

AK LEGISLATURE SPECIAL COMMITTEE FILES SCOMM 150 3250

1 participation to finance a self-insurance program for municipalities or municipal joint
2 insurance arrangements organized under AS 21.76 or to provide assistance to
3 governmental employers under AS 44.85.085(a); the powers, duties, and
4 membership of the new entity or entities shall be limited to the powers, duties, and
5 membership of the authority and stated in the regulation; the new entity or entities
6 shall each be a public corporation and an instrumentality of the state with the same
7 legal existence and continuing succession as the bond bank authority; and

8 (21) do all acts and things necessary, convenient, or desirable to carry
9 out the powers expressly granted or necessarily implied in this chapter.

10 * **Sec. 14.** AS 44.85 is amended by adding new sections to read:

11 **Sec. 44.85.085. Creation of subsidiary corporation.** (a) The bond bank
12 authority may create one or more subsidiary corporations for the following purposes:

13 (1) providing financial and other assistance to governmental employers
14 to enable the governmental employers to reduce their costs of providing retirement
15 and other benefits to their employees by prepaying all or a portion of their shares of
16 the unfunded accrued actuarial liabilities of retirement systems;

17 (2) receiving payments and providing servicing for payments to or
18 from participating governmental employers; and

19 (3) performing other duties and providing other services as the
20 subsidiary corporation considers necessary or desirable to further the purposes set out
21 in (1) and (2) of this subsection.

22 (b) The bond bank authority may incorporate under AS 10.20.146 - 10.20.166
23 a subsidiary corporation created under (a) of this section. The bond bank authority
24 may transfer assets of the bond bank authority to the subsidiary corporation and may
25 agree to secure bonds, notes, commercial paper, or other obligations of the subsidiary
26 corporation with a reserve fund established under AS 44.85.270.

27 (c) A subsidiary corporation created under (a) of this section may borrow
28 money and issue bonds, notes, commercial paper, or other obligations as evidence of
29 that borrowing and may have all the powers of the bond bank authority that the bond
30 bank authority grants to it. The provisions of AS 44.85.130 - 44.85.170 and 44.85.270
31 - 44.85.390 apply to the subsidiary corporation and to bonds, notes, commercial paper,

1 or other obligations issued by the subsidiary corporation. Unless otherwise provided
2 by the bond bank authority, the debts, liabilities, and obligations of the subsidiary
3 corporation are not the debts, liabilities, or obligations of the bond bank authority.

4 (d) The staff of the bond bank authority serves as staff of a subsidiary
5 corporation created under (a) of this section. The bond bank authority shall determine
6 the membership or the process for selecting the membership of the board of directors
7 of the subsidiary corporation. The bond bank authority may permit some or all of its
8 directors to serve on the board of directors of the subsidiary corporation.

9 **Sec. 44.85.086. Powers of subsidiary corporation.** A subsidiary corporation
10 created under AS 44.85.085 has the following powers in addition those granted to it
11 under AS 44.85.085(c):

12 (1) to make loans to and enter into contracts with governmental
13 employers;

14 (2) to incur debt in furtherance of its purposes in the form of bonds,
15 notes, commercial paper, or other obligations as the subsidiary corporation considers
16 appropriate;

17 (3) to secure its debt with a pledge of any assets that are available to
18 the subsidiary corporation for the purpose, including identified revenue and
19 contractual payments from participating governmental employers, and the general
20 assets and revenue of the subsidiary corporation; and

21 (4) to enter into contracts with underwriters, bond counsel, financial
22 advisors, accountants, actuaries, and other contractors to provide assistance as the
23 subsidiary corporation considers desirable to accomplish its purposes.

24 * **Sec. 15.** AS 44.85.100(b) is amended to read:

25 (b) The bond bank authority shall include in the report required by (a) of this
26 section an estimate of the amount of revenue bonds of the bond bank authority to be
27 issued during the fiscal year following the fiscal year in which the report is submitted.

28 **Other than refunding bonds and other than bonds, notes, commercial paper, or**
29 **other obligations issued under AS 44.85.086 and 44.85.180(a)(5), the** [THE] bond
30 bank authority may not issue revenue bonds [, OTHER THAN REFUNDING
31 BONDS,] in excess of \$75,000,000 during any fiscal year beginning after June 30,

1 1981, unless the legislature, by law, approves the estimate required by this subsection
2 for that fiscal year.

3 * **Sec. 16.** AS 44.85.180(a) is amended to read:

4 (a) Subject to AS 44.85.100(b), the bond bank authority may issue its bonds or
5 notes in principal amounts that it considers necessary to provide funds for any
6 purposes under this chapter, including

7 (1) the purchase of municipal bonds;

8 (2) the making of loans through the purchase of municipal bonds,
9 notes, or certificates of participation secured by an agreement between the bond bank
10 authority and a municipality or a municipal joint insurance arrangement organized
11 under AS 21.76;

12 (3) the payment, funding, or refunding of the principal of, or interest or
13 redemption premiums on, bonds or notes issued by it whether the bonds or notes or
14 interest to be funded or refunded have or have not become due;

15 (4) the establishment or increase of reserves to secure or to pay bonds
16 or notes or interest on bonds or notes and all other costs or expenses of the bond bank
17 authority incident to and necessary or convenient to carry out its corporate purposes
18 and powers;

19 (5) assisting governmental employers to prepay all or a portion of
20 their share of the unfunded accrued actuarial liabilities of retirement systems,
21 with security as the bond bank authority considers reasonable.

22 * **Sec. 17.** AS 44.85.180(c) is amended to read:

23 (c) Notwithstanding the provisions of (a) and (b) of this section, the total
24 amount of bond bank authority bonds and notes outstanding at any one time [,
25 EXCEPT BONDS OR NOTES ISSUED TO FUND OR REFUND BONDS OR
26 NOTES,] may not exceed \$750,000,000. This subsection does not apply to (1)
27 bonds or notes issued to fund or refund bonds or notes; (2) bonds, notes,
28 commercial paper, and other obligations issued under AS 44.85.086 or
29 44.85.180(a)(5).

30 * **Sec. 18.** AS 44.85.410 is amended by adding a new paragraph to read:

31 (8) "governmental employer" means the State of Alaska or a

1 municipality or other state or municipal governmental entity within the state, including
2 an agency, instrumentality, district, school district, public corporation, department,
3 division, or other subdivision of the state or of a municipality, in its capacity as an
4 employer.

