

AK LEGISLATURE FINANCE COMMITTEES FILES 2007-2008 3141

23



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*William L. Carter*

Signature of Camera Operator

*6/29/2009*

Date

**HB**

**1**

**HFIN**

**FILE**

# Alaska State Legislature

**Interim:**

600 E. Railroad Ave  
Wasilla, AK 99654

Phone: (907) 376-3725

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**Session:**

Alaska State Capitol, Rm 108  
Juneau, AK 99801-1182

Phone: (907) 465-3743

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Toll Free: (800) 565-3743

Rep\_Carl\_Gatto@legis.state.ak.us

**Representative Carl Gatto**  
Co-Chair, House Resources Committee  
District 13 - Palmer

## SPONSOR STATEMENT HB 1

*"An Act relating to the base student allocation used in the formula for state funding of public education; and providing for an effective date."*

This bill, in its current form, increases the base student allocation by \$1 to \$5381. This version of the bill is not meant to represent the total increase needed; rather this number serves as a placeholder for the Legislature's deliberation on this matter. I urge your consideration and support for this measure.



## **SCHOOL BOARDS UNITED**

### **AASB POSITION STATEMENT ON KEY EDUCATION ISSUES**

During our Legislative Fly-in on Feb. 11-13, the member school districts of our statewide association agreed on the following issues before the 25<sup>th</sup> Alaska Legislature:

1. Base Student Allocation – Increasing the BSA from the current \$5,380 to \$5,810, effective July 1, 2007 (SB 1)
2. District Cost Factor – Increasing the DCF to the levels recommended by the 2005 ISER Report (HB 72)
3. Retirement costs – Funding the \$207 million in FY 08 PERS-TRS cost increases for districts outside the foundation formula
4. Vocational Education – Recognizing the importance of a dependable funding stream for voc-ed outside the 20 percent block grant for special education, bilingual education and voc-ed
5. Intensive Needs Students – Addressing the problems caused by inadequate formula funding, post-enrollment transfers and conflicting state regulations defining intensive needs
6. Early or Forward Funding – Appropriating foundation funds & PERS-TRS costs by March 16 (the 60<sup>th</sup> day) or setting aside sufficient funds in FY 08 to forward fund FY 09 education budget

For additional information, contact:

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



## **BOARD OF EDUCATION** *Legislative Priorities for 2007 Session*

1. Fully Fund Area Cost Differential
2. Legislative Financial Relief For Ongoing TRS And PERS Employer Rate Increases
3. Increased Foundation Formula Funding
4. Fund Intensive Need Students Enrolling Post-Count Date
5. Fund Vocational Education Separately
6. Forward Funding
7. Increase Pupil Transportation Funding
8. Revenue Sharing And The Community Dividend
9. Revision Of Senate Bill 48
10. Instructional Technology

### 1. Fully Fund Area Cost Differential

Quality education can be assured only through equitable funding. Since 1999, Juneau's cost of living factor has been inaccurately calculated, despite two studies recommending changes. A revised District Cost Factor must be adopted. Juneau School District will lose \$1,538,545 if the one-time 1.04 factor used for 2006 reverts back to 1.005 for FY 08. If the ISEER study of equitable differentials is fully implemented, the JSD cost factor would be 1.145.

### 2. Legislative Financial Relief For Ongoing TRS And PERS Employer Rate Increases

The state should pay for 100 percent of the increased mandated employer PERS/TRS liability. Without supplemental funding to cover the unprecedented increases in retirement costs, these increases will directly reduce districts' instructional effort and harm Alaska's children. Between FY 07 and FY 08, the employer contribution for the Juneau School District is proposed to increase from 26% to 54.03% for TRS and from 22.93% to 39.28% for PERS. The increased TRS/PERS obligation for the Juneau School District' operating fund would be \$7,956,787 or 15% of the District's budget.





## **BOARD OF EDUCATION** *Legislative Priorities for 2007 Session*

### **3. Increased Foundation Formula Funding**

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Increased funding for education is necessary to prevent decline in educational services due to inflation and provide the necessary funding to strengthen the system into the future. With the Governor's proposed budget, the Juneau School District will be short nearly \$3 million in FY 08. If we wish to respond to our parents' and community's call for decreased class size, additional support for special education and other at-risk students, adequate textbooks and teaching materials, and updated technology, even more funds will be necessary.

### **4. Fund Intensive Need Students Enrolling Post-Count Date**

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The foundation formula needs to be amended to prorate funding for intensive needs students enrolling after the count date. When students enroll past the count date, school districts are required by federal law to provide the services from their operating budgets. Typically, the number of students with disabilities increases during the school year, in part, because IDEA requires public schools to enroll students with disabilities when they become three years old. JSD enrolled seventeen additional intensive need students between the October count date and the end of the FY06 school year. This amounts to about \$457,300 in revenues the Juneau School District did not receive because these students were not present on count date, revenues which were redirected from other classroom uses.

### **5. Fund Vocational Education Separately**

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The Legislature should fund vocational education, bilingual, special education, and gifted and talented programs at levels adequate for quality programming. Vocational education funding needs to be provided outside of the block grant to allow for full career technology education programs that are responsive to the Alaskan job market. In FY 06, in these four program areas JSD spent over \$1.5 million more than it received from the 1.2 factor in the foundation formula.

### **6. Forward Funding**

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The Legislature could increase stability and efficiency in school district budgeting and program stability by passing an updated base student allocation appropriation out of current year funds for the second following fiscal year. The City and Borough of Juneau's Charter requires that the district submit a budget to the Borough Assembly by March 30 of each year. Because so little is known about revenues so early in the legislative process, this budget projects staff lay offs and program eliminations that do not always occur when the final state budget is set. Funding certainty one year ahead will reduce administrative cost, contribute to public confidence in government and the education system, and enable school districts to focus on student instruction for greater achievement.





## **BOARD OF EDUCATION** *Legislative Priorities for 2007 Session*

### 7. Increase Pupil Transportation Funding

The current transportation funding formula needs to be increased annually at a rate tied to the Anchorage Consumer Price Index. Further, required Special Education buses and homeless transportation should be provided for outside of the formula on a needs basis. Current state transportation funding to school districts does not consider the escalating cost of doing business including fuel, minimum wage level increases, and additional mandated demands from special education and homeless populations.

### 8. Revenue Sharing And The Community Dividend

Permanently restoring funding for municipal revenue sharing and assistance programs will strengthen communities. The City and Borough of Juneau traditionally funds education to the CAP and always plays a large role in financing education and providing community services for youth and a strong community. State funding to municipalities has decreased while Juneau property values increased and the portion of the school budget paid for the by city and borough has increased.

### 9. Revision Of Senate Bill 48

State Statute, AS14.30.171-176 needs to be changed to allow school personnel to respond to parent inquiries as they investigate resources to assist their children and to allow the district to require a psychological evaluation when a student threatens harm to self or others.

### 10. Instructional Technology

Juneau School District students are benefiting from the legislative funding for the AASB Consortium for Digital Learning this year. Future investments in the Consortium by the Legislature are essential to allow more students to access the expanded learning opportunities provided by digital learning inside and outside the school environment. Because of the global economy that our youth experience, JSD joins AASB in urging the state and federal governments to ensure that all classrooms are provided affordable and equitable broadband access to the national information infrastructure. AASB urges the Legislature to implement appropriations or matching grants for instructional technology that would address hardware and software purchases, communication, infrastructure and training needs of students and staff.

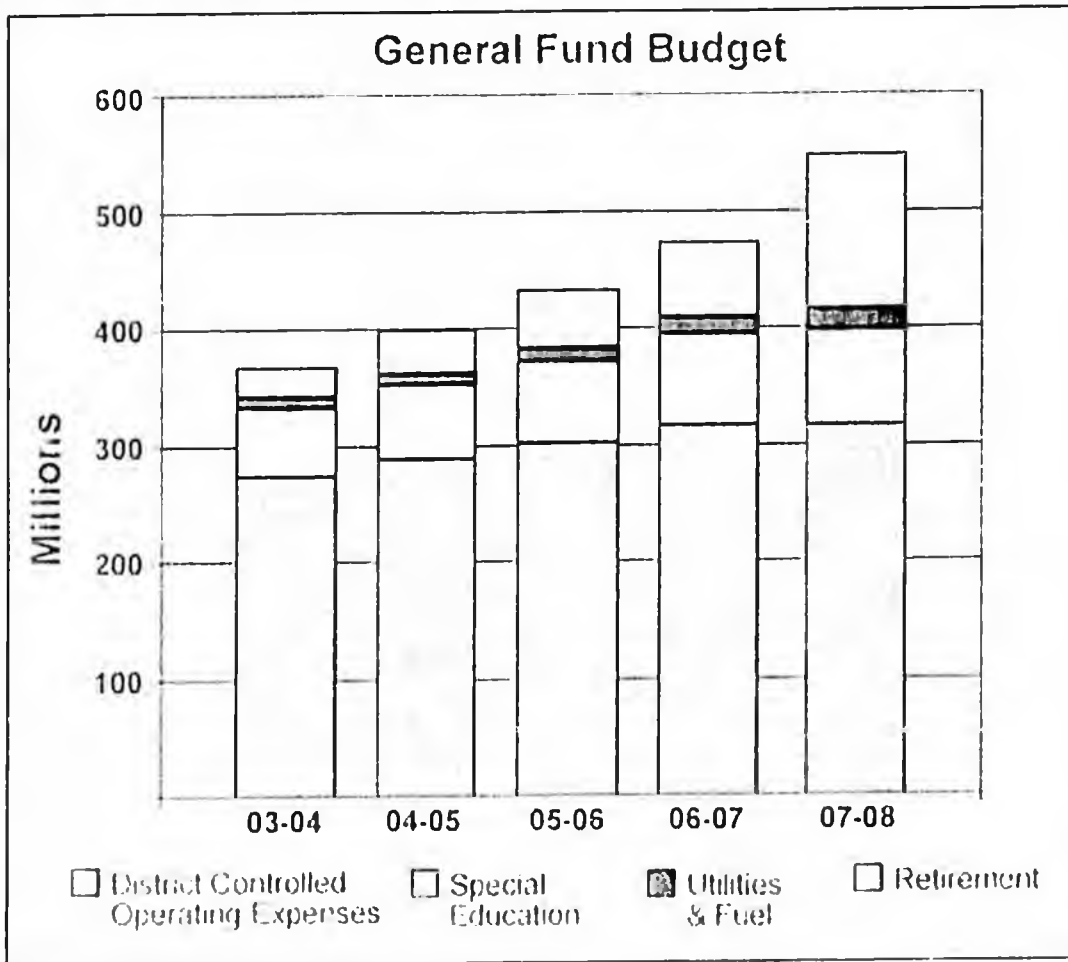




## General Fund Budget and Comparison

[Return to budget home page](#)

February 2007 - Some cost increases are out of the district's control, such as mandated retirement fund costs, utilities and fuel, and required special education programs and services. If these costs are removed from the general fund, our general fund has risen by fewer than five percent in each of the last five years.



	FY 2003-04	FY 2004-05 <sup>1</sup>	% Increase over previous year	FY 2005-06 <sup>2</sup>	% increase over previous year	FY 2006-07	% increase over previous year	FY 2007-08 <sup>3</sup>	% increase over previous year
	\$ amount in millions	\$ amount in millions		\$ amount in millions		\$ amount in millions		\$ amount in millions	
District Controlled Operating Expenses	\$276.9	\$287.3	4.9%	\$301.5	4.9%	\$314.9	4.4%	\$315.7	0.2%
Special Education	\$58.5	\$63.3	8.2%	\$69.1	9.1%	\$78.7	13.9%	\$81.8	4.0%
Utilities & Fuel	\$9.0	\$10.5	17.1%	\$12.0	13.8%	\$14.1	18.1%	\$17.6	24.8%
Retirement	\$26.1	\$37.4	43.2%	\$50.4	34.5%	\$65.6	30.3%	\$132.1	101.3%
<b>Total General Fund Budget</b>	<b>\$367.6</b>	<b>\$398.7</b>	<b>8.47%</b>	<b>\$433.0</b>	<b>8.6%</b>	<b>\$473.4</b>	<b>9.4%</b>	<b>\$547.2</b>	<b>15.6%</b>

<sup>1</sup>South High School opened



### **Great Alaska Schools: A Citizens Coalition**

Great Alaska Schools is a non partisan statewide coalition of parents and community members concerned about the quality of public education and committed to making a positive contribution to Alaska's schools.

