

HB

223

<TARGET><BILL></BILL><SUBJECT></SUBJECT><COMM>SCRA28</COM
M></TARGET>

ALASKA STATE LEGISLATURE

Session:
State Capitol Building
Room 500
Juneau, Alaska 99801-2186
Phone (907) 465-3004
Toll Free: (877) 465-3004




Interim:
1292 Sadler Way
Room 323
Fairbanks, Alaska 99701
Phone: (907) 452-1088

REPRESENTATIVE STEVE THOMPSON DISTRICT 3

MEMORANDUM

To: Senator Peter Micciche, Chair
Senate Community & Regional Affairs Committee

From: Representative Steve Thompson 

Date: February 11, 2014

Re: Hearing Request for HB 223 "An Act authorizing municipalities to exempt or partially exempt for up to 10 years property in a military facility zone that creates or supports industry, development, or educational or training opportunities."

Please accept this memorandum as a request for HB 223 to be heard in the Senate Community & Regional Affairs Committee. Attached are the following documents:

- HB 223 – Sponsor Statement
- HB 223 – Bill version 28-LS0993\A
- HB 223 – 0 Fiscal Note, DCCED
- HB 223 – Support, February 4, 2014, Letter from FNSB
- HB 223 – Support, January 30, 2014, Letter from Fairbanks Economic Development Corporation
- HB 223 – Support, September 30, 2013, Letter from Mayor Luke Hopkins to JASC
- HB 223 – Support, Alaska Economic Trends, December 2013, *The Military and Alaska's Economy*
- HB 223 – HB 316 Military Facility Zone informational packet
- HB 223 – Bill History
- HB 223 – Testifier list

Should you have any questions, please do not hesitate to contact Jane Pierson in my office at 465-6841.

E-Mail: Representative.Steve.Thompson@akleg.gov

HB 223 Version A

Sponsor Statement

Fiscal Note - Zero – DCCED – CRA #1

Support

FNSB Letter – 2/4/14

Fairbanks Economic Development Corporation 1/30/14

City of Fairbanks – 2/10/14

Fairbanks Chamber of Commerce 2/10/2014

Alaska Municipal League 2/20/14

Mayor Luke Hopkins to JASC 9/30/2013

Alaska Economic Trends, December 2013, *The Military and Alaska's
Economy*

HB 316 Military Facility Zone informational packet

HB 223 Bill History

HOUSE BILL NO. 223

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-EIGHTH LEGISLATURE - SECOND SESSION

BY REPRESENTATIVES THOMPSON, ISAACSON, SADDLER, AND TARR, Gara, Nageak, LeDoux

Introduced: 1/21/14

Referred: Community and Regional Affairs

A BILL

FOR AN ACT ENTITLED

1 **"An Act authorizing municipalities to exempt or partially exempt for up to 10 years**
2 **property in a military facility zone that creates or supports industry, development, or**
3 **educational or training opportunities."**

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

5 * **Section 1.** AS 29.45.050 is amended by adding a new subsection to read:

6 (v) A municipality may by ordinance exempt or partially exempt from
7 taxation for up to 10 years property in a military facility zone that creates or supports
8 industry, development, or educational or training opportunities beneficial to a facility.
9 An ordinance adopted under this subsection must include specific eligibility
10 requirements and require a written application for each exemption. In this subsection,
11 "facility" and "military facility zone" have the meanings given in AS 26.30.900.

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REPRESENTATIVE STEVE THOMPSON DISTRICT 3

Sponsor Statement

HB 223 “An Act authorizing municipalities to exempt or partially exempt for up to 10 years property in a military facility zone that creates or supports industry, development, or educational or training opportunities.”

House Bill 223 gives permissive authority for a local government to seek up to 10 years of full or partial property tax exemptions to businesses in a Military Facility Zone (MFZ) that creates or supports industry, development, educational or training opportunities directly related to defense activities in Alaska. As the needs of each community with military installations are unique, HB 223 provides broad authority for local property tax exemptions to be specifically defined by individual local communities, providing the maximum benefit to their region.

This bill expands on HB 316, which provided statutory authority to the Department of Military and Veterans’ Affairs to establish Military Facility Zones, promoting industrial or economic development that directly enhance a base’s ability to fulfill its mission. Military Facility Zones are similar to economic development districts, by defining areas that may apply for financial incentives.

HB 223 provides a tool for local governments, in proximity to military installations, to support the economic development of projects that enhance the military’s operations and its missions and the economic development goals of the community.

Providing a local tax exemption within Military Facility Zone will provide a tool to communities allowing them to offer added support to the mission of the armed services, enhancement of economic development opportunities, assist in making Alaska’s military installations the “best value choice” for expansion, and help defend against potential negative impact through a future Defense Base Realignment and Closure (BRAC) process or from routine actions to reduce forces to match smaller defense budgets.

Please join Representative Thompson in supporting this legislation.

E-mail Representative_Steve_Thompson@akleg.gov

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: HB 223
Fiscal Note Number: 1
(H) Publish Date: 2/5/14

Identifier: HB223-DCCED-DCRA-01-31-14
Title: MUNI TAX EXEMPTION: MIL. FACILITY ZONE
Sponsor: ** THOMPSON, ISAACSON
Requester: House Community and Regional Affairs

Department: Department of Commerce, Community and
Economic Development
Appropriation: Community and Regional Affairs
Allocation: Community and Regional Affairs
OMB Component Number: 2879

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2015 Request	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES	FY 2015	FY 2015					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Not applicable, initial version.

Prepared By:	<u>Scott Ruby, Director</u>	Phone:	<u>(907)269-4569</u>
Division:	<u>Community and Regional Affairs</u>	Date:	<u>01/31/2014 10:00 AM</u>
Approved By:	<u>Jeanne Mungle, Director</u>	Date:	<u>01/31/14</u>
Agency:	<u>Administrative Service Director</u>		

FISCAL NOTE ANALYSIS #1

**STATE OF ALASKA
2014 LEGISLATIVE SESSION**

BILL NO. HB 223

Analysis

This bill would amend existing statutes regarding optional municipal tax exemptions. It would give municipalities the authority to exempt, in whole or in part and for up to a 10 year period, property in a designated military facility zone from municipal taxes. The development would need to create or support industry, development, educational, or training opportunities to a facility to qualify for the exemption.

