

**HB**

**2**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 5/2/07

FURTHER:

DATE TURNED  
IN TO OFFICE: \_\_\_\_\_

Finance Committee considered

HOUSE BILL NO. 2

HB 2 VOCATIONAL EDUC ACCOUNT

"An Act relating to the vocational education account and appropriations from that account; and providing for an effective date."

and recommends:

- be replaced with  SCS or  CS HB 2 (F.1)
- adopt previous  SCS or  CS \_\_\_\_\_ ( )
- attached amendment(s)
- adopt \_\_\_\_\_ Letter of Intent
- further referral to \_\_\_\_\_ Committee

<b>SENATE BILL:</b>	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
<hr/>	
<b>HOUSE BILL:</b>	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input checked="" type="checkbox"/>	New Title w/ SCR # _____

**NEW FISCAL NOTE(S):**

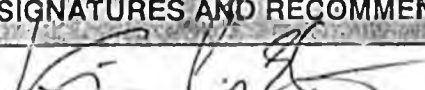
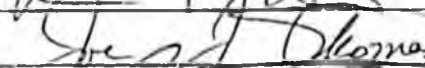
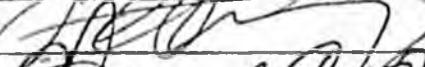
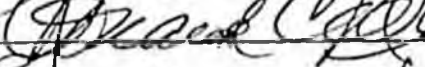

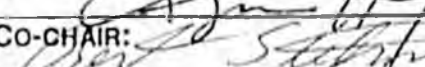
Department	Date	Fiscal	Indet.	Zero	FN#
LWF					
EED					
Univ					

Forth  
coming  
&

**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
ADM				✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LASTNAME	Do PASS	Do NOT PASS	NO REC	AMEND
	E. Thomas	✓			
	Thomas			✓	
	Huggins	✓			
	Alford	✓			
CO-CHAIR: 		✓			
CO-CHAIR: 	STANMAN	✓			

# FISCAL NOTE

STATE OF ALASKA  
2007 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: HB 2  
(H) Publish Date: 3/16/07

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Administration  
Title An act relating to the vocational education RDU Centralized Admin Services  
account and appropriations from that account Component Finance  
Sponsor Representatives Neuman, Lynn, Harris, Samuels  
Requester \_\_\_\_\_ Component No. 59

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	0.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>	0.0	0.0	0.0	0.0	0.0	0.0
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<b>CHANGE IN REVENUES ( )</b>	0.0	0.0	0.0	0.0	0.0	0.0
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type--Do not abbreviate)	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

Establishing funds created by legislation such as this is in the normal course of business for the Division of Finance.

Prepared by: Kim Garnero  
Division: Finance  
Approved by: Kevin Brooks, Deputy Commissioner  
Agency: Department of Administration

Phone: 465-3435  
Date/Time: 3/8/07 5:30 PM  
Date: 3/14/07 11:30am

*amended  
p. 2, line 7*

*R.O.  
4-11-08*

25-LS0006K  
Mischel  
4/10/08

**SENATE CS FOR HOUSE BILL NO. 2(FIN)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-FIFTH LEGISLATURE - SECOND SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): REPRESENTATIVES NEUMAN, Lynn, Harris, Samuels, Stoltze, Foster, Joule, Nelson, Chenault,  
Dahlstrom, Wilson, Scanton, Johansen, LeDoux**

**SENATOR McGuire**

**A BILL**

**FOR AN ACT ENTITLED**

1 "An Act relating to unemployment contributions for the Alaska technical and vocational  
2 education program and to the allocation of money appropriated to the Alaska  
3 Workforce Investment Board; relating to the vocational education account and  
4 appropriations from that account; and providing for an effective date."

5 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

6 \* Section 1. AS 23.15.835(a) is amended to read:

7 (a) In the manner provided in AS 23.20 and for the benefit of the program,  
8 the department shall collect from each employee an amount equal to .15 [ONE-  
9 TENTH OF ONE] percent of the wages, as set out in AS 23.20.175, on which the  
10 employee is required to make contributions under AS 23.20.290(d). The department  
11 shall remit to the Department of Revenue, in accordance with AS 37.10.050, money  
12 collected under this subsection.

13 \* Sec. 2. AS 23.15.835 is amended by adding new subsections to read:

14 (d) Notwithstanding AS 23.15.840(a), for the fiscal years ending June 30,  
15 2009, through June 30, 2014, the money collected under this section or otherwise

1 appropriated to the Alaska Workforce Investment Board, formerly known as the  
 2 Alaska Human Resource Investment Council, shall be allocated directly in the  
 3 following percentages to the following institutions for programs consistent with  
 4 AS 23.15.820 - 23.15.850 and capital improvements:

5	University of Alaska	45 percent	
6	University of Alaska Southeast	5 percent	
7	Galena Project Education Vocational Training Center	<del>3</del> percent	4%
8	Kotzebue Technical Center	9 percent	
9	Alaska Vocational Technical Center	17 percent	
10	Northwestern Alaska Career and Technical Center	3 percent	
11	Southwest Alaska Vocational and Education Center	3 percent	
12	Yuut Elitnaurviat, Inc. People's Learning Center	9 percent	
13	Delta Career Advancement Center	3 percent	
14	New Frontier Vocational Technical Center	2 percent.	

*amended*

15 (e) The institutions receiving funding under (d) of this section, shall provide  
 16 an expenditure and performance report to the department by November 1 of each year  
 17 that includes the

- 18 (1) percentage of former participants in the program who have a job
- 19 one year after leaving the program;
- 20 (2) median wage of former participants seven to 12 months after
- 21 leaving the program;
- 22 (3) percentage of former participants who were employed after leaving
- 23 the program who received training under the program that was related or somewhat
- 24 related to the former participants job seven to 12 months after leaving the program;
- 25 (4) percentage of former participants who indicate some level of
- 26 satisfaction with the training received under the program; and
- 27 (5) percentage of employers of who indicate satisfaction with the
- 28 services provided through the program.

29 (f) The department shall prepare and present an expenditure and performance  
 30 report based on the information provided under (e) of this section to the legislature not  
 31 later than the 15th day of each regular legislative session.

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\* Sec. 3. AS 37.10 is amended by adding a new section to read:

**Article 4A. Vocational Education Account.**

**Sec. 37.10.200. Vocational education account.** (a) The vocational education account is created in the general fund.

(b) The account consists of

(1) appropriations made by the legislature to the fund;

(2) gifts, bequests, and contributions; and

(3) income and earnings of the account.

(c) Money in the vocational education account may be appropriated by the legislature to the state and political subdivisions of the state, including regional educational attendance areas and municipal school districts, for vocational education programs and courses approved by the commissioner of labor and workforce development in consultation with the commissioner of education and early development for any other public purpose.

(d) Nothing in this section dedicates funds for a specific purpose.

(e) In this section, "vocational education" includes vocational training programs and courses taught at the secondary and postsecondary level of education.

\* Sec. 4. The uncodified law of the State of Alaska enacted in sec. 1, ch. 102, SLA 2001, as amended by sec. 48, ch. 86, SLA 2002, and sec. 1, ch. 133, SLA 2004, is repealed.

\* Sec. 5. This Act takes effect July 1, 2008.

# Alaska State Legislature

**Session Address:**

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Juneau, AK 99801  
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Fax: (907) 465-4822

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Phone: (907) 376-2679  
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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.

A m e n d m e n t #1

OFFERED IN THE SENATE FINANCE COMMITTEE  
BY SENATOR STEDMAN

TO: HB 2

- 1 Page 2, line 25 is amended to read:
- 2 University of Alaska 46 [55] percent
- 3
- 4
- 5 Page 3, line 3
- 6 Delete all material.

A m e n d m e n t ~~77~~ 2.

OFFERED IN THE SENATE FINANCE COMMITTEE  
BY SENATOR STEDMAN

TO: HB 2

- |    |   |                 |
|----|---|-----------------|
| 1  | Page 2, line 25 is amended to read:                 |                 |
| 2  | University of Alaska                                | 46 [55] percent |
| 3  |   |                 |
| 4  | Page 2, line 27 is amended to read:                 |                 |
| 5  | Galena Project Education Vocational Training Center | 4 percent       |
| 6  |   |                 |
| 7  | Page 2, line 29 is amended to read:                 |                 |
| 8  | Alaska Vocational Technical Center                  | 16 [22]         |
| 9  | Page 3, line 3                                      |                 |
| 10 | Delete all material.                                |                 |

CS FOR SENATE BILL NO. 160(L&C)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-FIFTH LEGISLATURE - SECOND SESSION

BY THE SENATE LABOR AND COMMU RCE COMMITTEE

Offered: 3/14/08  
Referred: Finance

Sponsor(s): SENATORS FRENCH, Ellis, Wielechowski

A BILL

FOR AN ACT ENTITLED

1 "An Act establishing an Alaska health care program to ensure insurance coverage for  
2 essential health services for residents of the state; establishing the Alaska Health Care  
3 Board to administer the Alaska health care program and the Alaska health care fund;  
4 establishing the Alaska health care clearinghouse to administer the Alaska health care  
5 program under the direction of the Alaska Health Care Board; establishing eligibility  
6 standards and premium assistance for persons with low income; creating the Alaska  
7 health care fund; providing for review of actions and reporting requirements related to  
8 the health care program; and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 \* Section 1. The uncodified law of the State of Alaska is amended by adding a new section  
11 to read:

12 FINDINGS; PURPOSE (a) The legislature finds that

- 1 (1) the current health care system is unsustainable;
- 2 (2) improving and protecting the health of Alaskans must be a primary goal of  
3 the state;
- 4 (3) all Alaskans should have access to essential health care services that are  
5 affordable, that are based on publicly debated criteria, and that consider the well-being of  
6 individuals across their life spans;
- 7 (4) Alaska has an economic interest in ensuring equitable financing of  
8 essential health care for Alaskans who do not have access to basic health care;
- 9 (5) health care policies should emphasize public health and encourage the use  
10 of quality service and evidence-based treatment that are appropriate and safe and that  
11 discourage over-treatment;
- 12 (6) health care providers and informed patients must be the primary decision  
13 makers who are accountable for an individual's health;
- 14 (7) health care funding should be explicit, predictable, and economically  
15 sustainable;
- 16 (8) an economically sustainable health care system requires that providers  
17 receive fair and adequate compensation;
- 18 (9) health care must be balanced with other programs that also affect health;  
19 and
- 20 (10) health care must account for the allocation of resources and the human  
21 consequences of funding decisions.

22 (b) The purpose of this Act is to address the findings and concerns listed in (a) of this  
23 section by creating the Alaska health care program.

24 \* **Sec. 2.** AS 21.54 is amended by adding new sections to read:

25 **Article 2A. Alaska Health Care Program.**

26 **Sec. 21.54.200. Alaska health care program.** The Alaska health care program  
27 is established to

- 28 (1) ensure that residents of the state have access to affordable health  
29 care insurance;
- 30 (2) require that residents of the state have, at a minimum, insurance  
31 covering essential health care services;

1 (3) reduce unsustainable health care cost increases;

2 (4) establish a system of health care insurance that integrates public  
3 involvement and oversight, consumer choice, and competition within the private  
4 health care insurance market;

5 (5) use models of health care insurance benefits, service delivery, and  
6 payments that control costs and overuse, emphasizing preventative care and chronic  
7 disease management within a primary care environment; and

8 (6) provide services for humane and dignified end-of-life care.