**We believe that Alaska's kids deserve GREAT schools to prepare students for the workplace or for higher education.**

Originally founded in 2004 as *Alaska Kids Count!*, Great Alaska Schools is a network of members from across the state who joined forces in response to a proposed massive budget cut to education funding. Gratefully education funding increases were made a priority. However, Alaska's schools continue to face challenges; the majority of past state funding increases have covered retirement and inflation expenses and little has been available to actually *improve* education quality.

We are called to action by the need to develop a fiscal plan for education which includes inflation proofing and updating geographic cost differentials which will hold harmless the urban baseline and result in stability for Alaska schools.

Our objective is twofold. First, to educate the public about the importance of the government's role in setting educational policy and funding, and the resulting impact these decisions have on the quality of schools. Second, we hope to encourage Alaska citizens to be involved in this process.

The very essence and intent of the public school system is the *right* to a free, high quality, and comprehensive education for all children. In fact, the education of Alaska's children is a constitutional mandate. It is our Legislature's responsibility to meet this obligation in full.

As citizens, it is our responsibility to help improve the quality of Alaska's schools by being involved at both the state and local levels; staying informed of Legislative activity, establishing and maintaining contact with our Legislators, and working with local school boards and school sites on budget, curriculum and policy decisions.

Together we can improve the quality of education for all Alaskan children.

contact: Mary Hakala williwaw@earthlink.net

**HB**

**2**

**HFIN**

**FILE**



# FISCAL NOTE

STATE OF ALASKA  
2007 LEGISLATIVE SESSION

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

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

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

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

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

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

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

Estimate of any current year (FY2007) cost: 0.0

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

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

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

Prepared by: Kim Garner  
Division: Finance  
Approved by: Kovin Brooks, Deputy Commissioner  
Agency: Department of Administration

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

HOUSE BILL NO. 2  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY REPRESENTATIVES NEUMAN, Lynn, Harris, Samuels

Introduced: 1/16/07

Referred: Health, Education and Social Services, Finance

A BILL  
FOR AN ACT ENTITLED

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

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

4 \* Section 1. AS 37.10 is amended by adding a new section to read:

5 Article 4A. Vocational Education Account.

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

8 (b) The account consists of

- 9 (1) appropriations made by the legislature to the fund;  
10 (2) gifts, bequests, and contributions; and  
11 (3) income and earnings of the account.

12 (c) Money in the vocational education account may be appropriated by the  
13 legislature to the state and political subdivisions of the state, including regional  
14 educational attendance areas and municipal school districts, for vocational education

1 programs and courses approved by the commissioner of labor and workforce  
2 development in consultation with the commissioner of education and early  
3 development for any other public purpose.

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

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

7 \* Sec. 2. This Act takes effect July 1, 2007.

# Alaska State Legislature

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

## *Representative Mark A. Neuman* *District 15*

### **House Bill 2**

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

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

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

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

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

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

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

March 28, 2007

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

Dear Representative Neuman,

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

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

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

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

Sincerely,

Vince Beltrami  
President  
Alaska AFL-CIO

3/29/2007

**ASSOCIATED GENERAL CONTRACTORS of ALASKA**

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March 28, 2007

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

Re: HB 61 and HB 2

Dear Representative Neuman:

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

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

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

Sincerely,

Richard Cattanauch  
Executive Director

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# LEGAL SERVICES

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

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

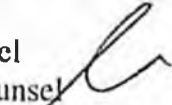
State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

## MEMORANDUM

March 12, 2007

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

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

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

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

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

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

JMM:lmb  
07-052.lmb

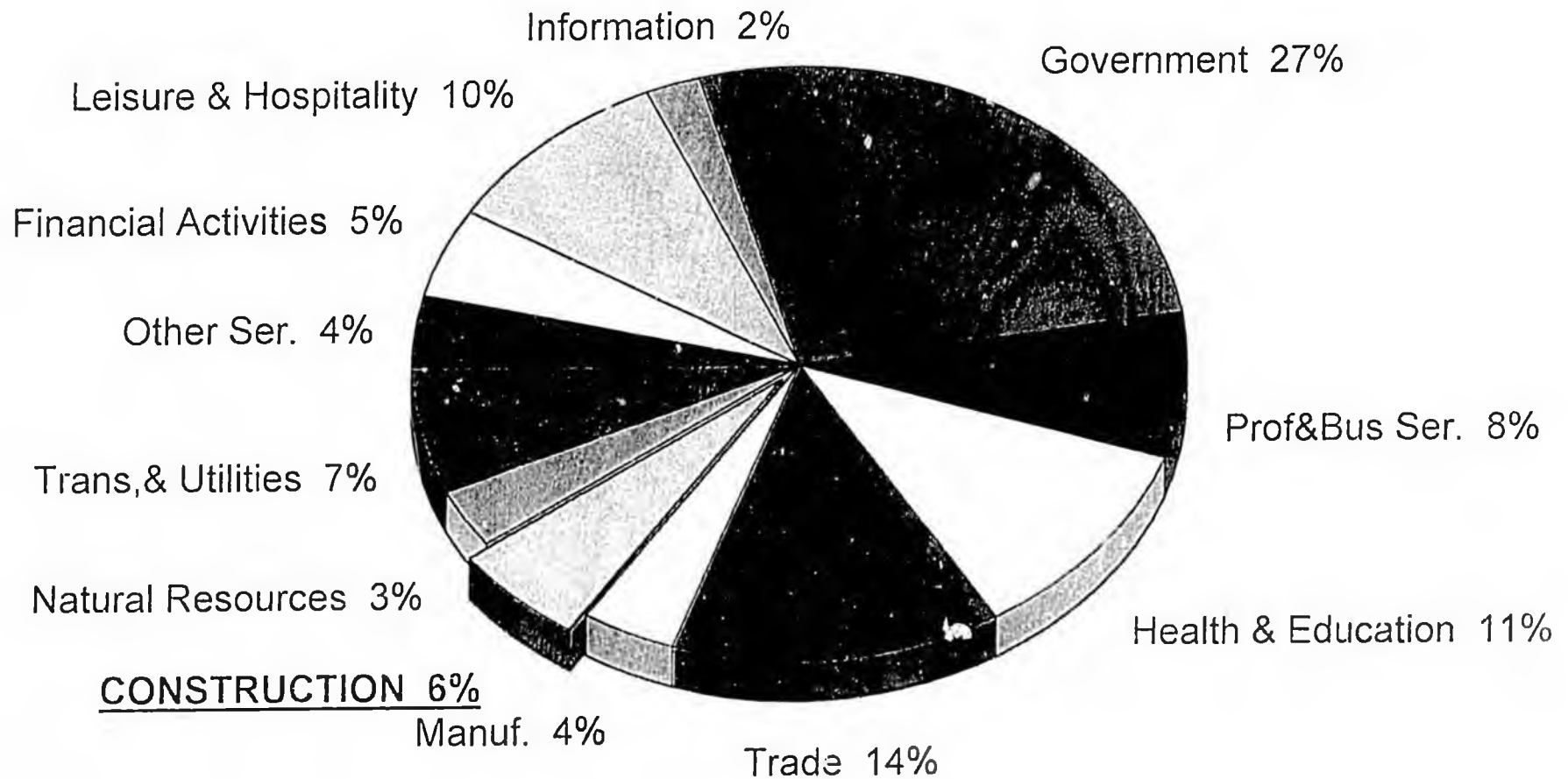
# Alaska's Construction Workers Are there enough?

Richard Cattanach

Associated General Contractors of  
Alaska



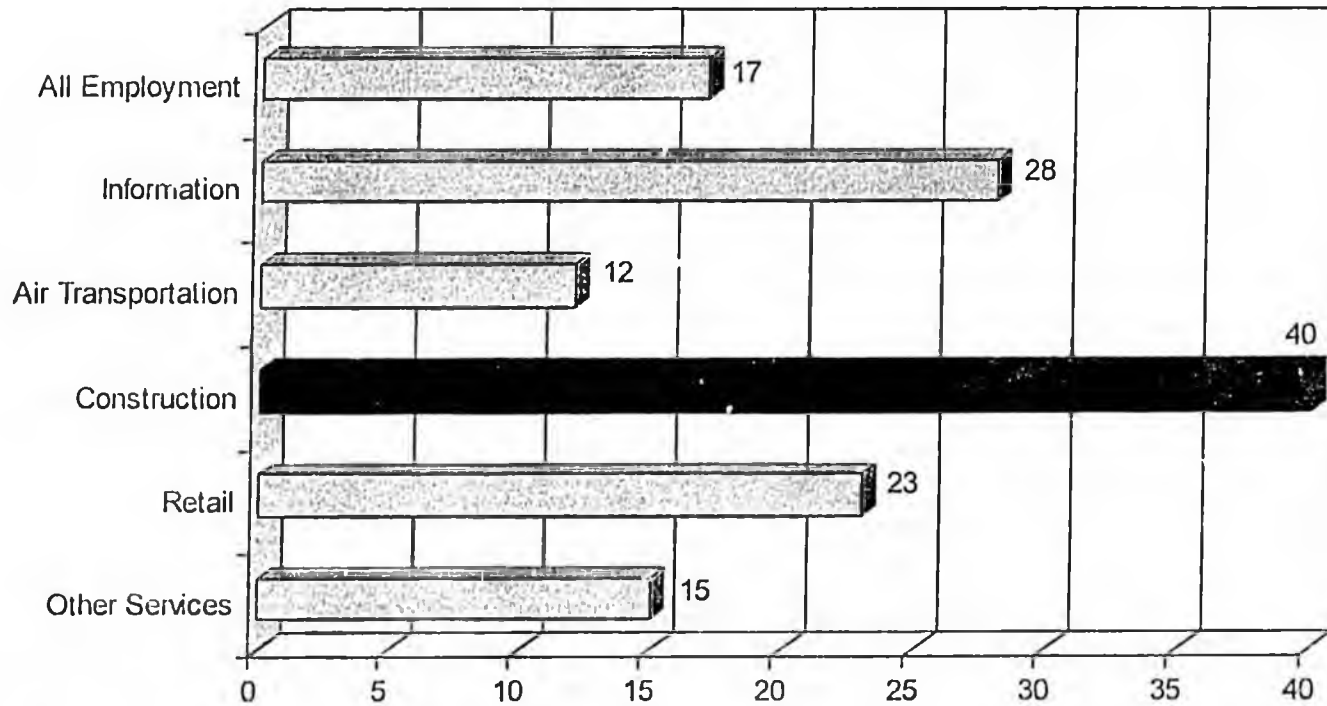
# Alaska's Construction Industry Employment 2004



