

HB

61

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FILE

*Conceptual
Change*

Page 5, 6

V

**SENATE CS FOR CS FOR HOUSE BILL NO. 61(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, Buch, Harris, Foster, Nelson, Chenault, Wilson,
Johansen, Roses, Dahlstrom, Joule, Seaton**

**A BILL
FOR AN ACT ENTITLED**

1 "An Act relating to tax credits for cash contributions by taxpayers that are accepted for
2 certain educational purposes, including vocational education programs and courses at
3 the secondary school level and to tax credits for cash contributions by tax payers that
4 are accepted by a state-operated vocational technical education and training school; and
5 providing for an effective date."

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

7 * Section 1. AS 21.89.070 is repealed and reenacted to read:

8 **Sec. 21.89.070. Insurance tax education credit.** (a) A taxpayer is allowed a
9 credit against the tax due under AS 21.09.210 or AS 21.66.110 for cash contributions
10 accepted

11 (1) for direct instruction, research, and educational support purposes,
12 including library and museum acquisitions, and contributions to endowment, by a
13 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or

1 four-year college accredited by a regional accreditation association;

2 (2) for secondary school level vocational education courses and
3 programs by a school district in the state; and

4 (3) by a state-operated vocational technical education and training
5 school.

6 (b) The amount of the credit is the lesser of

7 (1) an amount equal to

8 (A) 50 percent of contributions of not more than \$100,000; and

9 (B) 100 percent of the next \$100,000 of contributions; or

10 (2) 50 percent of the taxpayer's tax liability under this title.

11 (c) Each public college and university shall include in its annual operating
12 budget request contributions received and how the contributions were used.

13 (d) A contribution claimed as a credit under this section may not

14 (1) be claimed as a credit under more than one provision of this title;

15 and

16 (2) when combined with credits taken during the taxpayer's tax year
17 under AS 21.89.075, AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.65.018,
18 AS 43.75.018, or AS 43.77.045, exceed \$150,000.

19 (e) In this section,

20 (1) "school district" has the meaning given in AS 14.03.126;

21 (2) "vocational education" is the meaning given in AS 43.20.014(e).

22 * Sec. 2. AS 43.20.014 is repealed and reenacted to read:

23 **Sec. 43.20.014. Income tax education credit.** (a) A taxpayer is allowed a
24 credit against the tax due under this chapter for cash contributions accepted

25 (1) for direct instruction, research, and educational support purposes,
26 including library and museum acquisitions, and contributions to endowment, by an
27 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or
28 four-year college accredited by a regional accreditation association;

29 (2) for secondary school level vocational education courses and
30 programs by a school district in the state; and

31 (3) by a state-operated vocational technical education and training

1 school.

2 (b) The amount of the credit is

- 3 (1) 50 percent of contributions of not more than \$100,000; and
 4 (2) 100 percent of the next \$100,000 of contributions.

5 (c) Each public college and university shall include in its annual operating
 6 budget request contributions received and how the contributions were used.

7 (d) A contribution claimed as a credit under this section may not

- 8 (1) be claimed as a credit under another provision of this title;
 9 (2) also be allowed as a deduction under 26 U.S.C. 170 against the tax
 10 imposed by this chapter; and

11 (3) when combined with credits taken during the taxpayer's tax year
 12 under AS 21.89.070, 21.89.075, AS 43.55.019, AS 43.56.018, AS 43.65.018,
 13 AS 43.75.018, or AS 43.77.045, exceed \$150,000.

14 (e) In this section,

- 15 (1) "school district" has the meaning given in AS 14.03.126;
 16 (2) "vocational education" means organized educational activities that
 17 offer a sequence of courses that provides individuals with the academic and technical
 18 knowledge and skills the individuals need to prepare for further education and for
 19 careers other than careers requiring a baccalaureate, master's, or doctoral degree.

20 * Sec. 3. AS 43.55.019 is repealed and reenacted to read:

21 **Sec. 43.55.019. Oil or gas producer education credit.** (a) A producer of oil
 22 or gas is allowed a credit against the tax due under this chapter for cash contributions
 23 accepted

24 (1) for direct instruction, research, and educational support purposes,
 25 including library and museum acquisitions, and contributions to endowment, by an
 26 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or
 27 four-year college accredited by a regional accreditation association;

28 (2) for secondary school level vocational education courses and
 29 programs by a school district in the state; and

30 (3) by a state-operated vocational technical education and training
 31 school.

1 (b) The amount of the credit is

2 (1) 50 percent of contributions of not more than \$100,000; and

3 (2) 100 percent of the next \$100,000 of contributions.

4 (c) Each public college and university shall include in its annual operating
5 budget request contributions received and how the contributions were used.

6 (d) A contribution claimed as a credit under this section may not

7 (1) be claimed as a credit under another provision of this title; and

8 (2) when combined with credits taken during the taxpayer's tax year
9 under AS 21.89.070, 21.89.075, AS 43.20.014, AS 43.56.018, AS 43.65.018,
10 AS 43.75.018, or AS 43.77.045, exceed \$150,000.

11 (e) The department may, by regulation, establish procedures by which a
12 taxpayer may allocate a pro rata share of a credit claimed under this section against
13 monthly tax payments made during the tax year.

14 (f) In this section,

15 (1) "school district" has the meaning given in AS 14.03.126;

16 (2) "vocational education" has the meaning given in AS 43.20.014(e).

17 * Sec. 4. AS 43.56.018 is repealed and reenacted to read:

18 **Sec. 43.56.018. Property tax education credit.** (a) The owner of property
19 taxable under this chapter is allowed a credit against the tax due under this chapter for
20 cash contributions accepted

21 (1) for direct instruction, research, and educational support purposes,
22 including library and museum acquisitions, and contributions to endowment, by an
23 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or
24 four-year college accredited by a regional accreditation association;

25 (2) for secondary school level vocational education courses and
26 programs by a school district in the state; and

27 (3) by a state-operated vocational technical education and training
28 school.

29 (b) The amount of the credit is

30 (1) 50 percent of contributions of not more than \$100,000; and

31 (2) 100 percent of the next \$100,000 of contributions.

1 (c) Each public college and university shall include in its annual operating
2 budget request contributions received and how the contributions were used.

3 (d) A contribution claimed as a credit under this section may not

4 (1) be claimed as a credit under another provision of this title; and

5 (2) when combined with credits taken during the taxpayer's tax year
6 under AS 21.89.070, 21.89.075, AS 43.20.014, AS 43.55.019, AS 43.65.018,
7 AS 43.75.018, or AS 43.77.045, exceed \$150,000.

8 (e) In this section,

9 (1) "school district" has the meaning given in AS 14.03.126;

10 (2) "vocational education" has the meaning given in AS ~~34.20.014(e)~~.

11 * Sec. 5. AS 43.65.018 is repealed and reenacted to read: 43.20.014(e)

12 **Sec. 43.65.018. Mining business education credit.** (a) A person engaged in
13 the business of mining in the state is allowed a credit against the tax due under this
14 chapter for cash contributions accepted

15 (1) for direct instruction, research, and educational support purposes,
16 including library and museum acquisitions, and contributions to endowment, by an
17 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or
18 four-year college accredited by a regional accreditation association;

19 (2) for secondary school level vocational education courses and
20 programs by a school district in the state; and

21 (3) by a state-operated vocational technical education and training
22 school.

23 (b) The amount of the credit is

24 (1) 50 percent of contributions of not more than \$100,000; and

25 (2) 100 percent of the next \$100,000 of contributions.

26 (c) Each public college and university shall include in its annual operating
27 budget request contributions received and how the contributions were used.

28 (d) A contribution claimed as a credit under this section may not

29 (1) be claimed as a credit under another provision of this title; and

30 (2) when combined with credits taken during the taxpayer's tax year
31 under AS 21.89.070, 21.89.075, AS 43.20.014, AS 43.55.019, AS 43.56.018,

1 AS 43.75.018, or AS 43.77.045, exceed \$150,000.

2 (e) In this section,

3 (1) "school district" has the meaning given in AS 14.03.126;

4 (2) "vocational education" has the meaning given in AS 43.20.014(c).

5 * Sec. 6. AS 43.75.018 is repealed and reenacted to read:

6 Sec. 43.75.018. **Fisheries business education credit.** (a) A person engaged in
7 a fisheries business is allowed a credit against the tax due under this chapter for cash
8 contributions accepted

9 (1) for direct instruction, research, and educational support purposes,
10 including library and museum acquisitions, and contributions to endowment, by an
11 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or
12 four-year college accredited by a regional accreditation association;

13 (2) for secondary school level vocational education courses and
14 programs by a school district in the state; and

15 (3) by a state-operated vocational technical education and training
16 school.

17 (b) The amount of the credit is

18 (1) 50 percent of contributions of not more than \$100,000; and

19 (2) 100 percent of the next \$100,000 of contributions.

20 (c) Each public college and university shall include in its annual operating
21 budget request contributions received and how the contributions were used.

22 (d) A contribution claimed as a credit under this section may not

23 (1) be claimed as a credit under another provision of this title; and

24 (2) when combined with credits taken during the taxpayer's tax year
25 under AS 21.89.070, 21.89.075, AS 43.20.014, AS 43.55.019, AS 43.56.018,
26 AS 43.65.018, or AS 43.77.045, exceed \$150,000.

27 (e) In this section,

28 (1) "school district" has the meaning given in AS 14.03.126;

29 (2) "vocational education" has the meaning given in AS ~~42.20.014(c)~~.

30 * Sec. 7. AS 43.77.045 is repealed and reenacted to read: 42.20.014(c)

31 Sec. 43.77.045. **Floating fisheries business education credit.** (a) In addition

1 to the credit allowed under AS 43.77.040, a person engaged in a floating fisheries
2 business is allowed a credit against the tax due under this chapter for cash
3 contributions accepted

4 (1) for direct instruction, research, and educational support purposes,
5 including library and museum acquisitions, and contributions to endowment, by an
6 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or
7 four-year college accredited by a regional accreditation association;

8 (2) for secondary school level vocational education courses and
9 programs by a school district in the state; and

10 (3) by a state-operated vocational technical education and training
11 school.

12 (b) The amount of the credit is

13 (1) 50 percent of contributions of not more than \$100,000; and

14 (2) 100 percent of the next \$100,000 of contributions.

15 (c) Each public college and university shall include in its annual operating
16 budget request contributions received and how the contributions were used.

17 (d) A contribution claimed as a credit under this section may not

18 (1) be claimed as a credit under another provision of this title; and

19 (2) when combined with credits taken during the taxpayer's tax year
20 under AS 21.89.070, 21.89.075, AS 43.20.014, AS 43.50.019, AS 43.56.018,
21 AS 43.65.018, or AS 43.75.018, exceed \$150,000.

22 (e) In this section,

23 (1) "school district" has the meaning given in AS 14.03.126;

24 (2) "vocational education" has the meaning given in AS 43.20.014(e).

25 * Sec. 8. This Act takes effect January 1, 2009.

SENATE FINANCE COMMITTEE REPORT

DATE: 4/20/07

FURTHER:

DATE TURNED
IN TO OFFICE: _____

Finance Committee considered CS FOR HOUSE BILL NO. 61(FIN)

HB 61 TAX CREDIT FOR CONTRIBUTIONS TO VOC ED

"An Act relating to tax credits for cash contributions by taxpayers that are accepted for certain educational purposes, including vocational education programs and courses at the secondary school level and to tax credits for cash contributions by tax payers that are accepted by a state-operated vocational technical education and training school; and providing for an effective date."

and recommends:

- be replaced with SCS or CS AB 61 (FIN)
- adopt previous SCS or CS _____ (_____)
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

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

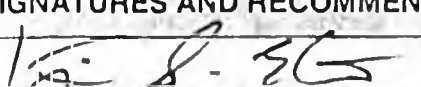

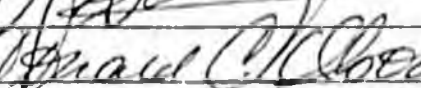



NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
REV	2/15/08		✓		

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	E L Thomas	✓			
	Thomas	✓			
	Huggins	✓			
	O'CONNOR			✓	
CO-CHAIR: 	THOMAS	✓			
CO-CHAIR: 	THOMAS	✓			

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: CSHB 61 (FIN)
(f) Publish Date: _____

Identifier (file name): CSHB61(FIN)-DOR-TAX-2-15-08 Dept. Affected: Revenue 04
Title: Tax Credit for Contributions to Voc Ed RDU: Taxation and Treasury
Component: Tax Division
Sponsor: Representatives Neumann, Lynn, Buch Harris, Foster, Nelson, Chenault, Wilson,
Requester: Johansen, Roses, Dahlstrom, Joule, Seaton Component Number: 2476
Senate Finance

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information						
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
OPERATING EXPENDITURES								
Personal Services								
Travel								
Contractual								
Supplies								
Equipment								
Land & Structures								
Grants & Claims								
Miscellaneous								
TOTAL OPERATING	*	*	*	*	*	*	*	*

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	*	*	*	*	*	*	*	*
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts								
1003 GF Match								
1004 GF								
1005 GF/Prgram Receipts								
1037 GF/Mental Health								
Other Interagency Receipts								
TOTAL	*	*	*	*	*	*	*	*

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time								
Part-time								
Temporary								

ANALYSIS: (Attach a separate page if necessary)

*See Attached.

Prepared by: Nels Tomlinson
Division: Tax
Approved by: Jerry Burnett
Department of Revenue

Phone: 465-5636
Date/Time: 15 February 2008/15:30
Date: 2/15/2008

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

BILL NO. CSHB 61 (Fin)

ANALYSIS CONTINUATION

Bill Language: This bill would extend the current education tax credits to cover contributions to secondary school vocational programs, and state-operated vocational and technical schools.

Currently, taxpayers can take a credit of up to \$150,000 for contributions to accredited two and four year colleges and universities in Alaska. This credit may be taken against their insurance tax, corporate income tax, oil and gas producer tax, oil and gas property tax, mining license tax, fisheries business tax or fishery resource landing tax. This bill would add two new classes of potential recipients for donations, but would not change the terms of the credits.

Revenues: We anticipate that this bill will have a negligible effect on revenue. The education tax credit is little-used. In recent years a few dozen companies took education tax credits amounting to less than \$3 million per year. We have no data to assess the amount of additional donations which might be made under this bill, but we anticipate that the additional amount will be a small fraction of the current credits.

Expenditures: The Department of Revenue does not anticipate any additional expenditures resulting from this bill.