Municipalities would need to adopt an ordinance that enacts the exemption and application procedures awarding exemptions.

There is no anticipated fiscal impact to the Division of Community and Regional Affairs from this bill.



Fairbanks North Star Borough

Office of the Mayor

809 Pioneer Road – PO Box 71267 - Fairbanks North Star Borough – Alaska 99707-1267 – (907) 459-1300 – Fax (907) 459-1102

February 4, 2014

The Honorable Steve Thompson
House of Representatives
State Capitol, Room 500
Juneau, Alaska 99801

Dear Rep. Thompson,

Thank you for introducing HB 223 which will provide an economic incentive within military facility zones that is left broad at the state level giving local communities the ability to further refine to fit their local distinct needs.

This legislation is very important to the Fairbanks community with 30% of our economy and 38% of our payroll coming from the military. At a time of significant cuts by Department of Defense, and communities with installations feeling the impact, this legislation assists us in staying competitive with other states as military support businesses transition into new areas.

One example of a military support business is one for unmanned aircraft which was historically largely military. The Alaska Center for Unmanned Aircraft Systems Integration (UAF) program has been performing research for commercial use of these vehicles for over 12 years.

Then, on December 30, 2013, Alaska was selected as one of six FAA test sites for integrating unmanned aircraft into the national airspace and expanding the commercial use of the vehicles.

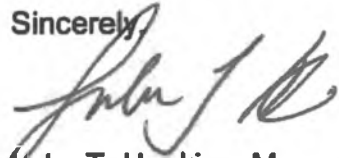
With the test site designation, support businesses that will be valuable both to the military and community will be looking to locate near test sites. This bill provides a tool that gives them added incentive to locate in Alaska.

How important is that incentive? The Association of Unmanned Vehicle Systems International (AUVSI) study on the economic impact of unmanned aircraft nationwide provides an analysis by state on page 4 showing that in Alaska, direct jobs have the potential to bring in \$19 million with 95 jobs from 2015 to 2017 and it increases from there to \$112 million with 141 jobs between 2015 to 2025. The full study is available at: <http://www.auvsi.org/econreport>.

Rep. Steve Thompson
February 4, 2014
Page 2 of 2

Thank you for introducing this legislation to support our military and provide a tool that will draw business to Alaska.

Sincerely

A handwritten signature in black ink, appearing to read "Luke T. Hopkins". The signature is written in a cursive style with a large initial "L" and "H".

Luke T. Hopkins, Mayor
Fairbanks North Star Borough

January 30, 2014

Representative Steve Thompson
State Capitol Room 500
Juneau AK, 99801

RE: Support for House Bill 223

Dear Representative Thompson,


I am writing in support of your proposed legislation House Bill 223.

The Military Industry is one of the largest industries in the State of Alaska, contributing 17% of Alaska's Gross State Product and 20% of Alaska's Labor Dollars. This is a substantial contribution but in our community, the statics are overwhelming: the Military Industry in Fairbanks contributes 30% of our Gross Community Product and 38% of our total Labor Dollars.

The impact and the potential for economic growth associated with this industry have been long overlooked in Alaska. Your legislation from the 27th Legislature, HB 316 (establishing Military Facility Zones), coupled with HB 223 (an Act authorizing municipalities to exempt, or partially exempt, property in a military facility zone for up to 10 years) create an opportunity for private investment and private industry to better partner with the Military Industry in our State and our Communities; thus creating more jobs for Alaskans and helping assure Alaska's economic future.

I commend you for your initiative in sponsoring HB 223. I appreciate your continued support of this vital statewide industry and I urge the support of your fellow legislators.

Thank you,



Jim Dodson,
President & CEO
Fairbanks Economic Development Corporation



CITY OF FAIRBANKS

John Eberhart, Mayor

800 CUSHMAN STREET
FAIRBANKS, ALASKA 99701-4615

OFFICE: 907-459-6793

FAX: 907-459-6787

mayor@ci.fairbanks.ak.us

February 10, 2014

Honorable Steve Thompson
House of Representatives
State Capitol, Room 500
Juneau AK 99801

Re: Support for Military Facility Zones; HB 223

Dear Representative Thompson:

Thank you for introducing HB 223, which will provide an economic incentive within military facility zones. By being left broad at the state level, local communities have the ability to further refine the proposal to fit their distinct local needs.

This legislation is very important to the Fairbanks community where 30% of our economy and 38% of our payroll comes from the military. At a time of significant cuts by the Department of Defense, and communities with installations feeling the impact, this legislation assists us in staying competitive with other states as military support businesses transition into military facility zones.

An example of a military support business is one dealing with unmanned aircraft. Historically, this was a largely military program. The Alaska Center for Unmanned Aircraft Integration Systems (UAF) program has been performing research for commercial use of these vehicles for over 12 years.

Then, on December 30, 2013, Alaska was selected as one of six FAA test sites for integrating unmanned aircraft into the national airspace and expanding the commercial use of such vehicles.

With the test site designation, support businesses that will be valuable both to the military and community will look to locate near test sites. HB223 provides a tool to give them added incentive to locate in Alaska.

How important is this incentive? The Association of Unmanned Vehicle Systems International (AUVSI) study on the economic impact of unmanned aircraft nationwide provides an analysis (page 4) showing that in Alaska, direct jobs have the potential to bring in \$19 million and 95 jobs from 2015 to 2017, increasing to \$112 million with 141 jobs from 2015 to 2025. The full study is available at: <http://www.auvsi.org/econreport>.

Thank you for introducing this legislation to support our military and provide a tool to draw business to Alaska.

Yours sincerely,

A handwritten signature in black ink, appearing to read "John Eberhart", is written over a horizontal line.

Mayor John Eberhart

cc: City Council Members



Interior Alaska – The “Place” To Do Business

100 Cushman St., Suite 102 | Fairbanks, Alaska 99701-4665
Phone (907) 452-1105 | Fax (907) 456-6968 | www.FairbanksChamber.org

February 20, 2014

Honorable Members of the Senate Community & Regional Affairs Committee
State Capitol Building
Room #409
Juneau, AK 99801

RE: Letter of Support House Bill 223: Muni Tax Exemption: Mil Facility Zone

Dear Senator Micciche & Members of the Committee,

On behalf of the over 700 businesses and organizations we represent, the Greater Fairbanks Chamber of Commerce advocates for a healthy economic environment to ensure that Fairbanks is an attractive place for both business and community. Today, we wish to express our support of House Bill 223, an act that would authorize tax exemptions in a Military Facility Zone.