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

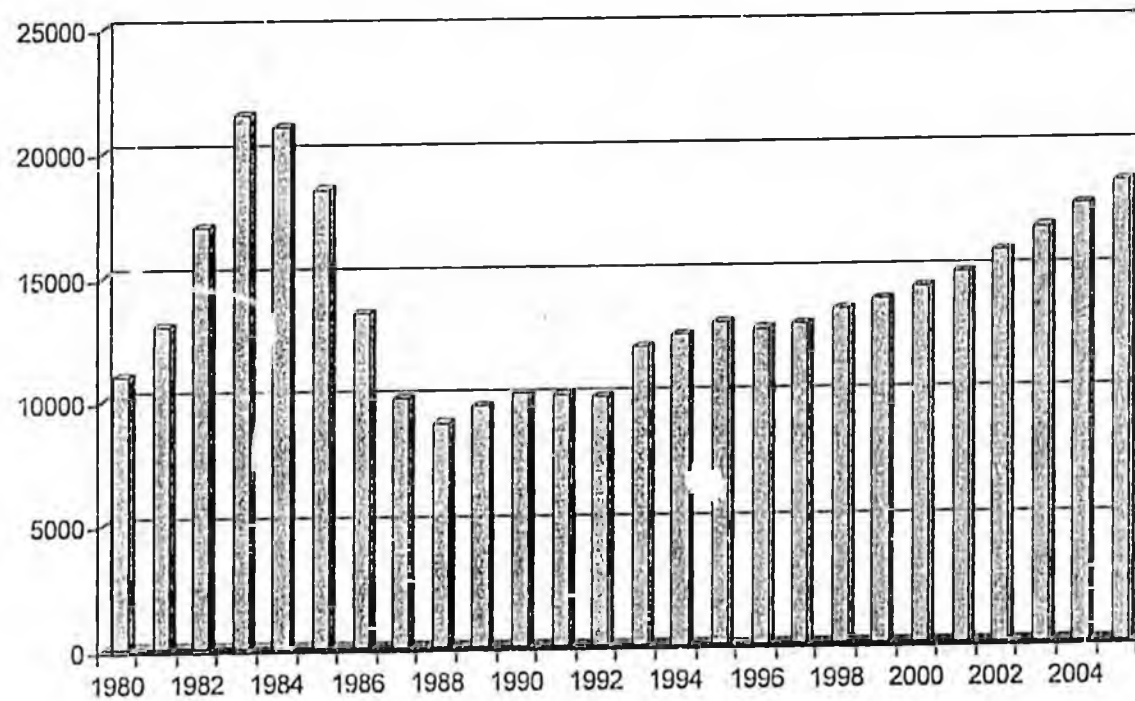
# Construction has been one of the employment stars over the past decade