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Ado 24-20

25-LS0302\E.1
Bullock
2/21/08

AMENDMENT

1

Stedman

OFFERED IN THE SENATE

TO: CSHB 61(FIN)

- 1 Page 3, lines 2 - 3:
- 2 Delete "the lesser of
- 3 (1) an amount equal to"
- 4
- 5 Page 3, line 4:
- 6 Delete "(A)"
- 7 Insert "(1)"
- 8
- 9 Page 3, line 5:
- 10 Delete "(B)"
- 11 Insert "(2)"
- 12
- 13 Page 3, lines 5 - 6:
- 14 Delete "; or
- 15 (2) 50 percent of the taxpayer's tax liability under this title"
- 16
- 17 Page 3, lines 21 - 22:
- 18 Delete ", in current or emerging employment sectors"
- 19
- 20 Page 7, line 28:
- 21 Delete "2008"
- 22 Insert "2009"

**Alaska Department of Revenue
Tax Division**

Summary of FY 2007 Alaska Education Credits

Tax Program	Credits Claimed	Total of Contributions	Beneficiary			
			U of A	APU	Sheldon Jackson	Other
Corporation Net Income	\$1,196,472	\$5,046,485	\$4,368,207	\$477,089	\$98,189	\$103,000
Insurance Premiums	300,000	400,000	-	180,000	20,000	200,000
Fishery Resource Landing	1,050,000	1,400,000	1,112,000	240,000	48,000	-
Mining License	10,814	21,628	21,628	-	-	-
Fisheries Business	300,000	200,000	200,000	-	-	-
Oil and Gas Production (No credits claimed)	-	-	-	-	-	-
Oil and Gas Property (No credits claimed)	-	-	-	-	-	-
Total - All Tax Types	\$2,857,286	\$7,068,113	\$5,701,835	\$897,089	\$166,189	\$303,000

Senator Stedman, Co-Chairman – Ketchikan
465-3873 Phone 465-3922 FAX

Senator Hoffman, Co-Chairman – Bethel
465-4453 Phone 465-4523 FAX

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FEB 28 2008

Senator Huggins, Vice Chairman – Mat-Su
465-3878 Phone 465-3265 FAX

Senator Elton – Juneau
465-4947 Phone 465-2108 FAX

Senator Olson – Nome
465-3707 Phone 465-4821 FAX

Senator Thomas – Fairbanks
465-2327 Phone 465-5241 FAX

Senator Dyson – Eagle River
465-2199 Phone 465-4587 FAX

I am writing to you as the President of the Alaska State Home Building Association representing over 900 members in our area. We support HB 61 "An Act relating to tax credits for cash contributions by taxpayers that are accepted for certain educational purposes, including vocational education programs and courses at the secondary school level; and providing for an effective date"

Alaska will soon be facing a critical shortage of qualified workers in many of the trade and construction related areas. Sustainable funding for vocational education is critical to the future of our state. Future Alaskans will be called upon to fill the jobs vacated by our aging workforce as well as the new jobs created by the future gas line project. It is imperative that these Alaskans have access to quality, well funded training programs that will teach them the skills they will need to help build Alaska's future.

We support amending the current provisions for educational tax credits. HB 61 will add to the statute that allows contributions accepted by school districts for secondary school vocational education programs to become a basis for tax credits.

We appreciate your current and previous support of our industry. We urge your support for HB61 and look forward to assisting you and Representative Neuman in any way possible. Please do not hesitate to call on us if you have any questions.

Sincerely,



ALASKA STATE LEGISLATURE

Chair:
Special Committee on Economic Development,
Trade, & Tourism

Vice Chair:
Committee on Labor and Commerce

Vice Chair:
Committee on Transportation

Member:
Committee on Community and Regional Affairs
Special Committee on Oil and Gas



Session:
Alaska State Capitol
Juneau, AK 99801-1182
Phone: (907) 465-2679
Fax: (907) 465-4822
Toll Free (877) 465-2679

Interim:
600 E. Railroad Ave
Wasilla, AK 99654
Phone: (907) 376-2679
Fax: (907) 376-4745

REPRESENTATIVE MARK NEUMAN

Representative_Mark_Neuman@legis.state.ak.us

Sponsor Statement for House Bill 61

“Credit for investing in Alaskan Vocational Education Programs”

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 61 amends the current provisions for educational tax credits. Adding to statute that contributions accepted by school districts for secondary school vocational education programs become a basis for tax credits.

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

December 21, 2006

SUBJECT: Education tax credits including credits for cash contributions for vocational education at the secondary school level (Work Order No. 25-LS0302\A)

TO: Representative Mark Neuman
Attn: Rex Shattuck

FROM: Donald M. Bullock Jr.
Legislative Counsel

Enclosed is a draft bill that amends the current provisions for educational tax credits by adding contributions accepted by a school district for secondary school level vocational education as a basis for the tax credit. Please review this draft carefully to ensure that it is consistent with your intent.

The draft bill repeals and reenacts each of the applicable credit provisions that currently exist. The reenactment of each section adds a tax credit for a cash contribution to a school district for vocational education and defines "school district" and "vocational education" for the purposes of the credit. The definition of "vocational education" is based on the definition in 20 U.S.C. 2302(29) as that definition appeared in the Carl D. Perkins Vocational and Applied Technology Act, as amended in sec. 1 of the Carl D. Perkins Vocational and Applied Technology Amendments of 1998.¹ This definition first appears in AS 21.89.070(e) in sec. 1 of the draft bill and is referenced in succeeding sections.

I tried to use similar language in each section of the bill while at the same time retaining provisions specific to a particular underlying tax in current law. For example, AS 21.89.070(b), in sec. 1 of the draft bill, provides that the tax credit may not exceed 50 percent of the tax liability. A similar cap exists in AS 43.20.014 in sec. 2, but not in other bill sections. Another unique provision is in AS 43.55.019(e), in sec. 3 of the draft bill, that authorizes the Department of Revenue to establish a procedure that allows a taxpayer to apply a pro rata share of a credit against each monthly tax payment.

The existing credit sections require "each public college and university [to] include in its annual operating budget request contributions received and how the contributions were used." This requirement continues in this draft. Do you want school districts that receive

¹ Pub. L. 105-332

Representative Mark Neuman
December 21, 2006
Page 2

contributions under these sections to make some sort of similar report? If so, you should decide to whom the report should be submitted (such as to the commissioner of education and early development), when the report must be filed (such as within a certain period following the end of the fiscal or calendar year), and what information to include (such as the type of vocational programs offered and the amount funded by taxpayer cash contributions).

This draft continues the \$150,000 ceiling for the total amount of credits that may be taken by a person under all of the provisions. Some taxpayers may be eligible for a credit under several sections, but may not take a credit for the same contribution against more than one tax type; this is no change from current law. For example, an oil producer is likely to be subject to a tax under AS 43.20 (corporation income tax), AS 43.55 (oil and gas production tax), and AS 43.56 (oil and gas property tax); if the corporation takes a credit for contributing \$100,000 against the corporation income tax, the same contribution may not be the basis for a credit under the production tax or property tax. However, the corporation may make additional contributions and take a credit under AS 43.55 or AS 43.56, but the total credits against all taxes against which a credit is authorized under the draft bill (and current law) may not exceed \$150,000. You may wish to consider whether the \$150,000 credit achieves your intended result, or whether it is too low or too high.

I inserted January 1, 2008 as the effective date of the bill. I suggest this date because most taxpayers file on the basis of a tax year that coincides with the calendar year. If you would like a different effective date or would prefer that the bill merely take effect 90 days after becoming law, please let me know. You may wish to discuss effective dates with the departments involved.

If I may be of further assistance, please advise.

DMB:ljw
06-398.ljw

Enclosure

Senator Stedman, Co-Chairman – Ketchikan
465-3873 Phone 465-3922 FAX

Senator Hoffman, Co-Chairman – Bethel
465-4453 Phone 465-4523 FAX

Senator Huggins, Vice Chairman – Mat-Su
465-3878 Phone 465-3265 FAX

Senator Elton – Juneau
465-4947 Phone 465-2108 FAX

Senator Olson – Nome
465-3707 Phone 465-4821 FAX

Senator Thomas – Fairbanks
465-2327 Phone 465-5241 FAX

Senator Dyson – Eagle River
465-2199 Phone 465-4587 FAX

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FEB 28 2008

I am writing to you as the President of the Interior Alaska Building Association representing over 200 members in the Fairbanks area. We support HB 61 "An Act relating to tax credits for cash contributions by taxpayers that are accepted for certain educational purposes, including vocational education programs and courses at the secondary school level; and providing for an effective date"

Alaska will soon be facing a critical shortage of qualified workers in many of the trade and construction related areas. Sustainable funding for vocational education is critical to the future of our state. Future Alaskans will be called upon to fill the jobs vacated by our aging workforce as well as the new jobs created by the future gas line project. It is imperative that these Alaskans have access to quality, well funded training programs that will teach them the skills they will need to help build Alaska's future.

We support amending the current provisions for educational tax credits. HB 61 will add to the statute that allows contributions accepted by school districts for secondary school vocational education programs to become a basis for tax credits.

We appreciate your current and previous support of our industry. We urge your support for HB61 and look forward to assisting you and Representative Neuman in any way possible. Please do not hesitate to call on us if you have any questions.

Sincerely,



David Costello
President
Interior Alaska Building Association

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.



Alaska Vocational Technical Center (AVTEC) Strategic Plan

The purpose of Strategic Planning is to evaluate trends, then identify a niche in the environment in which AVTEC can successfully compete and improve its performance through alignment of goals and objectives and prioritization of resource allocation.

Strategic Planning at AVTEC is the process of matching the strengths and distinctive characteristics of the school with the unique and emerging needs of its students and the community. An essential component of AVTEC's ongoing efforts to work with businesses and community leaders is to identify educational and training needs.

The Strategic Plan is the basis of AVTEC's local plan as defined by the Carl D. Perkins Vocational and Technical Education Act of 1998.



Our Mission

AVTEC is a postsecondary vocational and technical training center. Our mission is to train a diverse and effective workforce that supports the economic growth and stability of our state.

Our Vision

AVTEC is Alaska's preferred technical training center, recognized for its student-centered environment and training excellence. Through creative and collaborative partnerships, AVTEC is the state's most responsive leader in strengthening business and industry by building the highest quality workforce. AVTEC is the model for best practices in teaching and learning in postsecondary education and vocational training in Alaska.

Our Values

- **Trustworthiness:** Modeling and promoting appropriate workplace conduct and ethical behavior.
- **Respect:** Treating students as individuals and honoring their diversity.
- **Responsibility:** Maintaining accountability by providing proper training and assessment for occupational preparedness.
- **Fairness:** Applying rules consistently and equitably to students and staff.
- **Caring:** Providing quality student services that contribute to student success and achievement.
- **Citizenship:** Encouraging leadership while preparing student for their role in the workforce.

Our Goals

1. **Student Success: Create "the AVTEC experience" by incorporating a holistic approach to student learning.**
 - Diversify the type and increase the amount of support available to students outside the instructional day
 - Identify and create opportunities for development of healthy life skills
 - Identify and create opportunities for development of leadership skills
 - Consistently communicate and reinforce high standards for student learning and behavior while attending AVTEC

2. **Programs: Continuously evaluate programs to prepare students for employment or transition to further education.**
 - Utilize available data and state performance measures for program evaluation
 - Conduct assessment of how AVTEC meets the needs of special populations
 - Maintain highest industry standards for technical skills and employability skills
 - Transition programs as appropriate from certificate granting to degree granting

3. **Technology: Utilize leading edge technology for maximizing student learning and operational efficiency.**
 - Develop plan for improving and upgrading technology used for data management, administration, and in instruction.
 - Develop plan for improving and upgrading technology used within occupational areas so that students can demonstrate competence with appropriate technology in a work-based environment

4. **Access: Increase access to exemplary training programs and learning resources that are responsive to Alaska's workforce development needs.**
 - Investigate opportunities for financial aid to be provided for short term training programs and online training programs
 - Implement an academic preparatory program that integrates academic and technical skills for students who test below grade level
 - Expand technical training programs statewide

5. **Partnerships: Strengthen ties with secondary schools, other postsecondary education providers, business and industry, apprenticeship programs, non-governmental organizations, governmental agencies, and others to increase opportunities for all learners.**
 - Increase partnerships statewide
 - Increase number of tech prep agreements with secondary schools
 - Increase number of articulation agreements with other postsecondary education programs and apprenticeship programs
 - Identify mutually beneficial outcomes in all partnerships

6. **Responsive: Position AVTEC to take advantage of large, statewide economic development projects and requisite employment demands.**
 - Identify potential projects that will require a skilled workforce
 - Use labor market data to identify existing skills gap
 - Create new or improve existing programs to provide training
7. **Personnel: Maintain high standards in recruiting, hiring, and retaining outstanding staff committed to AVTEC's mission and vision.**
 - Investigate alternate routes for recruiting and hiring qualified personnel
 - Provide competitive salaries for all staff, faculty, and administration
 - Ensure level of support staff keeps pace with growth in student enrollment
 - Provide for continuous professional development for staff, faculty, and administration
 - Create associate degree program for faculty needing degree for salary advancement
8. **Image: Educate statewide audience on the many positive attributes of AVTEC.**
 - Create and implement an aggressive and comprehensive marketing plan for individual programs and AVTEC
 - Promote programs that are exclusive to AVTEC
 - Increase AVTEC's web presence
 - Improve campus facilities to enhance image of school so that it is commensurate with the quality of programs offered
9. **Fiscal Resources: Ensure adequate funding for programs and projected growth.**
 - Demonstrate fiscal responsibility and accountability by effective and efficient use of resources
 - Utilize data to show true costs and benefits of training programs, including support services, in securing funding from state and external sources
10. **Plan for Improvement: Clearly articulate the importance of the strategic plan as a living document that guides our work and directs us toward our vision.**
 - Establish a process of continuous improvement for AVTEC
 - Conduct periodic review of strategic plan
 - Utilize data available for evaluating strategic plan
 - Engage all employees in evaluating proposed actions against goals and activities outlined in strategic plan

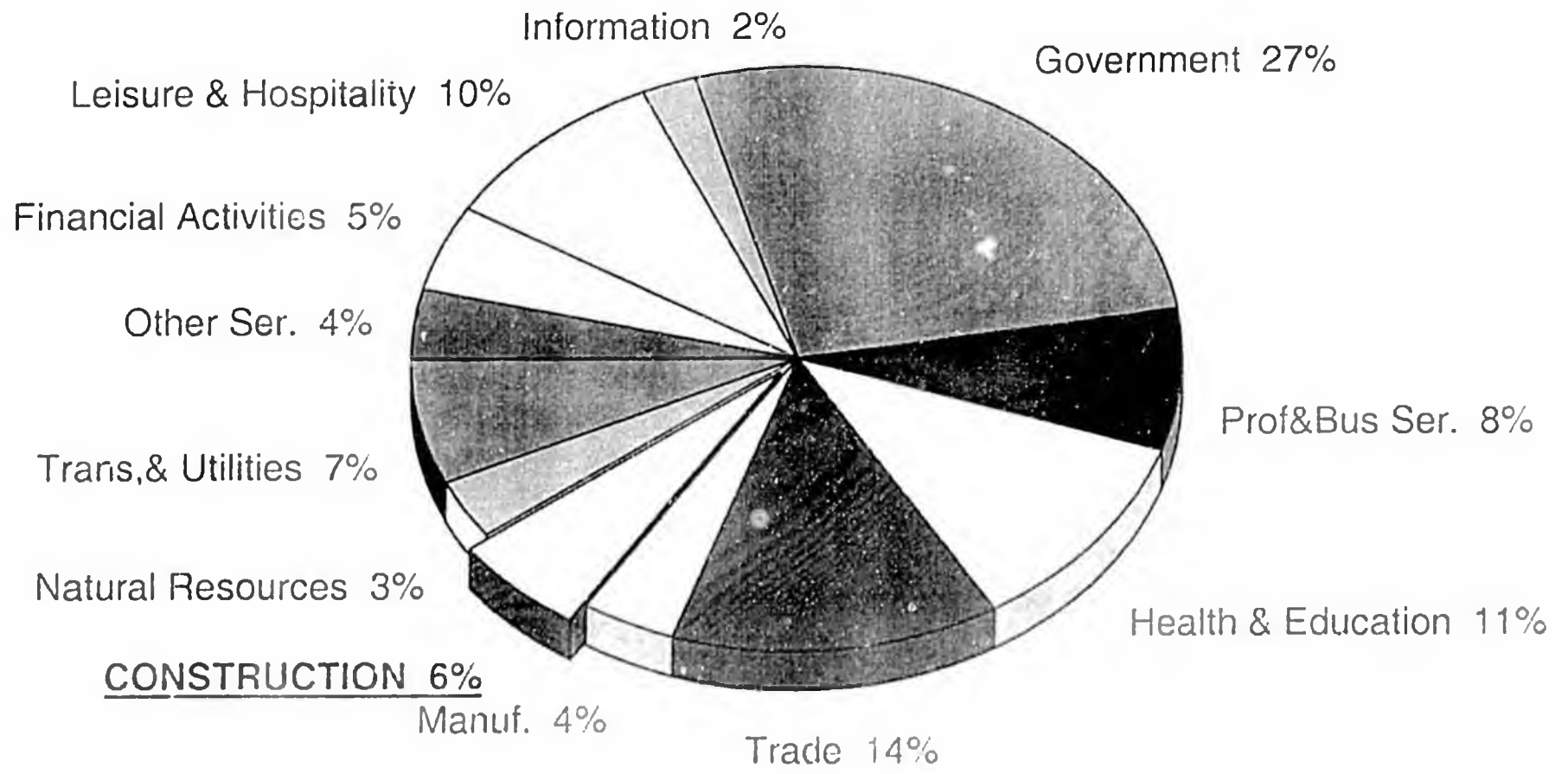
TAX TYPE	FY 08	FY 05	FY 04	FY 03	FY 02	FY 01	FY 00	FY 99	FY 98
OIL AND GAS TAXES									
Alaska Education Credit	\$347,125.00	\$197,675.00	\$305,000.00	\$307,625.00	\$404,452.00	\$196,837.00	\$200,062.00	\$208,650.00	\$251,250.00
CORPORATE NET INCOME TAX - Non Oil and Gas Corporations									
Alaska Education Credit	\$900,644.00	\$539,445.00	\$693,879.00	\$693,196.00	\$900,815.00	\$966,953.00	\$1,427,496.00	\$1,640,520.00	\$1,582,725.00
FISHERIES BUSINESS									
Alaska Education Credit	\$300,000.00	\$300,000.00	\$302,500.00	\$153,589.00	\$1,794.00	\$4,815.00	\$14,140.00	\$0.00	\$80,813.00
FISHERY RESOURCE LANDING									
Alaska Education Credit	\$1,200,000.00	\$1,050,000.00	\$900,000.00	\$1,200,000.00	\$1,555,875.00	\$607,097.00	\$312,098.00	\$165,250.00	\$151,881.00
Total	\$2,747,769.00	\$2,087,120.00	\$2,201,379.00	\$2,354,410.00	\$2,862,936.00	\$1,776,502.00	\$1,953,796.00	\$2,014,420.00	\$2,066,669.00
Total Contributions	\$20,065,001.00								

Alaska's Construction Workers Are there enough?