9 **Sec. 21.54.210. Alaska Health Care Board.** (a) The Alaska Health Care  
10 Board is established in the division to manage the Alaska health care program.

11 (b) The board shall consist of 13 members, including 12 members appointed  
12 by the governor, subject to confirmation by the legislature, and the commissioner of  
13 health and social services or the commissioner's designee, serving ex officio. The  
14 members of the board appointed by the governor must include

15 (1) one representative who is a licensed insurance producer;

16 (2) one representative from a health insurance company licensed to  
17 transact health care insurance in the state;

18 (3) two representatives of the business community other than health  
19 care insurers, one representing large businesses, and one representing small  
20 businesses;

21 (4) one representative each from two Alaska hospitals;

22 (5) one representative of a labor organization;

23 (6) two physicians licensed in Alaska;

24 (7) two health care consumer advocates; and

25 (8) one registered nurse.

26 (c) Except for the commissioner or the commissioner's designee, who serves  
27 ex officio, each board member serves for a term of three years beginning on January 1  
28 and until a successor has been appointed. A member is eligible for reappointment.

29 (d) If there is a vacancy, the governor shall make an appointment, effective  
30 immediately, for the balance of the unexpired term.

31 (e) Members of the board are entitled to per diem and transportation costs

1 under AS 39.20.180.

2 (f) The board shall select a member to serve as chair and a member to serve as  
3 vice-chair for a term and with duties and powers necessary to perform their functions.

4 (g) A majority of the board constitutes a quorum for transacting business.

5 **Sec. 21.54.220. Powers and duties of the Alaska Health Care Board.** (a)  
6 The Alaska Health Care Board shall

7 (1) administer, as a fiduciary, the Alaska health care fund established  
8 under AS 21.54.280 in accordance with the Alaska health care program established by  
9 AS 21.54.200 - 21.54.310;

10 (2) establish types or categories of health care insurance plans offered  
11 through the Alaska health care clearinghouse;

12 (3) classify each plan offered through the clearinghouse as a  
13 comprehensive or basic health care insurance plan, based on criteria including the  
14 financial cost of the plan, including premium cost, deductible costs, and co-pay  
15 provisions;

16 (4) establish criteria for participation by residents and insurers in the  
17 Alaska health care program;

18 (5) establish an Alaska health care voucher system that provides health  
19 care insurance to each individual who meets the needs-based participation criteria set  
20 out in AS 21.54.240 or who is the beneficiary of contributions made to the fund that  
21 specify the individual as the beneficiary under AS 21.54.280(b);

22 (6) ensure that eligible individuals are enrolled in a health care  
23 insurance plan that provides essential health care services;

24 (7) prescribe the method for determining individual income for the  
25 purpose of the Alaska health care program;

26 (8) establish procedures for enrolling a participant in the Alaska health  
27 care program, including enrollment procedures describing when an individual may  
28 enroll or select a different health insurance plan offered through the Alaska health care  
29 clearinghouse; the procedures established under this paragraph must allow an  
30 individual insured by a health care insurance plan offered through the Alaska health  
31 care clearinghouse to select a different health care insurance plan from the plans

1 offered through the clearinghouse and to make that selection at least annually;

2 (9) require that participants receive complete information regarding the  
3 cost of obtaining health care insurance; and

4 (10) establish procedures for notice and hearings for a person  
5 aggrieved by a decision of the board or the Alaska health care clearinghouse;

6 (11) ensure that every Alaskan who is required to participate in the  
7 Alaska health care program is offered health care insurance that protects the insured  
8 from severe financial hardship caused by the cost of receiving medical care.

9 (b) The board may hold regular and special meetings as the board considers  
10 necessary; board meetings may be held by teleconference; meetings shall be recorded  
11 and made available on request.

12 **Sec. 21.54.230. Alaska health care clearinghouse.** (a) The Alaska health care  
13 clearinghouse is established in the division.

14 (b) The clearinghouse shall be administered by the director.

15 (c) The clearinghouse shall

16 (1) administer the Alaska health care program under the direction of  
17 the Alaska Health Care Board;

18 (2) disseminate information about health care insurance products  
19 available through the clearinghouse; and

20 (3) provide assistance in the enrollment process for a small business or  
21 an individual.

22 **Sec. 21.54.240. Essential health care services; eligibility.** (a) Every resident  
23 of the state shall participate in the Alaska health care program except a resident who

24 (1) is a beneficiary of a health care plan that provides health care  
25 benefits that meet or exceed the benefits for essential health care services;

26 (2) is eligible to be enrolled in a publicly funded medical assistance  
27 program providing services that meet or exceed the benefits required as essential  
28 health care services,

29 (3) is enrolled in Medicaid or Medicare;

30 (4) is receiving health care benefits under a health benefit plan  
31 regulated by 29 U.S.C. 1001 - 1461 (Employee Retirement Income Security Act of

1 1974) that meet or exceed the benefits for essential health care services;

2 (5) has resided in the state for less than one year; however, a person  
3 who has resided in the state for less than one year may receive services provided by  
4 the Alaska health care clearinghouse under AS 21.54.230;

5 (6) is an individual insured under an individual state plan of health  
6 insurance under the Comprehensive Health Insurance Association under AS 21.55;

7 (7) is receiving health care benefits under a medical care program of  
8 the Indian Health Service; however, a person receiving health care benefits under a  
9 medical care plan of the Indian Health Service may elect to participate in the Alaska  
10 health care program; or

11 (8) demonstrates satisfactorily to the board, under criteria established  
12 by the board, that the person has deeply held religious beliefs contrary to the Alaska  
13 health care program and the requirement to purchase health care insurance for  
14 essential health care services.

15 (b) The Alaska Health Care Board shall provide a voucher to a resident with  
16 an income that is not more than 450 percent of the most recent federal poverty  
17 guidelines, updated periodically in the Federal Register by the United States  
18 Department of Health and Human Services under the authority of 42 U.S.C. 9902(2),  
19 and who is only eligible for coverage through the Comprehensive Health Insurance  
20 Association (AS 21.55). A voucher authorized by this subsection must equalize the  
21 cost of insurance under the Comprehensive Health Insurance Association with the cost  
22 of purchasing a health care insurance plan that provides substantially equivalent  
23 benefits through the Alaska health care clearinghouse. For purposes of cost  
24 comparison under this subsection, the Alaska Health Care Board shall determine  
25 whether a plan provided under the Comprehensive Health Insurance Association  
26 provides substantially equivalent benefits to a health care insurance plan offered  
27 through the clearinghouse.

28 (c) A resident with an income that is not more than the most recent federal  
29 poverty guidelines, updated periodically in the Federal Register by the United States  
30 Department of Health and Human Services under the authority of 42 U.S.C. 9902(2),  
31 who is required to participate in the Alaska health care program shall receive private

1 health care insurance coverage for essential health care services at no cost, paid from  
2 the fund.

3 (d) A resident with an income between 100 percent and not more than 200  
4 percent of the most recent federal poverty guidelines, updated periodically in the  
5 Federal Register by the United States Department of Health and Human Services  
6 under the authority of 42 U.S.C. 9902(2), who is required to participate in the Alaska  
7 health care program shall pay premiums for health care insurance for essential health  
8 care services on a sliding scale established by the board.

9 (e) A resident with an income of 300 percent or more of the most recent  
10 federal poverty guidelines, updated periodically in the Federal Register by the United  
11 States Department of Health and Human Services under the authority of 42 U.S.C.  
12 9902(2), who is required to participate in the Alaska health care program shall pay the  
13 premium for health care insurance for essential health care services.

14 (f) A person who is an alien is not eligible for assistance under AS 21.54.200 -  
15 21.54.310 unless the person is a qualified alien, as defined under 8 U.S.C. 1641, or an  
16 alien excepted under 8 U.S.C. 1612(b). However, a qualified alien may only be  
17 eligible for assistance under AS 21.54.200 - 21.54.310 if the person is not precluded  
18 by the limited eligibility provision of 8 U.S.C. 1613.

19 **Sec. 21.54.250. Essential health care services.** For purposes of AS 21.54.200  
20 - 21.54.310, essential health care services means medical services performed for an  
21 individual covered by a health care plan for the diagnosis or treatment of  
22 nonoccupational disease or nonoccupational injury. The medical services that must be  
23 performed for an individual covered by a health care plan include, as a minimum,

- 24 (1) preventative and primary care;
- 25 (2) emergency services;
- 26 (3) inpatient services and hospital treatment;
- 27 (4) ambulatory patient services;
- 28 (5) prescription drug coverage; and
- 29 (6) mental health services.

30 **Sec. 21.54.260. Alternative or additional health care services.** (a) An  
31 employer may offer health insurance coverage that meets or exceeds coverage for

1 essential health care services.

2 (b) An individual or employer may purchase health care insurance for health  
3 care services in addition to the essential health care services required under  
4 AS 21.54.200 - 21.54.310.

5 (c) If an employer does not provide a health care insurance plan for all  
6 employees or provides a health care insurance plan that meets or exceeds coverage for  
7 essential health care services but does not enroll at least 25 percent of the employer's  
8 employees in the plan or does not offer to pay at least 33 percent of the premium for  
9 health care insurance under the plan, the employer shall pay the department as  
10 follows:

11 (1) if an employer's annual gross payroll paid to employees who are  
12 required to participate in the Alaska health care plan under AS 21.54.240 is \$500,000  
13 or less, no payment is required;

14 (2) if an employer's annual gross payroll paid to employees who are  
15 required to participate in the Alaska health care plan under AS 21.54.240 is greater  
16 than \$500,000 but less than \$1,000,000, the employer shall pay one percent of the  
17 gross payroll; or

18 (3) if an employer's annual gross payroll paid to employees who are  
19 required to participate in the Alaska health care program under AS 21.54.240 is  
20 \$1,000,000 or greater, the employer shall pay two percent of the gross payroll.

21 (d) An employer that establishes a cafeteria plan under 26 U.S.C. 125 (Internal  
22 Revenue Code) that offers employees the option to elect health care insurance  
23 coverage that meets or exceeds essential health care services is not subject to the  
24 payment requirements under (c) of this section, regardless of whether an employee  
25 elects to receive the offered health care insurance.

26 (e) In this section, "essential health care services" means those services set out  
27 in AS 21.54.250.

28 **Sec. 21.54.270. Health care insurance plan; children's coverage.** (a) A  
29 health care insurance plan that is approved by the director that provides coverage for  
30 essential health care services under AS 21.54.200 - 21.54.310 and meets the other  
31 requirements established under this title may be offered through the Alaska health care

1 clearinghouse.

2 (b) A health care insurance plan offered through the Alaska health care  
3 clearinghouse may not deny enrollment to an eligible individual.