Supporting the military has been a long-standing position for the Fairbanks Chamber largely due to the fact that many of our members, directly and indirectly, benefit from doing business with the Interior military installations in Alaska. As bill sponsor Representative Thompson highlighted, House Bill 223 provides a tool for local governments, in proximity to military installations, to support the economic development of projects that enhance the military’s operations and its mission and the economic development goals of the community. The tax incentive would create an avenue for both private investment and private industry to better partner with the military and could potentially create new industries and new jobs in our community.

On behalf of the membership of the Greater Fairbanks Chamber of Commerce, thank you for your service and commitment to the State of Alaska and we encourage your support of House Bill 223.

Sincerely,

Steve Lundgren
Board of Directors, Chair

Lisa Herbert
Executive Director

INVESTORS

DIAMOND

- BP Exploration
- ConocoPhillips
- ExxonMobil
- Fairbanks Daily News-Miner
- Fairbanks Memorial Hospital & Denali Center
- Flint Hills Resources Alaska
- Mt. McKinley Bank

PLATINUM

- Alyeska Pipeline Service Co.
- Doyon, Limited
- Fred Meyer Stores
- Golden Heart Utilities
- Wells Fargo Bank Alaska

GOLD

- Birchwood Homes
- Carlson Center
- Denali State Bank
- Design Alaska
- Doyon Utilities LLC
- First National Bank Alaska
- Kinross Fort Knox Mine
- Lynden
- Northrim Bank
- Sumitomo Metal Mining Pogo LLC
- Usibelli Coal Mine

SILVER

- Alaska Communications
- Alaska Airlines
- Alaska Railroad
- Alaska USA
- Dr. Christopher Henry – Henry Orthodontics
- Everts Air Cargo, Everts Air AK
- Exclusive Paving/Univ. Redi-Mix
- Fairbanks Natural Gas
- Flowline Alaska
- GCI
- General Teamsters Local 959
- Golden Valley Electric Association
- Hale & Associates, Inc.
- JL Properties, Inc.
- Key Bank
- MAC Federal Credit Union
- Personnel Plus
- Sam’s Club
- Shell Exploration & Production Co
- Spirit of Alaska FCU
- Tanana Valley Clinic
- TDL Staffing
- Tower Hill Mines-Livengood Gold Project
- University of Alaska Fairbanks
- Verizon Wireless
- Vivamore Companies
- WAL-MART Stores, Inc.
- Yukon Title Company



Fairbanks North Star Borough

Office of the Mayor

809 Pioneer Road – PO Box 71267 - Fairbanks North Star Borough – Alaska 99707-1267 – (907) 458-1300 – Fax (907) 458-1102

September 30, 2013

The Honorable Dan Saddler
Co-Chair, Joint Armed Services Committee
Alaska State Legislature
12641 Old Glenn Highway, Suite 201
Eagle River AK, 99577

The Honorable Pete Kelly
Co-Chair, Joint Armed Services Committee
Alaska State Legislature
1292 Sadler Way, Suite 308
Fairbanks AK, 99701

Re: Fairbanks North Star Borough – Legislative Priorities

Dear Representative Saddler and Senator Kelly:

Thank you for conducting the Joint Armed Services Committee (JASC) meeting on July 11th in the Fairbanks North Star Borough (FNSB) Assembly Chambers and taking a tour of Eielson Air Force Base. We appreciate your time and consideration of our military's needs and your follow up letter in support of expediting the U.S. Air Force's implementation of regulations for Section 331 of the FY2013 National Defense Authorization Act.

Per your request, the FNSB's top five military legislative priorities are: (1) buying down the price of coal; (2) energy infrastructure financing; (3) pioneer roads within the Joint Pacific Alaska Range Complex (JPARC); (4) unmanned aircraft systems (UAS); and (5) local tax exemption on property within a military facility zone that specifically supports the operations and missions of the military.

1. Buying down the price of coal. With coal as the main energy resource for the operation of power plants within the FNSB, including the military, it seems the price being paid for the military is not commensurate with that being charged to state or private industry. The FNSB is seeking legislative support to determine if coal prices can be reduced for our military installations with the goal of making energy costs more competitive with other military installations nationwide.

2. Energy infrastructure financing. With energy costs being a significant weakness in comparison with other military locations, the FNSB is seeking legislative support to reduce energy costs by providing financing for energy infrastructure that is more efficient or providing means of sharing energy between installations where that is an option. As demonstrated in other states, such facilities could revert to state ownership when no longer under military operation or be operated through enhanced lease agreements.

3. Pioneer roads within the Joint Pacific Alaska Range Complex (JPARC). The FNSB is seeking legislative support to expand access to training grounds within JPARC. While JPARC is the premier military training site with the largest air, land, sea, subsea, space and cyber training area in the world, additional work is necessary to allow the military to conduct battalion-sized exercises and meet future training requirements. For instance, the State of Alaska could initiate earlier design and development of gravel

roads. By enhancing the existing training grounds to provide year-round training capabilities and expanding access, we could further enhance this unique asset.

The current JPARC Modernization and Enhancement Environmental Impact Statement supports:

a. Enhanced Ground Maneuver Space. The EIS suggests enhancing ground maneuver space to provide expanded access and year-round accessibility in the Tanana Flats (TFTA), Donnelly (DTA), and Yukon Training Areas (YTA). The expanded access would support year-round training, internal circulation routes, and integration of proposed Intermediate Staging Bases. The enhanced maneuver space would support at least battalion-size training events. The proposal includes construction of training roads and trails and some off-road vehicle operations throughout 1.2 million acres of existing training areas in TFTA, DTA, and YTA. Taking no action to do this would not allow the Army to expand, operate or take advantage of year-round access to maneuver space in TFA, DTA, YTA, which would prevent the Army from conducting battalion-sized, non-live-fire maneuver exercises and meeting future training requirements.

b. Tanana Flats Training Area (TFTA) Roadway Access. The proposed action would provide year-round access to TFTA and the Blair Lakes Impact Area to enhance ground maneuver space. Completing this segment would require completion of a 35-foot-wide aggregate surface to allow two Stryker vehicles access and circulation. Not providing access to year-round training would prevent the Army from meeting future training requirements and the ability to participate in joint training with the Air Force near the Blair Lakes Impact Area.