Richard Cattanach
Associated General Contractors of
Alaska



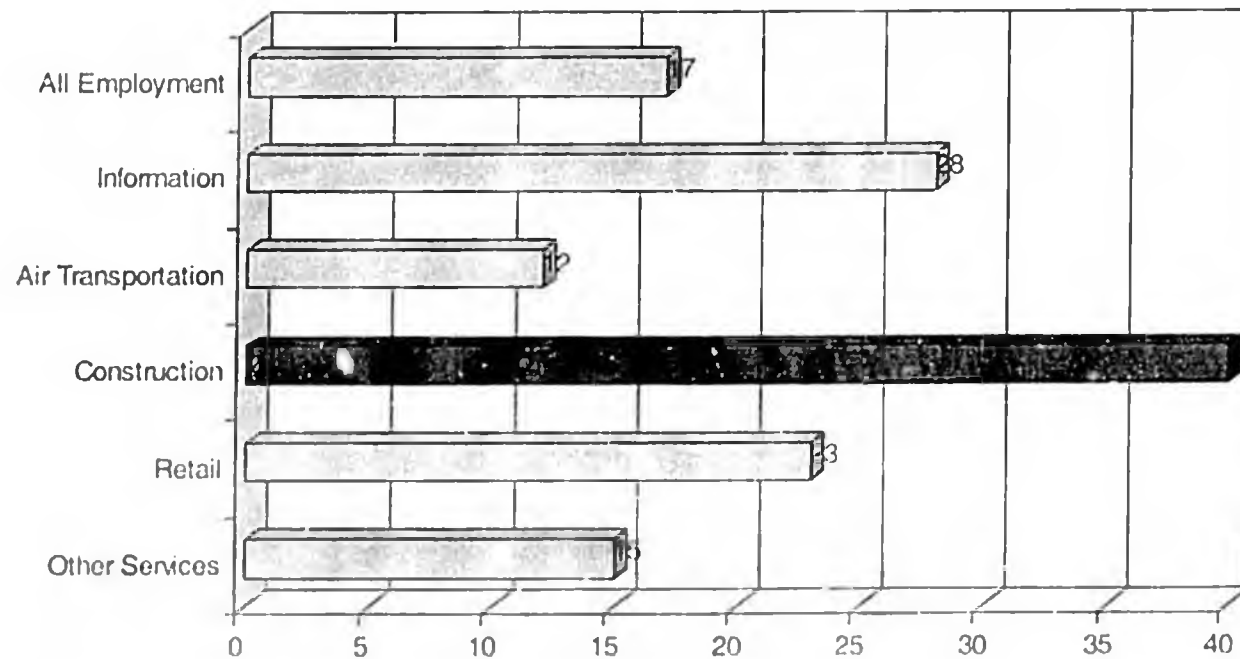
Alaska's Construction Industry Employment 2004



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

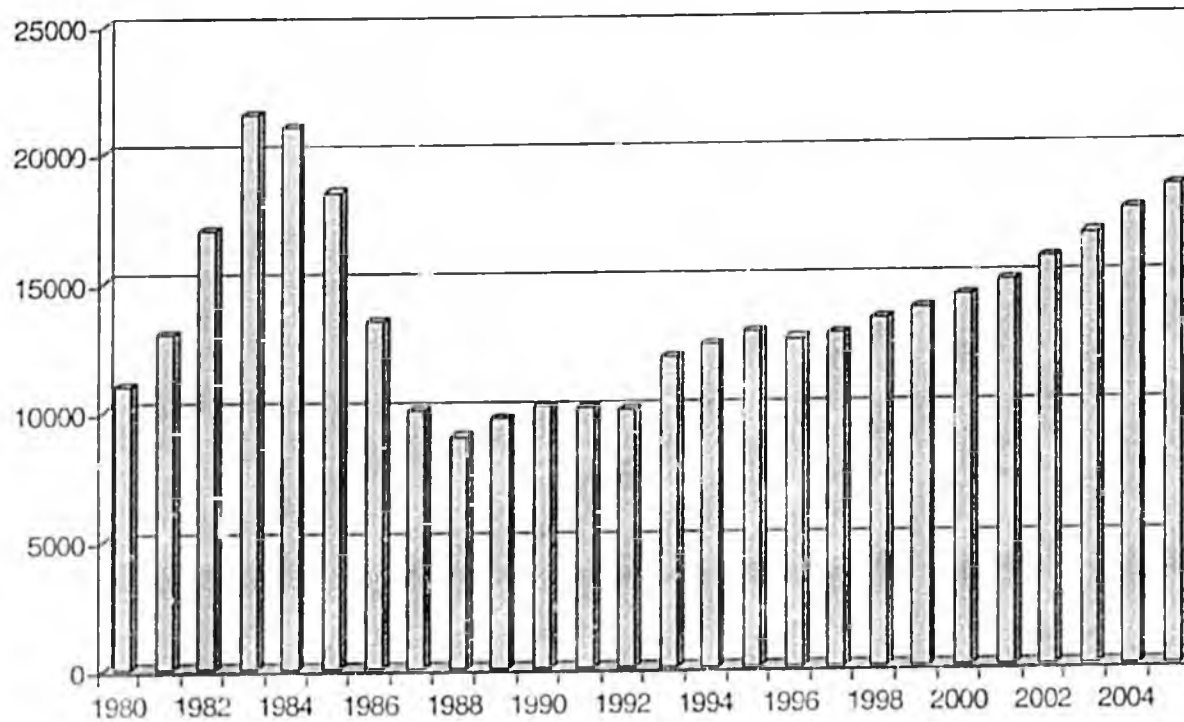
Construction has been one of the employment stars over the past decade