4 (c) A health care insurance plan offered through the Alaska health care  
5 clearinghouse may include

6 (1) different benefits for network or out-of-network providers;

7 (2) varied levels of copayment, coinsurance, deductible amounts, out-  
8 of-pocket maximums;

9 (3) high deductible health plans as defined by 26 U.S.C. 223(c)(2)  
10 (Internal Revenue Code); and

11 (4) special insurance terms applicable only to individuals between 18  
12 and 30 years of age.

13 (d) A health care insurance plan offered through the Alaska health care  
14 clearinghouse that covers children must provide that the coverage will continue until  
15 the earlier of the child's reaching 25 years of age or two years after the child no longer  
16 resides with the family.

17 **Sec. 21.54.280. Alaska health care fund.** (a) The Alaska health care fund is  
18 established as a separate trust fund of the state. The fund consists of

19 (1) state money appropriated to the fund;

20 (2) federal money appropriated to the fund;

21 (3) private employer and employee health care contributions or fees  
22 received by the department and appropriated to the fund;

23 (4) health care premiums received by the department and appropriated  
24 to the fund;

25 (5) other appropriations by the legislature;

26 (6) contributions appropriated to the fund from the United States  
27 government and its agencies, or from any other source, public or private, provided for  
28 purposes that are consistent with the goals of the Alaska health care program; and

29 (7) interest earnings from investments of the fund appropriated to the  
30 fund.

31 (b) Contributions may be made to the fund by an employer, employers, or an

1 individual that is specified for a particular beneficiary. If a contribution is made to the  
 2 fund for the benefit of a particular beneficiary, the beneficiary shall receive a health  
 3 care voucher in the amount of the contribution that may be used to purchase a health  
 4 care insurance plan. Money collected under AS 21.54.260(c) is not considered made  
 5 for the benefit of a particular beneficiary.

6 (c) The board may use the fund for the purpose of administering the Alaska  
 7 health care program consistent with AS 21.54.200 - 21.54.310.

8 **Sec. 21.54.290. Disputes and appeals.** A person is entitled to notice and an  
 9 opportunity for a hearing under regulations adopted by the Alaska Health Care Board  
 10 if

11 (1) the board or the Alaska health care clearinghouse denies enrollment  
 12 to the person;

13 (2) an accountable health care plan refuses to enroll an individual or  
 14 fails to provide essential health care services; or

15 (3) the person is adversely affected or aggrieved by a decision of the  
 16 board or the clearinghouse.

17 **Sec. 21.54.300. Reporting.** The Alaska Health Care Board shall submit a  
 18 written report on the operation of the Alaska health care program to the commissioner  
 19 and to the legislature by January 1 of each year. The report must include

20 (1) the number of individuals enrolled in the Alaska health care  
 21 program;

22 (2) the cost savings to the state, to employers, and to health care  
 23 providers;

24 (3) a measure of patient satisfaction;

25 (4) an assessment of patient access to essential health care services;

26 (5) a description of the changes or adjustments made to the program  
 27 during the period covered by the report;

28 (6) a discussion of the state agencies delivering redundant services, if  
 29 any, relating to health care benefits;

30 (7) an evaluation of state programs that regulate or deliver health care  
 31 benefits;

1 (8) recommendations for legislative changes necessary to meet the  
2 goals of the program;

3 (9) an evaluation of and recommendations on the following topics:

4 (A) the use of electronic health records;

5 (B) children's health insurance programs;

6 (C) the effectiveness of Medicaid and the potential expansion  
7 of the Alaska Medicaid program, including a comparison between the costs of  
8 expanding the Alaska Medicaid program and the cost of providing benefits  
9 through the Alaska health care program;

10 (D) the effect of mandated benefits;

11 (E) prescription drug bargaining;

12 (F) evidence-based treatment procedures including a  
13 comparison of the use of evidence-based treatment in other states;

14 (G) the recruitment and retention of medical professionals in  
15 the state;

16 (H) expanding offerings of the University of Alaska in medical  
17 fields;

18 (I) maximizing federal funding to implement the program;

19 (J) innovations that could produce health care cost savings,  
20 including waivers under 42 U.S.C. 1315 (sec. 1115, Social Security Act),  
21 which allows experimental, pilot, or demonstration projects likely to assist in  
22 promoting the objectives of the Medicaid statute.

23 **Sec. 21.54.310. Regulations.** The Alaska Health Care Board shall adopt  
24 regulations under AS 44.62 (Administrative Procedure Act) consistent with  
25 AS 21.54.200 - 21.54.310.

26 \* **Sec. 3.** AS 21.54.500 is amended by adding new paragraphs to read:

27 (30) "alien" means a person who is not a citizen or national of the  
28 United States;

29 (31) "board" means the Alaska Health Care Board;

30 (32) "fund" means the Alaska health care fund;

31 (33) "resident" or "residency" has the meaning given in AS 01.10.055.

1 \* Sec. 4. The uncodified law of the State of Alaska is amended by adding a new section to  
2 read:

3 TRANSITIONAL PROVISIONS. Notwithstanding AS 21.54.210, enacted by sec. 2  
4 of this Act, the initial terms for members of the Alaska Health Care Board, except for the  
5 commissioner of health of social services who serves ex officio, are as follows:

6 (1) four members shall be appointed to serve for a term ending December 31,  
7 2009;

8 (2) four members shall be appointed to serve for a term ending December 31,  
9 2010; and

10 (3) the remaining members shall be appointed to serve for a term ending  
11 December 31, 2011.

12 \* Sec. 5. The uncodified law of the State of Alaska is amended by adding a new section to  
13 read:

14 TRANSITIONAL PROVISIONS: REGULATIONS. The Alaska Health Care Board  
15 established under AS 21.54.210, enacted by sec. 2 of this Act, may proceed to adopt  
16 regulations necessary to implement this Act under AS 21.54.310, enacted by sec. 2 of this  
17 Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not  
18 before the effective date of the statutory changes.

19 \* Sec. 6. AS 21.54.210, 21.54.220, and 21.54.230, enacted by sec. 2 of this Act, and sec. 5  
20 of this Act take effect immediately under AS 01.10.070(c).

21 \* Sec. 7. Except as provided in sec. 6 of this Act, this Act takes effect January 1, 2009.

25-LS1630\A  
Mischel  
4/3/08

**SENATE CONCURRENT RESOLUTION NO.**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-FIFTH LEGISLATURE - SECOND SESSION**

**BY**

**Introduced:**  
**Referred:**

**A RESOLUTION**

1 **Suspending Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State**  
2 **Legislature, concerning House Bill No. 2, relating to the vocational education account**  
3 **and appropriations from that account.**

4 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

5 That under Rule 54, Uniform Rules of the Alaska State Legislature, the provisions of  
6 Rules 24(c), 35, 41(b), and 42(e), Uniform Rules of the Alaska State Legislature, regarding  
7 changes to the title of a bill, are suspended in consideration of House Bill No. 2, relating to  
8 the vocational education account and appropriations from that account.

# FISCAL NOTE

STATE OF ALASKA  
2008 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: SCS HB2  
( ) Publish Date: \_\_\_\_\_

Identifier (file name): HB002SCS(FIN)-UA-SPS-04-11-08 Dept. Affected: University of Alaska  
Title An act relating to unemployment contributions for the Alaska RDU Statewide Programs and Services  
technical and vocational education program Component Systemwide Education/Outreach  
Sponsor Rep. Neuman, Lynn, Harris, Samuels, et al.  
Requester \_\_\_\_\_ Component Number \_\_\_\_\_

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
		FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
<b>OPERATING EXPENDITURES</b>							
Personal Services							
Travel							
Contractual	1,180.7	1,180.7	1,180.7	1,180.7	1,180.7	1,180.7	1,180.7
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>1,180.7</b>	<b>0.0</b>	<b>1,180.7</b>	<b>1,180.7</b>	<b>1,180.7</b>	<b>1,180.7</b>	<b>1,180.7</b>

<b>CAPITAL EXPENDITURES</b>							
-----------------------------	--	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>							
-------------------------------	--	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1151 Tech Voc Ed Program	1,180.7	1,180.7	1,180.7	1,180.7	1,180.7	1,180.7
<b>TOTAL</b>	<b>1,180.7</b>	<b>0.0</b>	<b>1,180.7</b>	<b>1,180.7</b>	<b>1,180.7</b>	<b>1,180.7</b>

Estimate of any current year (FY2008) cost: \_\_\_\_\_

**POSITIONS**

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Full-time						
Part-time						
Temporary						

**ANALYSIS:** *(Attach a separate page if necessary)*

TVEP funding has been instrumental in UA's ability to meet Alaska's workforce training and educational needs and continues to be the key source of funds for that purpose. This bill reduces the proportion of TVEP funds the University of Alaska receives from the current 55% to 50%, with 45% to University of Alaska (all campuses) plus 5% designated specifically for UAS. Although the percent allocated has been reduced, UA's amount will increase because the overall amount allocated to the TVEP account increased from 0.10% to 0.15% of the UI program. Therefore, total amount allocated to the University of Alaska increases by \$1,180.7. See page 2 for additional detail.

Prepared by: Michelle Rizk  
Division: University of Alaska  
Approved by: Pat Pitney  
University of Alaska

Phone 907-450-8187  
Date/Time 4/11/08 12:00 PM  
Date 4/11/08 12:00 PM

FISCAL NOTE

Identifier (file name):HB002SCS(FIN)-UA-SPS-04-11-08

BILL NO. SCS HB 2

Analysis continued from page 1:

Current UA FY09 budget distribution is: SW \$150.5; UAA \$1,682.3; UAF \$341.9; UAF-Community Campuses: \$608.1; UAS \$760.1.

The change affects Systemwide Education and Outreach. This allocation will increase by \$1,180.7. The funds will be used as follows: (1) system-wide high demand program delivery: \$298.3; and, (2) Fairbanks Pipeline Training Center: \$882.4.