5 * **Sec. 19.** This Act takes effect immediately under AS 01.10.070(c).

Representative Mike Hawker

Alaska State Legislature



House Bill 13 Sponsor Statement

Session:

State Capitol
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Interim:

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Member:

House Finance Committee
Legislative Budget
& Audit Committee

House District 32:

Eagle River
Anchorage
Rainbow
Indian
Bird
Girdwood
Portage
Whittier
Sunrise
Hope

Short Title: Retirement System Liability/Bonds

HB 13 provides governmental employers the opportunity to utilize a financial mechanism generally referred to as a "Pension Obligation Bond" (POB) to help reduce the ultimate cost of satisfying the unfunded accrued actuarial liabilities of their retirement systems. A POB is essentially a legal arbitrage transaction where money is borrowed at a lower rate of interest than the money earns when invested by the retirement system.

HB 13 clarifies the ability of municipal entities to include POBs in their strategy to reduce the cost of meeting unfunded pension liabilities and expands the authority of the Alaska Municipal Bond Bank Authority to support governmental employers seeking assistance engaging in such transactions.

This bill does not authorize any debt instruments to be issued. Separate specific action would be required to initiate any transaction under the authority provided by HB 13.

House Bill 13

Sectional Analysis

Prepared by Representative Mike Hawker's Office

- Section 1:** Allows a Teacher's Retirement System (TRS) employer to make a lump sum payment to prepay all or a part its share of the accrued actuarial pension liability; allows the commissioner to accept a lump sum payment that is less than the full amount; allows administrative fees to be charged; outlines how the lump sum payment and earnings or losses will be credited; and holds an employer who prepays its liability harmless if there are future state discretionary payments that benefit multiple employers.
- Section 2:** Outlines how municipalities can join together to issue debt obligations and allows funds diversion agreements between the municipalities and state agencies.
- Sections 3 & 4:** Adds facilitating language to two sections of the accounting statute for the Public Employees Retirement System (PERS) to accommodate the lump sum payments allowed in section five of this bill.
- Section 5:** Allows a PERS employer to make a lump sum payment to prepay all or a part its share of the accrued actuarial pension liability; allows the commissioner to accept a lump sum payment that is less than the full amount; allows administrative fees to be charged; outlines how the lump sum payment and earnings or losses will be credited; and holds an employer who prepays its liability harmless if there are future state discretionary payments that benefit multiple employers.
- Section 6:** Adds to the statutory policies established for the Municipal Bond Bank Authority. Provides a directive to assist governmental employers to meet their unfunded retirement system obligations by issuing debt instruments (often generally called Pension Obligation Bonds) on their behalf. Specifies that the bond bank should provide the lowest rates possible without subsidizing the employers beyond their means.
- Section 7:** Grants the Municipal Bond Bank Authority the power to create subsidiary entities to assist governmental employers as outlined in section eight of this bill.
- Section 8:** New statute defining the powers of the Municipal Bond Bank Authority to engage in "Pension Obligation Bond" transactions on behalf of governmental employers.
- Section 9:** Exempts "Pension Obligation Bonds" from the current limit for revenue bonds that the Municipal Bond Bank may issue each year.
- Section 10:** Authorizes the Municipal Bond Bank to issue "Pension Obligation Bonds".
- Section 11:** Exempts "Pension Obligation Bonds" from the current limit for total revenue bonds and notes that the Municipal Bond Bank may have outstanding at any time.
- Section 12:** Adds a definition for "governmental employer" to the definitions section for the Municipal Bond Bank.
- Section 13:** Immediate effective date.

SCOMM

150:7



25th Alaska State Legislature
House Special Committee on Ways & Means

**Changes between HB 61 and
Work Draft CS HB 61 (W&M)
Version 25-LS0302\C**

Chair:

Rep. Mike Hawker
Capitol Room 502
465-4949

Vice-Chair:

Rep. Anna Fairclough
Capitol Room 411
465-3777

Members:

Rep. Bob Roses
Capitol Room 416
465-4939

Rep. Paul Seaton
Capitol Room 102
465-2689

Rep. Peggy Wilson
Capitol Room 403
465-3824

Rep. Sharon Cissna
Capitol Room 420
465-3875

Rep. Max Gruenberg
Capitol Room 110
465-4940

Committee Aide:

Juli Lucky
465-6587 direct
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Section 1, subsections (a) (1) and (c) were reworded to conform to the rest of the bill. This clarifies that the tax credits allowed and reports required under AS 21.89.070 are the same as those under AS 43.20.014, 43.55.019, 43.56.018, 43.65.018, 43.75.018, and 43.77.045.

The changes are as follows:

Page 1, lines 10-12, following "by"

Deleted "a two-year or four-year college or university in the state that is accredited by a regional accreditation association, or by an Alaska university foundation that supports a college or university that could receive a contribution for which a taxpayer may obtain a credit under this section"

Inserted "an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association"

Page 2, lines 6-7

Deleted "(c) Each school district, public college, and public university shall include in its annual operating budget request the amount of contributions received and the amount used for the purposes described in (a) of this section."

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

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: HB61-DOR-TAX-3-12-07

Bill Version: HB 61

() Publish Date: _____

Revision Date/Time (Note if correction): _____

Dept. Affected: Revenue 04

Title: Tax Credit for Contributions to Voc Ed

RDU: Taxation and Treasury

Component: Tax Division

Sponsor: Representatives Neuman, Lynn,

Buch, Harris

Requester: House Ways and Means

Component No. 2476

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						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ()	*	*	*	*	*	*
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FUND SOURCE

(Thousands of Dollars)

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

Estimate of any current year (FY2007) cost: 0.0

Check 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)

*See attached.

Prepared by: Nels Tomlinson

Division: Tax

Approved by: Jerry Burnett

Agency: Department of Revenue

Phone: (907) 465-5636

Date/Time: 12 March 2007 10:45

Date: 3/12/2007

FISCAL NOTE

ACTIVE SESSION

STATE OF ALASKA
2007 LEGISLATIVE SESSION

() Polish Date:

Component Tax Di

Land & Structures

TOTAL OPERATING

CHANGE IN REVENUES (A-17)

25-LS0302\NC
Bullock
3/12/07

CS FOR HOUSE BILL NO. 61(W&M)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON WAYS AND MEANS

Offered:

Referred:

Sponsor(s): REPRESENTATIVES NEUMAN, Lynn, Buch, Harris

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to tax credits for cash contributions by taxpayers that are accepted for**
2 **certain educational purposes, including vocational education programs and courses at**
3 **the secondary school level; and providing for an effective date."**

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

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

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

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

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

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

(1) an amount equal to

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

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

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

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

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

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

and

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

(e) In this section,

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

(2) "vocational education" means organized educational activities that offer a sequence of courses that provides individuals with the academic and technical knowledge and skills the individuals need to prepare for further education and for careers other than careers requiring a baccalaureate, master's, or doctoral degree, in current or emerging employment sectors.

