Alaska's Current Construction Jobs by Level of Required Education

Estimated 2002



<b>Problem Areas - Selected Crafts</b>	<b>Non-Resident Workers %<sup>13</sup></b>	<b>Workers 45+ %<sup>14</sup></b>
<b>Carpenters</b>	<b>17.4</b>	<b>30.1</b>
<b>Construction Laborers</b>	<b>16.8</b>	<b>22.6</b>
<b>Electricians</b>	<b>19.5</b>	<b>31.4</b>
<b>Plumbers, Pipefitters, and Steamfitters</b>	<b>17.6</b>	<b>29.2</b>
<b>Operating Engineers and Other Construction Equipment Operators</b>	<b>17.2</b>	<b>45.2</b>
<b>Construction Managers</b>	<b>16.7</b>	<b>56.3</b>
<b>Truck Drivers, Heavy &amp; Tractor-Trailer</b>	<b>14.7</b>	<b>42.2</b>

# Selected Crafts

• <u>Craft</u>	<u>Increase</u>	<u>Retirees</u>	<u>Non-Res</u>
Carpenters	528	1218	359
Laborers	627	679	245
Electricians	307	566	206
Plumbers	224	363	113
Op. Engineers	820	1032	197
Painters	129	150	128
Roofers	31	53	44
Supervisors/Mgrs	454	866	274
Const & Bldg Insp	55	100	29



# Selected Crafts - Continued

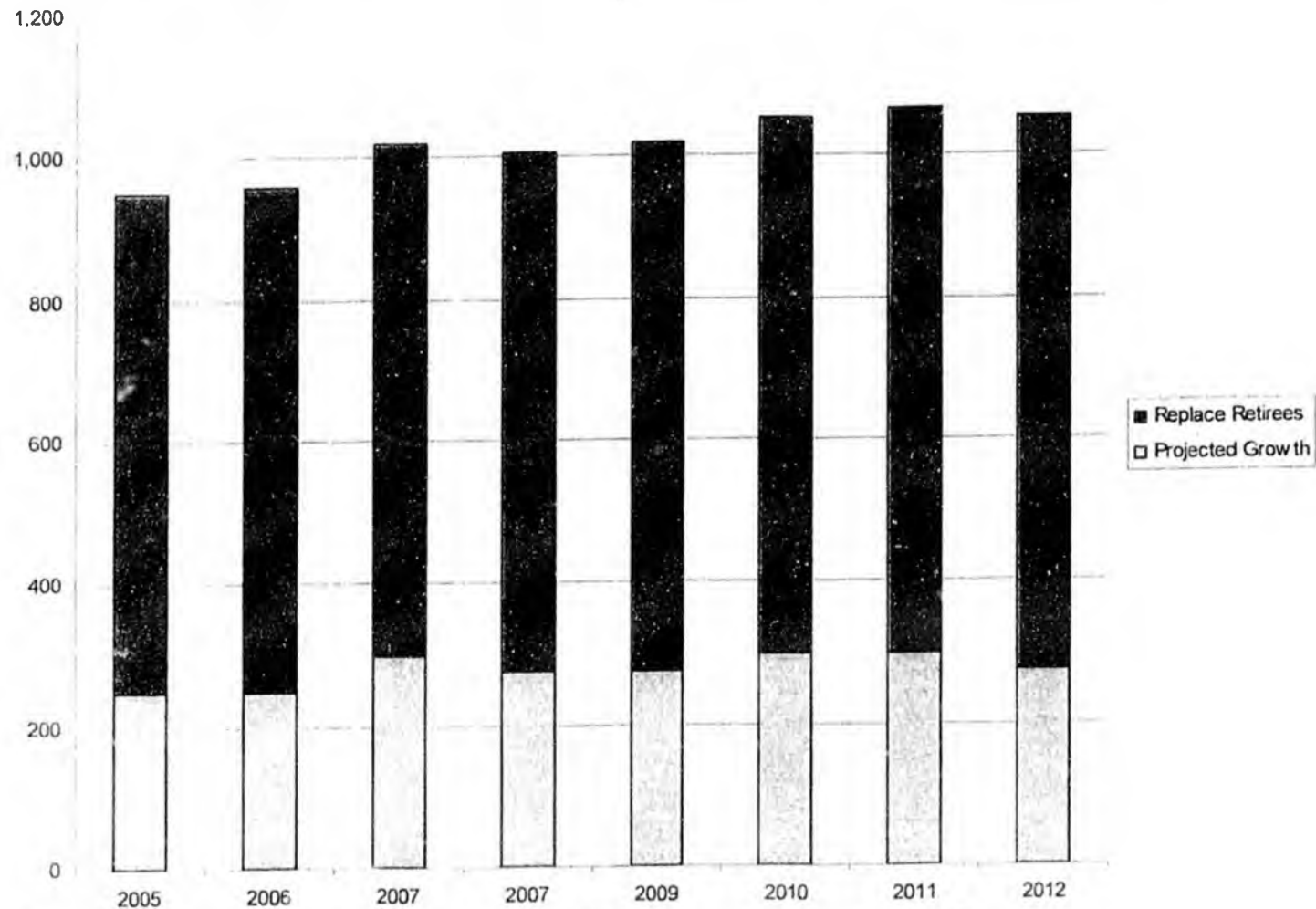
<u>Craft</u>	<u>Total Need</u>	<u>Annual Need</u>
Carpenters	2,105	210
Laborers	1,551	155
Electricians	1,079	108
Plumbers	700	70
Op. Engineers	2,049	205
Painters	407	41
Roofers	128	13
Supervisors/Mngrs	1,594	160
Const & Bldg Insp	184	18

# Selected Crafts - Continued

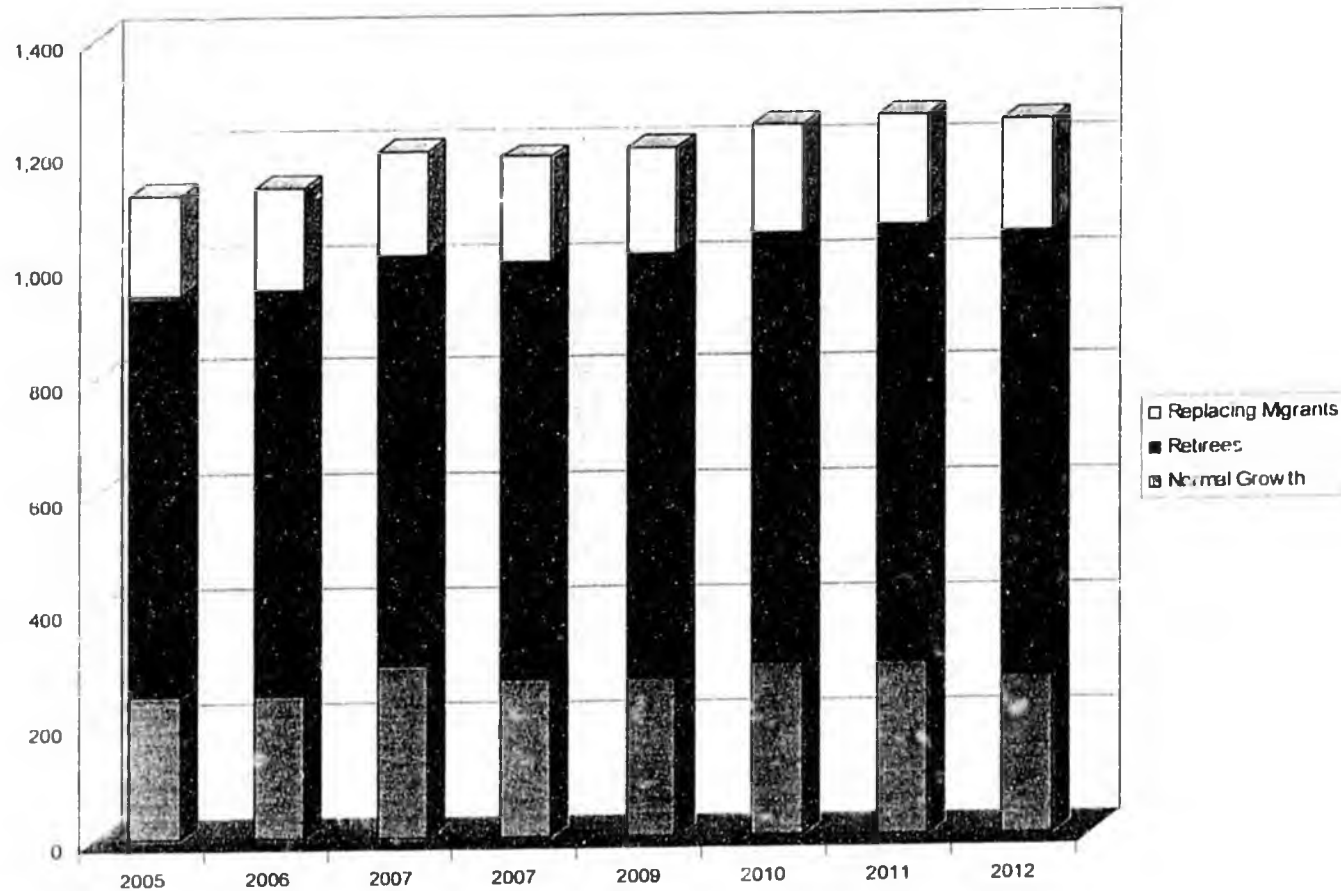
• <u>Craft</u>	<u>Total Need</u>	<u>Employment</u>	<u>%</u>
Carpenters	2,105	4,855	43%
Laborers	1,551	3,605	43%
Electricians	1,079	2,164	50%
Plumbers	700	1,492	47%
Op. Engineers	2,049	2,741	75%
Painters	407	909	45%
Roofers	128	394	32%