Labor Growth over the Past Decade

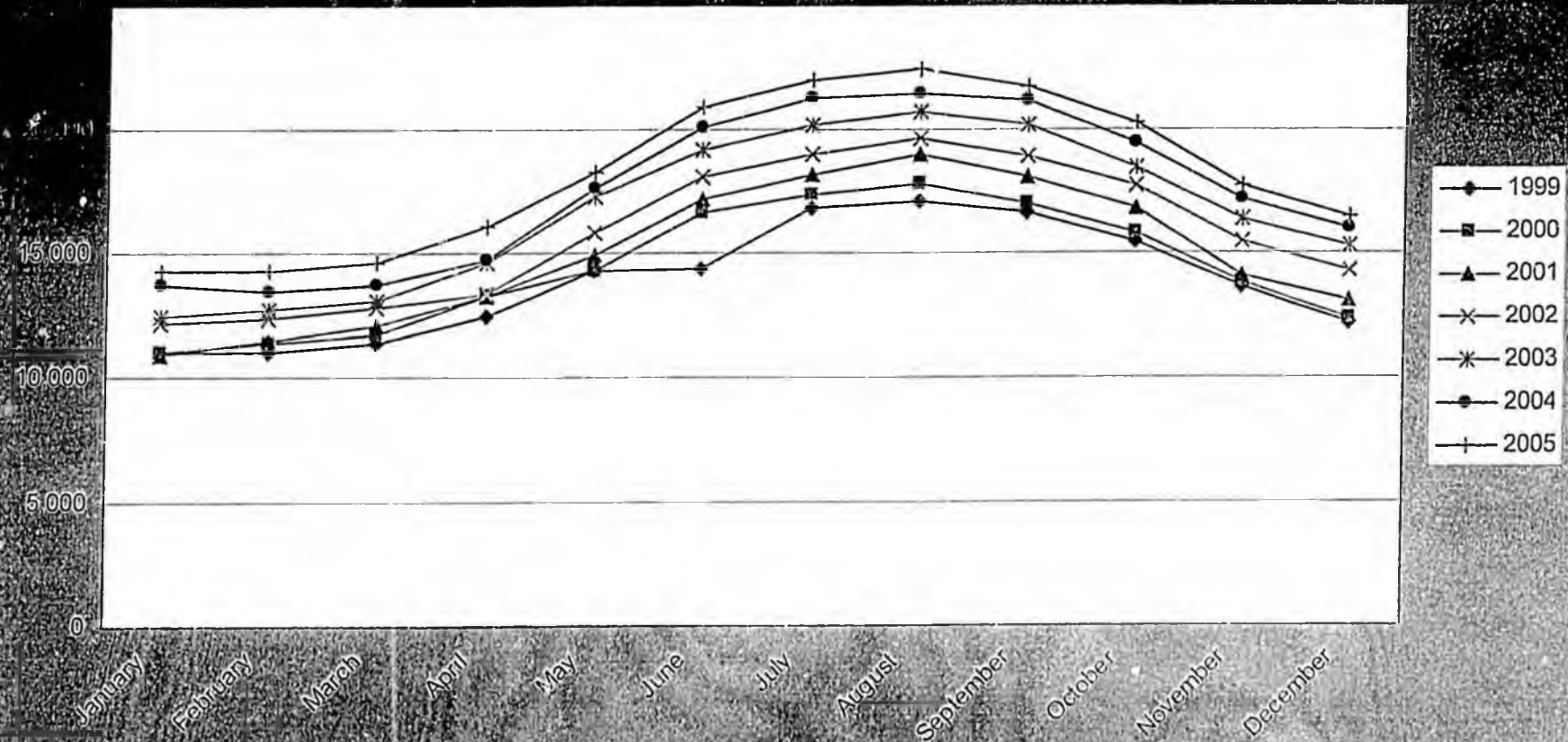


# Construction Industry since 1980

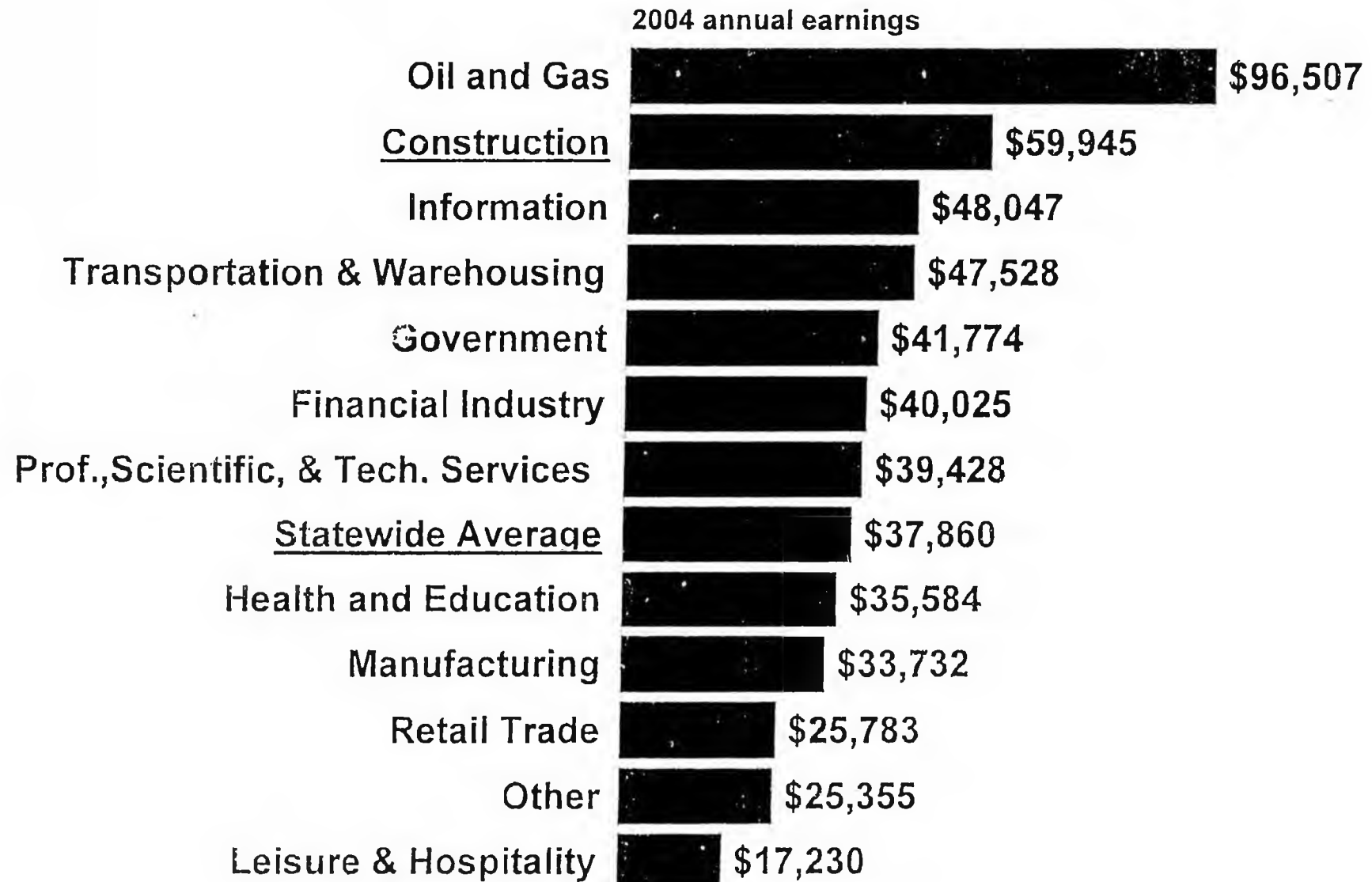
Industry Employment Since 1980



# Construction Employment 1999-2005

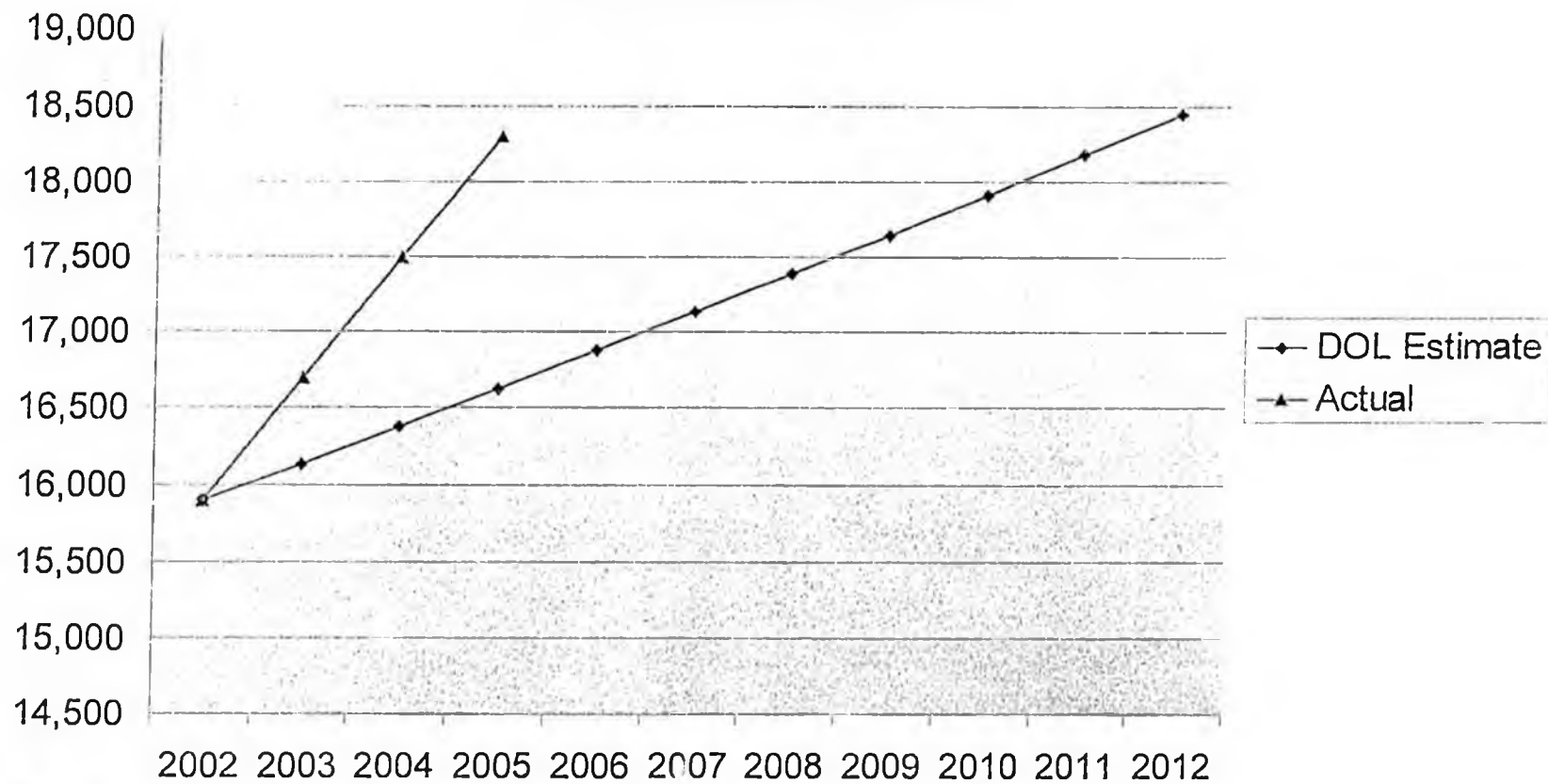


# Construction Pays High Wages



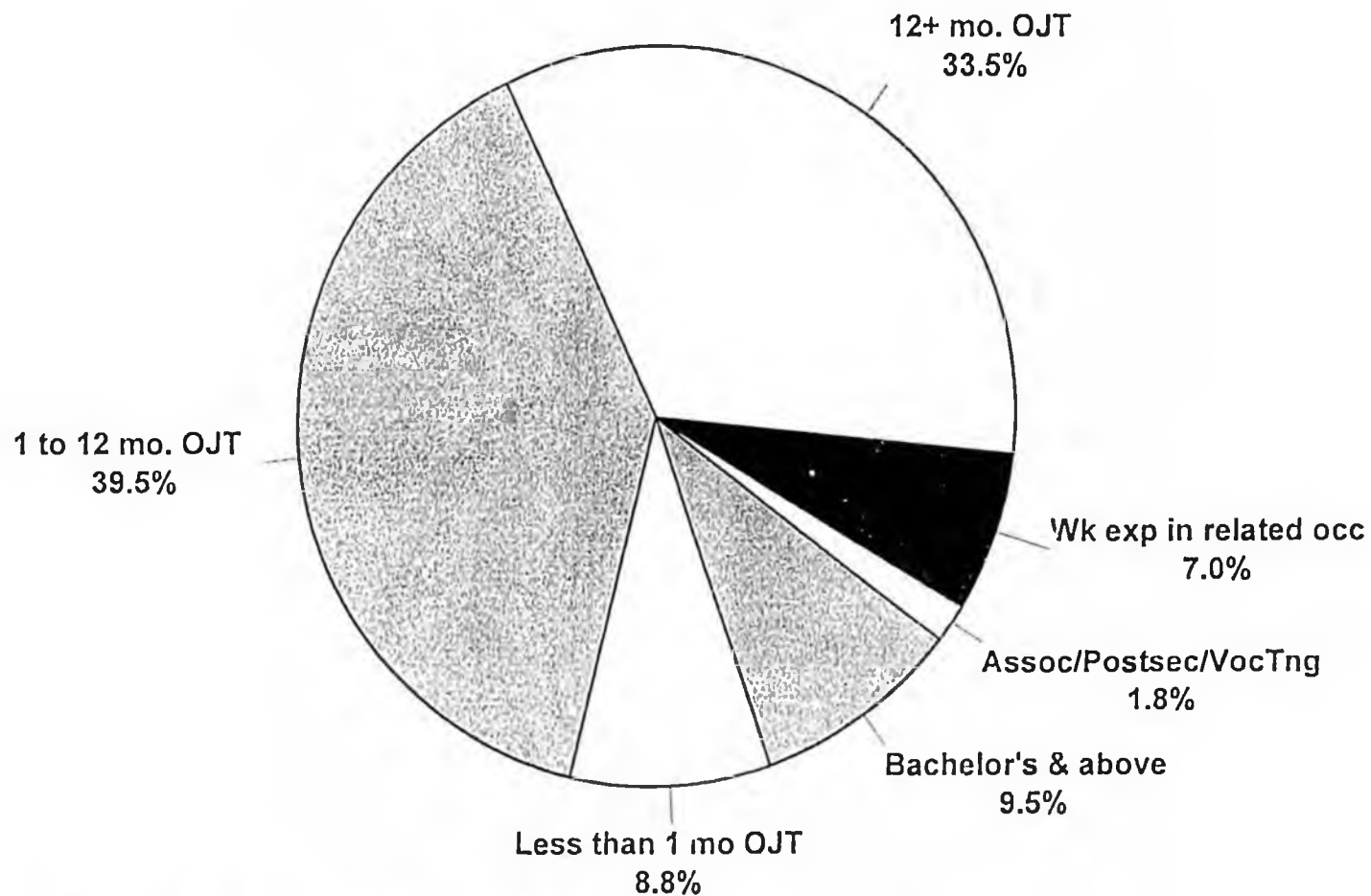
# Projected Employment Growth

## Construction Employment

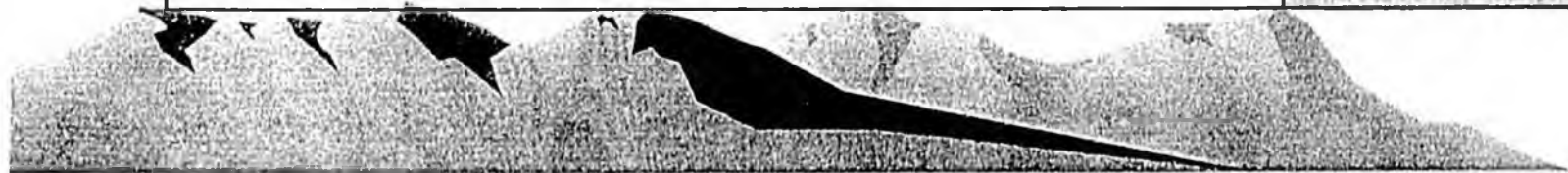


# Alaska's Current Construction Jobs by Level of Required Education

Estimated 2002



Problem Areas - Selected Crafts	Non-Resident Workers % <sup>13</sup>	Workers 45+ % <sup>14</sup>
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