The table below provides a summary by allocation:

	FY08 Allocation	FY09 Original Allocation Total	FY09 Revised Allocation (HB2)
Statewide Programs & Services	150.5	150.5	150.5
Systemwide Education/Outreach		-	1,180.7
Statewide Programs & Services Total	150.5	150.5	1,331.2
<hr/>			
Anchorage Campus	1,314.3	1,452.3	1,452.3
Kenai Peninsula College	200.0	-	-
Kodiak College		-	-
Matanuska-Susitna College	90.0	180.0	180.0
Prince William Sound Community College	50.0	50.0	50.0
Univ of Alaska Anchorage Total	1,654.3	1,682.3	1,682.3
<hr/>			
Fairbanks Campus	290.0	341.9	341.9
Fairbanks Organized Research			-
Univ of Alaska Fairbanks Total	290.0	341.9	341.9
<hr/>			
Bristol Bay Campus		-	-
Chukchi Campus		-	-
College of Rural & Comm. Dev	60.0	60.0	60.0
Cooperative Extension Service		-	-
Interior-Aleutians Campus		-	-
Kuskokwim Campus		-	-
Northwest Campus	75.0	75.0	75.0
Tanana Valley Campus	240.0	473.1	473.1
UA Community Campuses Total	375.0	608.1	608.1
<hr/>			
Juneau Campus	457.5	443.1	443.1
Ketchikan Campus	207.0	317.0	317.0
Sitka Campus		-	-
Univ of Alaska Southeast Total	664.5	760.1	760.1
<hr/>			
University of Alaska Total	3,134.3	3,542.9	4,723.6

25-LS0006M  
Mischel  
4/3/08

**SENATE CS FOR HOUSE BILL NO. 2( )**  
**IN THE LEGISLATURE OF THE STATE OF ALASKA**  
**TWENTY-FIFTH LEGISLATURE - SECOND SESSION**

**BY**

**Offered:**  
**Referred:**

**Sponsor(s): REPRESENTATIVES NEUMAN, Lynn, Harris, Samuels, Stoltze, Foster, Joule, Nelson, Chenault, Dahlstrom, Wilson, Seaton, Johansen, LeDoux**

**SENATOR McGuire**

**A BILL**  
**FOR AN ACT ENTITLED**

1 **"An Act relating to unemployment contributions for the Alaska technical and vocational**  
2 **education program and to the allocation of money appropriated to the Alaska**  
3 **Workforce Investment Board; relating to the vocational education account and**  
4 **appropriations from that account; and providing for an effective date."**

5 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

6 **\* Section 1. AS 23.15.835(a) is amended to read:**

7 (a) In the manner provided in AS 23.20 and for the benefit of the program,  
8 the department shall collect from each employee an amount equal to .15 [ONE-  
9 TENTH OF ONE] percent of the wages, as set out in AS 23.20.175, on which the  
10 employee is required to make contributions under AS 23.20.290(d). The department  
11 shall remit to the Department of Revenue, in accordance with AS 37.10.050, money  
12 collected under this subsection.

13 **\* Sec. 2. AS 37.10 is amended by adding a new section to read:**

14 **Article 4A. Vocational Education Account.**

15 **Sec. 37.10.200. Vocational education account. (a) The vocational education**

1 account is created in the general fund.

2 (b) The account consists of

3 (1) appropriations made by the legislature to the fund;

4 (2) gifts, bequests, and contributions; and

5 (3) income and earnings of the account.

6 (c) Money in the vocational education account may be appropriated by the  
7 legislature to the state and political subdivisions of the state, including regional  
8 educational attendance areas and municipal school districts, for vocational education  
9 programs and courses approved by the commissioner of labor and workforce  
10 development in consultation with the commissioner of education and early  
11 development for any other public purpose.

12 (d) Nothing in this section dedicates funds for a specific purpose.

13 (e) in this section, "vocational education" includes vocational training  
14 programs and courses taught at the secondary and postsecondary level of education.

15 \* Sec. 3. The uncodified law of the State of Alaska enacted in sec. 1, ch. 102, SLA 2001, as  
16 amended by sec. 48, ch. 86, SLA 2002, and sec. 1, ch. 133, SLA 2004, is amended to read:

17 Section 1. ALLOCATION OF APPROPRIATIONS FOR FISCAL YEARS  
18 ENDING JUNE 30, 2009 [2005], THROUGH JUNE 30, 2014 [2010].  
19 Notwithstanding AS 23.15.840(a), for the fiscal years ending June 30, 2009 [2005],  
20 through June 30, 2014 [2010], the money collected under AS 23.15.835 or otherwise  
21 appropriated to the Alaska Workforce Investment Board (formerly known as the  
22 Alaska Human Resource Investment Council) shall be allocated directly in the  
23 following percentages to the following institutions for programs consistent with  
24 AS 23.15.820 - 23.15.850 and capital improvements:

25	University of Alaska	<u>36</u> [55] percent
26	<u>University of Alaska Southeast</u>	<u>5</u> percent
27	Galena Project Education Vocational Training Center	<u>3</u> [4] percent
28	Kotzebue Technical Center	<u>9</u> [11] percent
29	Alaska Vocational Technical Center	<u>17</u> [22] percent
30	<u>Northwestern Alaska Career and Technical Center</u>	<u>3</u> percent
31	Southwest Alaska Vocational and Education Center	<u>3</u> [4] percent

1	Yuut Elitnaurviat, Inc. People's Learning Center	<u>9</u> [4] percent
2	<u>Delta Career Advancement Center</u>	<u>3</u> percent
3	<u>Alaska Works Partnership</u>	<u>10</u> percent
4	<u>New Frontier Vocational Technical Center</u>	<u>2</u> percent.

5 \* Sec. 4. This Act takes effect July 1, 2008.

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

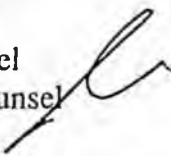
State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

March 12, 2007

**SUBJECT:** Sectional Summary of HB 2 (Work Order No. 25-LS0006\C))

**TO:** Representative Mark Neuman  
Attn: Rex Shattuck

**FROM:** Jean M. Mischel  
Legislative Counsel 

You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

**Section 1.** Creates and describes a vocational education account in the general fund.

JMM:lmb  
07-052.lmb

RECEIVED  
APR - 4 2008

SCS HB 2 ( ) version M

TVEP, Technical and Vocational Education Program

	Current	FY 08	FY 09	Proposed	FY 09
	%	Allocation	Allocation	%	Revised Allocation
Costs (DOLWD)		344.8	356.9		356.9
University of Alaska	55	3,134.3	3,542.9	36	3,401.0
UAS				5	472.4
Galena (DEED)	4	228.0	257.7	3	283.4
Kotzebue (DOLWD)	11	626.9	708.6	9	850.2
AVTEC (DOLWD)	22	1,253.7	1,417.2	17	1,606.0
SAVEEC (DOLWD)	4	228.0	257.7	3	283.4
Niut (DOLWD)	4	228.0	257.7	9	850.2
Delta (DOLWD)				3	283.4
NACTEC (DOLWD)				3	283.4
AWP (DOLWD)				10	944.7
NFVTEC (DOLWD)				2	189.0
TOTAL		6,043.7	6,798.6	100	9,804.0

# 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*



SKILLS 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.

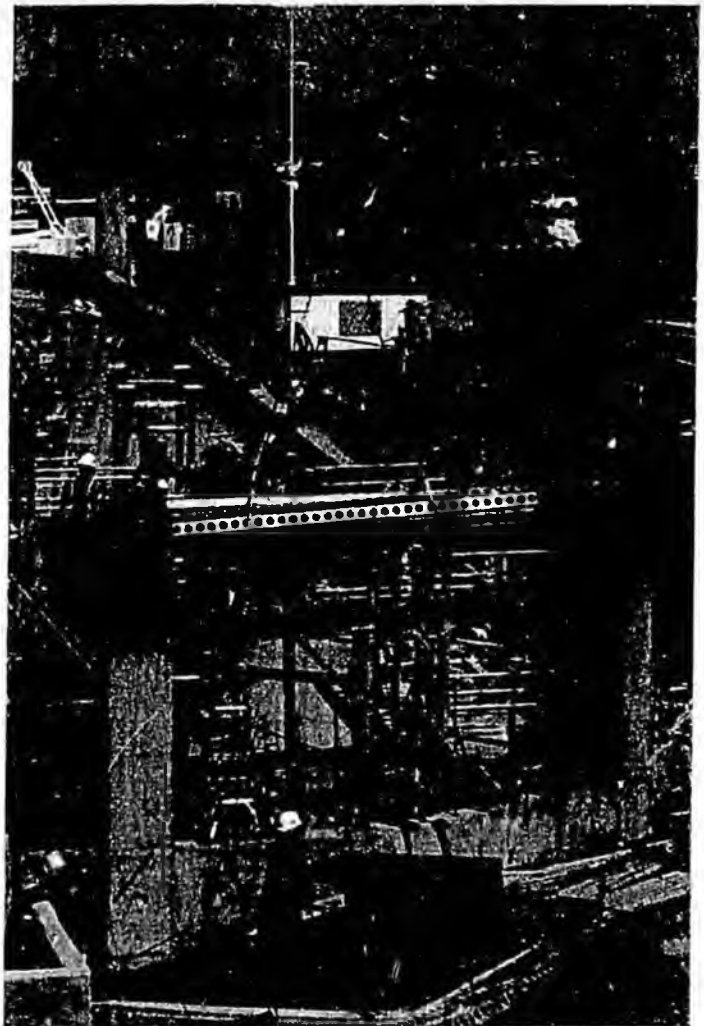
### **Oil and Gas: \$2,650 Million**

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**

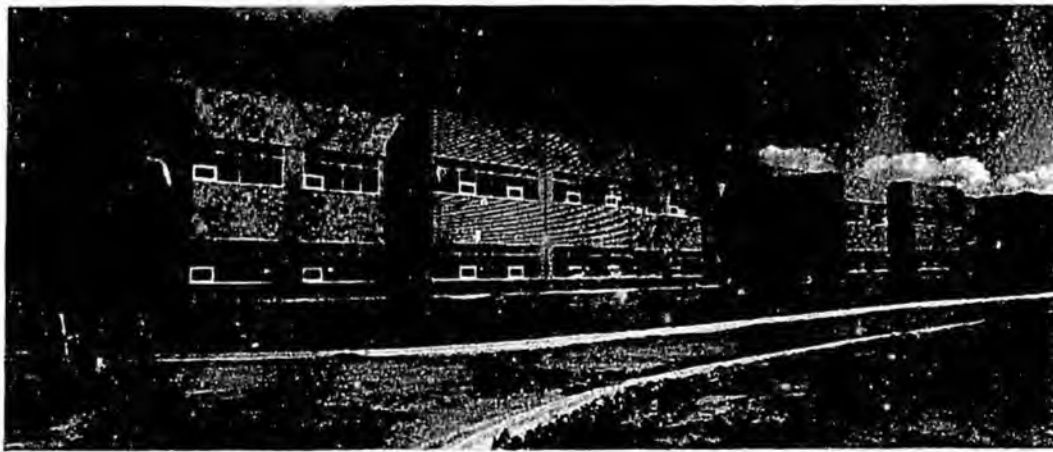
We anticipate spending by the mining industry—on exploration, development, and construction of new mines as well as upgrading existing mines—to be about the same as last year.