4. Unmanned Aircraft Systems (UAS). The FNSB is seeking continued legislative support for UAS. In 2012, the legislature provided \$5 million for a Federal Aviation Administration (FAA) application process to further UAS. In April of 2013, through House Concurrent Resolution 6, the legislature created a task force on Unmanned Aircraft Systems further supporting the UAS program in Alaska. Subsequent to that, the Alaska Center for Unmanned Aircraft Systems Integration (University of Alaska Fairbanks) and the FNSB submitted an application to the FAA for the Borough to be designated one of six (6) test sites nationwide for UAS. These test sites are slated to be chosen by the end of 2013 and will be involved in developing the regulations for use of the systems.

UAS provide diverse benefits across the spectrum: search and rescue; public safety; wildlife monitoring; mapping of natural resources; oil, gas, and mineral exploration; and oil pipeline and fire monitoring to name a few. Two repetitive themes in the use of UAS are: cost savings (what UAS can do in the amount of time humans can do it) and life savings (having UAS in place of manned aerial vehicles to perform dangerous work).

For the FNSB, both being a test site for the FAA and the military's potential for locating Gray Eagles at Eielson AFB to be operated by Fort Wainwright will provide economic benefit to our community by drawing in support businesses. In fact, the potential impact of the UAS industry on the State of Alaska has been identified in a study from March of 2013, *The Economic Impact of Unmanned Aircraft Systems in the US*, which shows that between 2015 and 2017 the benefit to Alaska is estimated to be \$19 million with 95 new jobs created. This study was performed by the Association of Unmanned Vehicle Systems International (AUVSI) that held their annual conference in DC this August with over 8,000 attending. There were a multitude of dynamic concurrent sessions throughout each day and over 600 vendor

displays on the lower level. The vendors included the various states submitting applications to become one of the FAA's designated test sites. To be competitive as military budget cuts increase, we have explored what incentives could be offered to make Alaska unique. The result is a proposed tax exemption within a military facility zone.

5. Local Tax Exemption within a Military Facility Zone. In 2012, HB 316 was passed into law which gave the State of Alaska Department of Military and Veterans Affairs (DMVA) the authority to designate areas near military installations a Military Facility Zone (MFZ). The intent was to provide financial benefits to businesses that support the operations and missions of the military. This structure provided a vehicle for the FNSB to offer further incentives at the local level.

The FNSB is seeking JASC support of legislation this session to create a local tax exemption for up to 10 years for property in a military facility zone that creates or supports industry, development and educational or training opportunities that support the operations and missions of our military. This exemption would be further defined by local government and the communities that choose to use it.

Providing this benefit at the local level requires an additional exemption to AS 29.45.050 Optional Exemptions and Exclusions, so we are working with our Economic Development Commission (EDC), assembly members, and legislators. At the August 27th EDC meeting, the commission approved making the proposed tax exemption an FNSB legislative priority. Legislators have been receptive as well, so we anticipate legislation will be introduced during the coming session.

At this time, the FNSB is in the process of preparing an application for DMVA's review and approval for designation of a MFZ within the borough. This will merely define an area (similar to a district); there is no impact to actual zoning. The area to be designated will be incorporated into the FNSB Regional Comprehensive Plan. On May 21st, the FNSB Economic Development Commission passed a resolution in support of Assembly approval of an application.

We appreciate the JASC's consideration of these priorities and we are looking forward to continued collaboration in support of military operations in Alaska.

Sincerely,



Luke T. Hopkins, Mayor
Fairbanks North Star Borough

cc:

The Honorable Representative Doug Isaacson
The Honorable Senator Fred Dyson
The Honorable Senator Anna Fairclough
The Honorable Senator Bill Wielechowski
The Honorable Representative Geran Tarr
The Honorable Representative Bob Lynn
The Honorable Representative Eric Feige

ALASKA ECONOMIC TRENDS

DECEMBER 2013



The Military and Alaska's Economy

WHAT'S INSIDE

Workplace deaths in Alaska
Most homes built in 1970s and 1980s
The state's legal services industry



**ALASKA DEPARTMENT OF LABOR
& WORKFORCE DEVELOPMENT**

Sean Parnell, Governor
Dianne Blumer, Commissioner

The Military and Alaska's Economy

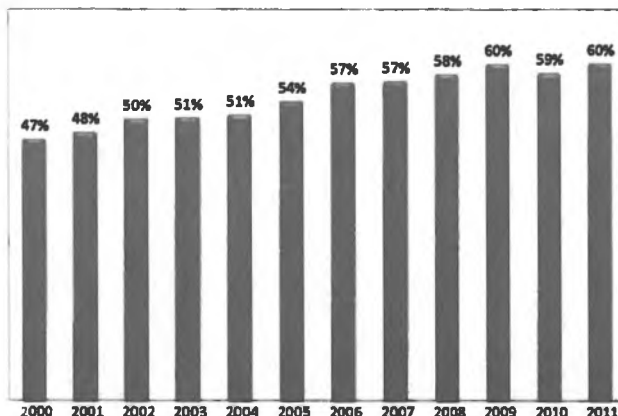
Role waxes and wanes, but it's always a major player

One of the federal government's first acts after purchasing Alaska was to send the U.S. Army to occupy and administer its new territory. However, it wasn't until World War II that the military solidified its role as one of Alaska's economic mainstays.

The military's presence in the 1940s was so major and transformational that the state was commonly referred to as "Military Alaska." More than 100,000 troops poured into the state along with billions of dollars for infrastructure.

With the end of the war, the prospect of a near pull-out by the military prompted concern for Alaska's economic future — but just a few years later, the Cold War began and Alaska's proximity to the Soviet Union cemented the military's role in Alaska's economy for many decades to come.

1 Defense Share of Federal GDP Alaska, 2000 to 2012



Source: U.S. Department of Commerce, Bureau of Economic Analysis

We "export" defense

One way to look at the military's influence on Alaska's economy is to treat it like one of our leading "exports," which are especially relevant because they bring new money into the state. The benefits are similar to those from exporting gold, oil, or fish — but instead of a commodity, the military "sells" national defense, a service the rest of the country is willing to pay for.