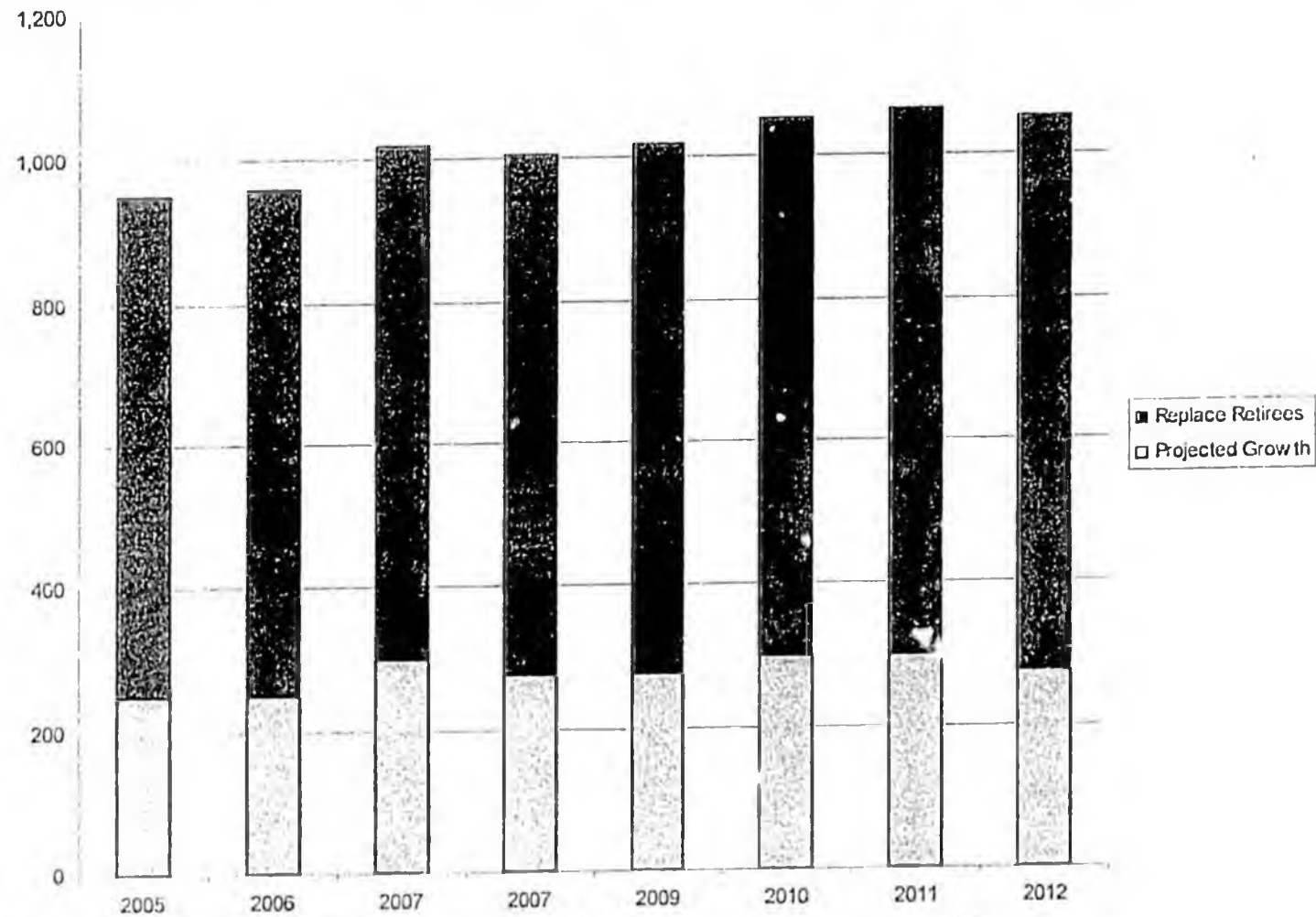


# Selected Crafts - Continued

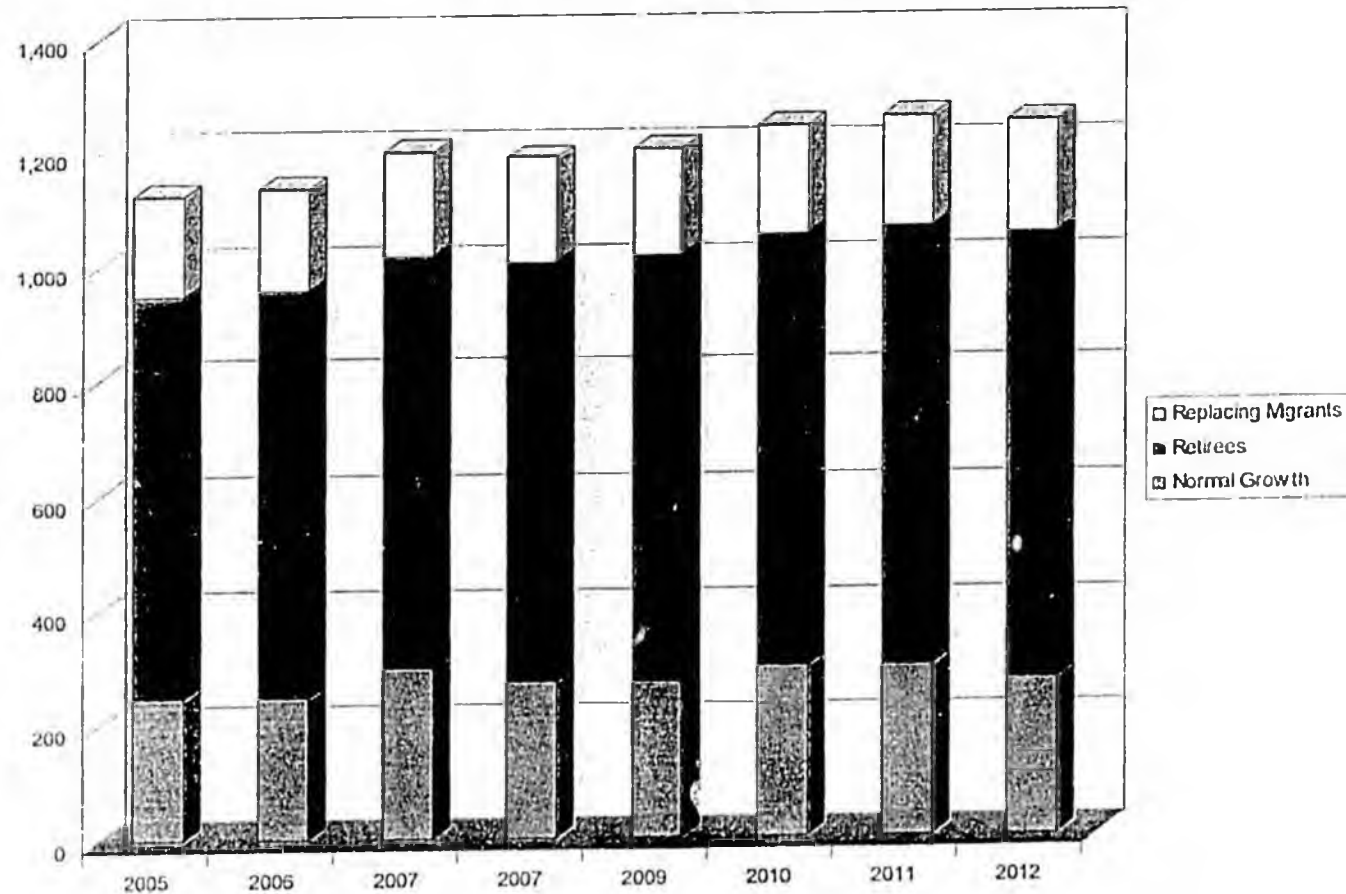
<u>Craft</u>	<u>Total Need</u>	<u>Employment</u>	<u>%</u>
Carpenters	2,105	4,855	43%
Laborers	1,551	3,605	43%
Electricians	1,079	2,164	50%
Plumbers	700	1,492	47%
Op. Engineers	2,049	2,741	75%
Painters	407	909	45%
Roofers	128	394	32%



# Projected Labor Growth



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

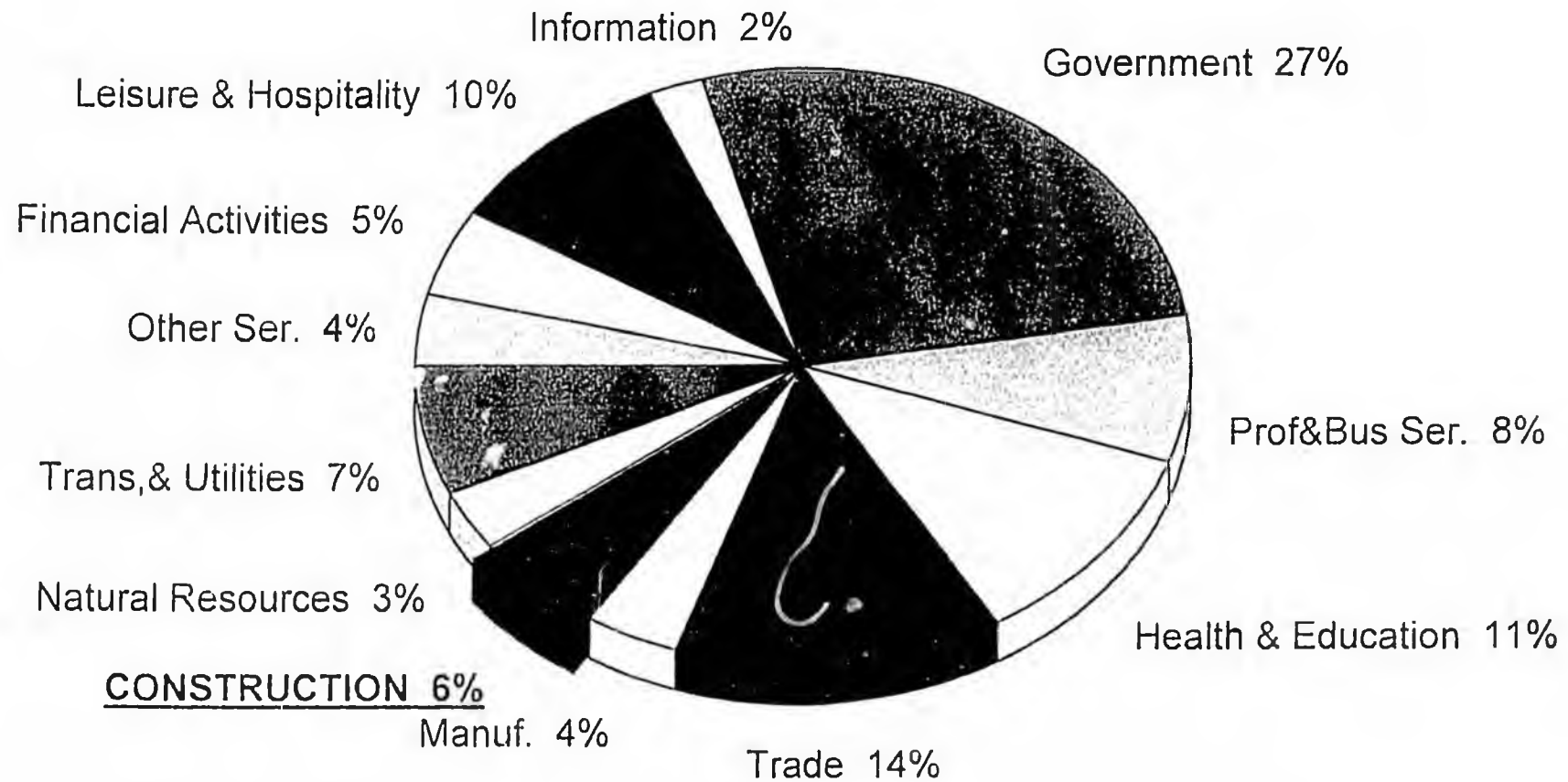


# Labor Needs Relative to High School Graduates

- 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



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

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

For further information, contact:

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



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Anchorage, AK 99501  
(907) 569-4711 tel  
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1 (866) 297-9566 toll-free

P.O. Box 74313  
Fairbanks, AK 99707  
(907) 457-2597 tel  
(907) 457-2591 fax  
1 (866) 457-2597 toll-free

March 8, 2007

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

Dear Representative Neuman,

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

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

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

Sincerely,

Mike Andrews  
Director

**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's Construction Spending

## 2007 Forecast

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

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

CIPF  
Construction Industry  
Progress Fund



SKILL RESPONSIBILITY INTEGRITY



Dear Alaskans,

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

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

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

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

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

Sincerely,



J. A. Fergusson  
CIPF President



## Overview

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

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

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

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

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

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

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

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

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

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

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

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

## Alaska Construction Spending 2007 Forecast

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

Source: Institute of Social and Economic Research

## PRIVATE CONSTRUCTION

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

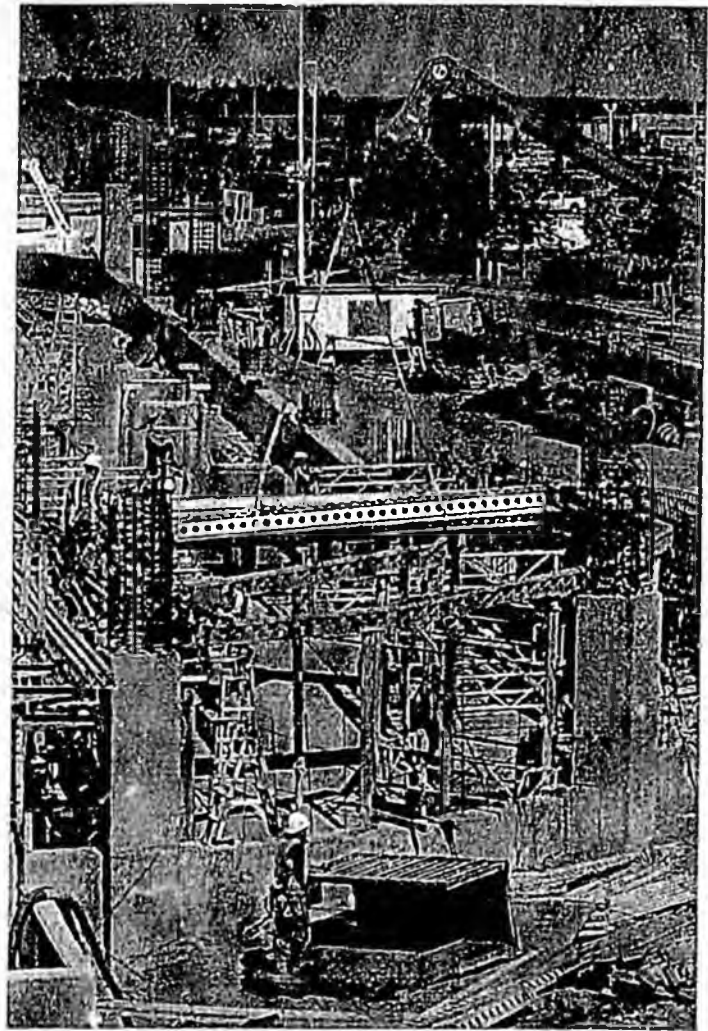
### Oil and Gas: \$2,650 Million

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

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

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

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



*Parking Garage, Ted Stevens Airport, Anchorage*

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

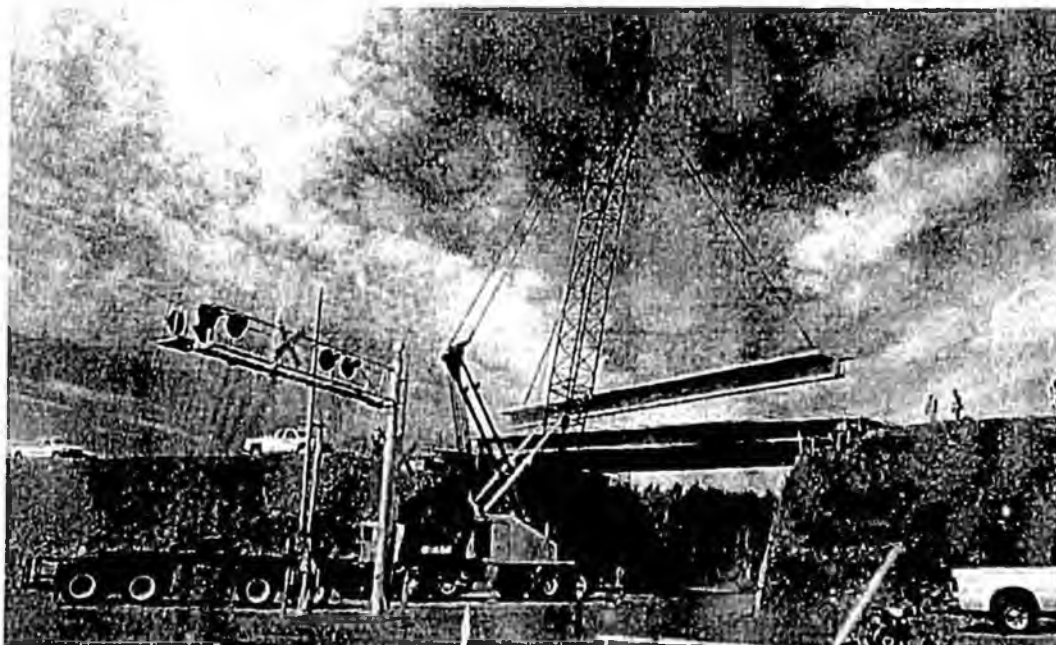
No significant new construction is anticipated at the refineries and other petroleum manufacturing facilities around the state.