# Projected Labor Growth



# Projected Labor Growth – Including Reduction in Percentage of Non-Residents

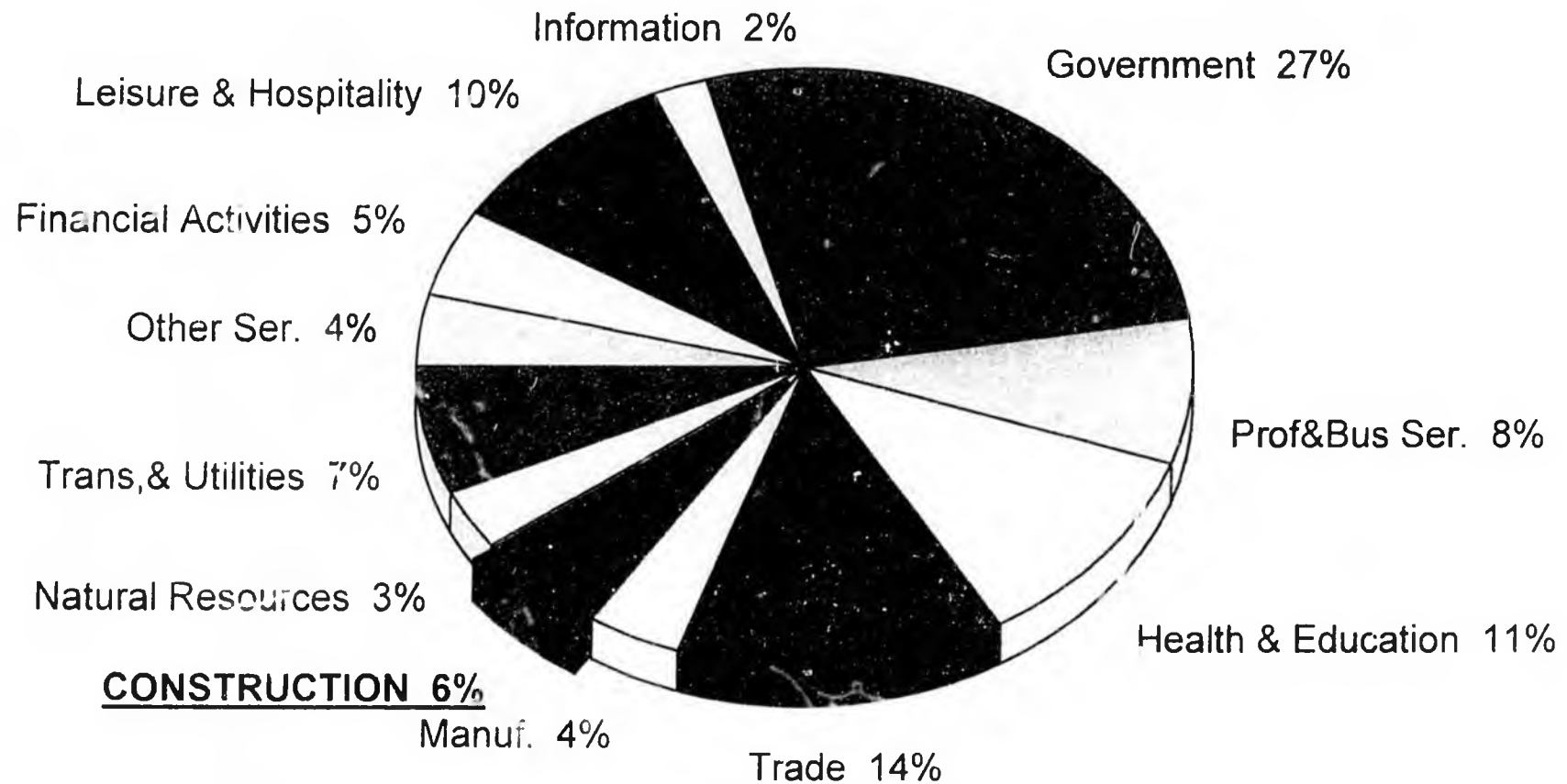


# Labor Needs Relative to High School Graduates

- High School Graduates –
  - Average 1999- 2003 7,000
- Number going to College 30%
- Available to enter workforce 4,900
- Construction Needs 2006 1,150
- Percentage of New Graduates Needed 23%



# Alaska's Construction Industry Employment 2004



Source: Alaska Department of Labor and Workforce Development, Research and Analysis.

# Potential Labor Shortages – Pipeline

Craft	Current	Pipeline
Plumbers, Pipefitters	1,492	450
Equipment Operators	2,741	2,100
Truck Drivers	293	1,700
Laborers	3,605	1,300



# Potential Labor Shortages

Plumbers & Pipefitters	30%
Equipment Operators	77%
Truck Drivers	580%
Laborers	36%



# What's Being Done

- Current Apprenticeship Programs
  - 1855 total apprentices
  - 798 Newly registered apprentices, 363 cancelled
  - 166 Completed Training in 2005
  - 15% of Need
- State Efforts
  - Long term strategy completed 2005
  - \$20 million training funds for Gas line



# What's Being Done

## ■ AGC Efforts

- Build Up
- NCCER
- UAA
- Career Academy – Mat-Su/AGC
- Construction Academy – AGC, DOLWD, ASD, AHB, AWP, CITC



# Alaska's Construction Spending

## 2007 Forecast

Fourth Annual Report  
for the  
**Construction  
Industry  
Progress Fund**  
and the  
**Associated  
General Contractors  
of Alaska**

By

Scott Goldsmith  
and Mary Killorin  
Institute of Social  
and Economic Research  
University of Alaska  
Anchorage

**CIPF**

Construction Industry  
Progress Fund



SKILL RESPONSIBILITY INTEGRITY



Dear Alaskans,

The Construction Industry Progress Fund (CIPF) and the Associated General Contractors of Alaska (AGC) are pleased to provide you with this Alaska Construction 2007 Spending Forecast.

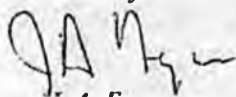
This vital, informative review and estimate of construction activity in the State of Alaska is in its fourth year of publication.

Compiled and written by Scott Goldsmith and Mary Killorin of ISER at the University of Alaska Anchorage, the forecast looks at construction activity, projects and spending by both the public and private sectors for 2007.

Construction is the third-largest industry in the state, pays the state's second highest wages, employs nearly 22,000 workers with a payroll over \$1 billion, accounts for 20% of Alaska's economy and currently contributes more than \$7 billion annually to the state's economy.

I hope you enjoy reading this publication. When the construction industry is vigorous, so is the state's economy.

Sincerely,



J. A. Fergusson  
CIPF President



## Overview

Total construction spending in Alaska in 2007 that "hits the street" will be \$7 billion, an increase of 7% from a revised figure of \$6.56 billion in 2006.<sup>1</sup>

However, construction spending excluding the oil and gas sector—which by itself will account for 38% of the total—will be down from \$4.525 billion to \$4.365 billion, a drop of 4%.<sup>2</sup>

Because of increases in the cost of materials during 2006, construction industry employment, narrowly defined, will be essentially flat in 2007 even though total

spending is expected to be higher than last year. Nevertheless, 2007 will be another very strong year for the construction industry, particularly among firms working for the oil and gas sector.