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

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

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

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

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

(1) an amount equal to

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

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

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

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

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

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

(2) also be allowed as a deduction under 26 U.S.C. 170 against the tax imposed by this chapter; and

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

(e) In this section,

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

(2) "vocational education" has the meaning given in AS 21.89.070.

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

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

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

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

(b) The amount of the credit is

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

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

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

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

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

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

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

(f) In this section,

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

(2) "vocational education" has the meaning given in AS 21.89.070.

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

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

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

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

(b) The amount of the credit is

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

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

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

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

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

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

(e) In this section,

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

(2) "vocational education" has the meaning given in AS 21.89.070.

* **Sec. 5.** AS 43.65.018 is repealed and reenacted to read:

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

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

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

(b) The amount of the credit is

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

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

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

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

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

(2) when combined with credits taken during the taxpayer's tax year under AS 21.89.070, 21.89.075, AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.75.018, or AS 43.77.045, exceed \$150,000.

(e) In this section,

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

(2) "vocational education" has the meaning given in AS 21.89.070.

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

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

(1) direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an

1 Alaska university foundation or by a nonprofit, public or private, Alaska two-year or
2 four-year college accredited by a regional accreditation association; and

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

5 (b) The amount of the credit is

6 (1) 50 percent of contributions of not more than \$100,000; and

7 (2) 100 percent of the next \$100,000 of contributions.

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

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

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

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

15 (e) In this section,

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

17 (2) "vocational education" has the meaning given in AS 21.89.070.

18 * **Sec. 7.** AS 43.77.045 is repealed and reenacted to read:

19 **Sec. 43.77.045. Floating fisheries business education credit.** (a) In addition
20 to the credit allowed under AS 43.77.040, a person engaged in a floating fisheries
21 business is allowed a credit against the tax due under this chapter for cash
22 contributions accepted for

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

27 (2) secondary school level vocational education courses and programs
28 by a school district in the state.

29 (b) The amount of the credit is

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

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

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

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

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

5 (2) when combined with credits taken during the taxpayer's tax year
6 under AS 21.89.070, 21.89.075, AS 43.20.014, AS 43.55.019, AS 43.56.018,
7 AS 43.65.018, or AS 43.75.018, exceed \$150,000.

8 (e) In this section,

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

10 (2) "vocational education" has the meaning given in AS 21.89.070.

11 * **Sec. 8.** This Act takes effect January 1, 2008.

Alaska State Legislature

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Representative Mark A. Neuman

District 15

House Bill 61

"Credit for investing in Alaskan Vocational Education Programs" 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 61 amends the current provisions for educational tax credits. Adding to statute that contributions accepted by school districts for secondary school vocational education programs become a basis for tax credits.

HOUSE BILL 61 AMENDED STATUTES

Sec. 21.89.070. Insurance tax credit for gifts to colleges.

(a) A taxpayer is allowed a credit against the tax due under AS 21.09.210 or AS 21.66.110 for cash contributions for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, that are accepted by a nonprofit, public or private, Alaska two-year or four-year college or university accredited by a regional accreditation association or that are accepted by an Alaska university foundation that supports a university or college that could receive a contribution for which a taxpayer may obtain a credit under this section. The amount of the credit is the lesser of

(1) an amount equal to

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

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

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

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

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

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

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

Sec. 43.20.014. Income tax education credit.

(a) For cash contributions accepted for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association, a taxpayer is allowed as a credit against the tax due under this chapter

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

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

(b) *[Repealed, Sec. 12 ch 71 SLA 1991].*

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

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

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

(2) also be allowed as a deduction under 26 U.S.C. 170 against the tax imposed by this chapter; and

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

Sec. 43.55.019. Oil or gas producer education credit.

(a) For cash contributions accepted for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college

accredited by a regional accreditation association, a producer of oil or gas is allowed as a credit against the tax due under this chapter

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

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

(b) *[Repealed, Sec. 12 ch 71 SLA 1991].*

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

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

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

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

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

Sec. 43.56.018. Oil or gas property education credit.

(a) For cash contributions accepted for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association, the owner of property taxable under this chapter is allowed as a credit against the tax due under this chapter

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

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

(b) *[Repealed, Sec. 12 ch 71 SLA 1991].*

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

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

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

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

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

Sec. 43.65.018. Mining business education credit.

(a) For cash contributions accepted for direct instruction, research, and educational support purposes, including library and museum acquisitions, and contributions to endowment, by an Alaska university foundation or by a nonprofit public or private, Alaska two-year or four-year college accredited by a regional accreditation association, a person engaged in the business of mining in the state is allowed as a credit against the tax due under this chapter

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

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

(b) *[Repealed, Sec. 12 ch 71 SLA 1991].*

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

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

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

(2) when combined with credits taken during the taxpayer's tax year under AS 21.89.070, 21.89.075, AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.75.018, or AS 43.77.045, exceed \$150,000.

Sec. 43.75.018. Fisheries business education credit.

(a) For cash contributions accepted for direct instruction, research, and educational support purposes, including library and museum acquisitions and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two-year or four-year college accredited by a regional accreditation association, a person engaged in a fisheries business is allowed as a credit against the tax due under this chapter

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

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

(b) *[Repealed, Sec. 12 ch 71 SLA 1991].*

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

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

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

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

Sec. 43.77.045. Fisheries resource landing tax education credit.

(a) In addition to the credit allowed under AS 43.77.040, for cash contributions accepted for direct instruction, research, and educational support purposes, including library and museum acquisitions and contributions to endowment, by an Alaska university foundation or by a nonprofit, public or private, Alaska two- year or four-year college accredited by a regional accreditation association, a person engaged in a floating fisheries business is allowed as a credit against the tax due under this chapter

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

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

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

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

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

(2) when combined with credits taken during the taxpayer's tax year under AS 21.89.070, 21.89.075, AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.65.018, or AS 43.75.018, exceed \$150,000.