According to economists at the University of Alaska Anchorage, only oil and nondefense federal spending generate more jobs and income in the state.

By another economic measure, the military's share of Alaska's federal gross domestic product has surpassed civilian federal spending since 2003. (See Exhibit 1.)

Tens of thousands of soldiers and their families live in Alaska and spend their income here, and with them comes money to build and maintain large, sophisticated facilities.

The military's influence on the state's economy can go unnoticed even in areas with a large presence, as it's often out of the public eye on bases that are fairly self-encompassing. Thousands of soldiers, civilians, and contractors live off the base, though, and those who live on base also spend a significant share of their wages in the surrounding community. Millions are also spent locally on procurement and construction.

Buildups and cutbacks

Since 1940, alternating military buildups and cutbacks have been driven by often unpredictable

international events that had little or nothing to do with Alaska. The list of military buildups is long, including World War II, the Cold War, the Korean and Vietnam wars, and the recent wars in Iraq and Afghanistan. Cutbacks typically followed the ends of these wars.

The most recent military reduction was in the early 1990s as the Cold War ended and federal budget restraints came into play. Between 1990 and 2000, Alaska lost nearly a quarter of its military population as installations closed in Galena and King Salmon along with Eareckson Air Station (formerly Shemya) and the naval base on Adak, then home to 2,500 personnel. Fort Greely, near Delta Junction, was shut down in 2001 and put on caretaker status.

During that period, many of the state's other industries grew considerably faster than the military sector, which compounded these absolute declines and further diminished the military's influence on the state economy. At the time, a permanent decline seemed possible, but more unforeseen global events would soon reverse the trend.

Defense brings new vigor to the economy after 2001

The terrorist attacks of Sept. 11, 2001, and the wars in Iraq and Afghanistan led to a huge influx of military to Alaska, with Alaska's servicemen playing a big part in these new conflicts. Federal expenditures grew in turn, thanks in part to the seniority and influence of the state's congressional delegation.

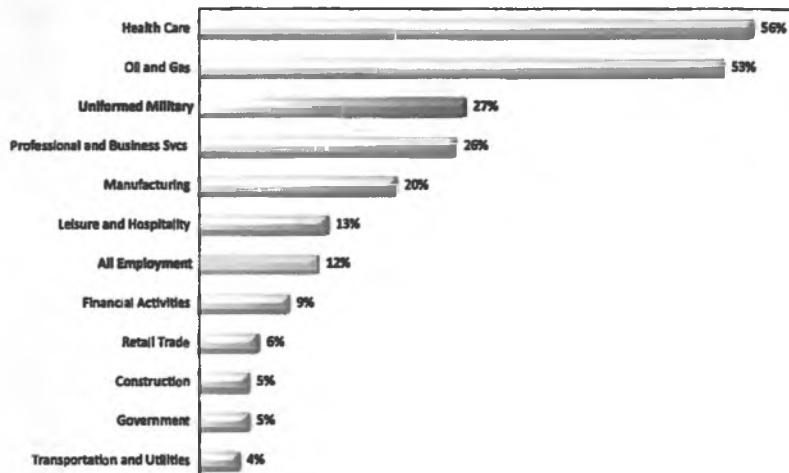
For the next decade, this expansion became an important ingredient in Alaska's broader economic growth. Uniformed military grew considerably faster than employment in most other industries. (See Exhibit 2.)

Total troop levels had fallen to 17,631 in 2000, but by 2009, the active duty count had climbed to 24,449, or the equivalent of adding a new installation. The military's share of the state's gross domestic product also grew by 138 percent between 2001 and 2011, in contrast to 85 percent growth for the overall GDP.

The increase in construction money probably had

2 Strong Job Growth for Military

Alaska industries, 2002 to 2012

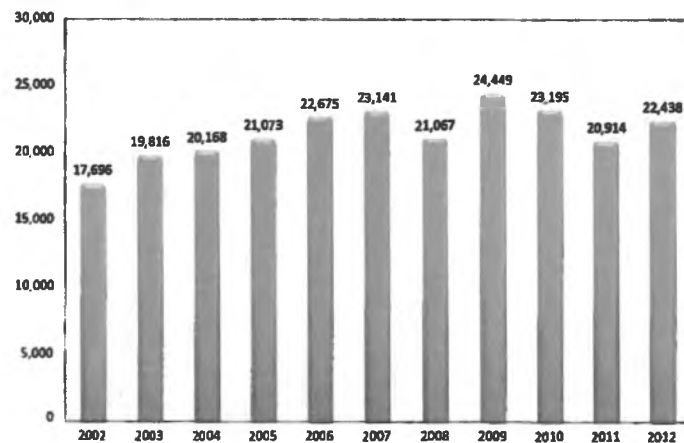


Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

an even bigger effect than the influx of troops. (See Exhibit 4.) Nearly all of the state's installations underwent complete makeovers, and Fort Greely received a new anti-ballistic missile facility. According to the Army Corps of Engineers, the combined value of these projects went from \$201 million in 2001 to a peak of \$599 million in 2008. Between 2003 and 2010, the military spent approximately \$500 million a year on construction in Alaska.

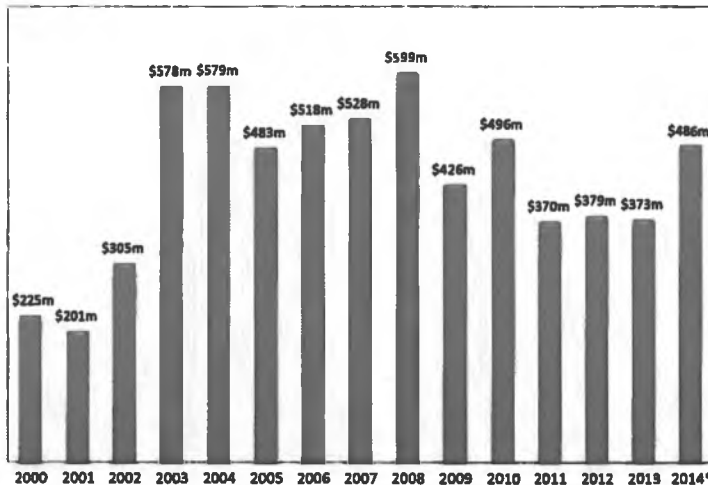
3 Active Duty Military Up Over the Decade

Alaska, 2002 to 2012



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

4 Defense Spending Booms for Decade Alaska, 2000 to 2014*



*2014 amount is estimated
Source: U.S. Army Corps of Engineers

According to Alaska's Associated General Contractors, 10 percent or more of all construction between 2005 and 2009 was defense-related, peaking at 19 percent in 2006.