### Mining: \$195 Million

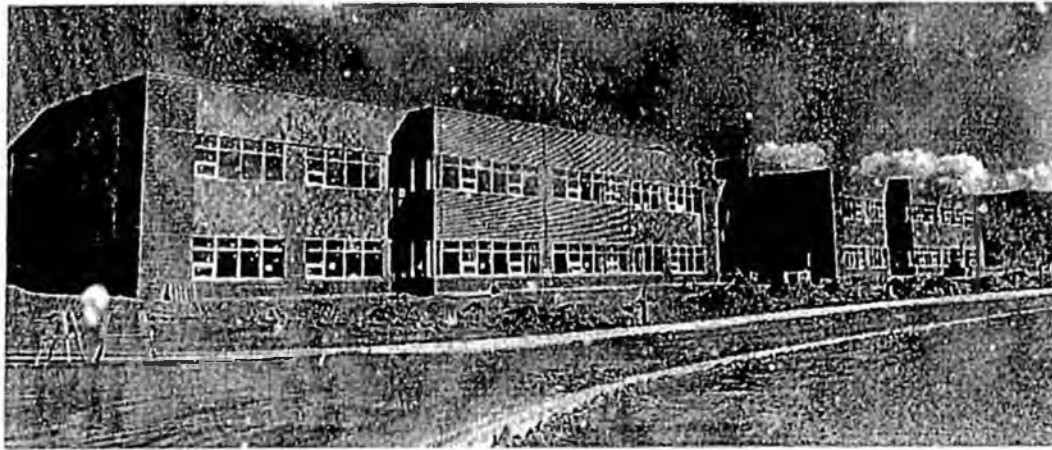
We anticipate spending by the mining industry—on exploration, development, and construction of new mines as well as upgrading existing mines—to be about the same as last year.

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

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



*Mile 276 Parks Highway*



*Nicholas J. Begich Middle School, Anchorage*

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

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

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

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

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

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

Major telecommunication firm spending will increase

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

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

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

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

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

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

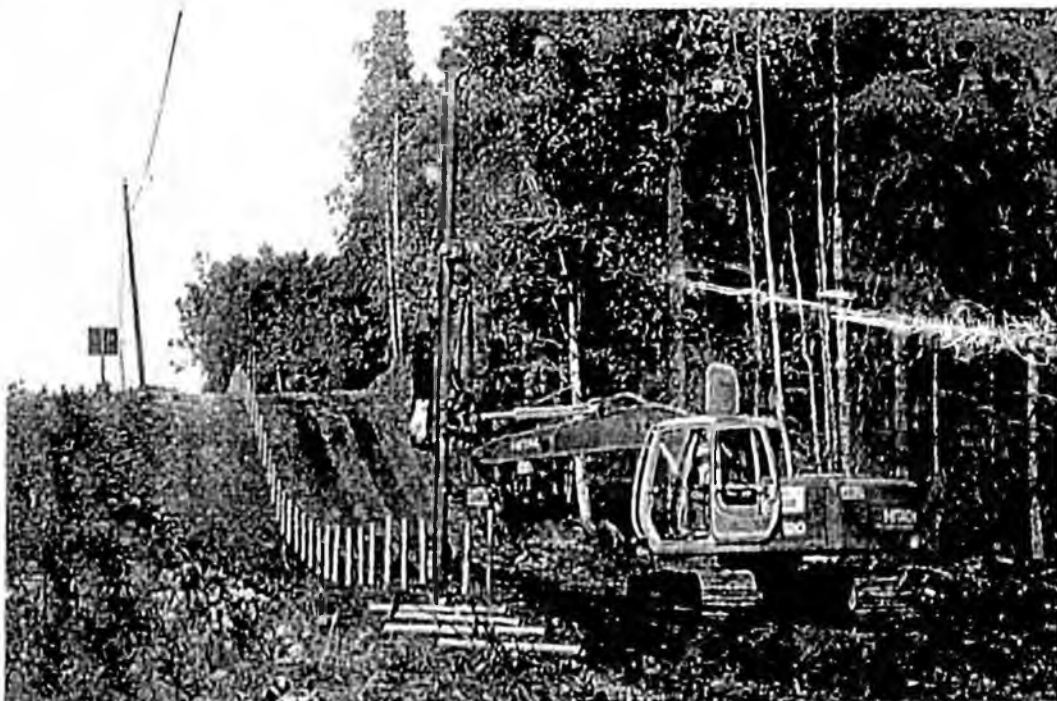
### **Other Commercial: \$350 Million**

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

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

The largest projects are the expansion of the Anchorage Convention Center and the new construction of a number of large office buildings are also in various stages of planning,

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



*Fence Addition, Fort Richardson, Anchorage*

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

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

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

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

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

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

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

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

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

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

### **PUBLIC CONSTRUCTION**

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

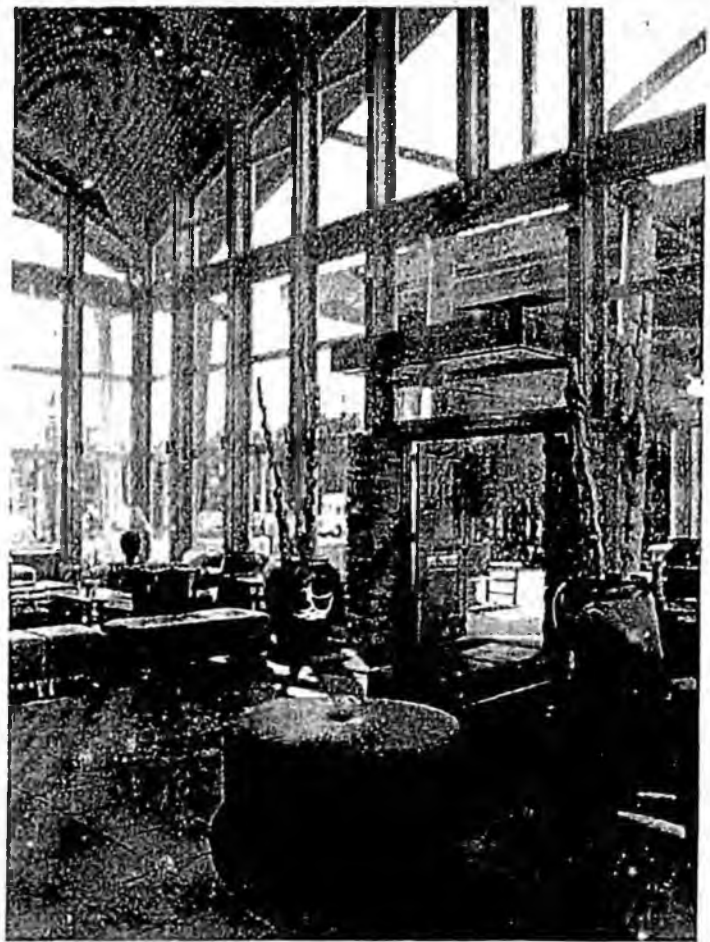
The majority of funding for public construction comes from the federal government, with smaller amounts from state and local sources financed by current revenues and bonds.

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

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

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

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

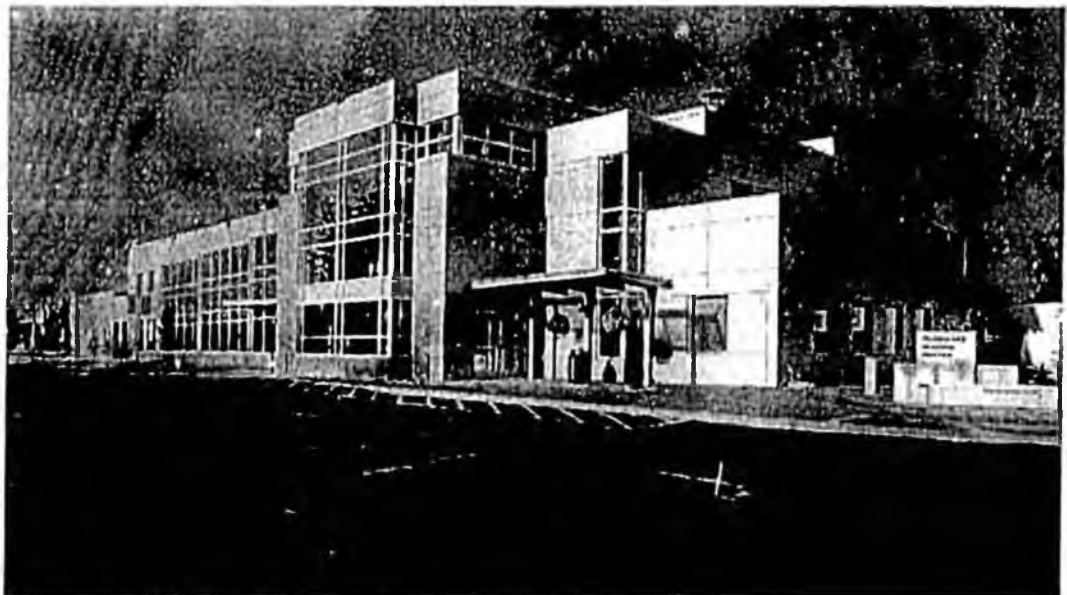


*Canyon Lodge, Denali National Park*

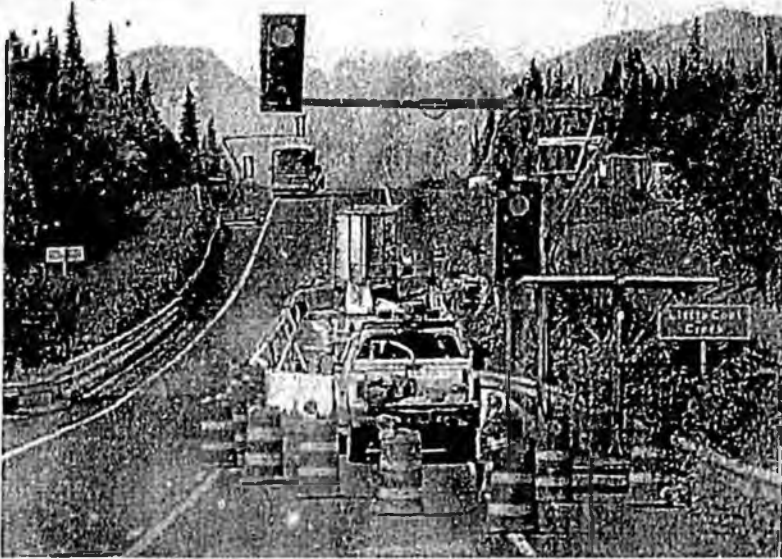
Alaska has benefited from an exceptionally large share of the total defense budget, and that is likely to remain high for several more years. In 2005 Alaska received over 7% of the entire budget of the Army Corps of Engineers, making Alaska the third largest recipient of Corps of Engineers construction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