Table 2 - Revenue Collections Detail

Listed in order of total amount of revenue collected.					
TAX TYPE	FY 06	FY 05	FY 04	FY 03	FY 02
OIL AND GAS TAXES					
General Fund revenue					
Severance Taxes					
Oil & Gas Production	\$ 1,191,761,323	\$ 859,334,819	\$ 642,819,003	\$ 589,731,934	\$ 486,740,276
Oil & Gas Hazardous Release	7,758,733	8,330,521	9,052,517	9,232,859	9,597,043
Severance tax total	1,199,520,056	867,665,340	651,871,520	598,964,793	496,337,319
Property Tax	288,020,035	260,828,754	266,210,393	268,844,716	270,354,442
Local credits	(233,512,602)	(218,294,036)	(218,798,614)	(220,096,442)	(220,713,351)
Property tax total	54,507,433	42,534,718	47,411,779	48,748,274	49,641,091
Oil & Gas Corporate Income Tax	661,418,505	524,427,805	299,137,852	151,395,925	178,790,762
Alaska Education Credit	(347,125)	(197,675)	(305,000)	(307,625)	(404,452)
Oil & Gas Corporate Income tax total	661,071,380	524,230,130	298,832,852	151,088,300	178,386,310
Total Oil & Gas Tax Receipts - General Fund	1,915,098,869	1,434,430,188	998,116,151	798,801,367	724,364,720
Constitutional Budget Reserve Fund - CBRF					
Oil and Gas Severance Tax	2,556,312	21,310,000	4,236,962	3,681,970	24,243,395
Oil & Gas Corporate Income Tax	41,140,602	5,714,388	4,035,122	17,221,507	65,649,583
Oil and Gas Property	50,268	376,915	87,868	(2,929)	0
Total Receipts - CBRF	43,747,182	27,401,303	8,359,952	20,900,548	89,892,978
Total Oil & Gas Receipts - All Funds	\$ 1,958,846,051	\$ 1,461,831,491	\$ 1,006,476,103	\$ 819,701,915	\$ 814,257,698
CORPORATE NET INCOME TAX - Non Oil and Gas Corporations					
Corporate Net Income Tax	\$ 130,374,320	\$ 60,409,567	\$ 37,202,225	\$ 48,405,650	\$ 54,350,230
Penalties and Interest	8,519,784	1,754,950	3,042,734		
Alaska Education Credit	(900,644)	(539,445)	(693,879)	(693,196)	(900,815)
Veteran's Memorial Fund Credit	0	0	(5,000)	0	0
Total Receipts	\$ 137,993,460	\$ 61,625,072	\$ 39,546,080	\$ 47,712,454	\$ 53,449,415

Table 2 - Revenue Collections Detail

Listed in order of total amount of revenue collected.

TAX TYPE	FY 06	FY 05	FY 04	FY 03	FY 02
MOTOR FUEL					
Highway	\$ 30,871,634	\$ 29,918,920	\$ 30,872,676	\$ 26,518,253	\$ 28,723,637
Marine	5,487,931	4,718,509	5,266,275	5,938,976	5,806,527
Jet	5,039,832	4,193,390	4,391,412	4,067,223	4,863,137
Aviation	710,663	729,827	786,917	834,042	771,289
Total Tax	42,110,060	39,560,646	41,317,280	37,358,494	40,164,590
Penalties and Interest	837	3,920	50,046	(5,522)	187,806
Total Receipts	42,110,897	39,564,566	41,367,326	37,352,972	40,352,396
Aviation Tax Shared	(129,337)	(150,708)	(164,978)	(169,600)	(158,781)
Amount Retained by State	\$ 41,981,560	\$ 39,413,858	\$ 41,202,348	\$ 37,183,372	\$ 40,193,615
TOBACCO					
Cigarette	\$ 58,251,891	\$ 48,755,317	\$ 42,573,286	\$ 40,239,153	\$ 39,760,717
Tobacco Products	7,614,005	7,774,876	6,561,826	6,657,704	6,042,653
Penalties and Interest	176,380	99,802	76,154	61,263	66,672
Deductions and Stamp Discounts	(597,556)	(470,178)	(355,093)	(63,507)	(62,924)
Total Receipts	65,444,720	56,159,817	48,856,173	46,894,613	45,807,118
Amount transferred to School Fund	(27,384,946)	(29,942,898)	(32,865,726)	(30,606,828)	(30,272,141)
Amount transferred to Tobacco Cessation Fund	(2,694,038)	(1,111,100)	0	0	0
Amount Retained in General Fund	\$ 35,365,736	\$ 25,105,819	\$ 15,990,447	\$ 16,287,785	\$ 15,534,977
Cigarette License Fees					
(Transferred directly to School Fund)					
Total Receipts	\$ 6,255	\$ 7,455	\$ 4,740	\$ 5,520	\$ 3,220
ALCOHOLIC BEVERAGES					
Liquor	\$ 16,642,283	\$ 16,034,366	\$ 14,138,141	\$ 11,246,889	\$ 6,565,654
Beer	13,155,523	14,115,672	13,654,111	10,695,105	4,977,703
Wine	4,616,542	4,594,941	4,257,955	3,010,269	1,337,547
Beer qualifying for reduced tax rate	810,080	770,757	691,183	407,277	0
Penalties, Interest and Refunds	648	914	4,754	1,268	8,352
Total Receipts	\$ 35,225,076	\$ 35,516,650	\$ 32,746,144	25,360,808	12,889,256
Amount transferred to Alcohol and Other Drug Abuse Treatment and Prevention Fund	(17,612,538)	(17,758,496)	(16,372,730)	(11,222,078)	-
Unrestricted Amount Retained in General Fund	\$ 17,612,538	\$ 17,758,154	\$ 16,373,414	\$ 14,138,730	\$ 12,889,256

Listed in order of total amount of revenue collected.

Listed in order of total amount of revenue collected.