Army dominates in Alaska

Nearly all of the 22,438 servicemen in Alaska in 2012 were Army, Air Force, or Coast Guard, with a very small number of Navy and Marines. The Air Force was dominant in the state prior to the buildup in the 2000s, but the Army moved into the No. 1 spot with nearly all of the growth over the last decade.

5 Defense-Related Civilian Jobs and Wages Alaska, 2012

	2012	Payroll Year 2012	Average Annual Earnings
Department of Defense* (Civilian only)	5,448	\$413,068,814	\$75,848
Services (SVS/SVF)	843	\$23,385,070	\$26,554
Army/Air Force/Coast Guard Exchange (retail)	674	\$5,463,841	\$23,900
Installation Morale, Welfare, and Recreation Fund Personnel	292	\$9,908,833	\$33,928
Total	7,255	\$451,824,158	\$62,278

*Includes Coast Guard civilians, although they operate under the Department of Homeland Security
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Because Alaska has so few Marines or Navy personnel, its share of Army and Air Force is much larger than the national average. Only 38 percent of the nation's servicemen were Army, versus 59 percent in Alaska.

Although Kodiak is home to one of the nation's largest Coast Guard stations and Alaska has the most extensive coastline in the country, only 9 percent of Alaska's service personnel were Coast Guard compared to 8 percent for the nation.

A large civilian branch

The military's economic reach extends into a large federal civilian workforce. In 2012, Alaska had more than 7,000 defense-related civilian jobs with a payroll of \$452 million and average earnings of \$62,278. (See Exhibit 5.) Civilians often provide base support and range from highly specialized professionals working for the Corps of Engineers to retail workers in the commissaries.

The military has increasingly outsourced or sought private contracts over the years. It's difficult to get reliable numbers of employees these contractors use, but in 2010, the most recent year available, \$1.8 billion in military contracts were awarded in Alaska. In 2009, Arctic Slope Regional Corporation topped the Alaska contractors list at \$151 million.

These contracts include janitorial services, utilities, specialized technical support, security, food services, and housing. In the early 2000s, the military began to privatize much of its housing. For example, JL Properties of Anchorage currently owns and operates 3,262 housing units on Joint Base Elmendorf-Richardson. JL Properties' 75 employees maintain this housing and subcontract for additional maintenance. Fort Wainwright and Eielson Air Force Base, near Fairbanks, have a similar housing arrangement with a private contractor.

Geographic concentrations

Given its size and economic clout, the military affects the entire state but its presence varies dramatically. Anchor-

age and Fairbanks are home to 90 percent of all uniformed military and their dependents. (See Exhibit 6.)

Fairbanks is a “military town,” with military families representing nearly a quarter of the borough’s population in 2012, and including federal civilians and contractors brings that share to over a third.

The Fairbanks Economic Development Corporation ties 39 percent of all area jobs to the military, with approximately 25 percent of those jobs connected to Eielson and the rest affiliated with Fort Wainwright. This makes the military the largest employer in Fairbanks by far. According to the U.S. Bureau of Economic Analysis, the military represented 21 percent of Fairbanks’ GDP in 2011 — nationally, it’s just 5 percent.

Though Fairbanks’ large military percentage might be expected, the place with the second-largest percentage of military in its population might come as a surprise. The small Denali Borough is 21.9 percent military because of Clear Air Station, which is off the Parks Highway in a sparsely populated area near Anderson. (See Exhibit 7.)

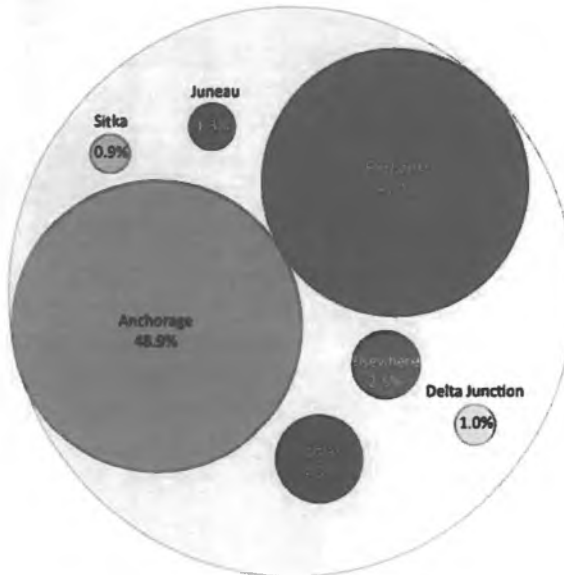
Though Juneau is the state’s Coast Guard command center, its largest base is on Kodiak Island. Kodiak’s base is one of the largest in the nation, ranking second in the Kodiak Borough’s economy after fishing. The Kodiak base also ranks third in the state both for the number of uniformed personnel and percentage of the surrounding area’s population. The Coast Guard operates several other smaller stations and moors its vessels in various ports along Alaska’s coast.

In terms of numbers, Anchorage has the largest base and military population in the state. In 2012, 30,933 uniformed military and dependents lived in Anchorage, representing 10 percent of the population. The Department of Defense estimated that in addition to the military jobs on base in Anchorage, there were an additional 5,111 military-related jobs and 6,000 jobs with indirect defense ties.

The Department of Defense also estimated the annual payroll for active duty military on Joint Base Elmendorf-Richardson at \$869 million in 2012, making the average pay for a soldier \$71,774, including a housing allowance. The indirectly related jobs paid \$53,880 on average.

These jobs’ influence extends beyond Anchorage,

6 Where Military Families Live Percentage of total by area, 2012



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

with many of the joint base’s workers and contractors commuting from the Matanuska-Susitna Borough, which has no direct military presence. Approximately 1,045 uniformed personnel and civilians from the base lived in Mat-Su last year.