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

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



*Fairbanks Imaging Center*



**Little Coal Creek, Parks Highway**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

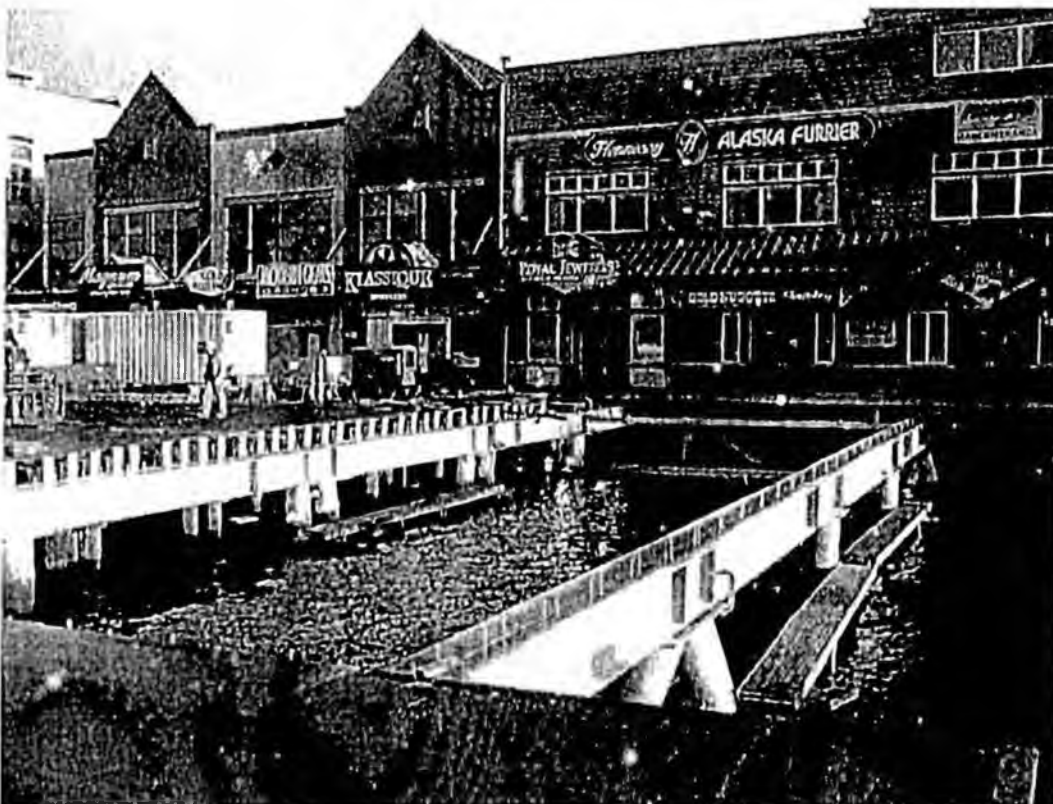


PHOTO COURTESY WEST CONSTRUCTION

**Ketchikan Dock Replacement**

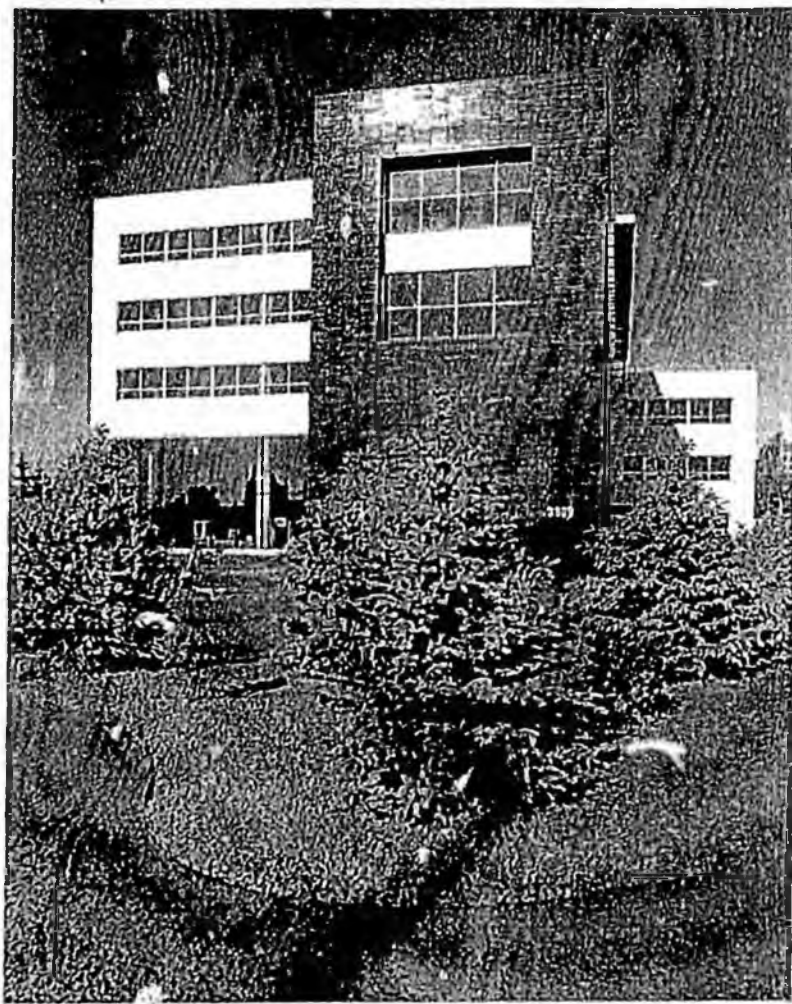


PHOTO COURTESY ASIN GRAHAM PHOTOGRAPHY

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

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

### **Other Federal: \$365 Million**

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

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

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

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

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

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

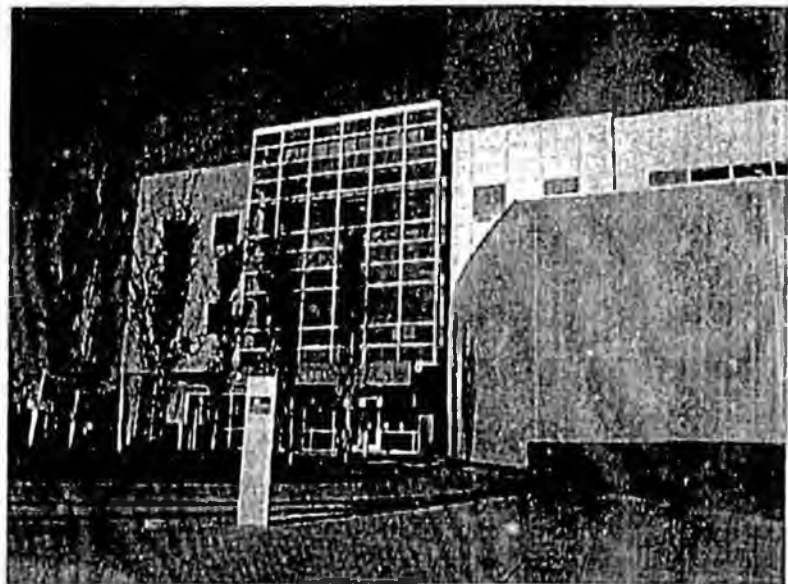
### **Other State and Local: \$185 Million**

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

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

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

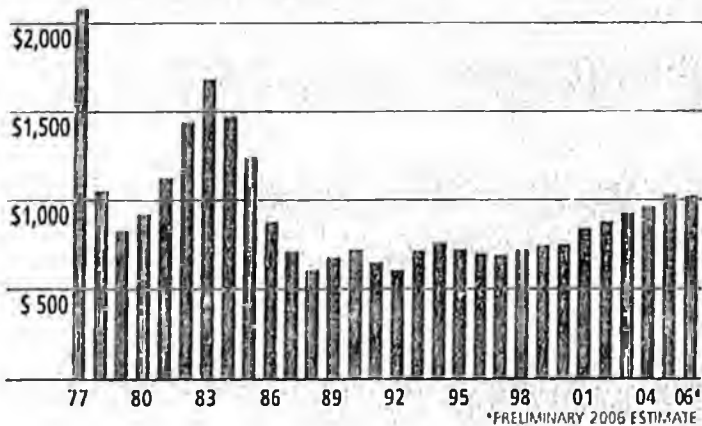
<sup>6</sup> This category excludes state and local spending for education, highways, airports, and ports.



**Orthopedic Physicians Building, Anchorage**

## Construction Industry Payroll

In Millions of 2005 Dollars



### WHAT'S DRIVING SPENDING?

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

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

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

### CONSTRUCTION IN THE OVERALL ECONOMY

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



PHOTO COURTESY AMERICAN MARINE CORPORATION

**Sitka Blue Lake Hydroelectric Project**

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

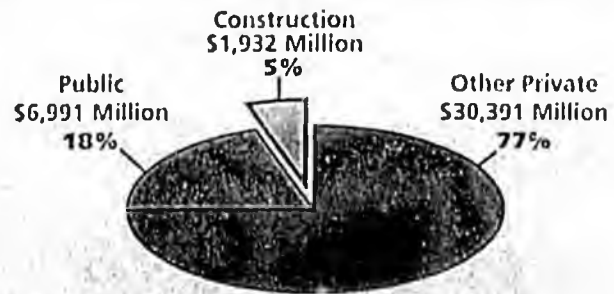
In addition, construction spending generates activity in a number of industries that provide input to the construction process. These “backward linkages” include, for example, sand and gravel purchases (mining), equipment purchase and leasing (wholesale trade), design and administration (business services),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

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

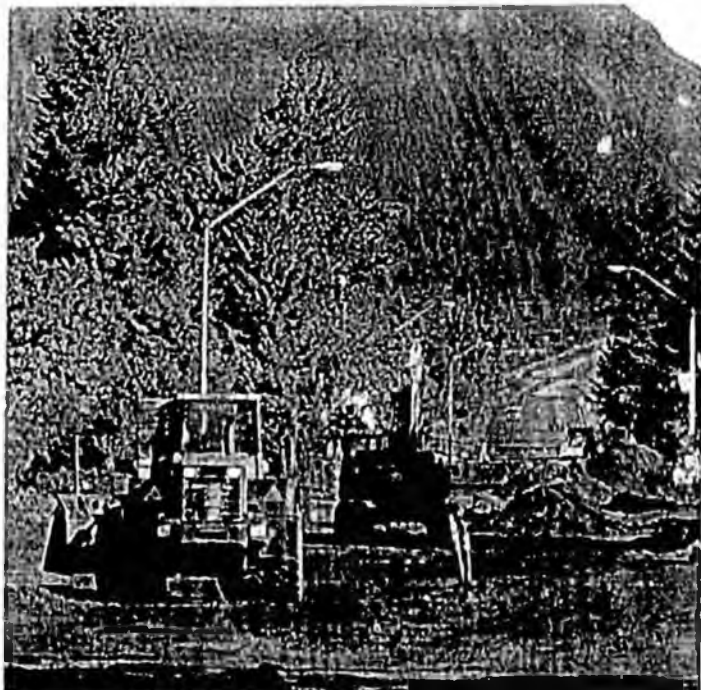
included, the contribution of construction spending to the economy is considerably greater than is reflected in Alaska’s Gross State Product.