TAX TYPE	FY 06	FY 05	FY 04	FY 03	FY 02
FISHERIES BUSINESS					
<i>Established</i>					
Shore-based	\$ 22,489,848	\$ 17,934,554	\$ 18,480,806		
Floating	5,583,427	4,430,655	4,635,435		
Cannery	4,115,868	3,573,861	3,069,518		
<i>Developing</i>					
Shore-based	8,553	2,246	133,286		
Floating	6,117	521	540		
Total Tax	32,203,813	25,941,837	26,319,585		
Prepayments	3,735,334	2,233,134	4,662,239		
Penalties and Interest	24,450	153,357	87,197	204,590	58,903
License Fees	15,001	14,724	16,613	16,922	15,900
Less Credits					
Winn Brindle	(132,909)	(135,700)	(169,121)	(176,114)	(153,991)
Alaska Education Credit	(300,000)	(300,000)	(302,500)	(153,589)	(1,794)
Salmon Product Development and Utilization Credit	(3,058,516)	(2,314,258)	(1,369,408)	0	0
Total Receipts	32,487,173	25,593,094	29,244,605	(108,191)	(80,982)
Fisheries Tax Shared with Municipalities					
Direct to Municipalities	(15,268,647)	(13,485,788)	(12,672,941)	(10,806,426)	(11,158,745)
DCCED* Municipal Allocation	(1,867,596)	(1,738,224)	(1,725,251)	(1,362,651)	(1,396,076)
Amount Retained by State	\$ 15,350,930	\$ 10,369,082	\$ 14,846,413	\$ (12,277,268)	\$ (12,635,803)
DEC Seafood Processor License Fees	\$ 540,723	\$ 400,670	\$ 402,050	\$ 424,495	\$ 400,316

* Department of Commerce, Community and Economic Development

MINING LICENSE

General Fund					
Current Year Tax Before Credits	\$ 18,759,872	\$ 10,467,238	\$ 3,326,281	\$ 383,691	\$ 497,552
Less Credits					
Alaska Special Industrial Incentive Credit	0	0	0	0	0
Mineral Exploration Incentive Credit	0	0	0	(29,736)	(28,282)
Alaska Education Credit	(121,876)	(150,000)	(101,597)	(2,568)	(2,840)
Total Receipts - General Fund	\$ 18,637,996	\$ 10,317,238	\$ 3,224,684	351,387	466,430

Listed in order of total amount of revenue collected.

TAX TYPE	FY 06	FY 05	FY 04	FY 03	FY 02
FISHERY RESOURCE LANDING					
Tax Before Credits	\$ 11,315,026	\$ 9,520,641	\$ 7,230,715	\$ 11,018,953	\$ 8,203,472
Penalties, Interest and Refunds	549,781	406,971	672,967	220,301	542,581
Less Credits					
Alaska Education Credit	(1,200,000)	(1,050,000)	(900,000)	(1,200,000)	(1,555,875)
CDQ Contributions	(185,919)	(232,386)	(370,141)	(396,650)	(227,505)
Winn Brindle	0	0	(5,000)	(5,000)	(2,500)
Total Receipts	10,478,888	8,645,226	6,628,541	9,637,604	6,960,173
Landing Tax Shared with Municipalities					
Direct to Municipalities	(4,508,020)	(3,624,314)	(3,781,803)	(2,628,024)	(4,313,979)
DCCED* Municipal Allocation	(1,235,290)	(604,767)	(576,433)	(321,440)	(256,648)
Amount to be Retained by State	\$ 4,735,578	\$ 4,416,145	\$ 2,270,305	\$ 6,688,140	\$ 2,389,546

* Department of Commerce, Community and Economic Development

VEHICLE RENTAL

Passenger Vehicle	\$ 7,246,318	\$ 7,147,231	\$ 2,623,614		
Recreational Vehicle	346,439	327,811	87,557		
Penalties and Interest	64,359	23,949	401		
Total Receipts	\$ 7,657,116	\$ 7,498,991	\$ 2,711,572	N/A	N/A

REGULATORY COST CHARGES

Electric	\$ 2,161,642	\$ 1,967,201	\$ 1,795,454	\$ 2,388,840	2,181,803
Local Exchange Telephone	1,973,630	1,908,458	1,627,739	1,488,845	\$ 1,530,750
Water & Wastewater	705,229	540,456	527,476		
Pipeline Carriers	688,810	655,590	605,083	805,986	807,670
Interexchange Telephone	649,821	538,209	591,120		
Natural Gas	605,596	575,678	193,575		
Refuse	311,299	253,218	251,389		
Regulated Cable	30,797	37,161	39,503		
District Heat	4,283	5,457	24,256	1,155,708	1,335,354
Total Receipts	\$ 7,131,107	\$ 6,481,428	\$ 5,655,595	\$ 5,839,379	\$ 5,855,577

Listed in order of total amount of revenue collected.

TAX TYPE	FY 06	FY 05	FY 04	FY 03	FY 02
SEAFOOD MARKETING ASSESSMENT					
Paid by fisheries business taxpayers	\$ 5,363,911	\$ 2,494,591	\$ 2,905,806	\$ 2,186,452	\$ 2,152,185
Paid by fishery resource landing taxpayers	993,665	1,028,781	726,950	1,133,175	839,696
Total Receipts	\$ 6,357,576	\$ 3,523,372	\$ 3,632,756	\$ 3,319,627	\$ 2,991,881

* SMA rate increased from .3% to .5% effective January 1, 2005

SALMON ENHANCEMENT

Tax by Aquacultural Region

Southern Southeast	\$ 1,052,179	\$ 915,005	\$ 821,631	\$ 560,456	\$ 1,329,122
Northern Southeast	1,138,883	1,230,090	732,380	659,790	874,190
Prince William Sound	878,906	590,840	653,603	559,046	705,283
Kodiak	528,003	483,596	352,935	279,692	451,211
Cook Inlet	647,610	496,670	310,497	244,719	165,972
Chignik	126,036	70,860	129,765	109,035	169,673
Total Tax	4,371,617	3,787,061	3,000,811	2,412,738	3,695,451
Penalties and Interest	7,632	24,431	32,754	9,313	6,350
Total Receipts	\$ 4,379,249	\$ 3,811,492	\$ 3,033,565	\$ 2,422,051	\$ 3,701,801

CHARITABLE GAMING

Pull-Tab Tax	\$ 1,980,234	\$ 1,944,158	\$ 1,887,015	\$ 2,077,176	\$ 2,045,124
Net Proceeds Fee	289,201	357,176	386,220	370,524	325,218
License and Permit Fees	140,384	156,478	150,043	137,807	141,863
Total Receipts	\$ 2,409,819	\$ 2,457,812	\$ 2,423,278	\$ 2,585,507	\$ 2,512,205