Labor Growth over the Past Decade



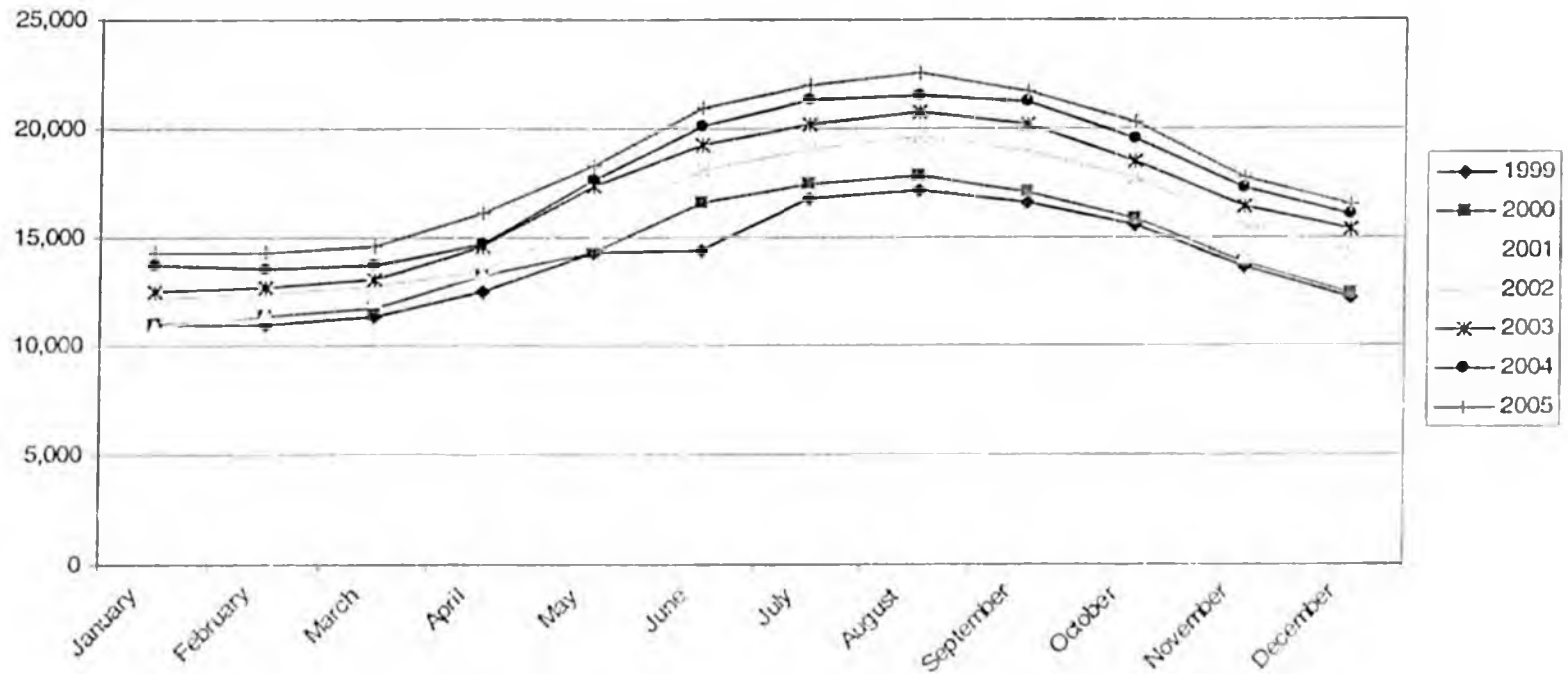
Construction Industry since 1980

Industry Employment Since 1980



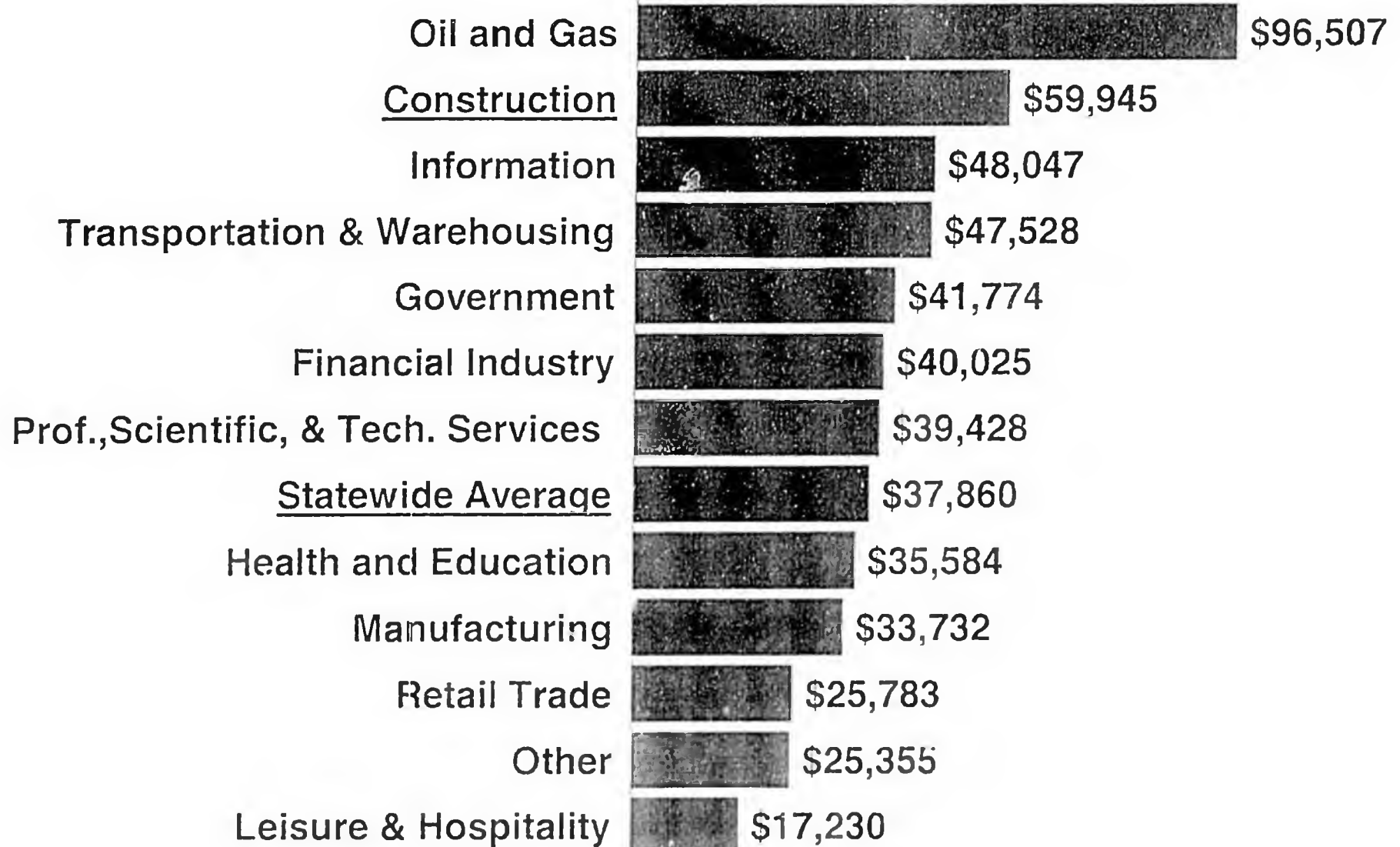
Construction Employment – 1999-2005

CONSTRUCTION EMPLOYMENT



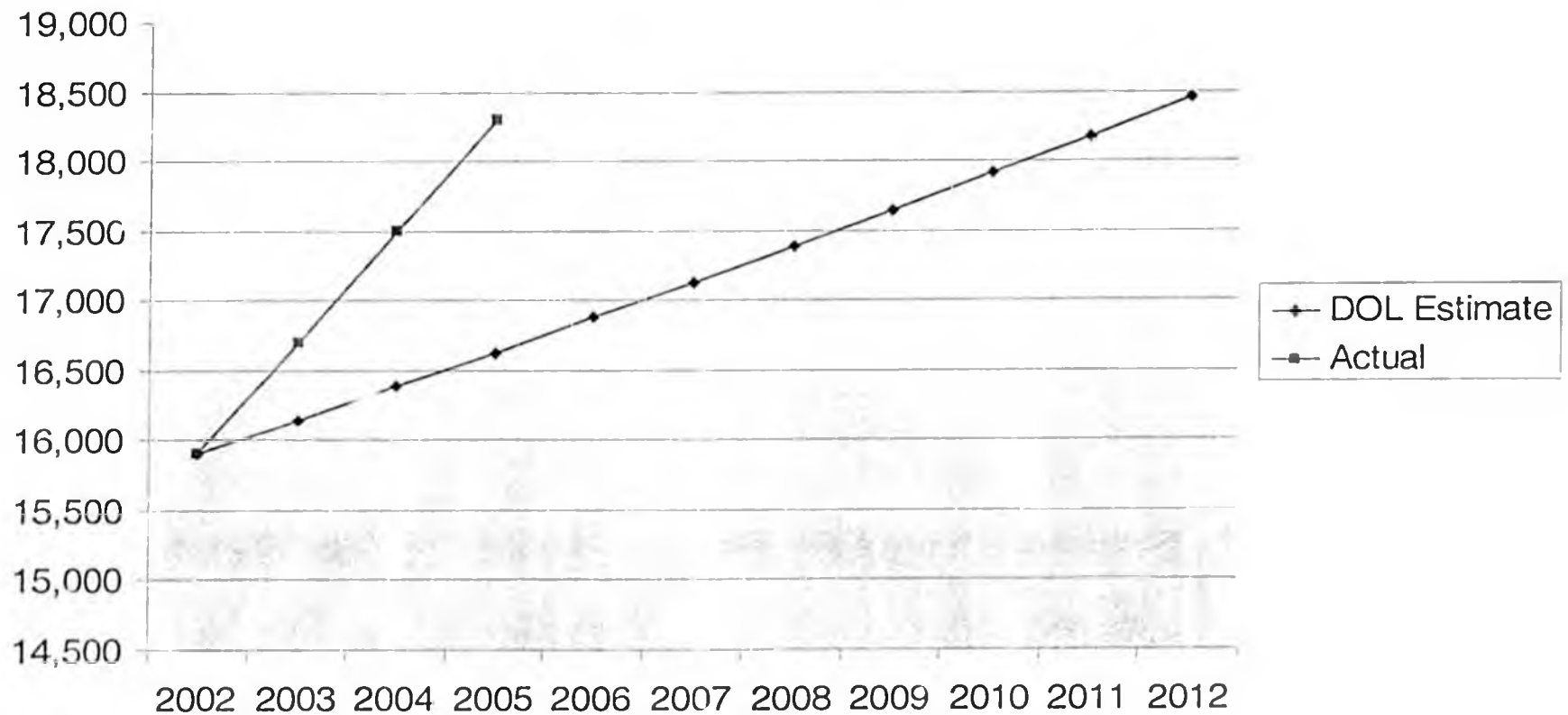
Construction Pays High Wages

2004 annual earnings



Projected Employment Growth

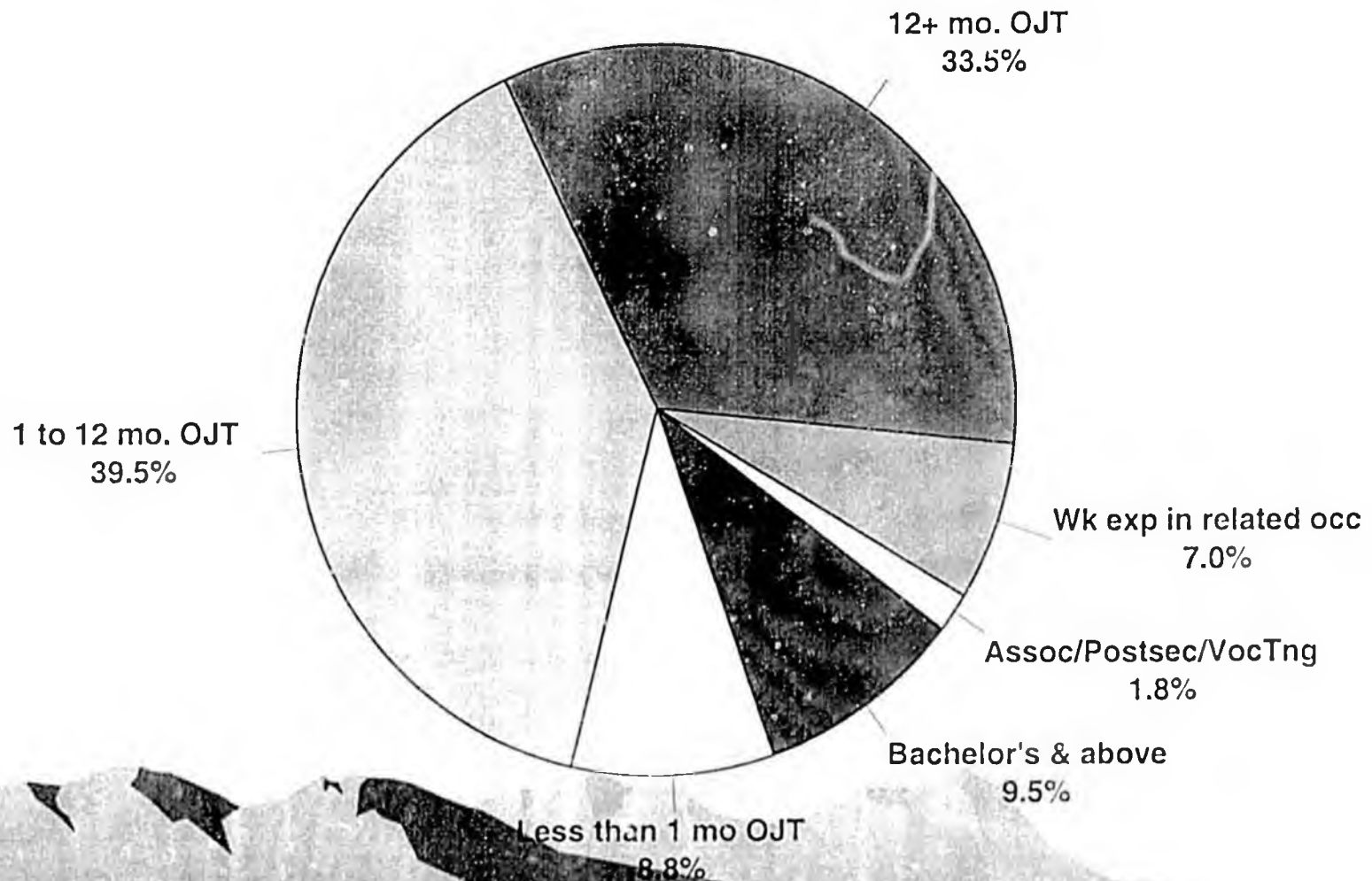
Construction Employment





Alaska's Current Construction Jobs by Level of Required Education

Estimated 2002



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



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



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

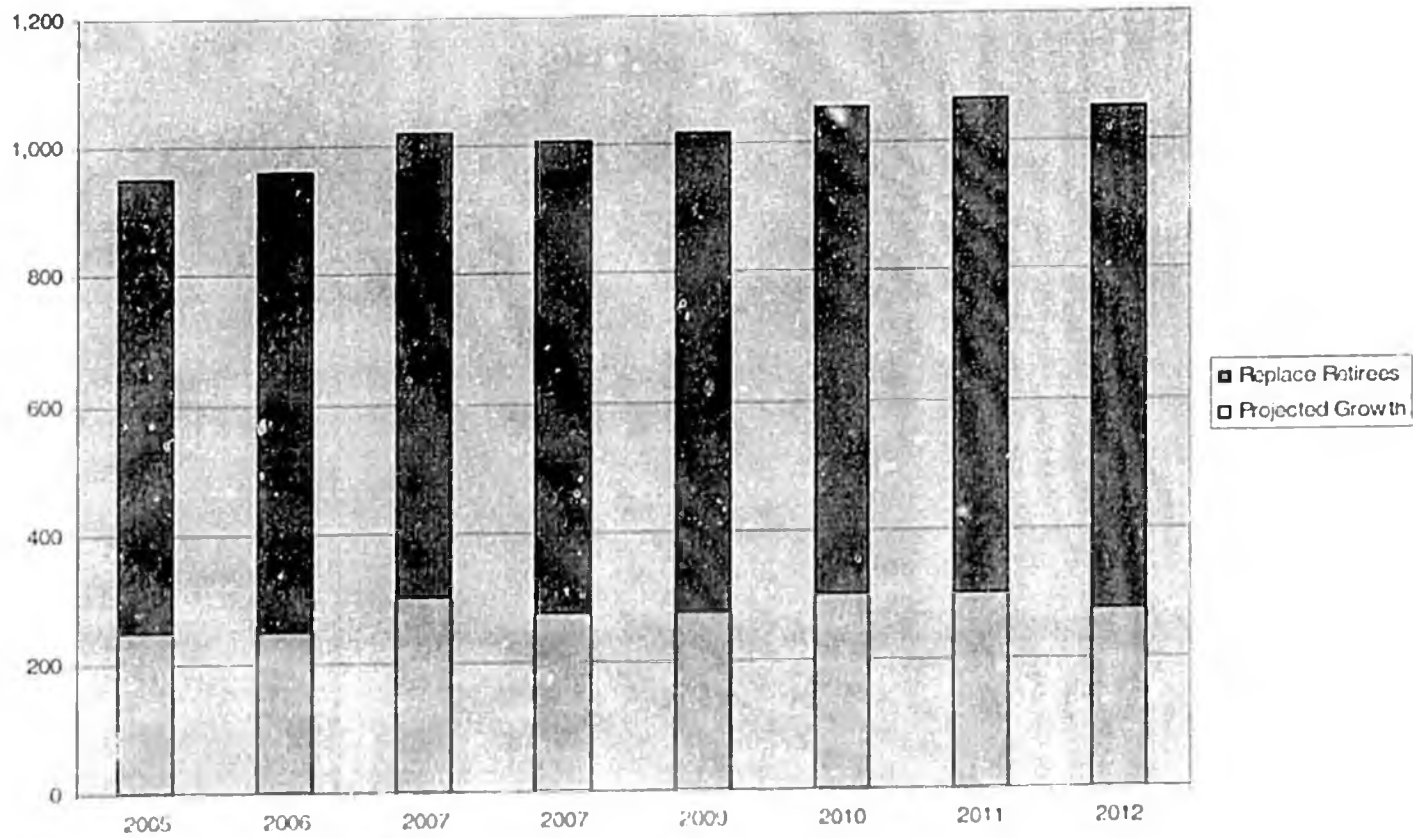
Selected Crafts - Continued

<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%

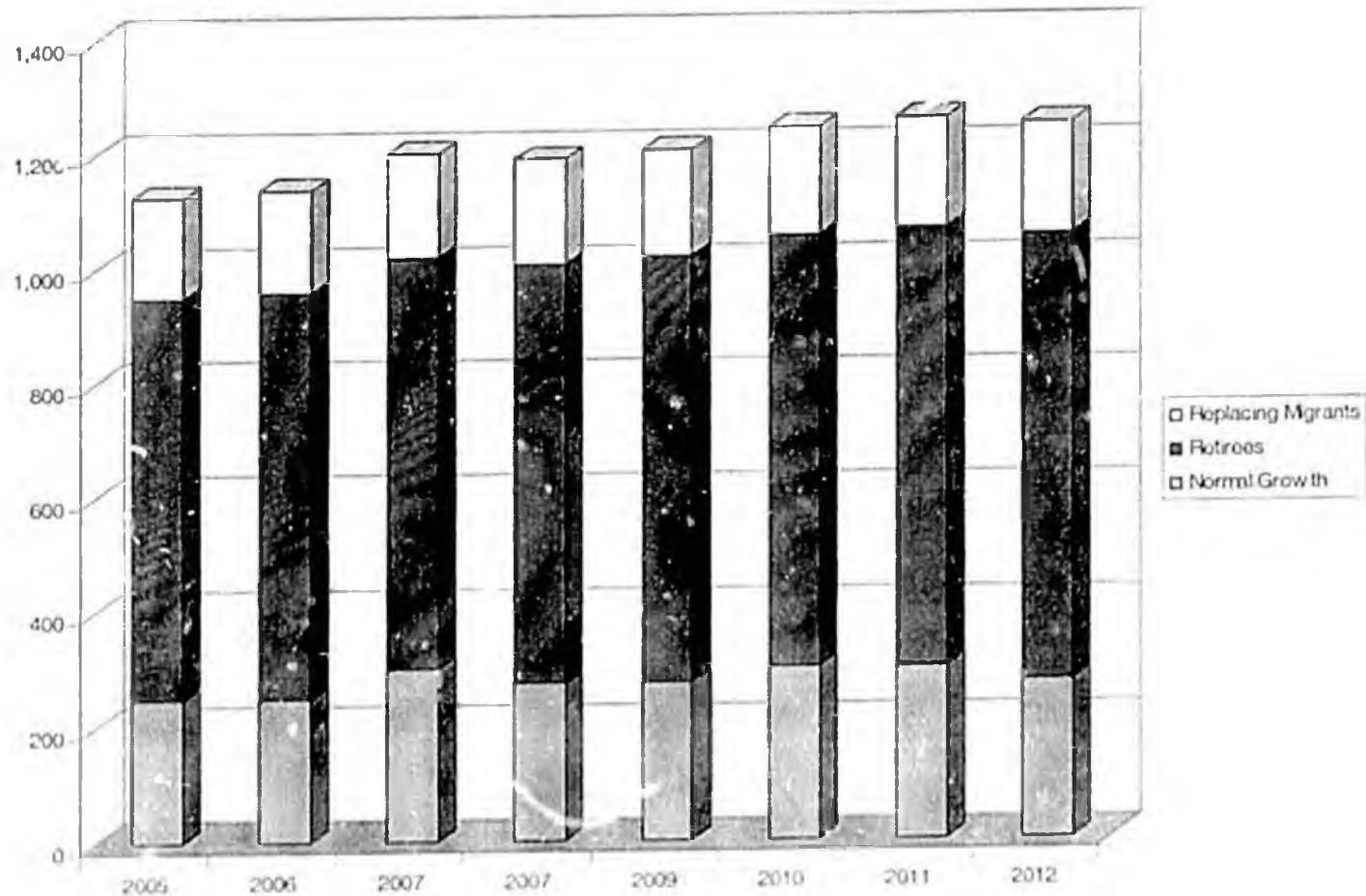


Projected Labor Growth

Projected Labor Growth



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

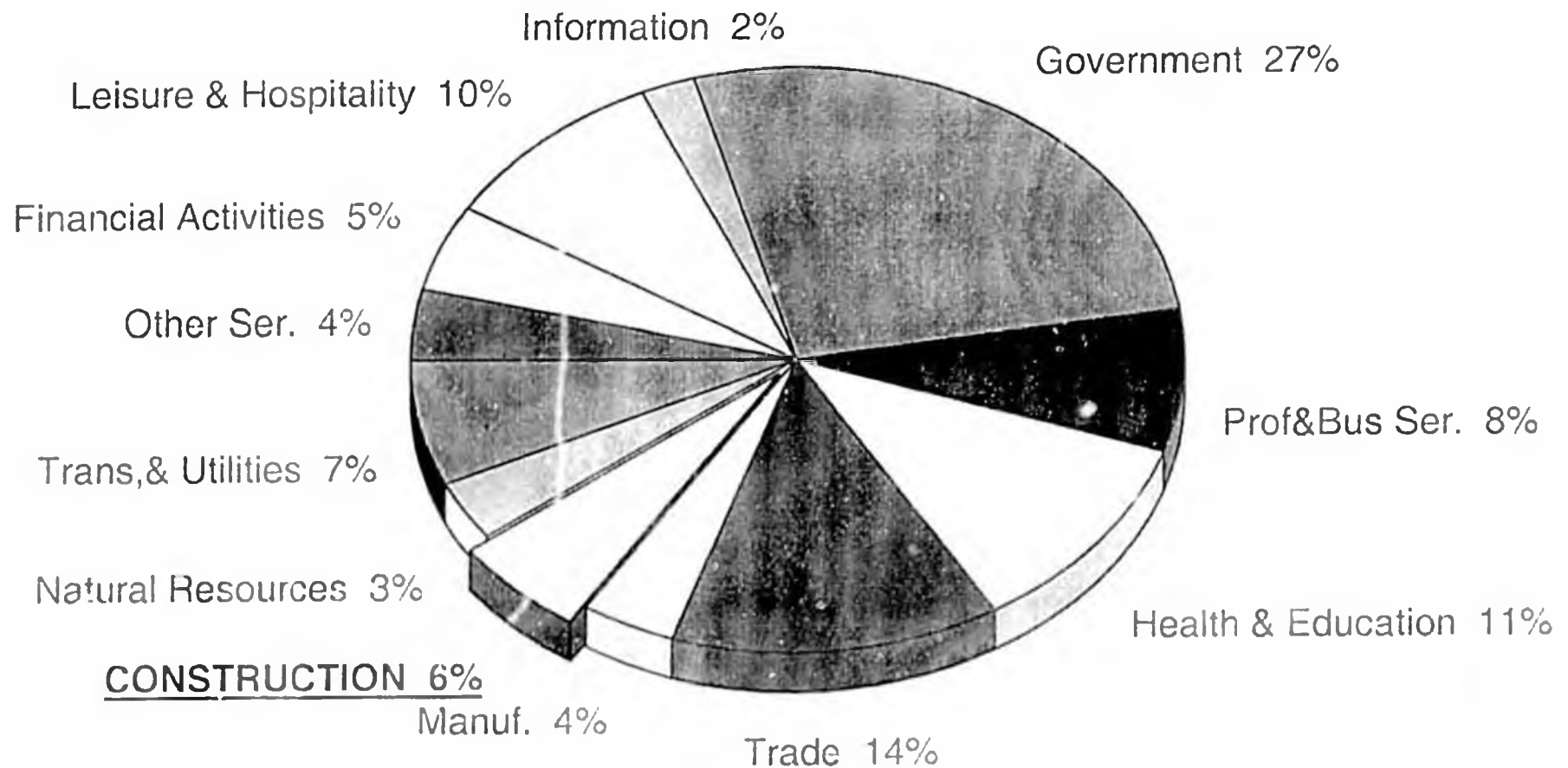


Labor Needs Relative to High School Graduates

- 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.