Fort Greely near Delta Junction had just 10 uniformed personnel when it was reactivated in 2004

7 Over a Fifth of Fairbanks is Military Percent of area population, 2012

	Active duty	Active duty plus dependents	Percent of population
Fairbanks North Star Borough	9,218	22,298	22.8%
Denali Borough	102	402	21.9%
Kodiak Island Borough	974	2,492	18.0%
Anchorage, Municipality of	10,987	30,933	10.4%
Alaska	22,438	59,003	8.2%
Southeast Fairbanks Census Area	214	423	5.9%
Sitka, City and Borough of	197	503	5.8%
Valdez-Cordova Census Area	170	412	4.2%
Ketchikan Gateway Borough	185	439	3.2%
Juneau, City and Borough of	282	824	2.5%
Petersburg Census Area	32	58	1.4%
Kenai Peninsula Borough	92	207	0.4%
Aleutians West Census Area	7	16	0.3%

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

8 Demographics of Those Living on Alaska's Bases

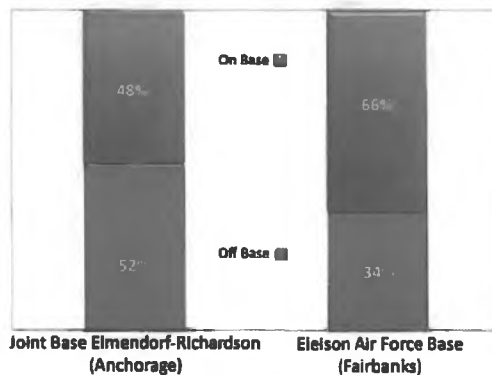
Characteristics of military personnel and families, 2007 to 2011

	Fort Richardson	Elmendorf Air Force Base	Fort Wainwright	Eliseon Air Force Base	Kodlak Coast Guard Station	Alaska Average
Median age	21.7	20.9	21.8	22.6	22.7	33.8
Average family size	3.7	3.7	3.4	3.4	4	3.2
Born in Alaska, percent	11.4%	8.4%	7.3%	8.8%	14.6%	39.1%
Men 18 and over, percent	64.0%	54.0%	59.0%	55.0%	61.0%	52.0%
Women 18 and over, percent	36.0%	46.0%	42.0%	46.0%	39.0%	48.0%
Race (one race), percent						
White	70.0%	75.0%	74.0%	80.0%	76.0%	87.0%
African American	13.0%	13.0%	14.0%	10.0%	3.0%	3.0%
Native American/Alaska Native	2.0%	1.0%	1.0%	0.0%	7.0%	14.0%
Asian	3.0%	4.0%	2.0%	1.0%	0.0%	5.0%
Hawaiian/Pacific Islander						
Some other race	4.0%	4.0%	3.0%	2.0%	1.0%	1.3%
Two or more races	9.0%	4.0%	4.0%	7.0%	12.0%	8.0%
Hispanic, percent	12.0%	15.0%	13.0%	7.0%	12.0%	6.0%
Median household income	\$52,824	\$58,100	NA	\$59,125	\$66,176	\$69,014
Median family income	\$52,824	\$59,750	NA	\$60,489	\$65,000	\$80,178

Note: Fort Wainwright's median family and household income data were not available.
Source: U.S. Census Bureau, American Community Survey, 2007-2011 estimates

9 Some Live Off-Base

Select installations, 2012



Note: Joint Base Elmendorf-Richardson and Eielson Air Force Base were the only Alaska installations for which this information was available

Source: U.S. Department of Defense

and designated one of the two missile defense complexes in the nation. By 2012, its military population reached 423. The fort has 26 interceptor missiles but due to threats from Iran and North Korea, the U.S. plans to increase the number to 40.

Influence on state demographics

Military personnel and their dependents are 8 percent of the state's population, which has a powerful influence on the state's demographic makeup. Over the past decade, 15 percent of Alaska's population growth came from the military.

Although the military was unable to provide any demographic details, census tract data for a number of the state's installations gives some insight into the makeup of the populations who live on the bases. (See Exhibits 8 and 9.)

- Alaska's military population is young, with a median age between 21 and 23 compared to the state's 34. (It's possible that the off-base population figures, if they were available, would increase the median age.) They also have more

See MILITARY, page 19

Safety Minute

The “Fatal Four” causes of death in construction

Construction work in Alaska includes residential construction, bridge erection, roadway paving, excavation, demolition, and large-scale painting jobs. This type of work often involves exposure to a range of hazards — including falls from rooftops, unguarded machinery, being struck by heavy equipment, electric shock, silica dust, and asbestos — and requires constant vigilance by employers as well as employees.

According to the U.S. Bureau of Labor Statistics, 19.6 percent of private-industry deaths in 2012 were in construction. To help the construction industry avoid such loss, the Occupational Safety and Health Administration, or OSHA, identified four leading causes of worker death. Because 56 percent of deaths in construction resulted from these four causes, the industry nickname “Fatal Four” seems appropriate.

1. **Falls:** 36 percent
2. **Struck by Object:** 10 percent
3. **Electrocutions:** 9 percent
4. **Caught in/between:** 2 percent

Though these statistics are specific to construction, the “Fatal Four” apply to all industries. These causes may seem obvious, but apathy and a lack of situational awareness are often what make the “Fatal Four” so destructive. These four steps can help employers counteract these statistics:

- **Plan ahead:** Determine how the job will unfold. Assess potential hazards and determine which engineering controls and personal protective equipment are necessary.
- **Train:** Train employees to recognize and evaluate hazards and the potential for creating hazards during a specific job.
- **Provide the right equipment:** Provide equipment as well as train employees to select and use the equipment before starting work.
- **Reassess:** As work progresses, reevaluate existing hazards and the possibility of new ones.

Safety Minute is written by the Labor Standards and Safety Division of the Alaska Department of Labor and Workforce Development.

MILITARY

Continued from page 8

dependents and larger family sizes than the state average.

- Though more women are serving in the military than at any time in history, the ratio of men to women is still much higher than in the civilian population.
- Historically, the military increased the racial and ethnic diversity of the state, but this is no longer true — Alaska’s civilian population is now more diverse. The military tends to have proportionately larger white, African American, and Hispanic populations, and the state has larger percentages of Alaska Natives, Asians, and those who identify as mixed race.