ELECTRIC COOPERATIVE

Total Receipts	\$ 1,971,690	\$ 1,939,598	\$ 1,861,290	\$ 1,817,958	\$ 1,786,712
Taxes shared	(1,893,770)	(1,868,400)	(1,794,011)	(1,752,988)	(1,719,948)
Amount Retained by state	\$ 77,920	\$ 71,198	\$ 67,279	\$ 64,970	\$ 66,764

ESTATE

Total Receipts	\$ 576,261	\$ 1,538,592	\$ 2,250,662	\$ 1,221,757	\$ 3,117,413
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DIVE FISHERY MANAGEMENT ASSESSMENT

Southeast Alaska - Management Area A	\$ 273,521	\$ 411,267	\$ 253,503	\$ 204,738	\$ 192,110
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Total Receipts	\$ 273,521	\$ 411,267	\$ 253,503	\$ 204,738	\$ 192,110
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SEAFOOD DEVELOPMENT ASSESSMENT

Tax by Development Region

Prince William Sound	\$ 152,465	N/A	N/A		
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Total Receipts	\$ 152,465	N/A	N/A	N/A	
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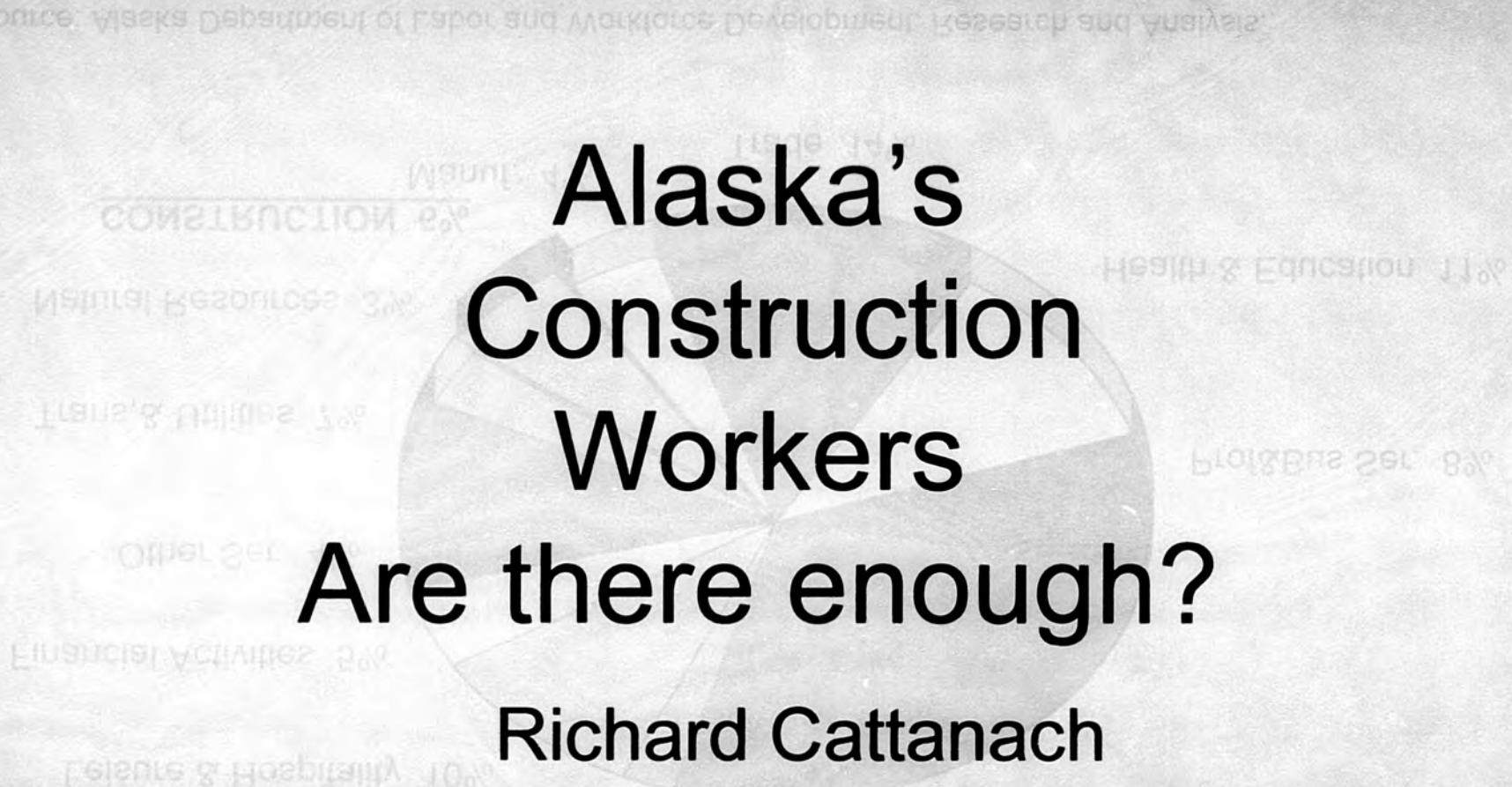
SALMON MARKETING

Tax	\$ 44,676	\$ 2,442,826	\$ 1,907,811	\$ 1,406,087	\$ 1,968,797
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Penalties and Interest	4,119	12,430	55,968	5,954	17,921
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Total Receipts	\$ 48,795	\$ 2,455,256	\$ 1,963,779	\$ 1,412,041	\$ 1,986,718
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* SMT was repealed effective January 1, 2005