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 air 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*

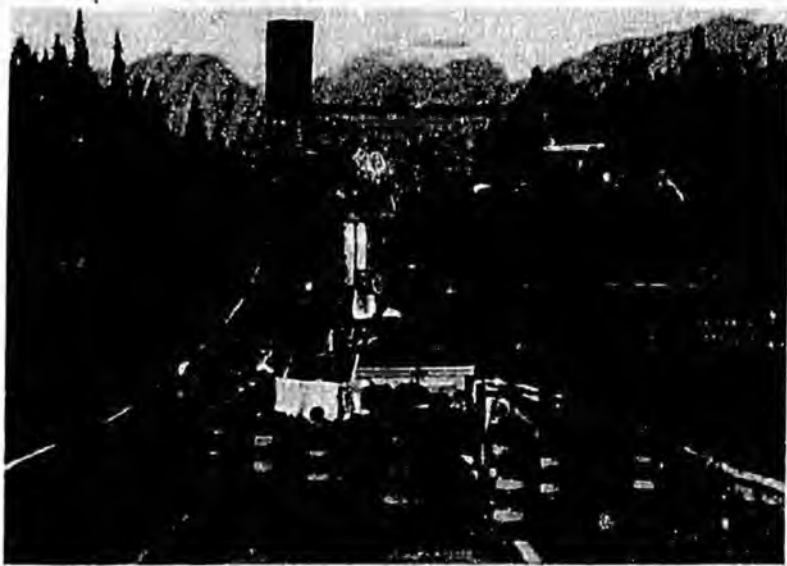
Alaska has benefited from an exceptionally large share of the total defense budget, and that is likely to remain high for several more years. In 2005 Alaska received over 7% of the entire budget of the Army Corps of Engineers, making Alaska the third largest recipient of Corps of Engineers construction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

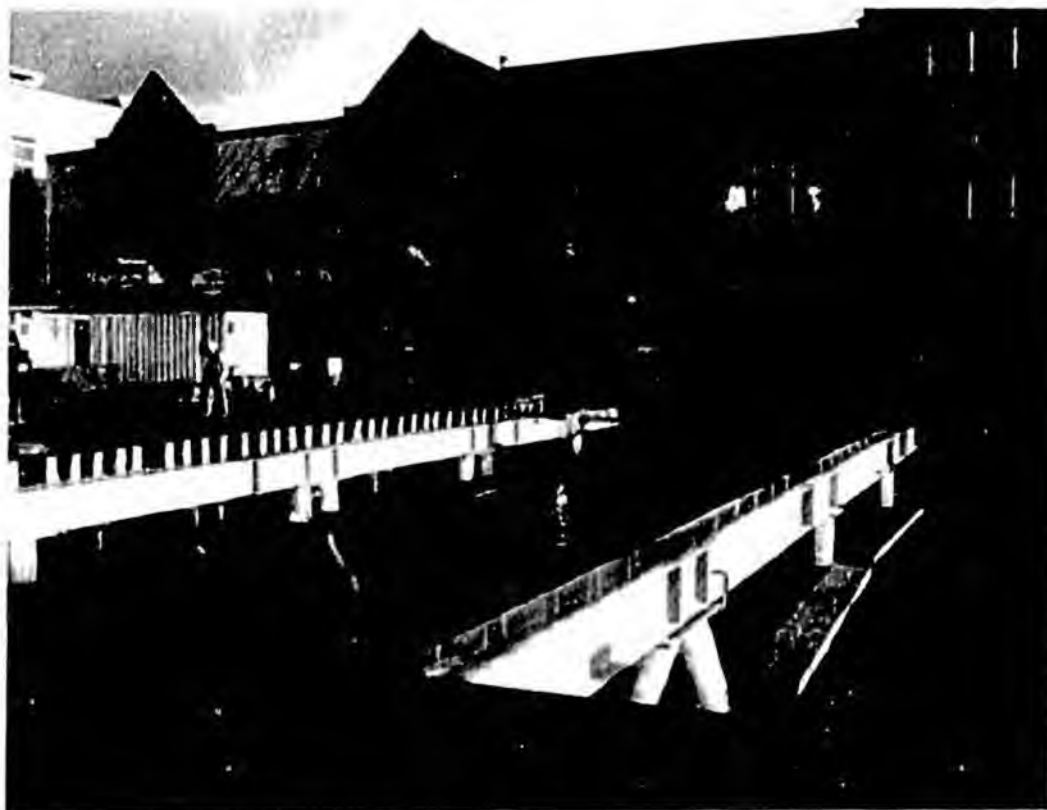
### **Education: \$350 Million**

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 WASTY 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. This is down from \$400 million last year.

\* 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.

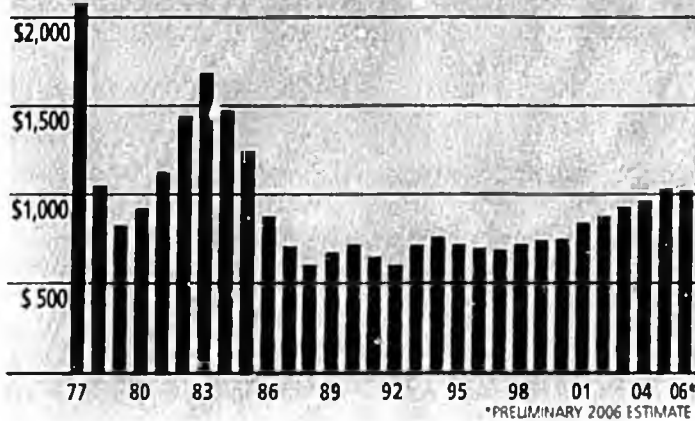
<sup>6</sup> This category excludes state and local spending for education, highways, airports, and ports.



***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

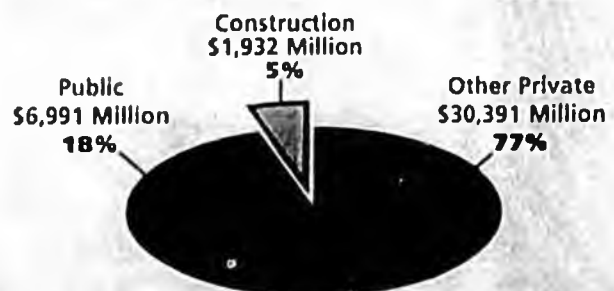
included, the contribution of construction spending to the economy is considerably greater than is reflected in Alaska's Gross State Product.

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

Alaska

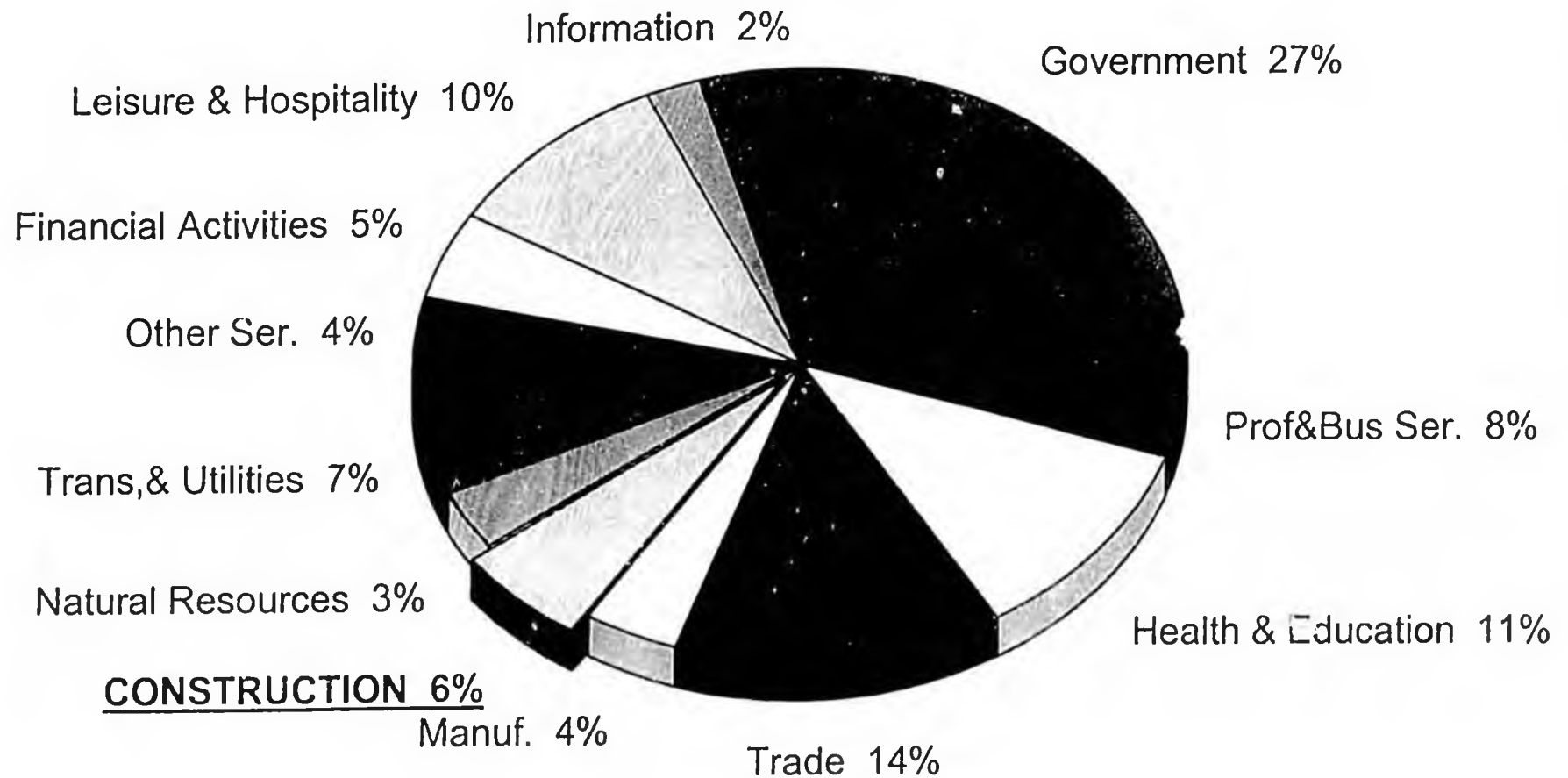
Associated General Contractors of

Richard Cattamach

**Are there enough?**

WORKERS

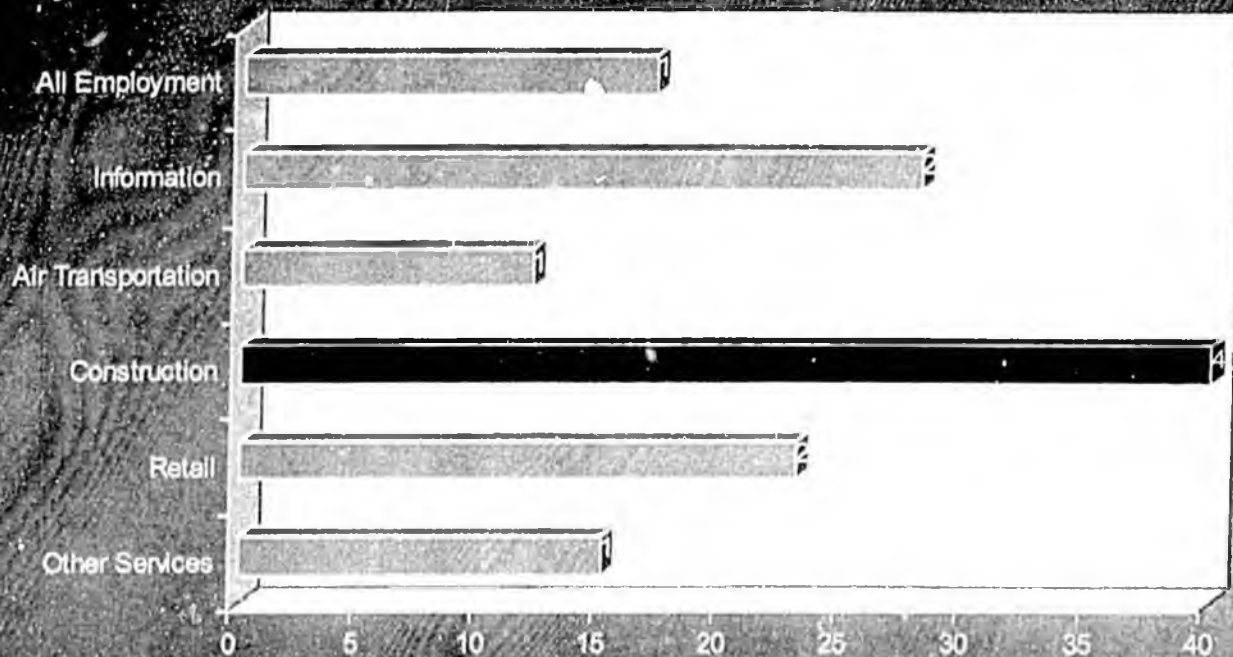
# Alaska's Construction Industry Employment 2004