This year private-sector construction spending is projected to be \$4.55 billion, up 15% over 2006, driven by a 30% increase in spending by the oil and gas sector. Public spending will be \$2.45 billion, down 6% from 2006, due to a decline in federal spending that will not be totally offset by an increase in spending from state funding sources.

<sup>1</sup> Our original projection for 2006 was \$6.525 billion. We subsequently revised mining down slightly to reflect a slowdown in development of Kensington and Rock Creek mines. We increased our estimates of residential and commercial construction marginally to reflect higher construction costs. For the 2007 projection, we reclassified local road construction from state and local government to highways. The net effect was an increase of \$30 million.

<sup>2</sup> We define total construction spending broadly to include not only the construction industry as defined by the U.S. Department of Commerce and the Alaska Department of Labor but also other activities. Specifically, our construction spending figure encompasses all the spending associated with construction occupations (including repair and renovation, but excluding design and planning), regardless of the type of business where the spending occurs. For example, we include the capital budget of the oil and gas and mining industries in our figure, except for large, identifiable equipment purchases such as new oil tankers.

<sup>3</sup> A significant share of the state capital budget is for the purchase of equipment, for capitalizing funds such as the Power Cost Equalization Fund, and for various operating programs.

Uncertainty in the forecast for 2007 comes from several sources. The decline in the crude oil price in recent months may cause some firms working in the oil patch to re-evaluate their capital budget decisions and slow their rate of investment in exploration and development. All sectors of the industry are continuing to experience rapid increases in construction material costs that will undoubtedly cause some projects to be canceled or postponed, as has been the case in the last several years.

Public construction spending estimates are complicated by the fact that a federal budget for the 2007 fiscal year, which began in October of last year, has yet to be passed. In the absence of a budget, federal agencies have generally planned on program funding at the same

level as last year. That could change when the budget is finally passed. The state capital budget enacted for 2007 is much larger than in it was in 2006, but the new governor may decide not to fund or to delay the funding of some projects it contains.<sup>3</sup>

As in past years, some firms are reluctant to reveal their investment plans, because they don't want to alert competitors, and some have not completed their 2007 planning. Large projects often span two or more years, so estimation of cash that will "hit the street" this year is difficult. And tracing the path of federal spending coming to Alaska without double counting is a challenge. We are confident of the overall pattern of the forecast, but some surprises should be expected, as is always the case.

## Alaska Construction Spending 2007 Forecast

	Level	Change
<b>PRIVATE</b>	<b>\$ 4,550,000,000</b>	<b>15%</b>
Oil and Gas	2,650,000,000	30%
Mining	195,000,000	-
Other Rural Basic Industry	20,000,000	-60%
Residential	750,000,000	3%
Other Commercial	350,000,000	8%
Hospitals	200,000,000	-9%
Utilities	385,000,000	-4%
<b>PUBLIC</b>	<b>\$ 2,455,000,000</b>	<b>-6%</b>
National Defense	570,000,000	-22%
Highways	425,000,000	-17%
Airports and Ports	360,000,000	9%
Alaska Railroad	100,000,000	25%
Denali Commission	100,000,000	-
Education	350,000,000	13%
Other Federal	365,000,000	-9%
Other State & Local	185,000,000	32%
<b>TOTAL</b>	<b>\$ 7,005,000,000</b>	<b>7%</b>

Source: Institute of Social and Economic Research

## **PRIVATE CONSTRUCTION**

Privately funded construction projects will account for about 65% of total construction spending in 2007. This represents a 15% increase in spending compared to the total of \$3.96 billion in 2006.

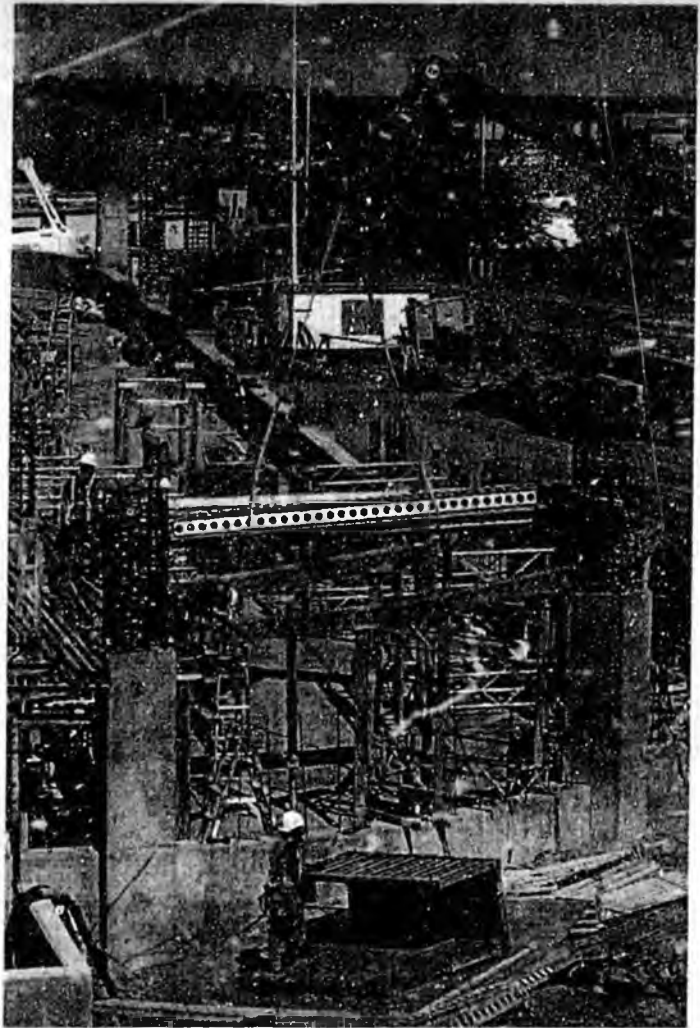
### **Oil and Gas: \$2,650 Million**

Spending in 2007 is expected to be about 30% above the level of last year due to an increase in exploration and development activity, primarily on the North Slope, by both the major producers and smaller independents. Although part of the increase is due to higher construction costs, the companies have announced plans to add additional workers and drill more wells. It is possible, of course, that some companies may re-evaluate their announced capital expenditures in light of crude oil prices, which have fallen significantly in the last few months.

The North Slope majors—BP, Conoco-Phillips, and Exxon—expect to invest over

\$1.6 billion in their Alaska operations in 2007. This will be concentrated on North Slope exploration and development because, unlike in past years, they will not be spending any of their Alaska capital budget on the purchase of tankers. Work will concentrate on, among other projects, the Alpine satellites, West Sak heavy oil, continued development of the Prudhoe Bay and Kuparuk areas, and construction of an ultra-low-sulfur diesel production facility. The completion date for the major reconfiguration of the trans-Alaska pipeline has been pushed back at least through this year, but netting that out of the total still leaves an increase in spending over last year for North Slope activity.

Activity on the North Slope by independents is up sharply from last year. We estimate spending will be \$813 million. Shell has announced plans to drill four offshore exploratory wells and undertake a significant seismic program. Other companies that have announced plans to drill include Eni, Anadarko, Pioneer, FEX, Brooks Range Petroleum, and Savant.



**Parking Garage, Ted Stevens Airport, Anchorage**

In Cook Inlet, we expect exploration and development spending by Chevron, Marathon, and others will be modestly higher than last year at \$182 million.