15 percent in Alaska are veterans

In Alaska, you are more likely to meet a veteran

than anywhere else in the country. Nearly 15 percent of the state’s adult population are veterans versus 10 percent nationwide.

In 2012, the U.S. Department of Veterans Affairs listed 74,500 veterans in Alaska, on whom they spent \$410 million. The largest share was \$178 million for compensations and pensions, followed closely by \$167 million for health care — expenditures that doubled over the past decade. Also in 2012, the department employed 643 civilians in Alaska with a payroll of \$49 million.

Possible cutbacks in the future

Alaska may be at another turning point for its military with the end of the Iraq war, the winding down of missions in Afghanistan, and strains on the federal budget. Although how deep or long-lasting the cuts might be isn’t yet known, future downsizing is suggested by possible base consolidations, sequestration, and some decline in military-related new construction.

ALASKA STATE LEGISLATURE

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REPRESENTATIVE STEVE THOMPSON DISTRICT 10

SPONSOR STATEMENT HB 316

"An act relating to military facility zones in the state; relating to the development of housing in military facility zones; relating to the financing of projects in military facility zones; and providing for an effective date."

House Bill 316 gives statutory authority to the Department of Military and Veterans' Affairs to establish "military facility zones" within the State of Alaska. Military facility zones are designated areas in close proximity to a military base (facility) where industrial or economic development will directly enhance the base's ability to fulfill its mission.

Military facility zones are successfully employed in other states as vehicles to obtain and administer funds for business development specifically relating to military activities. Funding for such zones in Alaska may be available from the Alaska Industrial Development and Export Authority (AIDEA) and/or the Alaska Housing Finance Corporation (AHFC), or from federal New Market Tax Credits. Federal, state, or local public or private funding sources, credit, or guarantee programs can be made available directly to municipalities and boroughs that are working on specifically approved projects within a military facility zone.

Military facility zones create opportunities for significant benefits to Alaska and the nation. They will enhance economic activity near military installations and thereby facilitate economic growth and development in the state, especially where local governments are working in close partnership with their military counterparts. The zones promote expansion of infrastructure to benefit both military and civilian objectives, such as civil defense, homeland security and emergency response. They will enhance the nation's military capabilities by helping bases operate more effectively and efficiently.

Finally, military facility zones in Alaska will clearly demonstrate the state's continuing and substantive support for the armed services, and help defend against the negative impacts on Alaska's regional economies and military communities that might occur should Congress choose to implement the federal Base Realignment and Closure Act (BRAC).

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ALASKA STATE LEGISLATURE

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REPRESENTATIVE DAN SADDLER

To Co-Chair Thompson and Members of the MLV Committee:

Though I can't be there today, I wanted to put on record my strong support for HB 316, Military Facilities Zones. I was pleased to work on this legislation during the interim with Representatives Thompson and Feigs, and to see it come before our committee. I see HB 316 as an important legislative tool to strengthen the position of military facilities in our state.

Alaska has 32 different military installations that are critical elements in our state economy. There are more than 24,000 active-duty, Guard and Reserve troops serving in Alaska, with an annual payroll of more than \$1.5 billion. About 13 percent of the state economy depends on the military, with the impact being especially significant near the larger installations.

These bases are a significant part of our nation's defense structure. They defend the nation's airspace and outer space; rapidly deploy forces around the world in times of crisis; support global logistics and transportation functions; and provide training opportunities that are unmatched elsewhere in the world.

We've heard recent news that does not bode well for Alaska's military bases. We've heard news of nearly half-trillion dollars in defense budget cuts over the next 10 years. We've heard of the possible loss of F-16s from Eielson Air Force Base, and of HC-130s from Joint Base Elmendorf-Richardson. We've heard that nearly 270 civilian jobs are being cut from these two bases. And we've heard the Secretary of Defense raise the prospect of another round in the Base Realignment and Closure (BRAC) process that could mean the further diminution of the military's presence in Alaska.

HB 316 can provide a number of significant benefits to our state and nation:

- It will provide a mechanism for bringing new federal and state money to bear on the bases.
- It will help develop infrastructure that can improve living conditions and economic prospects for the communities surrounding military facilities.
- It will help Alaska's bases become more efficient and better able to effectively perform their missions, strengthening the case against their realignment or closure.
- It will provide a mechanism to fund expansion of existing facilities to embrace new missions.
- It will help protect private - and public-sector jobs.
- It will provide another positive demonstration of Alaska's support for the military.

I am proud to be a co-sponsor of this legislation; please join me in supporting its passage.

A handwritten signature in cursive script that reads "Dan Saddler".

Rep. Dan Saddler, Co-Chair, Military and Veterans Affairs Committee

JOINT BASE ELMENDORF-RICHARDSON • BIRCHWOOD • FIRE LAKE • POWDER RIDGE • GOVERNMENT HILL • NORTH MULDOON

Representative_Dan_Saddler@legis.state.ak.us

Testimony for HB 316 from Jeff Troan, caller from Washington D.C.

First, to echo former Adjutant General Craig Campbell's statements, on a conceptual level, the MFZ legislation demonstrates Alaska's unique commitment to its military facilities, its military commanders, its servicemen and women, and the civilians that support them.

Practically, the MFZ allows local jurisdictions to create a zone around military facilities that targets public and private infrastructure development. This in-turn helps support current missions, enables mission expansion, and will encourage indirect and induced development around the base.

The vision is one of active local Zone Authorities working closely with military commanders, local municipal officials, economic development agencies, government contractors, Alaskan native corporations, and Alaskan large and small business, to enhance coordination and infrastructure development supporting the military in the state.

These goals are in-line with the highest ideals of trade organizations such as the Association of Defense Communities and its parent organization, the International Economic Development Council. These are groups with which we regularly work.

The MFZ legislation is enabling, in that it does not require any direct funding from the Alaskan Legislature. It does however provide a clear State endorsement to local authorities seeking to access Federal economic development funds, from agencies such as US Treasury, US Housing and Urban Development, and the US Department of Agriculture.

Finally, this legislation parallels similar work already in place in Virginia and Texas, and to a lesser degree in Arizona and Maryland.

Testifier List HB 223

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