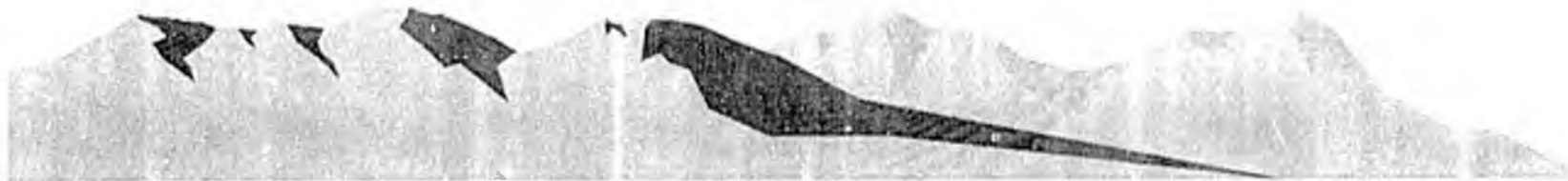
Potential Labor Shortages – Pipeline

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 Department of Revenue
Tax Division**

FY 2004 Alaska Education Credit Program Detail

	Credits Claimed	Total of Contributions	University of Alaska	Beneficiary		
				Alaska Pacific University	Sheldon Jackson	Other
Corporation Income Tax						
Northrim Bancorp Inc & Subs	\$ 150,000	200,000	75,000	110,000	15,000	-
First National Bank of Alaska	150,000	200,000	144,800	20,200	35,000	-
Glenim Co Inc	5,000	10,000	10,000	-	-	-
Veco Corporation & Subs	500	1,000	-	1,000	-	-
Sea Lion Corporation & Subs	32,129	64,258	64,258	-	-	-
MI McKinley Mutual Savings Bank	2,500	5,000	5,000	-	-	-
Keycorp & Subs	150,000	200,000	165,000	25,000	5,000	5,000
Denali Bancorporation & Sub	2,500	5,000	5,000	-	-	-
Lanoga Corporation & Subs	3,750	7,500	-	-	7,500	-
The McClatchy Company & Subs	47,500	95,000	40,000	25,000	30,000	-
Wells Fargo & Co	150,000	200,000	-	125,000	75,000	-
Exxon Mobil Corporation	5,000	10,000	-	-	10,000	-
BP Exploration Alaska Inc	150,000	479,000	78,000	401,000	-	-
ConocoPhillips Company	150,000	2,590,817	2,381,717	150,000	25,000	39,500
Total	998,879	4,073,575	2,968,775	857,800	202,500	44,500
Insurance Premiums Tax						
Alaska National Insurance Co	150,000	200,000	-	180,000	20,000	-
Umiak Insurance Co	150,000	200,000	-	-	-	200,000
Total	300,000	400,000	-	180,000	20,000	200,000
Fishery Resource Landing Tax						
American Seafoods LLC (Tax year 2003)	150,000	200,000	152,000	40,000	8,000	-
Alaska Ocean Seafood LP	150,000	200,000	152,000	40,000	8,000	-
Golden Alaska Seafoods LLC	150,000	200,000	200,000	-	-	-
Highland Light Seafoods LLC	150,000	200,000	152,000	40,000	8,000	-
American Seafoods LLC (Tax year 2002)	150,000	200,000	152,000	40,000	8,000	-
Arctic Storm Inc and Sub	150,000	200,000	152,000	40,000	8,000	-
Total	900,000	1,200,000	960,000	200,000	40,000	-
Mining License Tax						
Uspelli Coal Mine Inc	101,597	200,000	200,000	-	-	-
Total	101,597	200,000	200,000	-	-	-
Fisheries Business Tax						
Inchik Seafoods Inc	2,500	5,000	5,000	-	-	-
Peter Pan Seafoods Inc & Subs	150,000	200,000	200,000	-	-	-
Trident Seafoods Corp & Subs	150,000	200,000	152,000	40,000	8,000	-
Total	302,500	405,000	357,000	40,000	8,000	-
Oil and Gas Production Tax	No Credits Claimed					
Oil and Gas Property Tax	No Credits Claimed					
Grand Total - All Tax Types	\$2,602,976	\$6,278,575	\$4,485,775	\$1,277,800	\$270,500	\$244,500

Table 2 - Revenue Collections Detail

listed in order of total amount of revenue collected

	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08
General Fund Revenue										
Severance Taxes										
Oil & Gas Production	\$ 1,191,761,323	\$ 859,334,819	\$ 642,819,203	\$ 489,731,834	\$ 486,740,276	\$ 594,390,581	\$ 693,180,141	\$ 318,810,383	\$ 164,623,142	
Oil & Gas Hazardous Release	7,756,733	8,330,821	9,262,517	9,232,859	9,597,049	8,437,048	9,657,925	11,078,483	11,781,115	
Severance Tax Total	1,199,518,056	867,665,640	652,081,720	498,964,693	496,337,325	594,827,629	702,838,066	329,888,866	176,404,257	
Property Tax	289,020,036	280,829,784	266,210,303	266,844,716	270,354,442	265,283,567	268,264,843	271,191,863	284,250,707	
Local credits	(233,512,607)	(218,294,086)	(218,738,814)	(220,038,442)	(220,713,351)	(220,191,879)	(220,979,762)	(222,261,529)	(232,996,034)	
Property Tax Total	45,507,429	62,535,718	47,471,489	46,806,274	49,641,091	45,091,688	47,285,081	48,930,334	51,254,673	
Oil & Gas Corporate Income Tax	681,418,505	524,427,605	299,137,862	151,295,925	178,790,762	338,319,816	182,839,823	143,217,589	205,309,040	
Alaska Education Credit	(947,125)	(187,675)	(165,000)	(107,805)	(804,452)	(196,837)	(203,062)	(208,680)	(251,250)	
Oil & Gas Corporate Income Tax Total	680,471,380	524,240,130	298,972,862	151,188,120	177,986,310	338,122,979	182,636,761	142,998,909	205,057,790	
Total Oil & Gas Tax Receipts - General Fund	1,815,098,869	1,414,435,188	951,054,582	796,801,367	724,364,740	1,061,043,626	810,115,708	563,340,074	827,468,836	
Constitutional Budget Reserve Fund - CBRF										
Oil and Gas Severance Tax	2,656,312	21,310,000	4,238,962	3,681,970	24,243,395	34,792,502	17,516,663	24,082,448	218,808,038	
Oil & Gas Corporate Income Tax	41,140,802	5,714,388	4,036,122	17,221,067	85,849,585	4,301,073	423,366,828	19,802,312	19,802,312	
Oil and Gas Property	50,268	379,916	87,868	(7,329)	0	23,417	0	0	0	
Total Receipts - CBRF	43,747,182	27,404,304	8,362,952	10,895,708	110,092,980	39,117,092	440,905,491	43,884,760	248,610,350	
Total Oil & Gas Receipts - All Funds	\$ 1,858,846,051	\$ 1,441,839,492	\$ 959,417,534	\$ 807,697,075	\$ 834,457,720	\$ 1,100,160,718	\$ 1,251,021,199	\$ 607,224,834	\$ 1,076,079,186	
Other Receipts										
Corporate Net Income Tax	\$ 190,374,320	\$ 80,479,587	\$ 37,202,225	\$ 43,405,657	\$ 54,350,230	60,426,111	87,725,782	55,487,278	85,204,867	
Penalties and Interest	8,819,784	1,754,953	3,042,734	3,042,734	0	0	0	0	0	
Alaska Education Credit	(903,844)	(538,448)	(653,879)	(683,194)	(900,814)	(966,063)	(1,427,439)	(1,643,520)	(1,867,721)	
Vendor's Mortgage Fund Credits	0	0	(9,200)	0	0	0	0	0	0	
Total Receipts	\$ 187,289,460	\$ 80,696,092	\$ 36,581,876	\$ 42,765,197	\$ 53,449,416	\$ 59,460,048	\$ 86,298,343	\$ 53,843,758	\$ 83,337,146	
Amount Released by State										
Highway	\$ 30,871,634	\$ 29,518,823	\$ 30,572,876	\$ 28,515,255	\$ 28,723,837	\$ 28,848,888	\$ 28,903,576	\$ 29,037,024	\$ 29,914,933	
Maint	5,487,811	4,718,508	5,284,270	5,258,976	5,806,527	5,069,754	6,121,671	6,631,048	6,144,334	
Jail	3,238,532	4,183,590	4,361,417	4,687,223	4,853,137	5,071,044	7,443,754	4,487,768	4,378,633	
Alcohol	710,683	721,677	768,817	834,242	771,389	793,459	817,010	853,708	930,876	
Total Tax	42,110,060	39,362,598	41,017,380	39,306,496	40,154,809	39,582,866	39,865,359	37,989,579	36,476,313	
Penalties and Interest	837	3,925	5,248	(3,322)	(17,608)	115,648	2,271,522	435,005	(78,938)	
Total Receipts	42,110,897	39,366,523	41,022,628	39,303,174	40,137,201	39,738,314	42,186,881	37,724,862	36,447,375	
Alcohol Tax Grants	(729,337)	(150,791)	(164,816)	(159,602)	(158,711)	(161,361)	(155,111)	(154,853)	(144,247)	
Amount Released by State	\$ 41,381,560	\$ 39,215,732	\$ 40,857,812	\$ 39,143,572	\$ 39,978,490	\$ 39,576,953	\$ 41,981,770	\$ 37,570,009	\$ 36,303,128	

Listed in order of total amount of revenue collected

TAX TYPE	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	
TORRACO										
Cigarette	\$ 56,251,861	\$ 48,755,317	\$ 42,873,266	\$ 40,239,183	\$ 39,760,717	\$ 41,653,232	\$ 43,772,545	\$ 43,232,243	\$ 28,493,422	
Tobacco Products	7,614,005	7,774,876	6,561,820	6,657,754	6,042,653	6,378,631	5,420,817	4,875,964	3,504,168	
Penalties and Interest	170,380	99,802	78,154	61,263	66,672	36,446	176,327	48,873	1,304	
Deductions and Stamp Credits	(357,656)	(470,171)	(151,239)	(83,507)	(82,924)	(18,711)	(71,278)	(189,456)	(182,341)	
Total Receipts	63,648,720	56,159,617	49,352,720	46,874,693	45,967,118	47,999,697	49,296,411	47,945,871	31,816,879	
Amount transferred to School Fund	(27,364,346)	(29,842,839)	(12,863,720)	(30,806,828)	(40,272,141)	(30,639,802)	(32,688,322)	(32,732,430)	(16,417,149)	
Amount transferred to Tobacco Cessation Fund	(2,694,036)	(1,111,100)	0	0	0	0	0	0	0	
Amount Retained in General Fund	\$ 33,589,738	\$ 25,105,678	\$ 36,489,000	\$ 16,067,865	\$ 15,694,977	\$ 16,349,895	\$ 16,612,091	\$ 15,213,441	\$ 15,399,730	
Cigarette License Fees										
(Transferred directly to School Fund)										
Total Receipts	\$ 4,251	\$ 7,455	\$ 4,740	\$ 5,520	\$ 3,220	\$ 2,795	\$ 5,321	\$ 3,391	\$ 3,885	
Alcoholic Beverages										
Liquor	\$ 16,642,252	\$ 16,034,266	\$ 14,138,141	\$ 11,248,888	\$ 9,365,604	\$ 6,182,071	\$ 6,181,852	\$ 6,001,150	\$ 5,802,806	
Beer	13,155,623	14,115,672	13,654,111	12,895,105	4,377,703	4,805,533	6,259,307	4,892,770	4,840,070	
Wine	4,618,842	4,534,241	4,257,850	3,010,269	1,337,547	1,211,943	1,211,430	1,173,588	1,124,855	
Beer qualifying for reduced tax rate	810,280	770,737	681,183	807,277	0	0	0	0	0	
Penalties, Interest and Refunds	818	814	4,764	1,260	8,764	6,302	(798,541)	2,347	2,451	
Total Receipts	\$ 32,228,076	\$ 35,516,630	\$ 32,746,144	28,966,808	17,860,808	12,869,256	12,962,958	12,078,158	11,770,131	
Amount transferred to Alcohol and Other Drug Abuse Treatment and Prevention Fund	(17,612,538)	(17,758,496)	(16,372,750)	(11,222,078)	0	0	0	0	0	
Unrestricted Amount Retained in General Fund	\$ 14,615,538	\$ 17,758,134	\$ 16,373,394	\$ 14,138,730	\$ 12,860,808	\$ 12,869,256	\$ 12,962,958	\$ 12,078,158	\$ 11,770,131	
Excise Taxes										
Distilled	\$ 22,499,848	\$ 17,034,504	\$ 18,480,006							
Shore-based	5,543,627	4,430,855	4,630,435							
Gamery	4,114,658	3,573,861	3,089,519							
Developing	6,514	2,248	1,520							
Shore-based	5,117	621	1,647							
Total Tax	32,200,813	29,041,817	26,319,045							
Penalties and Interest	3,730,334	2,233,134	4,567,230							
License Fees	24,430	153,817	27,197	204,600	58,303	418,843	24,187	69,681	(5,564)	
Less Credits	15,001	14,724	16,813	16,322	13,300	(8,850)	19,418	13,551	(3,780)	
Wine Bonds	(132,008)	(135,760)	(168,121)	(178,114)	(133,891)	(264,211)	(177,500)	(217,029)	(261,581)	
Alaska Election Credit	(300,000)	(300,000)	(300,000)	(183,589)	(1,734)	(8,813)	(18,140)	0	(80,813)	
Same-Product Development and Location Credit	(5,015,111)	(2,914,218)	(1,393,418)	0	0	0	0	0	0	
Total Receipts	32,487,173	25,593,084	29,244,405	(188,111)	(60,322)	(269,824)	(131,660)	(121,329)	(142,496)	
Fishery Tax Shared with Municipality	(15,268,847)	(18,445,716)	(12,672,941)	(10,808,420)	(7,158,743)	(18,762,507)	(17,687,294)	(11,645,741)	(12,888,262)	
DOLETT Municipal Allocation	(1,817,539)	(1,759,274)	(1,725,231)	(1,280,231)	(7,398,478)	(1,302,892)	(1,613,878)	(1,629,296)	(1,218,192)	
Amount Retained by State	\$ 16,400,787	\$ 49,388,194	\$ 14,846,414	\$ (2,220,260)	\$ (12,819,603)	\$ (16,834,171)	\$ (16,812,563)	\$ (12,389,741)	\$ (14,316,727)	
DIC Taxonal Prohibited License Fees	\$ 640,734	\$ 490,870	\$ 412,591	\$ 424,890	\$ 400,316	\$ 413,717	\$ 412,938	\$ 419,160	\$ 444,545	