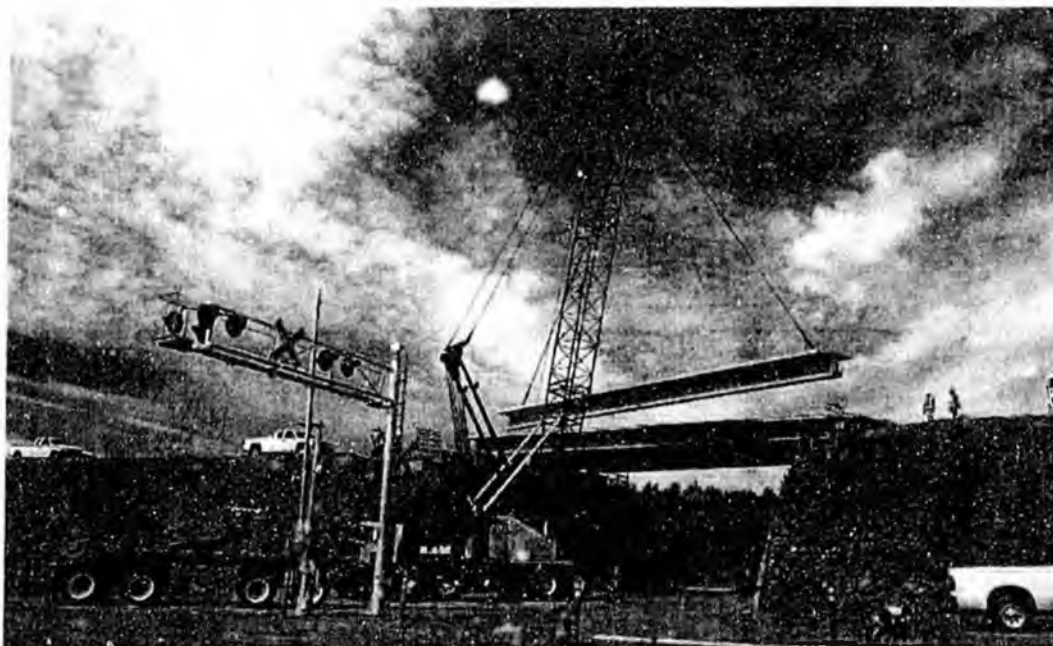
No significant new construction is anticipated at the refineries and other petroleum manufacturing facilities around the state.

### **Mining: \$195 Million**

We anticipate spending by the mining industry—on exploration, development, and construction of new mines as well as upgrading existing mines—to be about the same as last year.

The largest share of development spending will be devoted to the continued construction of the Kensington Mine near Juneau and the Rock Creek Mine outside Nome. Construction schedules for both have been delayed and are complicated by ongoing legal challenges.

Exploration work will continue to be centered at the Pebble prospect west of Anchorage and the Donlin



**Mile 276 Parks Highway**



*Nicholas J. Begich Middle School, Anchorage*

Creek prospect northeast of Bethel. Although development plans for one or both of these projects may be forthcoming in the near future, it is likely to be several years before construction could occur at either of these large mining prospects.

Most of the other large operating mines will have more modest construction budgets this year, including the Red Dog, Pogo, Ft. Knox, Nixon Fork, Greens Creek, and Usibelli mines.

Exploration continues at a number of different prospects, buoyed by high metal and energy prices.

### **Other Rural Basic Industries: \$20 Million**

Although no large construction projects have been announced for the tourism, seafood, timber, and manufacturing sectors this year outside of the urban areas, we expect that normal maintenance associated with existing facilities will result in about \$20 million in spending, down from \$50 million last year.

### **Utilities: \$385 Million**

Major telecommunication firm spending will increase

modestly this year, to \$160 million, and natural gas utility spending at \$23 million will also be higher because of a project to augment service to Fairbanks with LNG trucked from the North Slope.

Electric utility capital spending will be down from last year (at \$170 million) with the completion of the Golden Valley Electric Association capacity expansion.

Private freight facility expansion at Ted Stevens International Airport in Anchorage and small private port projects in the southeast will add about \$40 million to the total.

### **Hospitals: \$200 Million**

Non-military hospital construction is projected to be down slightly from 2006. The Providence Health System is projected to have the largest construction budget this year, and a new Veterans Administration clinic in Anchorage will be under construction.

Most other private, public, and nonprofit hospitals around the state have smaller expansion plans. The new hospitals planned for Nome and Barrow are on hold this year pending funding from the federal government.

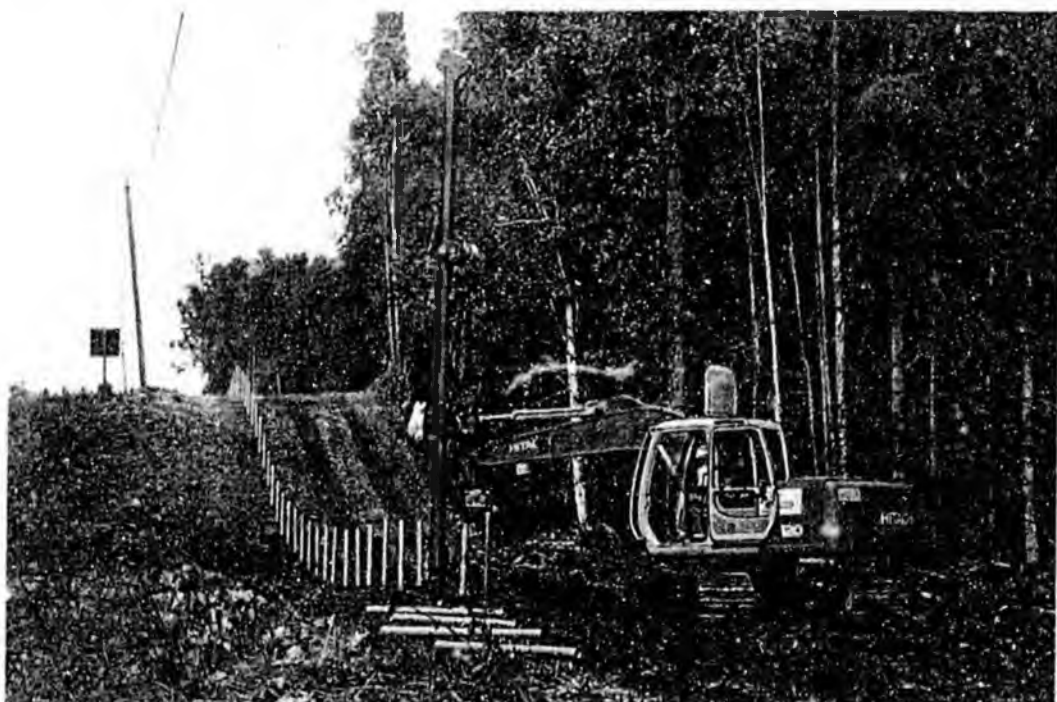
### **Other Commercial: \$350 Million**

Private commercial construction spending consists of a wide range of building types including retail, office, medical, hotel, and warehouse space.<sup>4</sup> Some spending is driven by both the size of and growth in the economy, but the level of spending in this sector tends to be somewhat volatile given the small size of most commercial real estate markets. A few large projects have a big influence on the total for the year.

We expect spending to be higher this year, at \$350 million, driven by a continued strong economy and a few large projects.

The largest projects are the expansion of the Anchorage museum and the new convention center. A number of large office buildings are also in various stages of planning,

<sup>4</sup> Our commercial construction figure is not comparable to the published value of commercial building permits reported by Anchorage and other communities. Sometimes municipal reports of the value of construction permits include government-funded construction, which greatly increases the total. We report all government construction in different categories. In addition, we have excluded hospitals, utilities, and private transportation facilities from our commercial total and reported them elsewhere.



*Fence Addition, Fort Richardson, Anchorage*

PHOTO COURTESY ACME FENCE

as are several large retail establishments, some of which are new to Alaska. However, the rapid increase in construction costs in the last several years will probably cause some developers to reconsider their plans.

Additional retail space will continue to be the most important component of commercial construction for the Mat-Su Borough.

Fairbanks commercial construction spending will be strong, as a result of population growth stemming from military expansion.

Activities in the other smaller markets of the state will be mixed, depending on local economic conditions.

### **Residential: \$750 Million**

Rising prices will drive total residential construction spending higher this year in spite of a softening of the market in response to those higher prices. The number of new units should be down from previous highs for this reason.

The higher prices will continue to shift demand away from single-family and toward multifamily and rehabilitation of existing units.

We will continue to see a shift in new residential construction in Southcentral Alaska—which accounts for about 80% of new construction—away from Anchorage and toward the Mat-Su Borough. Anchorage residential construction will be increasingly composed of multifamily units and higher-value single-family homes.

Activity in Fairbanks will be robust due to an increase in military personnel.

Activity in the rest of the state will be mixed, depending on local economic conditions. Juneau and the Kenai Peninsula, in particular, will see strong residential spending.

### **PUBLIC CONSTRUCTION**

Public construction spending in 2007 is expected to be about \$2.45 billion, down 6% from last year due to a modest decline in spending financed by the federal government.