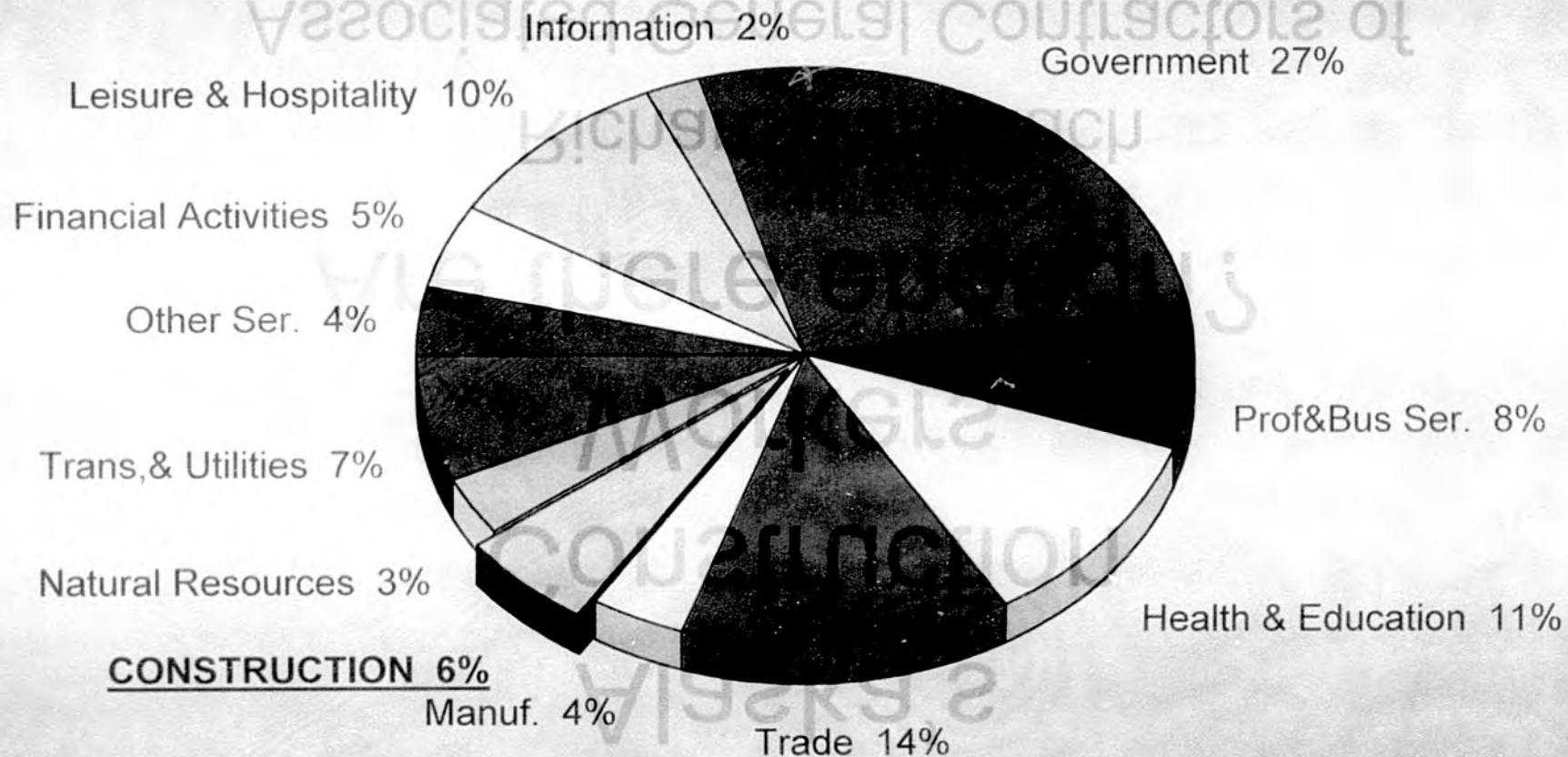


Alaska's Construction Workers Are there enough?