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

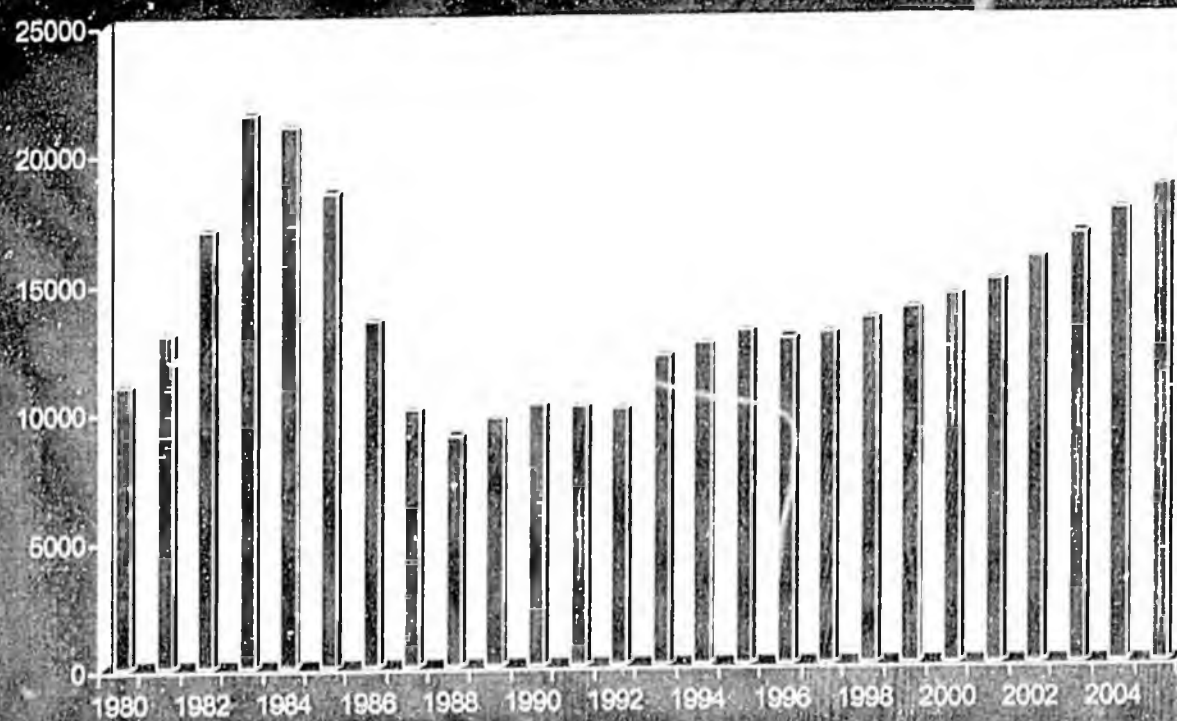
# Construction has been one of the employment stars over the past decade