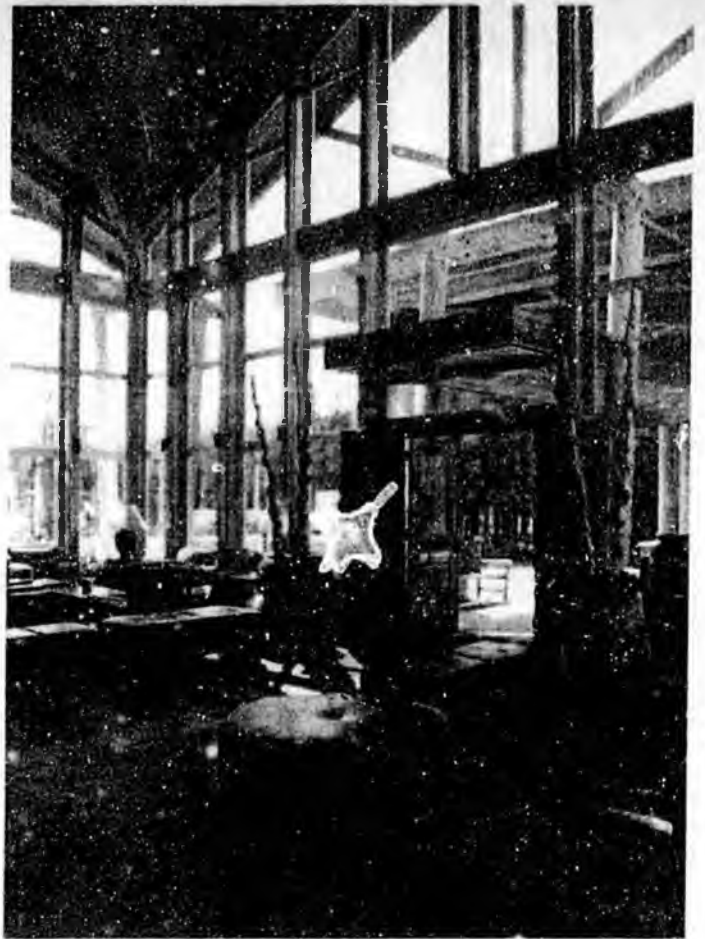
The majority of funding for public construction comes from the federal government, with smaller amounts from state and local sources financed by current revenues and bonds.

There are numerous ways to categorize public construction spending. For ease of collecting information about them, we have put them into eight categories.

### **National Defense: \$570 Million**

Defense spending will be down \$160 million from last year. The drop is due to completion of the large military hospital at Fort Wainwright and a decision to slow the pace of expenditure of funds for construction activities at the main Alaska bases.

This budget consists of all military expenditures for defense purposes, as well as Corps of Engineers spending for environmental remediation and civil works—such as flood control. In recent years

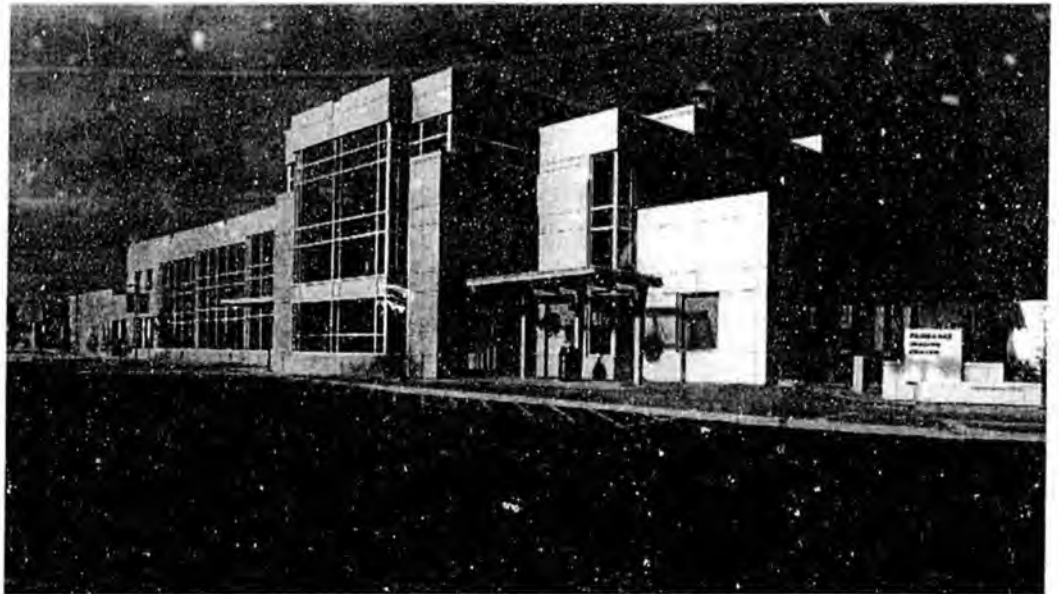


*Canyon Lodge, Denali National Park*

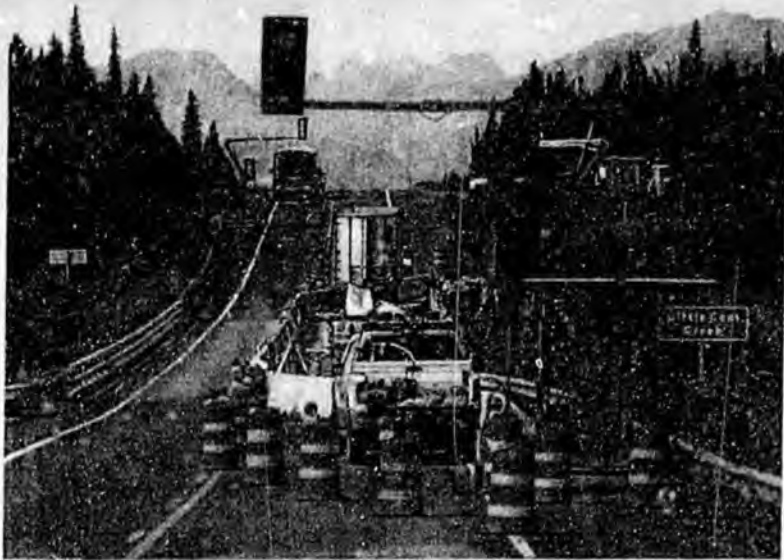
Alaska has benefited from an exceptionally large share of the total defense budget, and that is likely to remain high for several more years. In 2005 Alaska received over 7% of the entire budget of the Army Corps of Engineers, making Alaska the third largest recipient of Corps of Engineers construction dollars.

### **Highways: \$425 Million**

Although the amount of federal money authorized for highway construction in Alaska has increased in recent years, actual expenditures this year are expected to be down about \$25 million from last year.



*Fairbanks Imaging Center*



**Little Coal Creek, Parks Highway**

Federal funding will be down \$125 million. This is due to uncertainty over the use of funds that have been earmarked in federal legislation for two large Alaska projects—the bridge over Knik Arm in Southcentral Alaska and the bridge between Ketchikan and Gravina Island in Southeast.

The drop in federal funding will be partially offset by an increase in funding from state sources of \$41 million.

### **Airports and Harbors: \$360 Million**

The budget for airports and harbors will be up \$30 million from last year to \$360 million.

As in past years, the largest share of funding comes from about \$200 million in federal funds from the Federal Aviation Administration. This will be spent on airport construction projects in the \$5- to \$10-million range throughout the state.

Spending at the major airports in Anchorage and Fairbanks will be \$110 million, up \$20 million from 2006. Most of the activity will be at the Ted Stevens International Airport in Anchorage, but a major upgrade at Fairbanks International Airport will get underway this year as well.

Spending at the Anchorage Port will be \$36 million on renovations and upgrades. The port is still in the process of putting together its large-scale expansion project, which will cost upwards of \$300 million. This will boost construction spending for airports and ports in future years.

State funded projects will add \$10 million to the total.

### **Alaska Railroad: \$100 Million**

The capital construction program for modernizing and upgrading the Alaska Railroad will continue this year at an increased level, up from \$80 million last year. Funding will come from a variety of federal

sources as well as retained earnings. The focus of the program this year will be on track rehabilitation, siding extensions and upgrades, bridge replacement and upgrades, passenger equipment, and a collision avoidance system.

### **Denali Commission: \$100 Million**

Spending by the Denali Commission, created by Senator Ted Stevens to more efficiently direct federal capital spending to rural Alaska's infrastructure needs, will be about the same this year as last.

The commission is moving into the funding of transportation projects, including roads and waterfront development. It continues to fund energy projects—including bulk storage units—and health facilities. Development work has begun on hospitals in Nome and Barrow but construction is not expected to begin this year.

The Denali Commission's inventory of project needs is quite long, and we can expect a continuation at least at the current level as long as there is federal support for this program.