Torraco is a Community with a License Agreement

Listed in order of total amount of revenue collected

	FY06	FY05	FY04	FY03	FY02	FY01	FY00	FY99	FY98
General Fund									
Current Year Tax Before Credits	\$ 18,759,872	\$ 10,467,238	\$ 3,329,281	\$ 363,891	\$ 497,562	\$ 5,311,921	\$ 4,753,274	\$ 2,888,879	\$ 1,811,681
Less Credits									
Alaska Special Industrial Incentive Credit	0	0	0	0		(5,542,768)	(1,239,841)	(2,189,547)	0
Mineral Exploration Incentive Credit	0	0	0	(29,736)	(28,282)				
Alaska Education Credit	(127,876)	(150,000)	(110,987)	(2,568)	(2,840)		(83,751)	(162,849)	(150,000)
Total Receipts - General Fund	\$ 18,631,996	\$ 10,317,238	\$ 3,218,294	\$ 331,687	\$ 466,440	\$ 1,729,153	\$ 3,449,682	\$ 2,536,581	\$ 1,661,681
Other Funds									
Tax Before Credits	\$ 11,318,028	\$ 8,820,841	\$ 7,230,715	\$ 11,018,963	\$ 8,203,472	\$ 9,553,210	\$ 4,854,176	\$ 4,492,485	\$ 3,452,333
Penalties, Interest and Refunds	549,781	406,371	872,387	220,301	542,281	30,395	(18,066)	478,828	(672,278)
Less Credits									
Alaska Education Credit	(1,200,000)	(1,080,000)	(900,000)	(1,200,000)	(1,555,875)	(807,897)	(712,088)	(168,200)	(781,881)
CDQ Contributions	(184,819)	(232,304)	(375,141)	(398,650)	(227,603)	(102,862)	(86,854)	(38,482)	(88,388)
Winn Receipts	0	0	(8,200)	(8,000)	(2,600)	(5,200)	(2,752)	(18,578)	(6,900)
Total Receipts	10,472,880	8,444,226	6,828,541	9,627,604	6,960,178	8,668,346	4,235,406	4,732,004	2,547,722
Lending Tax Shared with Municipalities									
Direct to Municipalities	(4,508,220)	(3,824,314)	(3,781,803)	(2,428,024)	(4,819,978)	(2,396,313)	(2,861,298)	(2,274,380)	(5,087,782)
DCCED* Municipal Allocation	(7,236,290)	(504,787)	(178,433)	(321,440)	(735,648)	(248,740)	(215,868)	(181,623)	(183,278)
Amount to be Retained by State	\$ 4,728,370	\$ 4,415,125	\$ 2,770,305	\$ 4,644,140	\$ 2,399,546	\$ 1,816,293	\$ 1,129,240	\$ 2,276,001	\$ (113,338)

* Department of Commerce, Community and Economic Development

Passenger Vehicle	\$ 2,246,318	\$ 7,147,231	\$ 2,823,814						
Recreational Vehicle	548,438	527,811	87,557						
Penalties and Interest	69,368	27,949	401						
Total Receipts	\$ 2,864,124	\$ 7,699,001	\$ 2,911,772	N/A	N/A				

Electric	\$ 2,161,842	\$ 1,987,201	\$ 1,798,434	\$ 2,388,840	\$ 2,181,803	\$ 2,126,418	\$ 1,945,434	\$ 1,891,419	\$ 1,079,244
Local Exchange Telephone	1,871,630	1,808,448	1,627,739	1,438,845	1,230,752	1,269,276	1,391,903	1,263,058	1,243,813
Water & Wastewater	708,229	540,418	577,476						
Pipeline Camera	849,810	858,890	808,082	808,996	807,870	833,218	117,399	548,774	811,084
Interexchange Telephone	644,821	538,209	521,120						
Natural Gas	605,584	575,878	193,379						
Refuse	319,299	253,218	251,363						
Regulated Cable	80,797	37,181	59,603						
Demolition	6,767	9,437	14,716	1,116,704	1,335,204	704,830	728,078	1,007,041	938,861
Total Receipts	\$ 7,101,101	\$ 6,841,438	\$ 6,833,895	\$ 6,648,679	\$ 6,816,877	\$ 6,927,818	\$ 4,069,745	\$ 4,774,572	\$ 3,769,998

Listed in order of total amount of revenue collected.

	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	
Statewide Receipts										
Fees by Arkansas business taxpayers	\$ 6,363,811	\$ 2,454,291	\$ 2,905,806	\$ 2,188,452	\$ 2,182,185	\$ 2,810,251	\$ 3,004,133	\$ 2,182,417	\$ 2,443,054	
Fees by salary resource lending taxpayers	983,385	1,028,781	726,950	1,133,175	839,896	646,581	433,481	474,542	429,721	
Total Receipts	\$ 4,917,876	\$ 3,323,372	\$ 3,632,756	\$ 3,321,627	\$ 2,991,881	\$ 3,456,832	\$ 3,437,614	\$ 2,656,959	\$ 2,872,775	
* SBA fee passed from 75.0 % to 7% since January 1, 2003										
Tax by Admissions Region										
Southem Southeast	\$ 1,012,179	\$ 819,005	\$ 821,831	\$ 560,416	\$ 1,329,122	\$ 754,475	\$ 1,413,843	\$ 1,276,730	\$ 1,219,054	
Northern Southeast	1,138,883	1,230,290	732,363	856,793	874,191	1,193,523	1,083,842	808,122	889,764	
Pineau Wilcox Board	878,906	580,840	653,603	358,046	705,283	761,167	930,027	618,158	711,585	
Kokoa	528,003	483,556	362,935	279,892	451,211	479,706	724,245	718,876	458,200	
Cook Inc	647,810	494,870	510,487	244,719	165,872	187,202	489,806	187,903	795,811	
Chrysl	126,030	70,763	79,785	109,035	189,875	280,738	465,724	186,279	103,488	
Total Tax	4,271,617	3,787,061	3,000,811	2,412,738	3,695,411	3,628,812	5,158,947	3,862,254	4,182,832	
Penalties and Interest	74,627	24,631	57,754	9,815	6,350	7,978	9,670	30,800	4,000	
Total Receipts	\$ 4,976,244	\$ 3,811,692	\$ 3,058,565	\$ 2,422,553	\$ 3,701,761	\$ 3,636,790	\$ 5,168,617	\$ 3,893,054	\$ 4,186,832	
Countywide Receipts										
Publ Toll Tax	\$ 1,865,234	\$ 1,844,156	\$ 1,887,015	\$ 2,077,179	\$ 2,045,134	\$ 1,820,753	\$ 1,818,124	\$ 1,754,110	\$ 1,782,832	
Not Proceeds Fee	289,211	317,176	386,220	370,324	325,218	320,428	288,318	282,789	274,537	
License and Permit Fees	185,584	156,478	160,043	117,807	141,801	139,130	140,836	148,262	156,876	
Total Receipts	\$ 2,339,819	\$ 2,317,810	\$ 2,433,278	\$ 2,565,307	\$ 2,512,153	\$ 2,280,311	\$ 2,247,278	\$ 2,185,155	\$ 2,214,245	
Statewide Payments										
Total Receipts	\$ 1,571,880	\$ 1,839,588	\$ 1,861,290	\$ 1,817,858	\$ 1,786,718	\$ 1,742,108	\$ 1,732,818	\$ 1,848,080	\$ 1,546,485	
Taxes shared	(1,808,790)	(1,808,800)	(1,798,111)	(1,752,983)	(1,718,848)	(1,667,263)	(1,617,837)	(1,595,867)	(1,492,817)	
Amount Retained by state	\$ 77,090	\$ 30,788	\$ 63,179	\$ 64,875	\$ 67,870	\$ 74,845	\$ 114,981	\$ 252,213	\$ 53,668	
Countywide Payments										
Total Receipts	\$ 1,308,696	\$ 2,028,808	\$ 2,191,194	\$ 1,846,740	\$ 1,858,848	\$ 1,887,391	\$ 1,862,251	\$ 2,008,280	\$ 794,158	
Taxes shared	(1,808,790)	(1,808,787)	(1,798,111)	(1,752,983)	(1,718,848)	(1,667,263)	(1,617,837)	(1,595,867)	(1,492,817)	
Amount Retained by state	\$ 499,906	\$ 1,220,021	\$ 393,083	\$ 91,757	\$ 140,000	\$ 220,128	\$ 244,414	\$ 412,413	\$ 1,286,975	
Other Receipts										
Non-Insured	\$ 1,142,302	\$ 1,138,302	\$ 829,851							
Interest	446,774	338,880	0							
Penalties and Interest	75,814	9,800	23							
Total Receipts	\$ 1,664,890	\$ 1,486,982	\$ 829,874							

Listed in order of total amount of revenue collected

	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06
STATE											
Total Receipts	\$ 376,261	\$ 1,528,517	\$ 1,279,882	\$ 1,231,757	\$ 3,117,418	\$ 2,983,040	\$ 2,435,377	\$ 1,728,845	\$ 1,446,488		
LOCAL GOVERNMENT											
Southwest Alaska / Management Area A	\$ 278,521	\$ 411,267	\$ 233,503	\$ 204,736	\$ 182,110	\$ 222,794	\$ 228,078	N/A	N/A		
Total Receipts	\$ 278,521	\$ 411,267	\$ 233,503	\$ 204,736	\$ 182,110	\$ 222,794	\$ 228,078	N/A	N/A		
INDIAN RESERVES											
Tax By Commissioner Program	\$ 157,465	N/A	N/A								
Prince William Sound											
Total Receipts	\$ 157,465	N/A	N/A	N/A							
INDIAN RESERVES (cont.)											
Tax	\$ 44,670	\$ 2,442,828	\$ 1,807,811	\$ 1,408,087	\$ 1,968,797	\$ 2,012,881	\$ 2,880,470	\$ 2,814,425	\$ 2,807,201		
Fines and Interest	119	12,837	11,268	6,816	17,921	8,918	6,681	5,729	379		
Total Receipts	\$ 44,789	\$ 2,455,665	\$ 1,819,079	\$ 1,414,903	\$ 1,986,718	\$ 2,021,800	\$ 2,887,151	\$ 2,820,154	\$ 2,811,580		

1997 was revised effective January 1, 2005

Alaska's Construction Spending

2008 Forecast

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

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



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 2008 Spending Forecast."



This is the fifth year of publication, which provides an informative review and estimate of construction activity in the state of Alaska for the year ahead.

Compiled and written by Scott Goldsmith and Mary K. Morin 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 2008.

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 percent of Alaska's economy and currently contributes more than \$7 billion 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,

Jim Ferguson
CIPF President

Overview

Total construction spending "on the street" in Alaska in 2008 will be \$7.01 billion, down 2% from last year.^{1,2}

Excluding the oil and gas sector—which accounts for 41% of the total—construction spending will be down for the second year in a row, falling 6% to \$4.12 billion. Last year it declined 3%.

Lower construction spending, combined with higher material and labor costs, will result in a modest reduction in the level of construction employment in 2008. Although this will be the second year of decline in

construction employment, it remains well above the long-term trend.

Construction costs continue to rise faster than the general rate of inflation—and that trend is expected to continue, further reducing the purchasing power of each construction dollar.

Private-sector construction spending is projected to be \$4.64 billion in 2008, an increase of 2% over 2007. Strong growth is expected in oil and gas, mining, utilities, and the other basic sectors. A modest decline is expected in commercial construction, while activity in the residen-

tial and health (hospital) categories will be considerably below the 2007 level.

Public spending will be \$2.38 billion, down 8% from 2007. The drop is the result of reduced federal spending, mostly defense spending. State and local spending remains robust, cushioning the federal reduction.

Uncertainty in this year's forecast comes from several sources. The high price of energy will continue to drive up the cost of construction materials and squeeze project budgets. The recent change in the way the state taxes the oil industry will affect investment in new and existing fields and result in continued re-evaluation of capital budget decisions. The collapse of the housing market bubble in the Lower 48 and the likely economic recession that will follow will certainly be felt in

the Alaska economy. But as has often been the case, we should be somewhat insulated from negative economic news arising from those events.

Public construction spending estimates are perennially complicated by the fact that passage of the budget for the federal fiscal year (October through September) is consistently delayed until after the start of the fiscal year. In the absence of a budget, federal agencies generally assume constant funding levels.

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 2008 planning. Large projects often span two or more years, so estimation of cash on the street in any year is always difficult, because the construction "pipeline" never

Alaska Construction Spending 2008 Forecast

	Level	Change
PRIVATE	\$ 4,635,000,000	+2%
Oil and Gas	2,890,000,000	+5%
Mining	355,000,000	+15%
Other Rural Basic Industry	70,000,000	+250%
Utilities	565,000,000	+47%
Hospitals	80,000,000	-60%
Other Commercial	315,000,000	-10%
Residential	360,000,000	-35%
PUBLIC	\$ 2,375,000,000	-8%
National Defense	495,000,000	-21%
Highways	415,000,000	+4%
Airports and Ports	375,000,000	+4%
Alaska Railroad	65,000,000	-19%
Denali Commission	90,000,000	-10%
Education	280,000,000	-20%
Other Federal	320,000,000	-12%
Other State & Local	335,000,000	+18%
TOTAL	\$ 7,010,000,000	-2%

Source: Institute of Social and Economic Research. Percent change based on revised 2007 estimates.

¹ Our projection for 2007 was \$7.005 billion. The year-end revised figure was \$7.140 billion. The underestimated private sectors included oil and gas and mining. Defense spending and state and local government not federally funded were also higher than anticipated. On the other hand, residential construction declined much faster than anticipated, particularly in the second half of the year. The net effect of these revisions was an increase of \$125 million in the preliminary 2007 figure.

² 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.

³ "On the street" is a measure of the level of activity anticipated during the year. It differs from a measure of new contracts because many projects span more than one year.

flows in a completely predictable fashion. Tracing the path of federal spending coming to Alaska without double counting is also a challenge.

We are confident of the overall pattern of the forecast—but as is always the case, some surprises should be expected.

PRIVATE CONSTRUCTION

The private sector will spend \$4.64 billion on construction-related activities in Alaska in 2008. That is 66% of total construction spending⁴ and is an increase of 2%, compared with \$4.56 billion in 2007.

Oil and Gas: \$2,890 Million

Oil and gas industry spending, which will account for 41% of all construction spending in the state in 2008, is expected to be about 5% above the level of last year, due to an increase in exploration and development activity by both the major producers and the smaller independents. Part of the increase is due to higher construction costs, but oil and gas employment is increasing, driven by the high price of oil, and the industry is investing to take advantage of new opportunities.