Labor Growth over the Past Decade

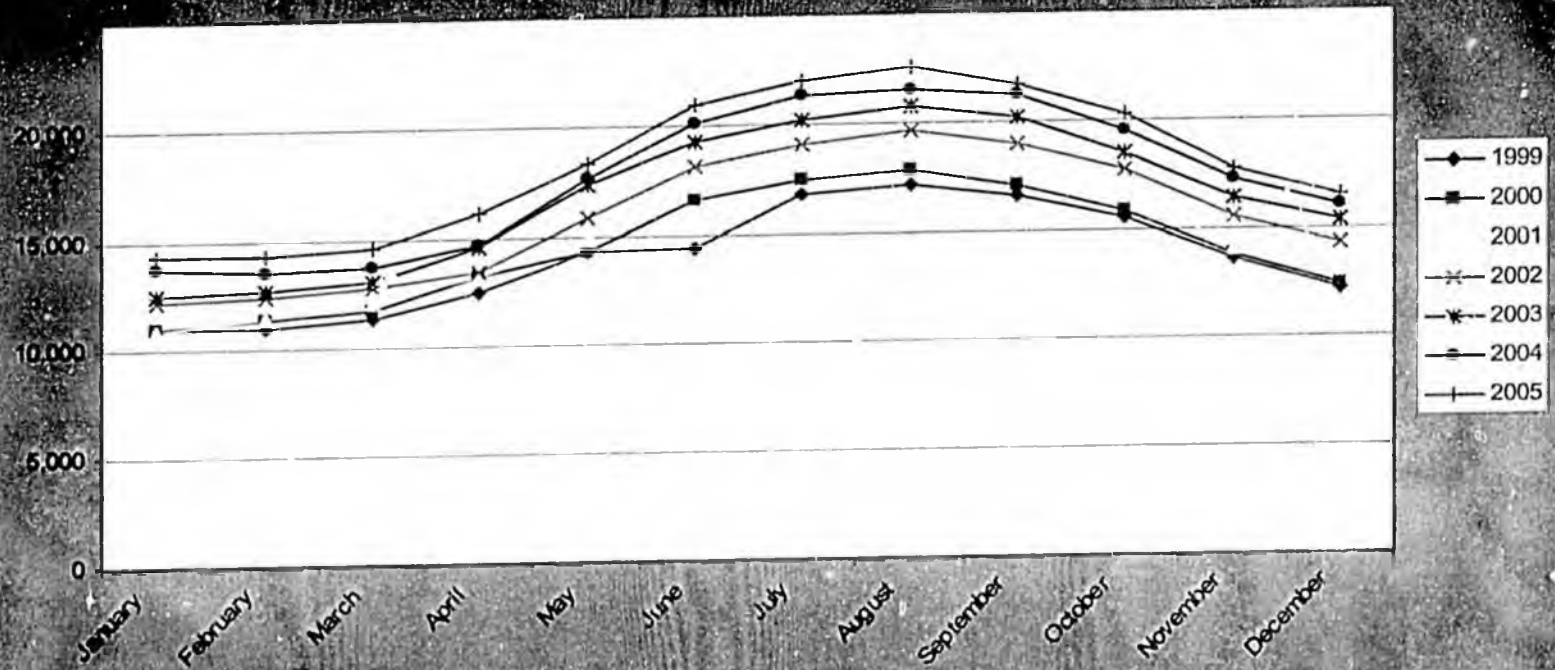


# Construction Industry since 1980

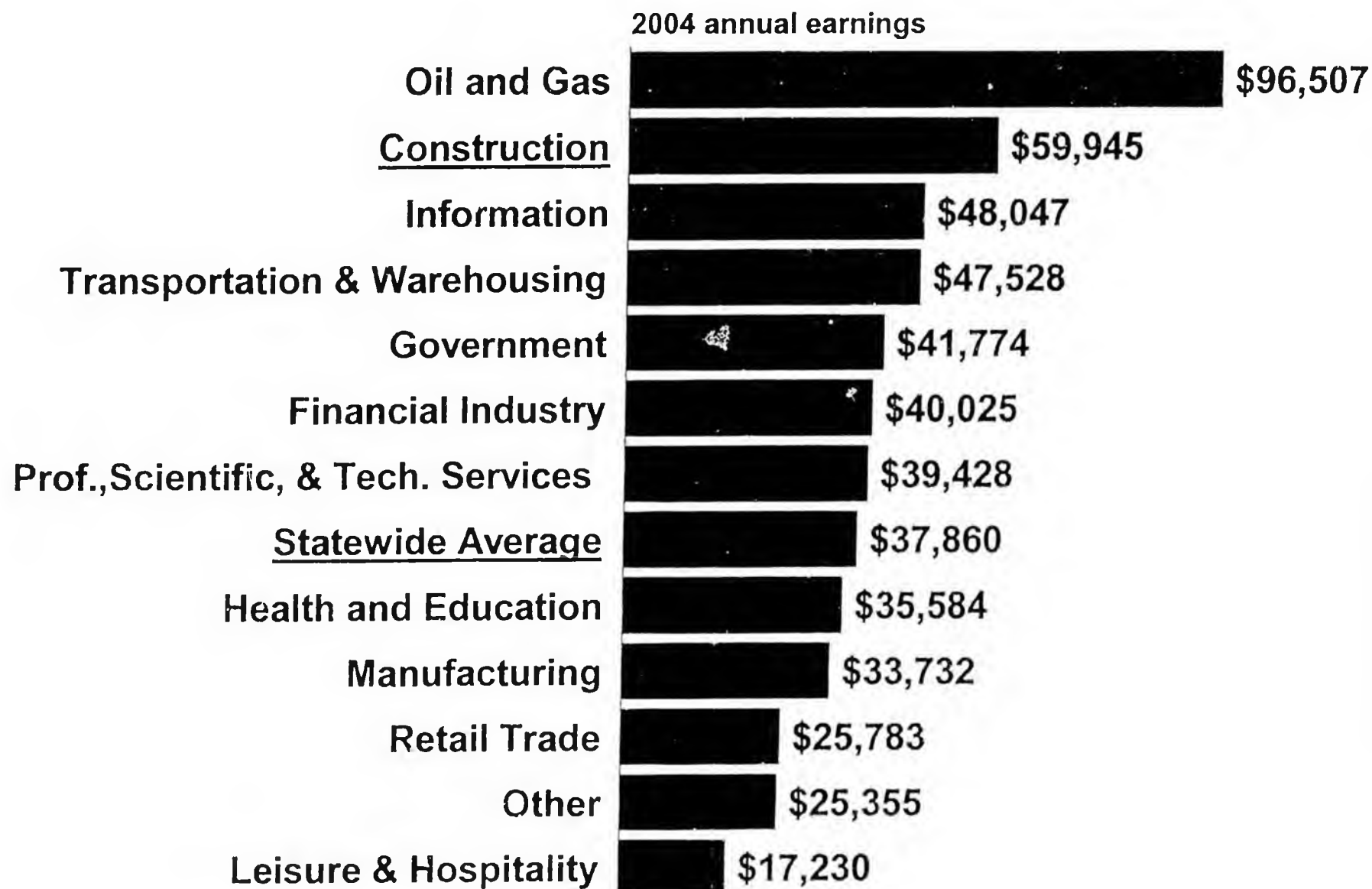
Industry Employment Since 1980



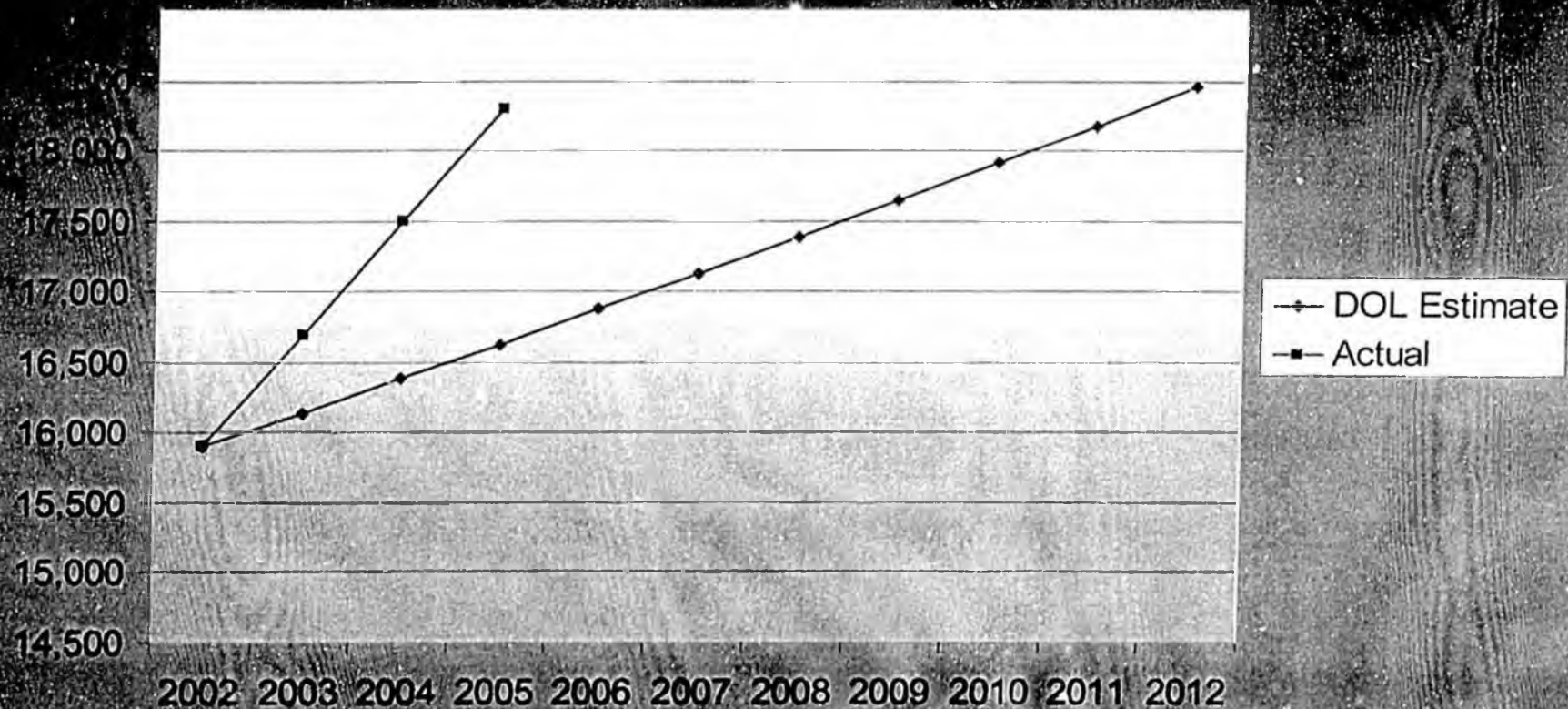
# Construction Employment – 1999-2005

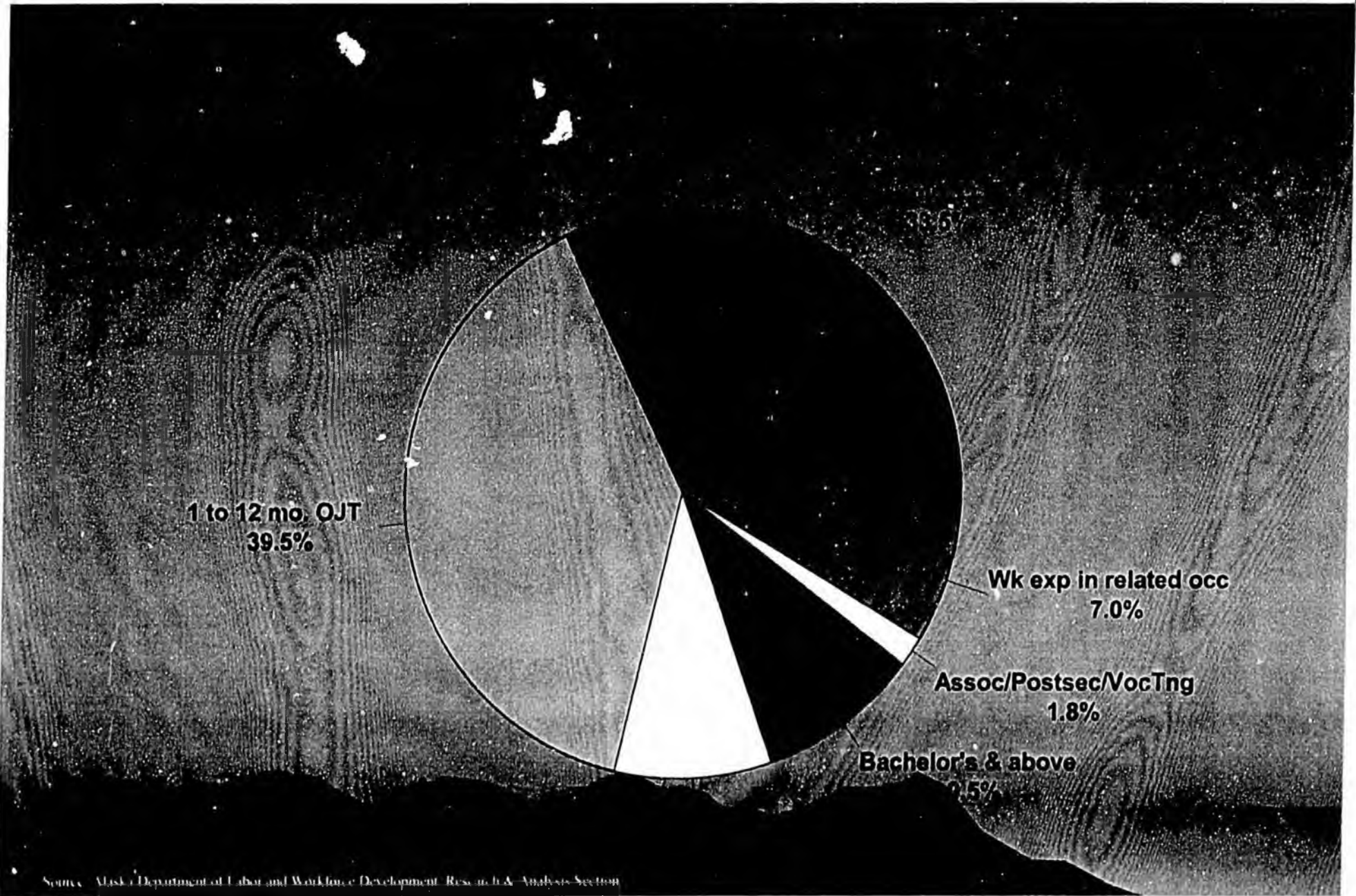


# Construction Pays High Wages



# Projected Employment Growth





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

# Problem Areas - Selected Crafts

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

<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

• Craft                      Total Need                      Annual Need

Carpenters                      2,105                      210

Laborers                      1,551                      155

Electricians                      1,079                      108

Plumbers                      700                      70

Op. Engineers                      2,049                      205

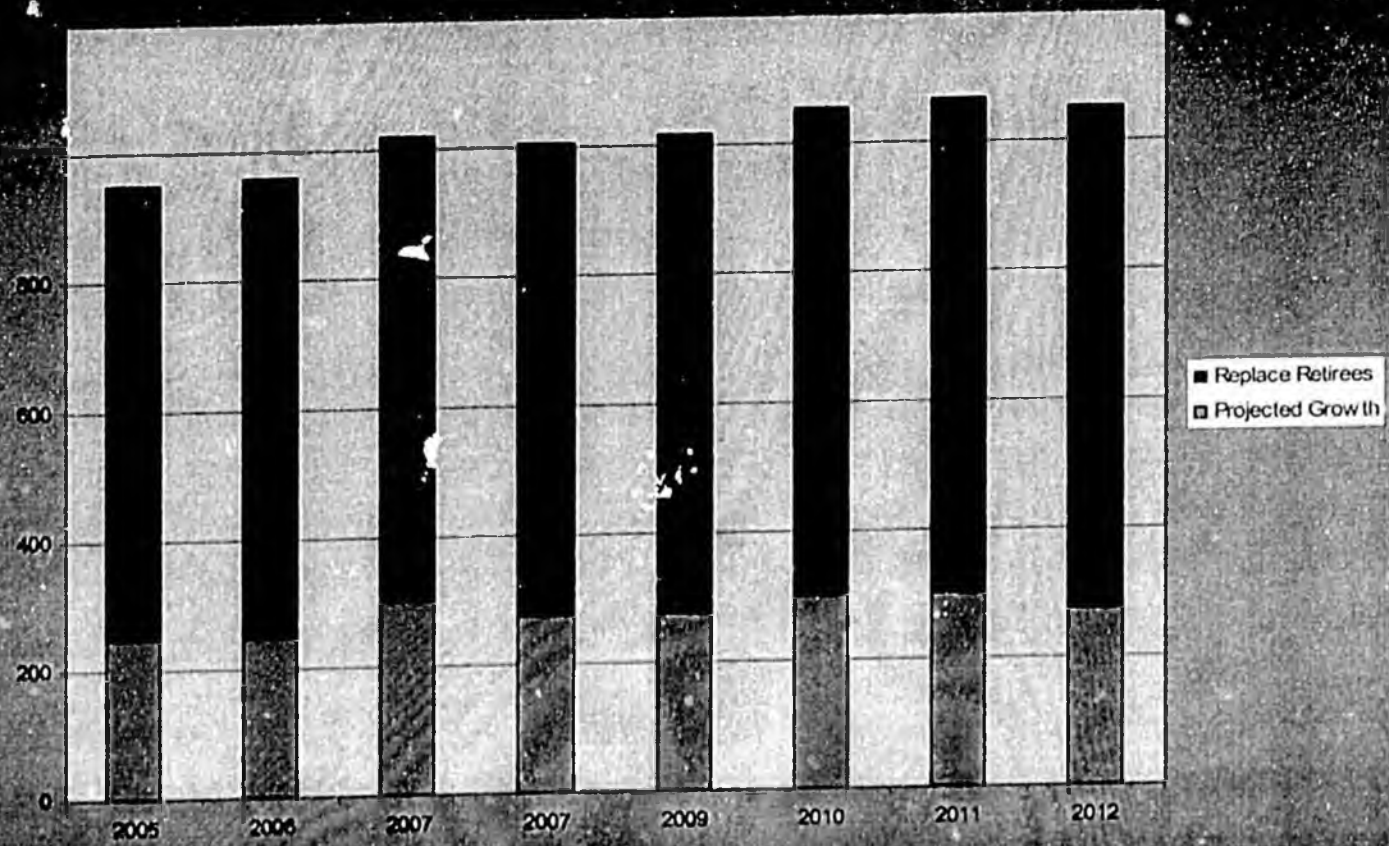
Painters                      407                      41