### **Education: \$350 Million**

Education funding will be \$30 million higher than last year.

Primary and secondary funding is estimated to be \$225 million, funded by state grants and local bond authorizations for school construction and maintenance. An additional \$20 million is locally funded.

The state school construction priority list contains projects totaling more than \$1 billion for both construction and maintenance, so K-12 education spending should continue to be strong in the coming years.

University of Alaska construction projects will total \$105 million, concentrated in



**Ketchikan Dock Replacement**

PHOTO COURTESY WEST CONSTRUCTION



PHOTO COURTESY KEN GRAHAM PHOTOGRAPHY

***Afognak Native Corporation, Alutiiq Center, Anchorage***

Anchorage with work on the new integrated science building. Other capital spending will be spread among the campuses at Fairbanks, Juneau, and elsewhere.

**Other Federal:  
\$365 Million**

National defense; transportation spending for roads, airports, and ports; and the Denali Commission make up the largest and most visible part of federal construction spending in Alaska. We forecast an additional \$365 million of federal capital spending in Alaska for other types of projects.<sup>5</sup> This is down from \$400 million last year.

<sup>5</sup> It is difficult to track all the federal dollars that find their way into construction spending in the state because there are so many pathways, and they change every year. The possibility of double counting funds as they pass from agency to agency, or become part of a larger project, also creates difficulties for the analyst.

In a normal year, most of the state capital budget is funded by federal grants. Excluding transportation projects, the largest category is rural sanitation projects, based on grants from the Environmental Protection Agency, Indian Health Service, and other federal agencies. This initiative will be contributing \$100 million to state construction spending—\$10 million more than last year—to fund the village safe water program. Other state departments with significant federal funding for capital projects include Commerce, Natural Resources, Veterans Affairs, and Public Safety.

The federal government also provides grants and other construction funding to Alaska tribes, nonprofit organizations, and local governments across the state. The most important recipients

of these grants are Native nonprofit corporations, housing authorities, and health care providers. The largest single program is the Native American Housing Self Determination Act (NAHSDA) that provides funds for housing construction in Native communities through a large number of Native housing authorities throughout the state. Grants for health care not associated with a hospital or passing through the Denali Commission are also counted here. We expect spending for these programs to be down from \$150 million last year to \$120 million this year.

We expect the level of direct construction spending by other federal departments to be down significantly from last year—from \$110 million to \$70 million. This includes construction spending by the Department of the Interior (the National Park Service, U.S. Fish and Wildlife Service, and Bureau of Land Management), the Postal Service, the Department of Agriculture, and the National Oceanic and Atmospheric Agency (NOAA). For example, the Barrow Climate Change Laboratory is still waiting for funding to move forward.

**Other State  
and Local:  
\$185 Million**

Other state and local government capital spending from own sources (not federal or state) will be \$185 million, an increase of \$45 million from 2006.<sup>6</sup>

We expect state-funded construction spending that is neither based on federal grants nor related to transportation or education to be about \$80 million, a significant increase from the previous year due to the large size of the 2007 fiscal year capital budget. These projects fall primarily in the Departments of Commerce, Community, and Economic Development, Health and Social Services, Corrections, Military Affairs, and Public Safety. A new prison, estimated to cost \$300 million, is in the planning stages, but is unlikely to be under construction until 2008.

Local government capital spending, from both general and enterprise funds, is estimated to be \$105 million. The largest component in this category is the Anchorage Water and Wastewater utility, which plans to spend \$62 million this year.

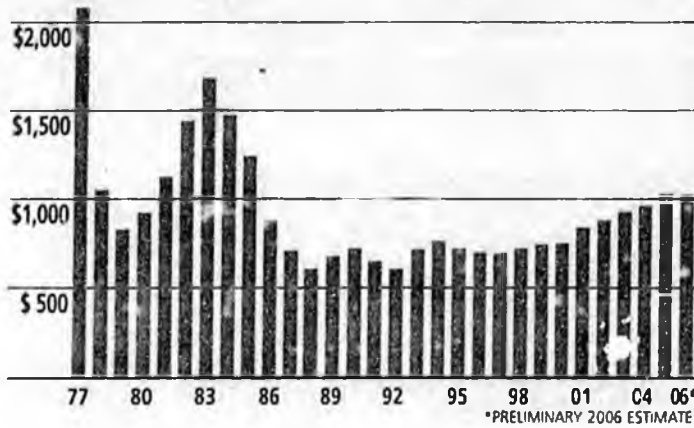
<sup>6</sup> This category excludes state and local spending for education, highways, airports, and ports.



***Orthopedic Physicians Building, Anchorage***

## Construction Industry Payroll

In Millions of 2005 Dollars



### WHAT'S DRIVING SPENDING?

Construction activity—measured by total spending, jobs, payroll, or gross product—has experienced strong growth for more than a decade, driven largely by growing federal capital grants to Alaska, large federal agency capital budgets, and oil and gas spending.

These large external sources of construction funds not only fuel public spending and oil patch spending but also give a general boost to the economy—and thus add to the aggregate demand for new residential, commercial, and private infrastructure spending.

This growth is evident in the construction industry payroll (Alaska Department of Labor) shown in the graph above, which surpassed \$1 billion in 2005 for the first time since 1985. The values in years before 2005 are adjusted upward to account for inflation.

### CONSTRUCTION IN THE OVERALL ECONOMY

Construction spending is one of the important contributors to overall economic activity in Alaska. It supports firms not only in the construction industry itself but also construction activity



PHOTO COURTESY AMERICAN MARINE CORPORATION

Sitka Blue Lake Hydroelectric Project

“hidden” in other sectors of the economy such as oil and gas and mining.

In addition, construction spending generates activity in a number of industries that provide input to the construction process. These “backward linkages” include, for example, sand and gravel purchases (mining), equipment purchase and leasing (wholesale trade), design and administration (business services), and construction finance and management (finance).

When the “hidden” construction activity and the “backward linkages” are

included, the contribution of construction spending to the economy is considerably greater than is reflected in Alaska's Gross State Product.

Measured by Gross State Product (GSP), the construction sector is only 5% of the economy (see chart below). But this consists mostly of the payroll of construction firms and does not reflect either construction “hidden” in other sectors or “backward linkages” to other industries. Including these would significantly increase the importance of construction as a component of GSP.



Mile 1 Seward Highway

### Alaska Gross State Product 2005: \$39 Billion



Source: U.S. Department of Commerce

Cover: Den'aina Civic & Convention Center, Anchorage

All photos by Danny Daniels Photography unless otherwise noted

# AEDC 2006

## Workforce Development Conference Report



**ANCHORAGE**  
Economic Development  
Corporation

## Message From The President of AEDC

In a short time, our state will likely be facing a critical shortage of qualified workers. This shortage will be caused by a growing Alaska economy, potential gas pipeline construction, increased capital project development, increased oil and gas development, and an aging workforce.

On October 9, 2006, the Alaska Workforce Development Conference was held. Our approach to this conference was to bring together the many different organizations in Alaska that have been working to help address the workforce challenge. The intent was to encourage synergies between them and to develop solutions with them that would help ensure Alaska can meet the upcoming employment challenges. Included in this report are a proposed set of concrete action steps that the next administration, the next Legislature, and we as Alaskans can take to make this problem a great opportunity for our state.

Combining our strengths statewide towards solving our workforce challenges will be critical to a bright economic future for Alaska. The time lag inherent in meeting future workforce needs requires this issue be a primary agenda item for our next Governor, their administration, and the 25<sup>th</sup> Alaska Legislature. Alaska's workforce challenge must also be at the top of mind for Alaskan residents, our leaders, and the companies doing business here; each of us has a role to play.

In order to meet our goal, the day opened with attendees hearing from a panel of experts who discussed current efforts and analysis on the Alaskan workforce challenge in order to establish a common base of understanding for all participants.

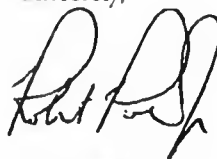
Immediately following, a total of four break-out periods were held on recruitment, training, employment, and funding. For each topic a facilitator led the discussion on what tactics are working, what are missing, and brainstormed strategies that addressed the problems identified. At the end of the day, the entire group came back together to vote on the proposed solutions in order to develop a strategy the next administration and Legislature could take to meet Alaska's workforce development challenges.

Lunch time and breaks provided the opportunity to learn more about what others are doing to address the workforce development problem in Alaska through exhibits and other displays.