The state imposed a new and higher production tax on oil and gas in late 2007 (ACES—Alaska's Clear and Equitable Share), and companies have been re-evaluating their investment decisions. Some have announced budg-

et reductions, compared with their original plans. Consequently, while the total is higher than in 2007, it is less than it might have been. The increase this year is also less than in 2007, when spending was up 30%.

We expect the North Slope majors—BP, ConocoPhillips, and Exxon—to invest \$1.9 billion in their Alaska operations in 2008 (including the oil pipeline). Expenditures will concentrate on development of existing assets rather than new exploration.

Other companies will spend an estimated \$690 million for North Slope activities—down from last year. Development of the new Oooguruk field, the first by an independent, will commence and Shell will continue its exploration activities. Anadarko and a number of other independent companies have also announced significant budgets for the North Slope this year.

Spending in Cook Inlet will be an estimated \$300 million. Activity is expected to be up, led by Marathon, Chevro and ConocoPhillips. The state decision to support the extension of the export license for LNG—which has yet to be approved by the



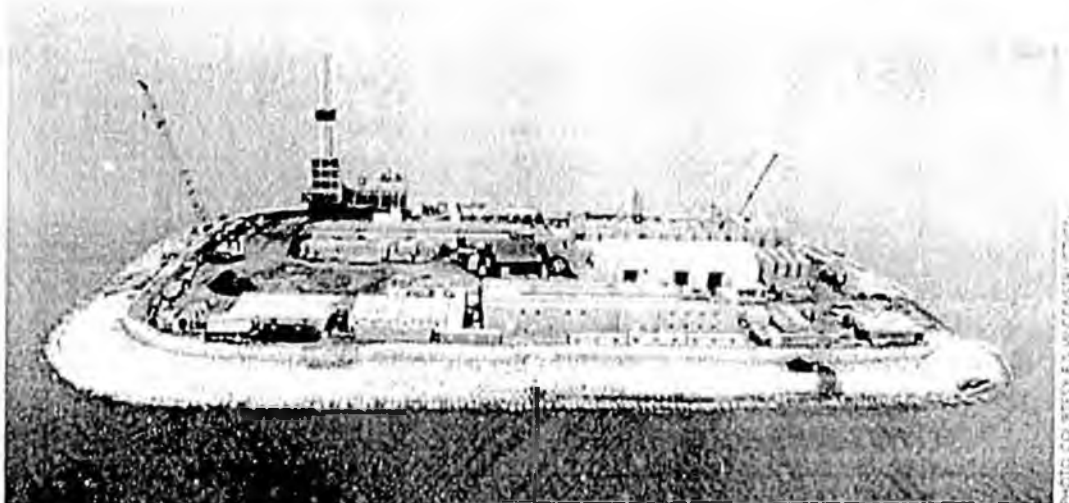
J L Tower, Anchorage

federal government—creates an incentive for companies to find more gas to feed that export market. (This should also have the benefit of increasing the supply of gas for the domestic market.) The high price of oil is also stimulating companies to look for oil in Cook Inlet.

No significant new construction is anticipated at refineries and other petroleum-manufacturing facilities.

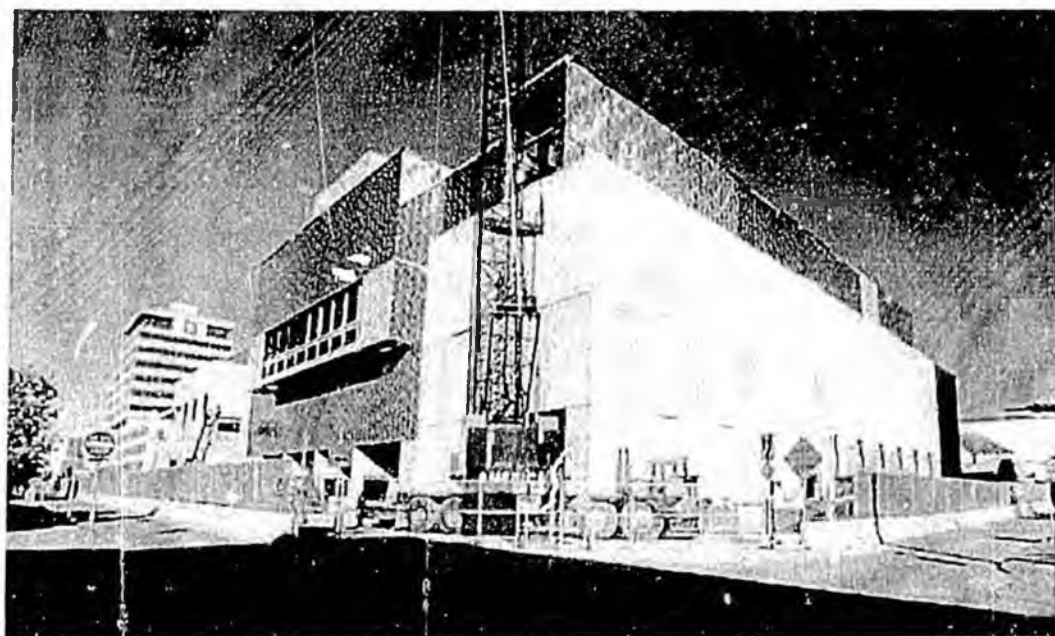
Mining: \$355 Million

We anticipate spending by the mining industry—on exploration, development, and upgrading existing mines—to be up 15% this year. With the completion of the Kensington and Rock Creek mines, no new large-scale mines will be in the development phase this year. But the high prices for both base and precious metals



Oooguruk Island, North Slope, Bering Sea

⁴ Here we try to include just spending financed primarily by private sources. But for hospitals, utilities, and commercial construction in general that is not simple. In some years federal money finances most hospital spending, and the state provides some money for electric utility investment. So our estimates of hospital and utility spending may include some public money.



Dena'ina Convention Center, Anchorage

have stimulated interest in exploration and expansion of existing mines.

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

Significant expansions are planned at the Red Dog and Fort Knox mines, to extend their life and take maximum advantage of resources. The other large operating mines, including Pogo, Greens Creek and Usibelli, will have more modest construction budgets this year.

Exploration continues at many smaller prospects, buoyed by high metal and energy prices.

Other Basic Industries in Rural Alaska: \$70 Million

Investments in facilities to support tourism, the seafood industry, timber processing, and other sectors related to natural resources often occur in rural parts of the state, "hidden" from view. The increase in this category in 2008 is due to the construction of a large-scale private dock at Dutch Harbor,

which is expected to cost \$150 million and take several years to complete. A number of fish processing plants are planning modest upgrades of their facilities. No large new tourism facilities have been announced for rural Alaska this year.

Utilities: \$565 Million

Spending by utilities will be up 47% this year, driven by a strong increase in spending by the major telecommunications firms, particularly GCI and ACS. Total spending by the telecommunications sector is projected to be \$360 million—up 137%.

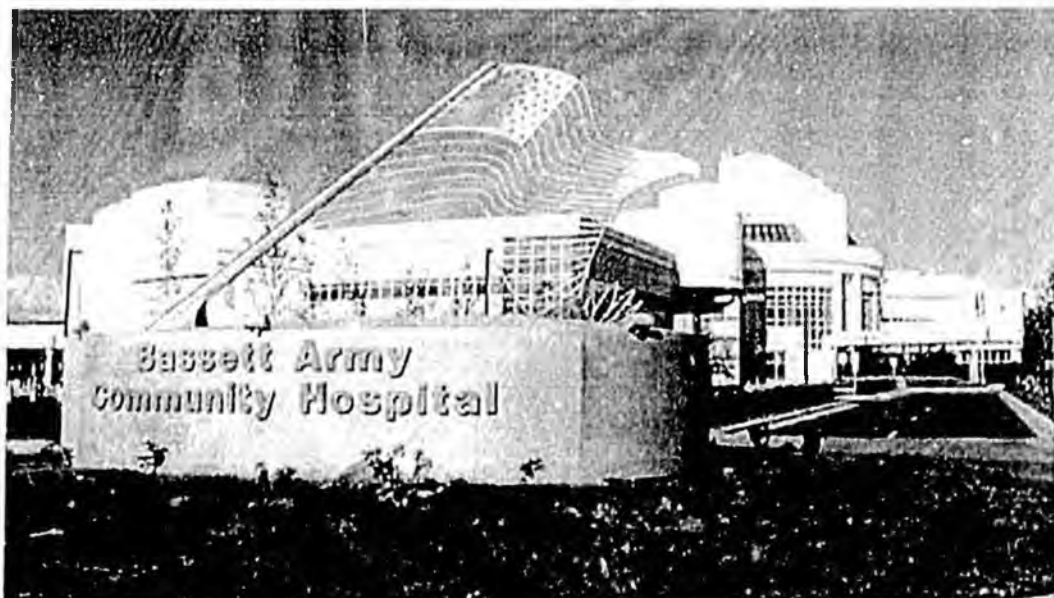
No large-scale projects are expected from the electric utilities. Their spending will be up 12%, to \$190 million. Gas utility spending is projected to be \$15 million.

Hospitals: \$80 Million

Hospital spending will be an estimated \$80 million this year, down from \$200 million in 2007. For the first time in several years there are no new large-scale projects ready for construction. The new hospitals planned for Barrow and Nome do not yet have financing to move forward.

The largest 2008 project will be continued construction of the VA clinic in Anchorage, scheduled for completion in 2010.

Most other private, public, and nonprofit hospitals around Alaska have smaller 2008 capital budgets. Expansions of the hospitals in Juneau and Homer represent the most significant other additions in this category.



Bassett Army Hospital, Fairbanks

Other Private Commercial: \$315 Million

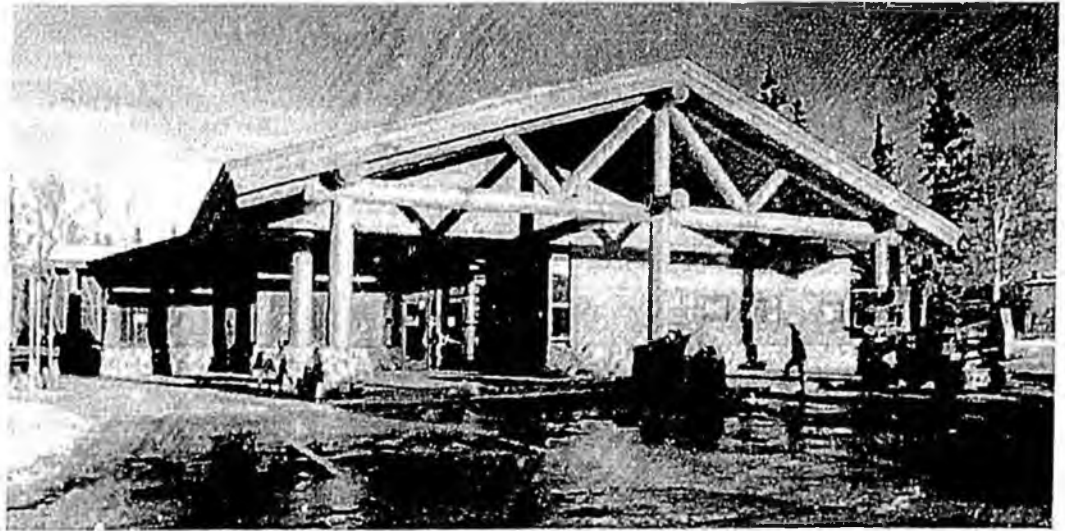
Private commercial construction spending consists of a wide range of building types, including retail, office, medical, hotel, and warehouse space.⁵ The level of spending from year to year in this category can be influenced by a few large projects—and that is the reason we project spending to be down this year by 10%. A number of large projects in Anchorage are underway, including the new convention center and the museum expansion, and no projects of comparable size are on the horizon.

Because the economy is basically healthy, we expect commercial spending to be strong as well. Numerous large retail and office building projects are expected throughout the state.

Residential: \$360 Million

In the second half of 2007 the housing market softened throughout the state and continued to weaken as the year ended. Unlike in many parts of the Lower 48, this was not due to problems associated with sub-prime mortgages or insufficient demand due to high unemployment. In Alaska housing prices have been rising faster than household incomes, and that has caused a temporary imbalance in the market. The housing market is basically sound, because the economy is strong, but it needs to slow

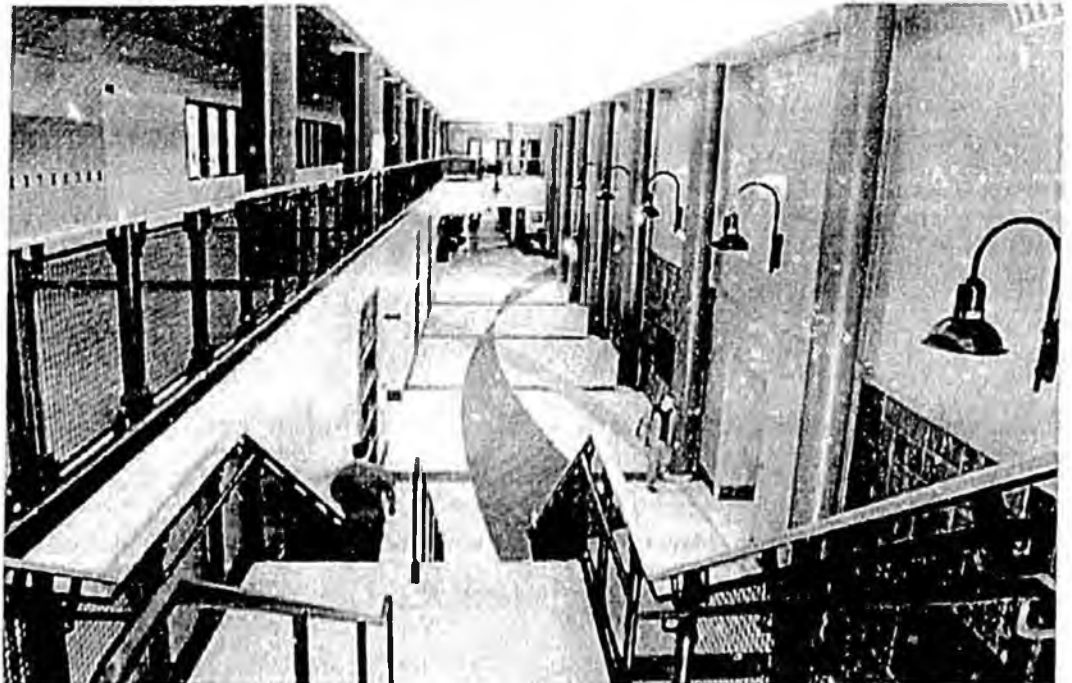
⁵ Our commercial construction figure is not comparable to the published value of commercial building permits reported by Anchorage and other communities. Municipal reports of the value of construction permits often include government-funded construction, which we capture elsewhere in this report.



Alaska USA Building, Palmer

until demand can grow to absorb the excess supply that has accumulated in recent months.

Re-establishing balance in the housing market will mean a downturn in new housing starts this year, and that will be on the heels of a fall in 2007. We expect spending to be down 35%, to \$360 million. This lower level of spending should stabilize the housing market later in the year, positioning it for subsequent recovery.



Nicholas J. Begich Middle School, Anchorage

PUBLIC CONSTRUCTION

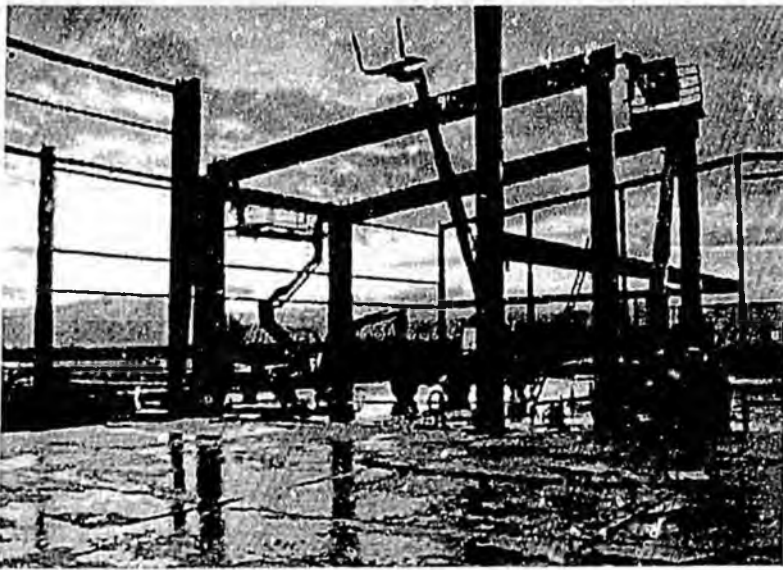
Public construction⁶ spending in 2008 is expected to be about \$2.38 billion, down 8% from last year. The decline is due to reductions in federally financed spending that are not completely offset by increases in state and local spending.