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

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



Source: U.S. Department of Commerce



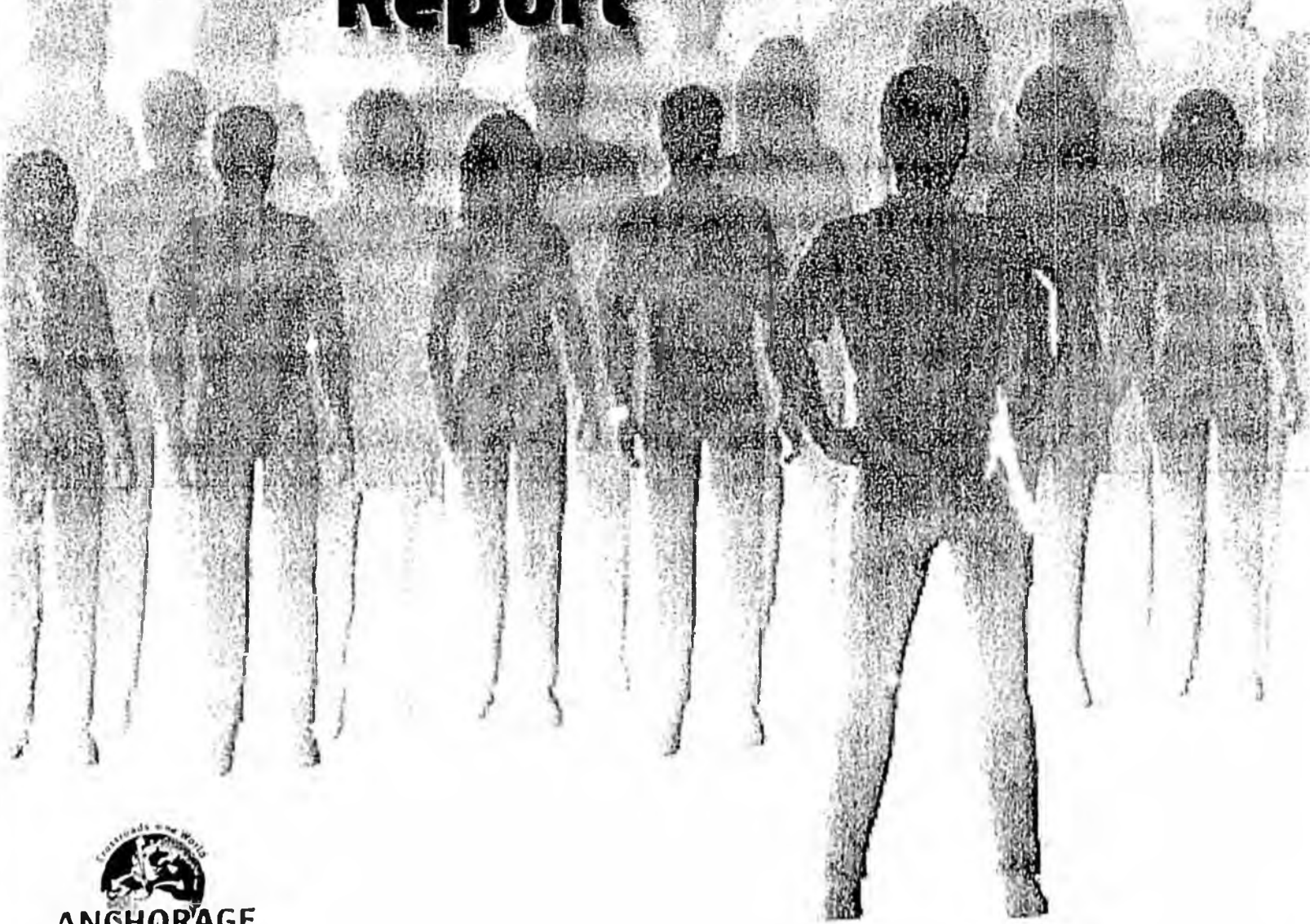
**Mile 1 Seward Highway**

Cover: **Den’aina Civic & Convention Center, Anchorage**

All photos by Danny Daniels Photography unless otherwise noted

# AEDC 2006

## Workforce Development Conference Report



**ANCHORAGE**  
Economic Development  
Corporation

## Message From The President of AEDC

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

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

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

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

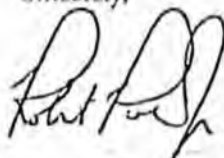
Immediately following, a total of four break-out periods were held on recruitment, training, employment, and funding. For each topic a facilitator led the discussion on what tactics are working, what are missing, and brainstormed strategies that addressed the problems identified. At the end of the day,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

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

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

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

Sincerely,



Robert G. Poe,  
President and CEO,  
AEDC



**2**  
**Action Statements**  
**and**  
**Approval Rating**

**3**  
**Conference**  
**Overview**

**4**  
**Summary of**  
**Presentations**

**7**  
**Appendix**

**7**  
**Preliminary**  
**Survey Results**

**9**  
**Issues Discussed**

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

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



## Action Statements and Approval Ratings

### Passed

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

### Failed

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

## Workforce Development Conference Overview

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

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

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

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

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

## Summary of Presentations

### Commonwealth North White Paper on Workforce Development

*Alice Galvin, BP*

*Jeff Staser, Staser Group*

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

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

Ten recommendations are proposed:

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

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

*Mary L. Madden, Madden Associates*

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

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

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

*Vince Beltrami, AFL-CIO*

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

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

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

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

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

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

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

## **Putting Alaska Resources to Work**

*Colleen Ward, XCEL*

*Dave Rees, BP*

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

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

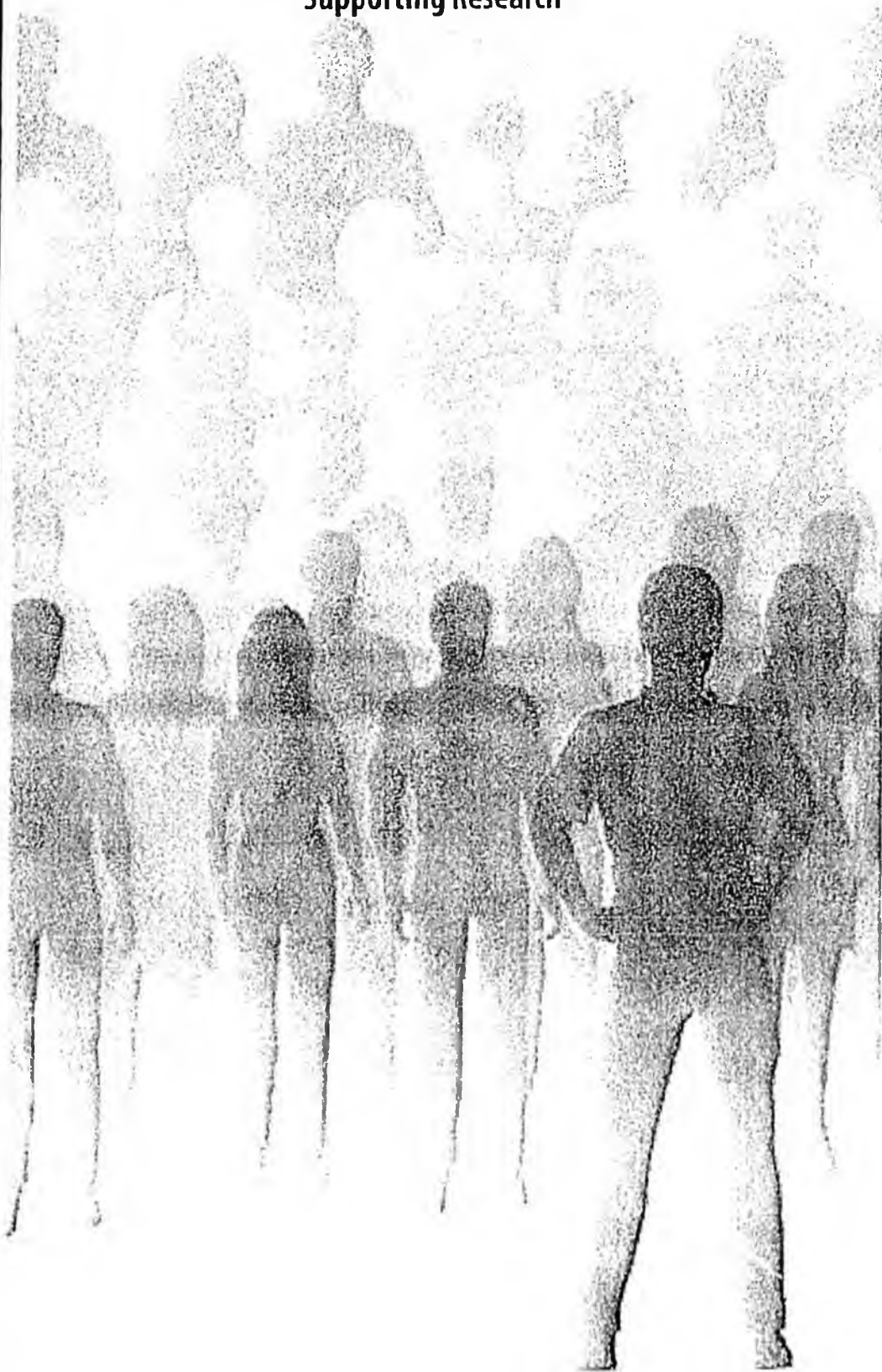
- engage the stakeholders
- train the workforce
- employ skilled Alaskans
- adaptively sustain the system

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

## Appendix of Supporting Research

### Preliminary Survey Results

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



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

85.3% Very Important  
11.9% Somewhat Important

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

78.9% Very Important  
21.1% Somewhat Important

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

67.9% Very Important  
26.6% Somewhat Important

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

67.0% Very Important  
26.6% Somewhat Important

Avoiding economic downturn once large projects are completed.

67.9% Very Important  
22.9% Somewhat Important

Increasing Alaskan hires.

59.6% Very Important  
35.8% Somewhat Important

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

47.7% Very Important  
37.6% Somewhat Important

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

37.6% Very Important  
39.4% Somewhat Important

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

10.1% Very Important  
47.7% Somewhat Important

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

*(Listed in no particular order)*

Reinstate student loan forgiveness and/or provide affordable student loans

Identify appropriate skill tests and measure 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

**HB**

**2**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 5/2/07

FURTHER:

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

Finance Committee considered

HOUSE BILL NO. 2

HB 2 VOCATIONAL EDUC ACCOUNT

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

and recommends:

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

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

**NEW FISCAL NOTE(S):**

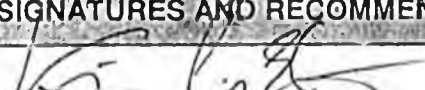
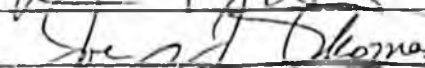
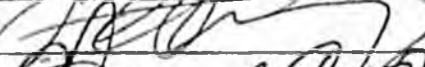
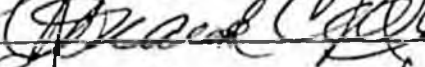

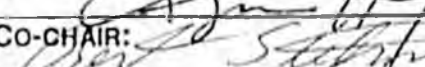
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Forth  
coming  
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**PREVIOUS FISCAL NOTE(S):**

Department	Date	Fiscal	Indet.	Zero	FN#
ADM				✓	1

APPROPRIATION - no fiscal note

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

# FISCAL NOTE

STATE OF ALASKA  
2007 LEGISLATIVE SESSION

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

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

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

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

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

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

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

Estimate of any current year (FY2007) cost: 0.0

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

**POSITIONS**

Full-time						
Part-time						
Temporary						

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

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

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

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

*amended  
p. 2, line 7*

*R.O.  
4-11-08*

25-LS0006K  
Mischel  
4/10/08

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

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

**TWENTY-FIFTH LEGISLATURE - SECOND SESSION**

**BY THE SENATE FINANCE COMMITTEE**

**Offered:  
Referred:**

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

**SENATOR McGuire**

**A BILL**

**FOR AN ACT ENTITLED**

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

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

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

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

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

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

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

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

*amended*

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

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

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

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

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

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

5 (b) The account consists of

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

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

8 (3) income and earnings of the account.

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

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

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

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

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

# Alaska State Legislature

**Session Address:**

Alaska State Capitol  
Juneau, AK 99801  
Phone: (907) 465-2679  
1-800-505-2678  
Fax: (907) 465-4822

**Interim Address:**

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

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

## *Representative Mark A. Neuman*

*District 15*

### House Bill 2

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

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

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

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

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

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

A m e n d m e n t #1

OFFERED IN THE SENATE FINANCE COMMITTEE  
BY SENATOR STEDMAN

TO: HB 2

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

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

OFFERED IN THE SENATE FINANCE COMMITTEE  
BY SENATOR STEDMAN

TO: HB 2

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

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

BY THE SENATE LABOR AND COMMU RCE COMMITTEE

Offered: 3/14/08  
Referred: Finance

Sponsor(s): SENATORS FRENCH, Ellis, Wielechowski

A BILL

FOR AN ACT ENTITLED

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

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

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

12 FINDINGS; PURPOSE (a) The legislature finds that

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

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

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

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

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

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

1 (3) reduce unsustainable health care cost increases;

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

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

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

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

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

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

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

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

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

22 (5) one representative of a labor organization;

23 (6) two physicians licensed in Alaska;

24 (7) two health care consumer advocates; and

25 (8) one registered nurse.

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

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

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

1 under AS 39.20.180.

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

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

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

6 The Alaska Health Care Board shall

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15 (c) The clearinghouse shall

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

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

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

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

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

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

29 (3) is enrolled in Medicaid or Medicare;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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