This report includes many elements from the work accomplished on October 9. A total of four action statements passed with 75% voter approval, while two did not meet that standard. For your information, we have included all six of the proposed action items. Also included is an overall conference description and summary of presentations that were discussed. In addition, we have included results from a survey we conducted in the early planning stages, which guided us when choosing what subjects to focus on during the conference. Lastly, a list of all action statements proposed during the breakout sessions is included.

We look forward to sharing the work our participants have completed on the subject as well as working with you to implement and find solutions to Alaska's workforce development issues.

Sincerely,



*Robert G. Poe,  
President and CEO,  
AEDC*



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For more information on  
workforce development in  
Alaska, please call AEDC at:  
(907) 258-3700 (Anchorage)  
(800) 462-7275 (Statewide)

Online visit [www.aedcweb.com](http://www.aedcweb.com)



**ANCHORAGE**  
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## Action Statements and Approval Ratings

### Passed

1. Establish a career and technical education outreach program where employers partner with the State of Alaska, the University of Alaska, local schools, and tribal partners to assist students (P-16), parents, out-of-school youth, and employed/unemployed Alaskans to learn about training, internship, apprenticeship, and employment opportunities. Provide tax credit to encourage employers where possible. (passed by 96%)
2. Build on ALEXSYS and appropriately market an internet-based training and employment clearing center to help students and unemployed Alaskans find training and employment opportunities; and employers find qualified employees and candidates for training programs. (passed by 85%)
3. Establish, in collaboration with private sector employers, a clearly articulated career and technical education program that:
  - Is funded over the long term,
  - Utilizes existing education facilities more fully including evenings, weekends, and summers,
  - Uses a broad range of educational resources, not limited to the University of Alaska,
  - Includes a broad range of options including apprenticeship, internship, and private career and technical education programs,
  - Specifically targets rural Alaskans, and out-of-school youth, and
  - Use distance learning capabilities where available. (passed by 96%)
4. The Governor and Legislature should restructure the Alaska Workforce Investment Board (AWIB) by establishing a direct reporting relationship to the Governor, making it industry driven, and establishing full time professional staff to support the Board. (passed by 83%)

### Failed

1. State of Alaska should support the student loan program and consider funding a loan forgiveness program in certain strategic fields. (failed 69% of vote - needed 75% to pass)
2. All State of Alaska capital spending should require use of apprentices from accredited apprenticeship programs. (failed 45% of vote - needed 75% to pass)

## Workforce Development Conference Overview

Recognizing the impact of statewide workforce issues that will face Alaska over the next decade, AEDC took a proactive approach by hosting a one-day conference for residents to gather and discuss solutions.

The goal of the conference was to bring together different organizations that have already begun to address the issue; to create a clear plan of action and to ensure that workforce development is a top agenda item for the next administration.

To determine the issues and topics of the conference, AEDC conducted a statewide poll of community leaders inquiring the priorities of Alaska's workforce development needs.

The conference program included presentations from Commonwealth North, University of Alaska, AFL-CIO, Cook Inlet Tribal Council, Associated General Contractors and a report from the "Putting Alaskans Resources to Work" (PARW) initiative.

With over 100 Alaskans attending, representing 75 organizations and businesses and 12 communities from Barrow to Juneau, the AEDC Workforce Development Conference was a success.

## Summary of Presentations

### Commonwealth North White Paper on Workforce Development

*Alice Galvin, BP*

*Jeff Staser, Staser Group*

68,000 Alaska jobs, from all sectors of our economy, are held by non-residents. In other terms, 30% of the market of private sector jobs goes to non-residents. Meanwhile, Alaska's unemployment rate is about 50% above the national average. With no overarching state plan to shape our economic future, our workforce development efforts have become reactive rather than proactive.

This has become a problem that all Alaskans need to address, not just government alone. The goal of workforce development is to increase income for individual Alaskans who live in or are born in Alaska. There are four key components that will help us accomplish this; economic development, workforce development and training, healthy communities, and education, all incorporated into a shared community vision.

Ten recommendations are proposed:

1. The Governor must set clearly quantified targets for Alaskan participation in quality jobs.
2. Utilize the full capacity of the Alaska Workforce Investment Board (AWIB).
3. Establish an economic development plan for Alaska that integrates workforce development, education, and healthy communities.
4. Ensure all funding spent on workforce development includes integration with economic development, healthy communities, and education reform efforts.
5. Establish an Information Clearinghouse within AWIB that will have three major components: Information Base, Evaluation, and Technical Assistance.
6. Force strong alignment between the Department of Labor and Workforce Development and the Department of Commerce and Economic Development.
7. Reconfigure the educational system.
8. The Board of Regents and the Board of Education must coordinate and align their goals.
9. Promote healthy communities.
10. The interest, participation, and enthusiasm of industry must be engaged in Alaska's future workforce development.

## **Vocational Education White Paper on Workforce Development**

*Mary L. Madden, Madden Associates*

Vocational education is becoming increasingly important to building Alaska's workforce. University of Alaska enrollment in high demand occupation programs has continued to rise year over year leading to increased community college functions, funding, and business/industry partnerships. In addition, career and tech centers, private postsecondary programs, and adult program funding has become more readily available.

Recommendations to boost Alaska's output of vocation educated workers includes establishing stable and sufficient funding, incorporating high academic quality in secondary programs, enhancing industry involvement, and providing career education early in the process.

## **Labor's Perspective on Workforce Development**

*Vince Beltrami, AFL-CIO*

Labor sees the workforce development challenge rooted in replacing and replenishing the aging workforce in preparation to build mega projects. The key barriers Alaska is facing is a shortage of skilled workers and educated applicants, diminished funding of voc-ed schools, bigger K-12 classrooms, the inability to attract qualified teachers, and spiraling drop out rates, all compounded by a lack of a comprehensive plan.

New ideas that should help solve the workforce challenge from a labor standpoint include articulation agreements with schools and districts around the state, a state funded pipeline training facility in Fairbanks, and a construction academy at the King Career Center.

## **Alaska Native Perspective on Workforce Development**

*M.J. Longley, Cook Inlet Tribal Council*

Alaska boasts the nation's largest indigenous population per capita; one in five residents are Alaska Native. We must also keep in mind the contribution that Alaska Native organizations make to the development of Alaska's workforce. In 2005, of the top 100 largest private employers in Alaska, 17 were Native-owned. In addition, ten of the top 22 nonprofit employers were Native organizations.

Although close to half of Alaska Native men and women are working, the difference in wages between Alaska Natives and non-Natives is \$17,000 per year. Employing poverty criteria, 20% of Alaska Native households fall below the poverty line compared with 7% of non-Native households. Unemployment rates continue to be significantly higher for Alaska Natives than non-Natives as well.

CITC places a high value on the critical need for Alaska Natives to attain transitional skills, to transfer rural skills to an urban employment environment, and to transport workforce skills to any location by exercising employment options available to the majority of Alaskans. CITC is currently seeking support for additional vocational training centers in urban centers impacted by the high mobility and in-migration of rural Alaska Natives; increased capacity to recruit and train Alaska Native workers in high growth industries; and a provision of career guidance in Alaska schools and colleges; and a focus on prioritizing opportunities for Alaska's growing out-of-school youth population.

## **Putting Alaska Resources to Work**

*Colleen Ward, XCEL*

*Dave Rees, BP*

Many upcoming projects in Alaska including the natural gas pipeline, Cook Inlet gas and oil development, and mining, will require a huge number of workers for construction, but for fewer legacy jobs. These legacy jobs, which are "goods-producing," are not the growth leaders but are among the best paid and promise a long career.

Four strategies have been identified in order to put Alaska resources to work:

- engage the stakeholders
- train the workforce
- employ skilled Alaskans
- adaptively sustain the system

By engaging the stakeholders, we can provide career education and enhance industry recruitment and public awareness, while increasing funding. In order to train our workforce, we must integrate career and technical education into K-16, fill postsecondary gaps, retrain, and capitalize on retirees. By aligning the availability with the needs and focusing on placement, we will employ our skilled laborers. Lastly, by achieving stable and just-in-time funding, we can adaptively sustain our workforce.

## Appendix of Supporting Research

### Preliminary Survey Results

The results from the following survey determined the direction of the Workforce Development Conference held in October 2006. Respondents were asked to rate how important each issue was to the future of Alaska.