The majority of funding for public construction comes from the federal government, and much of this money comes as grants to the state.

Once in the state budget, these federal funds become intermingled with funds from local sources.

Non-federal funds for state capital spending have historically come primarily from the state General Fund and bond sales. With the growth in complexity of the state

⁶ This category includes all spending financed by federal, state, and local government sources, except hospitals and publicly owned electric utilities. Funding for some projects comes from multiple sources and for others from sources that could be categorized as either public or private. We tried to include all such cases in the public category.



NC Machinery building, Wasilla

budget, an increasing share of state-financed construction is coming from other sources.

An important source of local government spending is grants from the state. For the larger communities, current revenues and bond proceeds also contribute to construction spending.

National Defense: \$495 Million

At an estimated \$495 million, defense spending will be down 21% this year. But it remains high by historical standards and is likely to continue to be strong in future years as troop levels grow. In recent years Alaska has benefited from an exceptionally large share of the total defense budget.

The Corps of Engineers manages almost all spending for military construction, as well as spending for environmental remediation and civil works, such as flood control.

The drop in spending this year will be mainly in military construction, but that total is still expected to be \$413 million. This year construction will be concentrated in housing, operations structures, runway upgrades, and the transfer of Kulis Air Force Base to Elmendorf. Spending for environmental remediation

and civil works will be slightly lower than in 2007.

Highways: \$415 Million

Spending for highways and roads will be up 4% this year—but the dollars will not go as far, since this is a sector particularly hard hit by cost increases in recent years,

⁷ Federal highway funds are particularly difficult to project because of the presence of politically controversial federal earmarks. The Governor has redirected much of the Gravina Bridge earmark, but the Knik Arm Bridge earmark is in place, awaiting a successful private proposal to finance and construct the bridge.

including 2007. Federal highway funds, which provide a large share of the funding for highways in the state, will be modestly higher than last year.⁷

State funding of roads will be down slightly, and local funding is expected to be about the same as last year.

Airports and Harbors: \$375 Million

The budget for airports and harbors will be up marginally (4%) from 2007, to \$375 million. As in past years, the largest share of funding comes from about \$210 million in funds from the Federal Aviation Administration. This will be spent on airport construction projects in the \$5 million to \$10 million range throughout the state, including Anchorage.

Spending financed by other sources at the major airports in Anchorage and Fairbanks will be \$80 million. The larger share will be spent at Ted Stevens International Airport in Anchorage on terminal upgrades and the beginning

of construction of an airport operations center.

Spending at the Anchorage port will be \$70 this year, as the \$400 million multi-year expansion program moves forward.

Alaska Railroad: \$65 Million

The capital construction program for modernizing and upgrading the Alaska Railroad will continue this year but at a reduced level, down from \$80 million last year. Funding will come from a variety of federal sources as well as retained earnings. The focus of the program continues to be track rehabilitation, siding extensions and upgrades, bridge replacement and upgrades, passenger equipment, and a collision avoidance system.

Denali Commission: \$90 Million

The Denali Commission, created by Senator Ted Stevens to more efficiently direct federal capital spending to rural infrastructure needs, will spend about \$90 million for construction, down 10%.



Providence Hospital addition, Anchorage



PHOTO COURTESY NEN GRAHAM PHOTOGRAPHY

Fort Wainwright Southern Cross Family Housing

The base funding for the commission has declined, but funding for transportation and health projects has not changed. The commission also continues to fund energy projects—including bulk storage units—and health facilities. Development work has begun on hospitals in Nome and Barrow, but no construction is expected 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: \$280 Million

Education funding of \$280 million is 20% less than last year, due to lower spending on K-12 at the state level as well as less University of Alaska construction activity.

Primary and secondary funding is estimated to be \$220 million, funded by both state grants and local bonds.

The state school construction priority list contains projects totaling more than \$1 billion for both construc-

tion and maintenance, so K-12 education spending should continue to be strong in future years.

University of Alaska construction projects will total \$60 million, concentrated in Anchorage with work on the new integrated science building. Other capital spending will be spread among the campuses in Fairbanks, Juneau, and elsewhere.

Other Federal: \$320 Million

Categories we just discussed—national defense; transportation spending for roads, airports, ports, and railroad; and the Denali Commission—make up the largest and most visible part of federal construction spending in Alaska. We forecast an additional \$320 million of federal capital spending in Alaska for other types of projects.* This is down from \$365 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 of projects funded largely by federal grants is rural sanitation projects, with grants from the Environmental Protection Agency, Indian Health Service, and other federal agencies. This initiative will again contribute \$100 million to state construction spending—the same as in 2007—for the village safe water program. Other state departments with significant federal funding for capital projects—including Commerce, Natural Resources, Veterans Affairs, and Public Safety—will spend roughly \$50 million.

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 Alaska Native nonprofit corporations, housing authorities, and health care providers. The largest single program is the Native American Housing Self-Determination Act (NAHS-

DA), which 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 about \$100 million again this year.

We expect the level of direct construction spending by other federal departments to be down modestly from 2007, to \$70 million. This includes spending by the Department of Interior (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 Administration (NOAA).

Other State and Local: \$335 Million

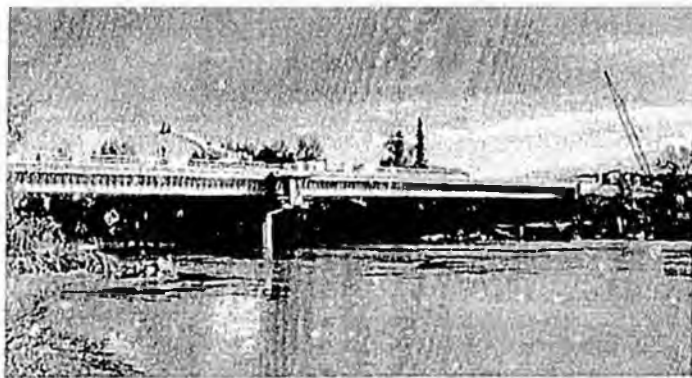
State and local government capital spending for all other categories² will be \$335 million, up from \$285 million in 2007.

² Excluding transportation and education.



PHOTO COURTESY ALASKA TRAILBLAZING

Stariski Creek Improvements, Kenai Peninsula

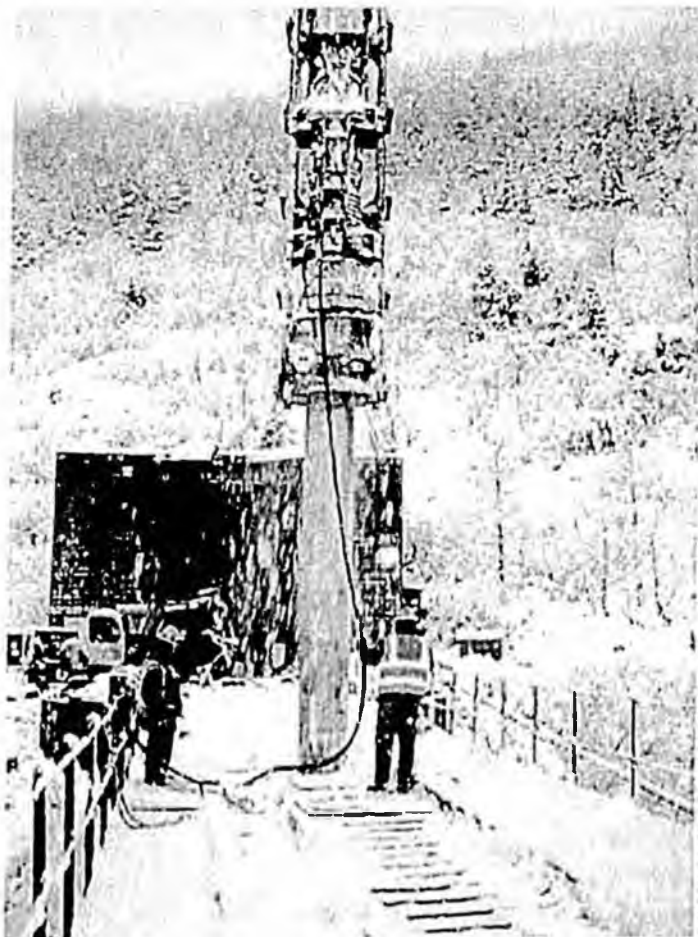


Kenai River Bridge, Soldotna

We expect state-funded construction spending that is based neither on federal grants nor related to transportation or education to be about \$180 million. That's slightly higher than in 2007 and assumes a number of larger projects, including two fish hatcheries in Anchorage and Fairbanks, will get underway. These projects fall primarily in the Departments of Commerce, Community, and Economic Development,

Health and Social Services, Corrections, Military Affairs, and Public Safety.

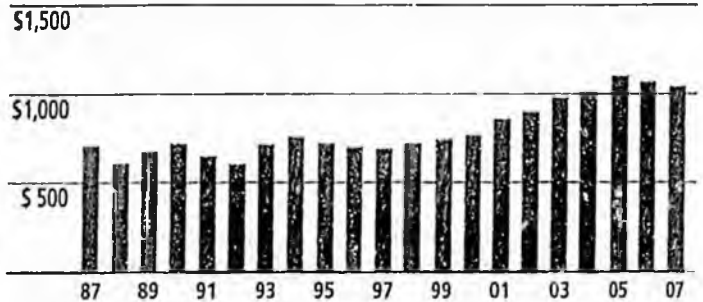
Local government capital spending, from general funds as well as enterprise funds, is estimated to be \$155 million. This is higher than in 2007, because it includes an estimate of first-year construction spending for a new state prison, to be located in and financed by the Mat-Su Borough. Construction should begin in late 2008.



Alaska Railroad Bear Valley Bridge, Portage

Construction Industry Payroll

In Millions of 2007 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, oil and gas spending, and more recently, large state capital budgets.

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 chart above, which in 2005 surpassed \$1 billion for the first time since 1985. (The values in years before 2007 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 employment and firms not only in the construction

industry itself but also in other sectors of the economy, such as oil and gas and mining, where it is "hidden."

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 this "hidden" construction activity and these "backward linkages" are included, it turns out that construction spending directly accounts for a much larger share of the workforce than the number of workers or payroll reported as "construction" would suggest.

Furthermore, the income from these high-paying jobs supports business activity in every community in the state. As this income is spent and circulates through local economies, it generates jobs in businesses as diverse as restaurants, dentists' offices, and furniture stores.

If we include all these aspects of construction that don't show up in standard measures, we see that construction spending is a major driver of the Alaska economy.

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AEDC 2006

Workforce Development Conference Report



ANCHORAGE
Economic Development
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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 25th 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.

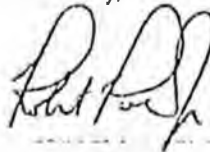
Immediately following, a total of four break-out periods were held on recruitment, training, employment, and funding. For each topic a facilitator led the discussion on what tactics are working, what are missing, and brainstormed strategies that addressed the problems identified. At the end of the day, 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



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

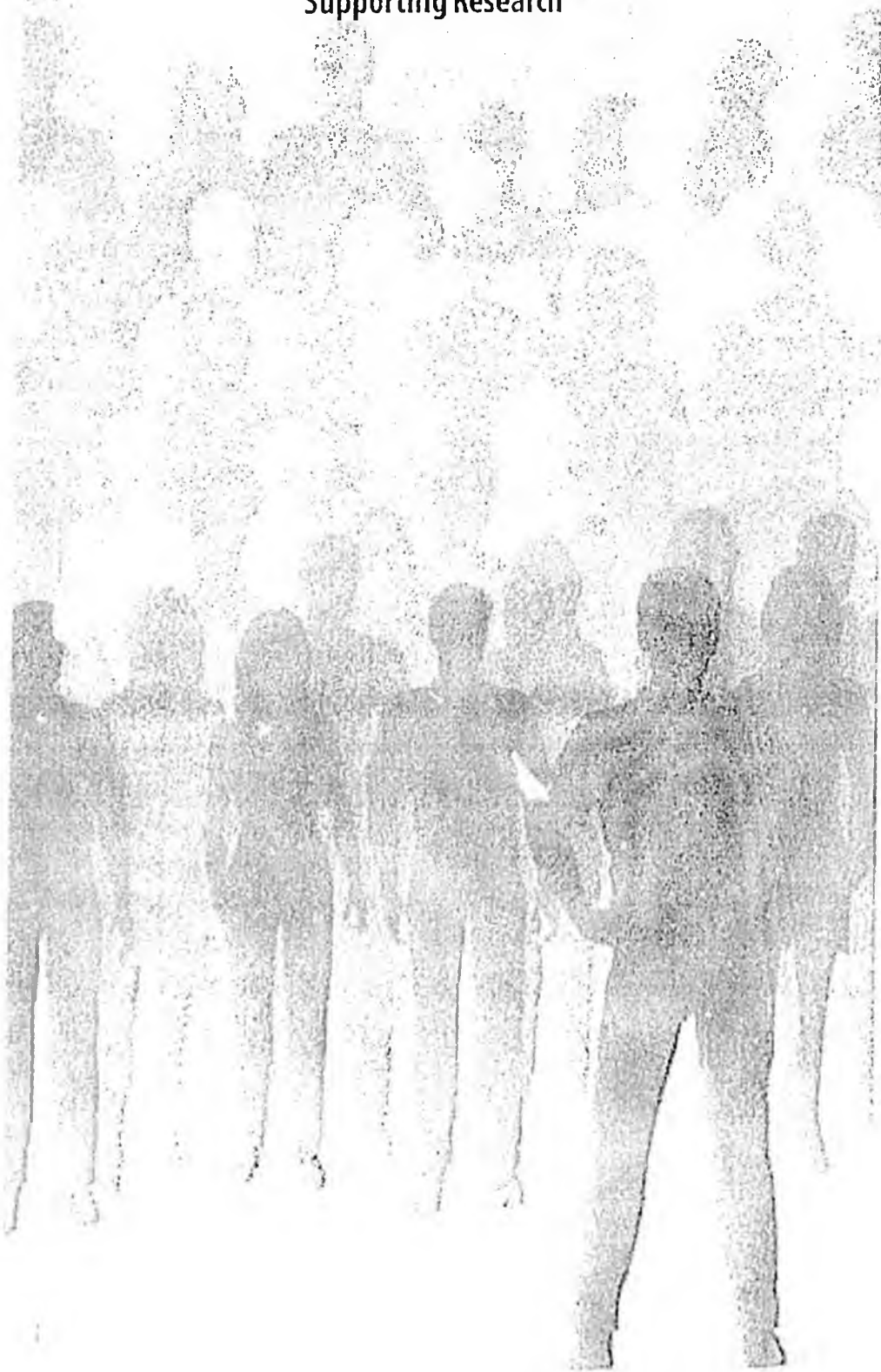
By engaging the stakeholders, we can provide career education and enhance industry recruitment and public awareness, while increasing funding. In order to train our workforce, we must integrate career and technical education into K-16, fill postsecondary gaps, retrain, and capitalize on retirees. By 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
25.6% 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 standards

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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Service High School

Sarah Strahle,
Dimond High School

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Buy Alaska

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Buy Alaska

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