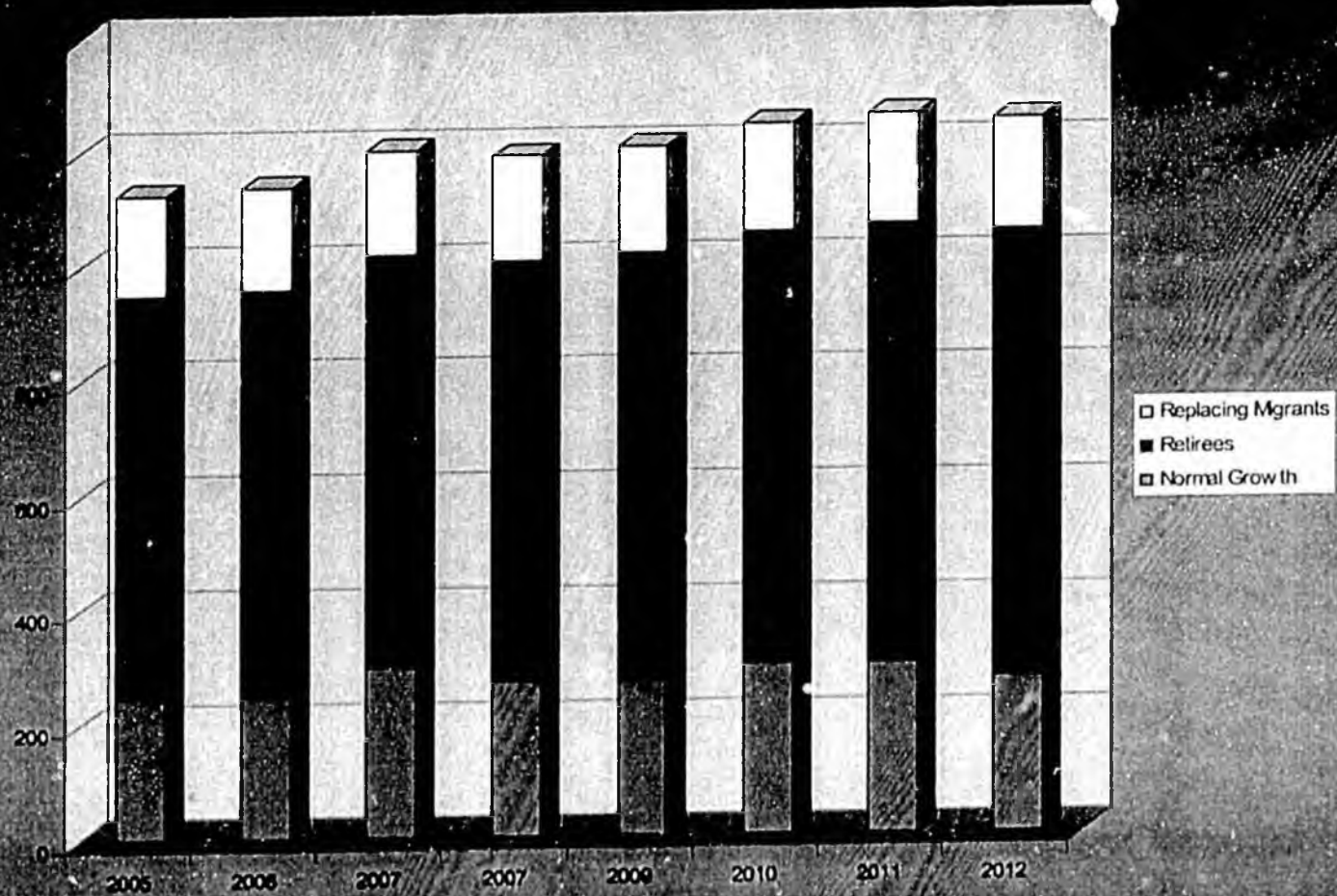
Roofers                      128                      13

Supervisors/Mngrs                      1,594                      160

Const & Bldg Insp                      184                      18

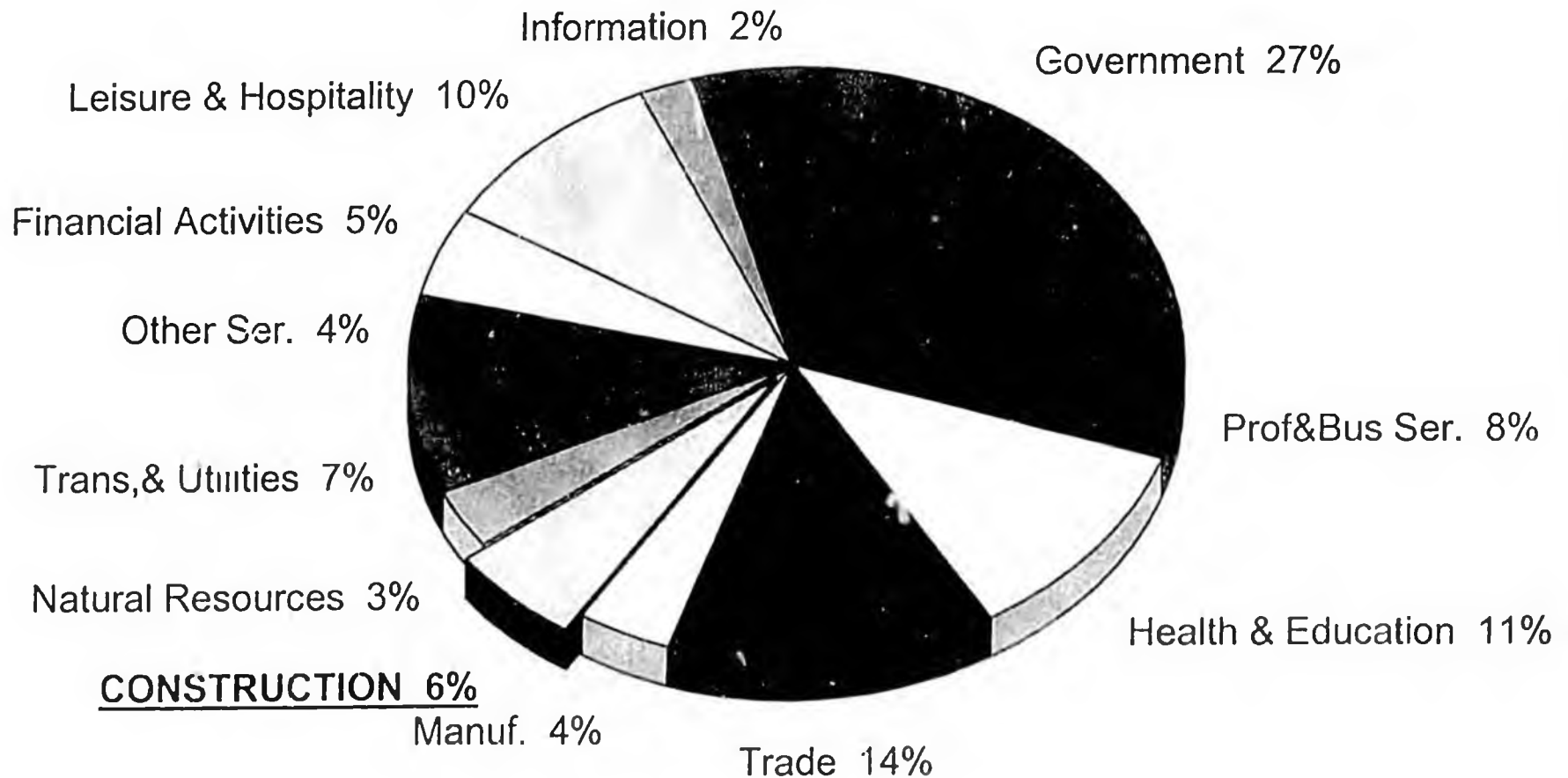
• Craft	Total Need	Employment	%
Carpenters	2,105	4,855	43%
Laborers	1,551	3,605	43%
Electricians	1,079	2,164	50%
Plumbers	700	1,492	47%
Op. Engineers	2,049	2,741	75%
Painters	407	909	45%
Roofers	128	394	32%





- 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



## ASSOCIATED GENERAL CONTRACTORS of ALASKA

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March 28, 2007

Representative Mark Neuman  
Alaska State Legislature  
State Capitol (MS 3100)  
Juneau, Alaska 99801-1182

Re: HB 61 and HB 2

Dear Representative Neuman:

For years, a legislative priority of the Associated General Contractors of Alaska has been to seek a change in the approach to providing and funding vocational education in Alaska's schools. The shop classes of the past have been replaced by advanced placement and exotic elective classes. Required classes geared toward preparing students for the world of college allowed little flexibility for students opting for the world of work and left these students ill prepared to enter Alaska's workforce.

As a result of these changes in our educational priorities, the seventy percent of the high school graduates that do not go to college and the thirty percent of high school freshmen that drop out of high school are not prepared to become productive, working Alaskans. HB 2 and HB 61 represent a step in changing the attitudes toward career and technical education and create a means by which Alaskan businesses can direct their tax dollars to support educational programs that benefit their industries and the development of their workforce.

AGC supports the passage of these bills and applauds your leadership and foresight in creating this approach to deal with the problem.

Sincerely,

*Richard Cattanach*  
Richard Cattanach  
Executive Director

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TELEPHONE (907) 452-1800 • FAX (907) 456-8599  
Email: [fairbanksage@agcalaska.net](mailto:fairbanksage@agcalaska.net)

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**From:** Vince Beltrami [vbeltrami@alaska.net]  
**Sent:** ~~Wednesday, March 28, 2007 4:07 PM~~  
**To:** Rep. Mark Neuman  
**Cc:** donre@ptialaska.net  
**Subject:** support for HB 2  
**Follow Up Flag:** Follow up  
**Flag Status:** Green

March 28, 2007

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

Dear Representative Neuman,

Alaska's building trades unions have made a huge financial commitment to workforce development for over 50 years.

In 2005 our training programs spent over \$10 million in training apprentices to be ready for major future construction projects in our state. As a long time trustee and former statewide training director of the Alaska Joint Electrical Apprenticeship & Training Trust I have interviewed thousands of applicants to our program. One of the sad re-occurring themes among most applicants was not enough access to post-secondary vocational training or preparation for vocational training while they were in high school.

HB 2, if passed, is a step in assuring that Alaska's high school students will become better prepared to enter the workforce through our apprenticeship programs. This investment will better prepare Alaskans for transitioning into the workforce, making them better applicants and allowing them to hit the ground running with a basic exposure in high school to the skills necessary to make them successful apprentices in their chosen vocation.

We have an historic opportunity to begin preparing tomorrow's construction workforce now, for the construction of a gas pipeline and other major capital projects to come. I urge your support in passing HB 2 for the good of the Alaskan workforce and for the strength of our future economy.

Sincerely,

Vince Beltrami  
President  
Alaska AFL-CIO

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@aab.org](mailto:crose@aab.org)



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(907) 457-2591 fax  
(866) 457-2597 toll free

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 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

**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.