**Responding effectively to large capital projects on Alaska's horizon – i.e. – natural gas pipeline, Pebble Mine, Pogo Mine, Kensington Mine, Port of Anchorage, etc.**

85.3% Very Important  
11.9% Somewhat Important

**Employing Alaska's next generation – making sure that professional jobs are available for college graduates that are seeking opportunities in Alaska.**

78.9% Very Important  
21.1% Somewhat Important

**Creating/expanding programs that encourage high school students to seek certifications and degrees in the technical fields.**

67.9% Very Important  
26.6% Somewhat Important

**Keeping young professionals in Alaska in an effort to replace retiring baby boomers.**

67.0% Very Important  
26.6% Somewhat Important

**Avoiding economic downturn once large projects are completed.**

67.9% Very Important  
22.9% Somewhat Important

**Increasing Alaskan hires.**

59.6% Very Important  
35.8% Somewhat Important

**Maintaining workforce for existing Alaskan companies during heated economic times and having an adequate workforce for minimum wage jobs.**

47.7% Very Important  
37.6% Somewhat Important

**Implementing a P-20 educational system to improve links between interdependent parts of the education system, such as that between high school and college.**

37.6% Very Important  
39.4% Somewhat Important

**Implementing guest worker program J1 Visa – enhancing international relationships and encouraging work visas for international students while they are in Alaska.**

10.1% Very Important  
47.7% Somewhat Important

## **Issues and additional action statements discussed at the October 2006 Workforce Development Conference**

*(Listed in no particular order)*

**Reinstate student loan forgiveness and/or provide  
affordable student loans**

**Identify appropriate skill tests and measure standard**

**Cooperation between vocational groups**

**No Child Left Behind Act displaces emphasis**

**Fix the Alaska Workforce Investment Board (AWIB)  
and listen to it**

- Empower it
- Make it actionable
- Follow its recommendations

**Adequately fund secondary, career, and technical  
education**

**Common vocabulary through out the system**

**Market Alaskan opportunities locally**

**The state should require that every state job offer  
a registered apprenticeship program to help others  
learn business skills**

**Develop a program where employers go into classrooms  
and share with students what it is like to do different  
jobs, offering students insight into different careers**

**Generate exciting career fairs for middle school  
and high schools**

**Find alliances between**

- Providers
- Suppliers
- Employers
- Job Seekers

**Start early learning programs**

Meet constitutional requirement to fund the connection of the P-16 thru Adult Learner system

**Use career resource counselors and bring in the community to convey message of career pathways including non-college track starting in elementary school**

**Leverage resources that understand multi-generational appropriate messages (i.e. Generation X, Generation Y)**

**Increase compulsory education age to 18 years or H.S. diploma**

**Conduct a comprehensive inventory of Alaska jobs**

**Use governor's office to profile/promote math/science achievement and employability skills in our schools**

**Industry re-educate itself on what skills are really needed for positions**

**Industry to increase flexibility to work with employees' job descriptions as their life situation and job skills change**

**Need training facilities in rural Alaska, i.e. teaching facilities w/ housing**

**Tax credits/incentives and grants for industry to partner with education/training providers**

**Build and fund partnerships/coalitions to utilize existing infrastructure between individual entities and industry**

**Partner/Fund program to educate high school students about options beyond university – CTE (sophomore year & beyond)**

**Clear statewide vision of a complete education package and adequate funding (Career Technical Education CTE)**

**Recommend legislative bill that a percentage of state general fund revenue will go towards CTE**

**P-16 strategy that recruits and retains students and teachers**

**Better utilization and provision of distance delivery capabilities**

**Develop workforce collation around common areas and recommendations**

**Increase Accreditations**

**Earmark Career and Tech education/Vocational education training**

**Industry contribution (based on ROI)**

**Make it clear that everyone is responsible for funding**

**Long term funding strategy, identify needs/amounts, and ROI-payback**

**After hours instruction and training for high school and OSY (out of school youth)**

**UAA become a year round school in all fields**

**Postsecondary/ University- Fast track (TVC)  
Extend school year, extend school hours. We add more and more to teacher plates and not enough time to teach the curriculum**

**Support and build quality trainers and retain the ones we have**

**Give incentive for employers to train**

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Mike Andrews,  
*Director,*  
*Alaska Works Partnership*

Dick Cattanach,  
*Executive Director,*  
*Associated General*  
*Contractors of Alaska*

Jan Gehler,  
*Dean of Community and*  
*Technical College,*  
*University of Alaska*

Alice Galvin,  
*Manager of Talent and*  
*Learning, BP*

Colleen Ward,  
*APIC-PARW Consultant,*  
*XCEL*

## A Special Thank You To The Following Volunteers

Steffi Anderson,  
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Danielle Brulotte,  
*Dimond High School*

Josh See,  
*Service High School*

Sarah Strahle,  
*Dimond High School*

Stella Josephine,  
*Buy Alaska*

Rachel York,  
*Buy Alaska*

## A Special Thank You To Our Steering Committee

Mike Higley,  
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*ACVB*

Carol Comeau,  
*Anchorage School District*

Sandra Halliwill,  
*BP*

Sophie Minich,  
*CFRI*

John Palmatier,  
*Alaska Regional Council*  
*of Carpenters*

Statement In Support of House Bill 2  
An act relating to the vocational education account

Our member school districts endorse the goal of expanding vocational education opportunities for Alaska's young people. Under the current foundation formula for K-12 schools, the state earmarks 20 percent of its financial support for special education, bilingual education and vocational education programs. In the face of chronic federal funding shortfalls for the Individuals with Disabilities Education Act (IDEA), the 20 percent earmark leaves most school districts with few financial resources to address any program other than that mandated for special education students. Thus, a fund that collects and distributes financial support for vocational education would be welcomed by our member districts.

For further information, contact:

Carl Rose, Executive Director  
586-1083 or [crose@asb.org](mailto:crose@asb.org)



March 8, 2007

Mr. Mark Neuman  
Representative  
House of Representatives  
Room 432  
State Capitol  
Juneau, AK 99801-1182

Dear Representative Neuman,

I am writing to you to express my support for House Bill No. 2, "An Act related to the vocational education account and appropriations from that account; and providing for an effective date." HB 2, if passed, would be a major step forward in strengthening vocational education across Alaska. I strongly believe that investing in vocational education today will result in a more prosperous and healthy Alaska in the future.

We have an opportunity to build a highly educated and highly skilled workforce so long as our citizens and businesses are willing to invest in vocational and technical education. These investments will increase the number of students who complete high school and go on to postsecondary career and technical training, and will better prepare our state for the future in a highly competitive global economy.

Your bill provides a simple way for government to invest in secondary and postsecondary vocational education. In order for Alaska is to prosper and be a great place to live in the years ahead, we must invest in vocational education now. Please let me know how I can help.

Sincerely,

Mike Andrews  
Director

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**Alaska State Chamber of Commerce**  
**2007 Priority**  
**Support for Excellence in Education**

The Alaska State Chamber of Commerce has strongly supported excellence in education, making it a top priority in the Chamber's legislative agenda. In times of economic decline, state investment in education is critical to address the needs of its citizenry. In times of economic prosperity, state investment in education assures a strong and vibrant economy, providing economic development through a trained and educated workforce. There has never been a more opportune time to step forward and fully support and promote education in Alaska, from pre-kindergarten through post-doctoral. The Alaska State Chamber of Commerce urges the Administration and the Legislature to support Alaska's educational needs to meet the demand for a strong and viable economy and citizenry.

**Action Items:**

Establish a career and technical education outreach program where employers partner with the State of Alaska, the University of Alaska, local schools, and tribal partners to assist students (P - 16), parents, out-of-school youth, and employed/unemployed Alaskans to learn about training, internship, apprenticeship, and employment opportunities. Provide tax credit to encourage employers where possible.

Build ALEXSYS and appropriately market an internet-based training and employment clearing center to help students and unemployed Alaskans find training and employment opportunities; and employers find qualified employees and candidates for training programs.

Establish, in collaboration with private sector employers, a clearly articulated career and technical education program that:

- Is funded over the long term,
- Utilizes existing education facilities more fully including evenings, weekends, and summers,
- Uses a broad range of educational resources, not limited to the University of Alaska,
- Includes a broad range of options including apprenticeship, internship, and private career and technical education programs,
- Specifically targets rural Alaskans, and out-of-school youth, and
- Use distance learning capabilities where available.

The Governor and Legislature should restructure the Alaska Workforce Investment Board (AWIB) by establishing a direct reporting relationship to the Governor, making it industry driven, and establishing full time professional staff to support the Board.