Richard Cattanach
Associated General Contractors of
Alaska

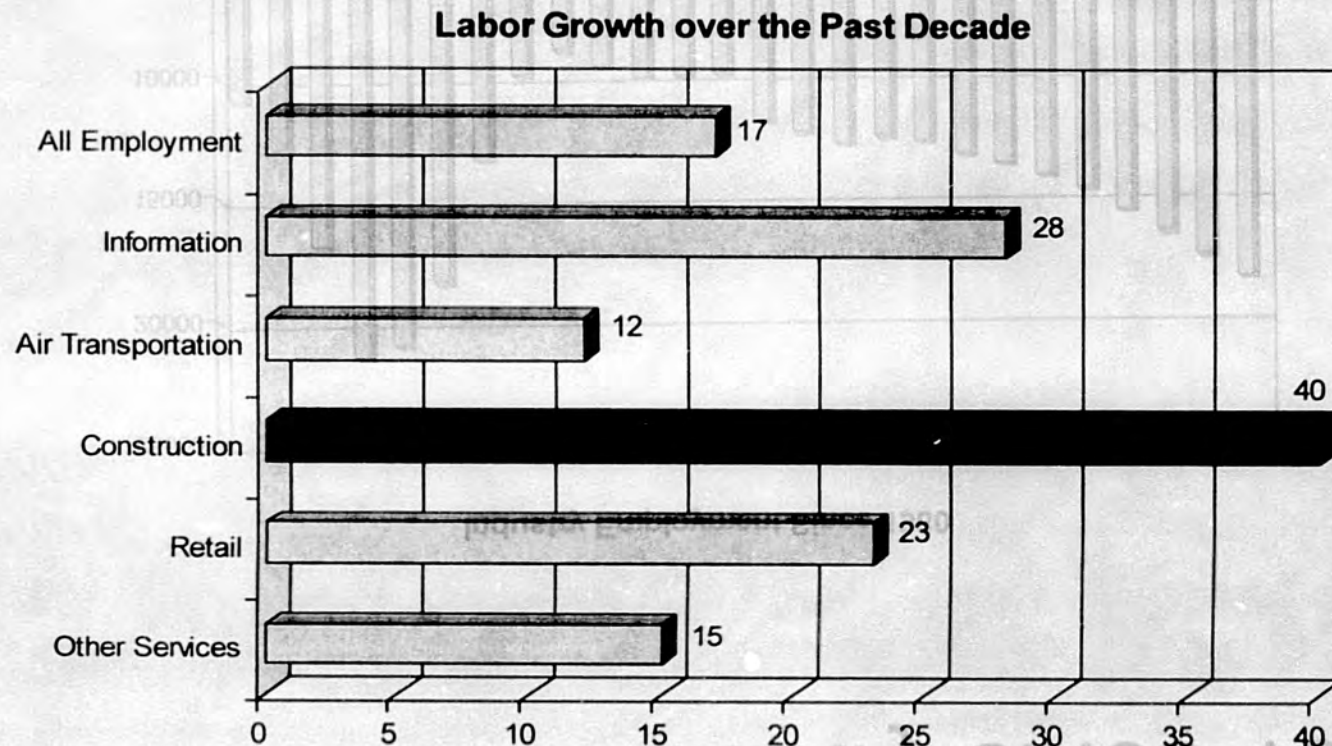


Alaska's Construction Industry Employment 2004

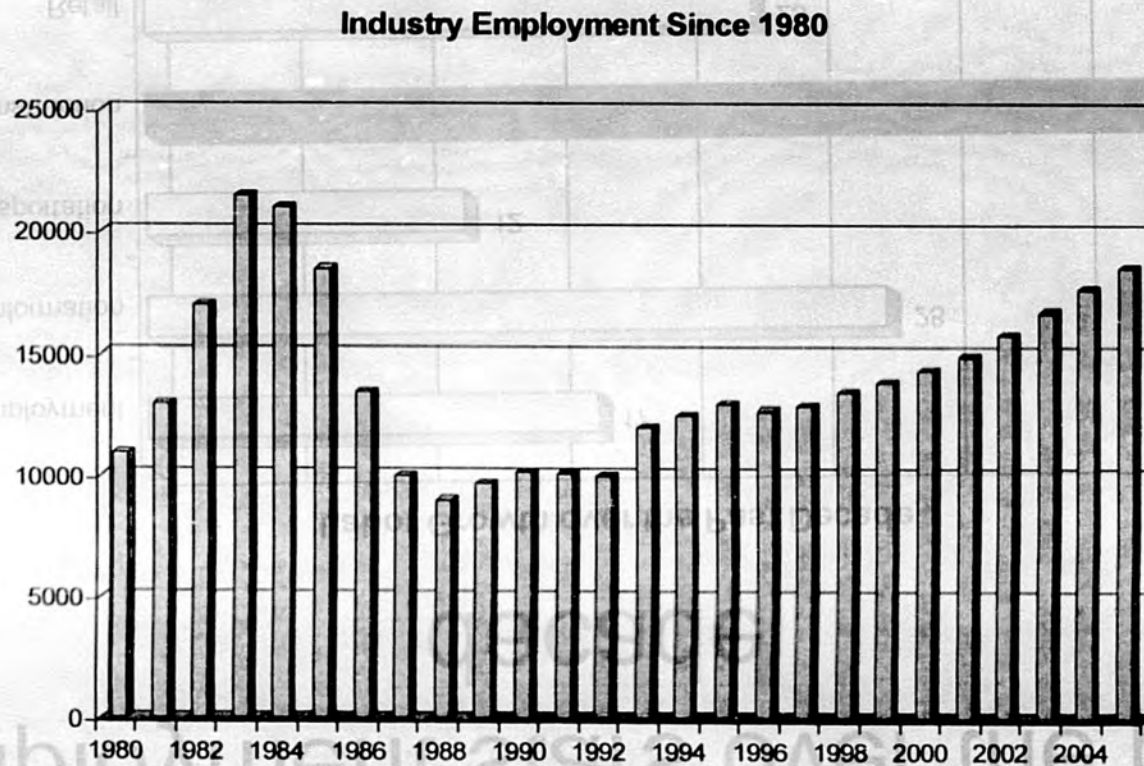


Source: Alaska Department of Labor and Workforce Development, Research and Analysis.

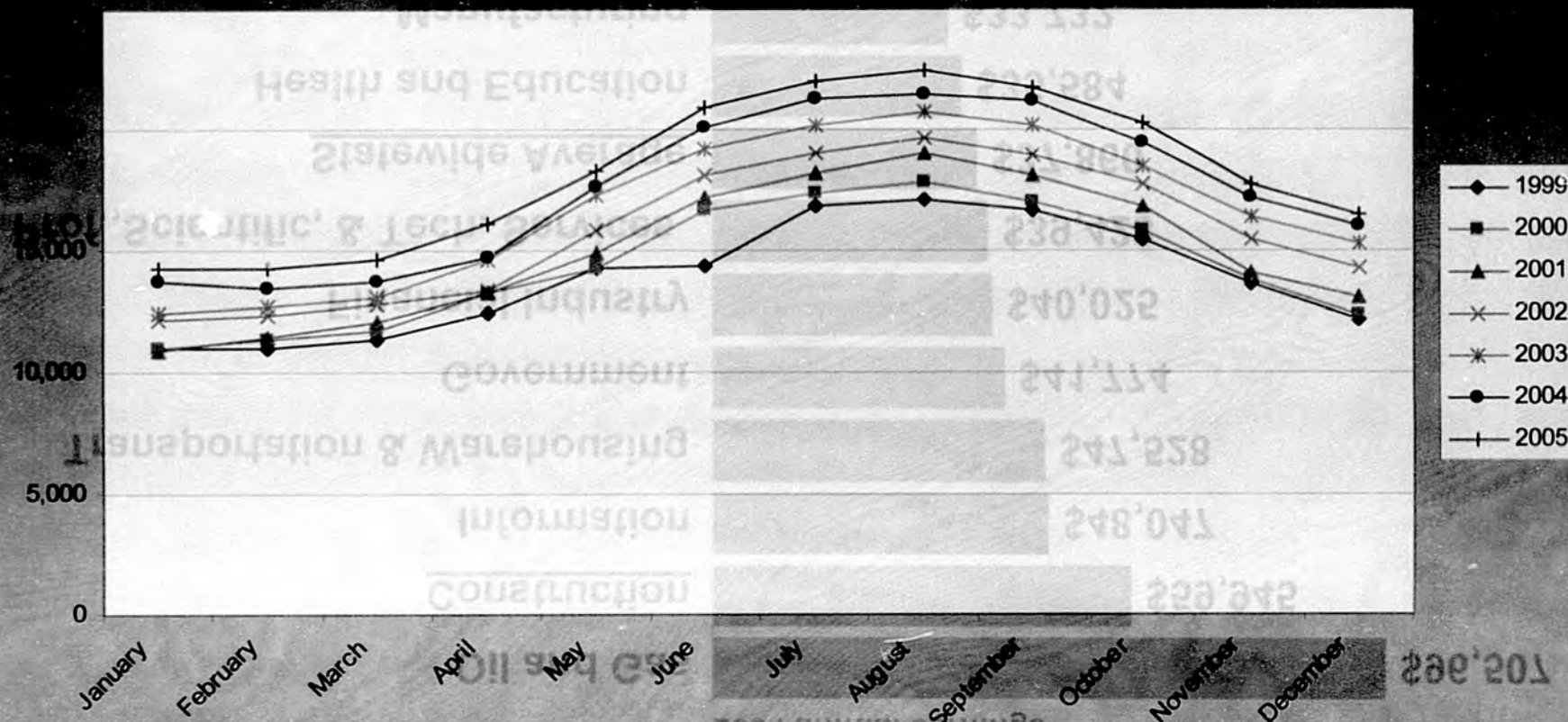
Construction has been one of the employment stars over the past decade



Construction Industry since 1980

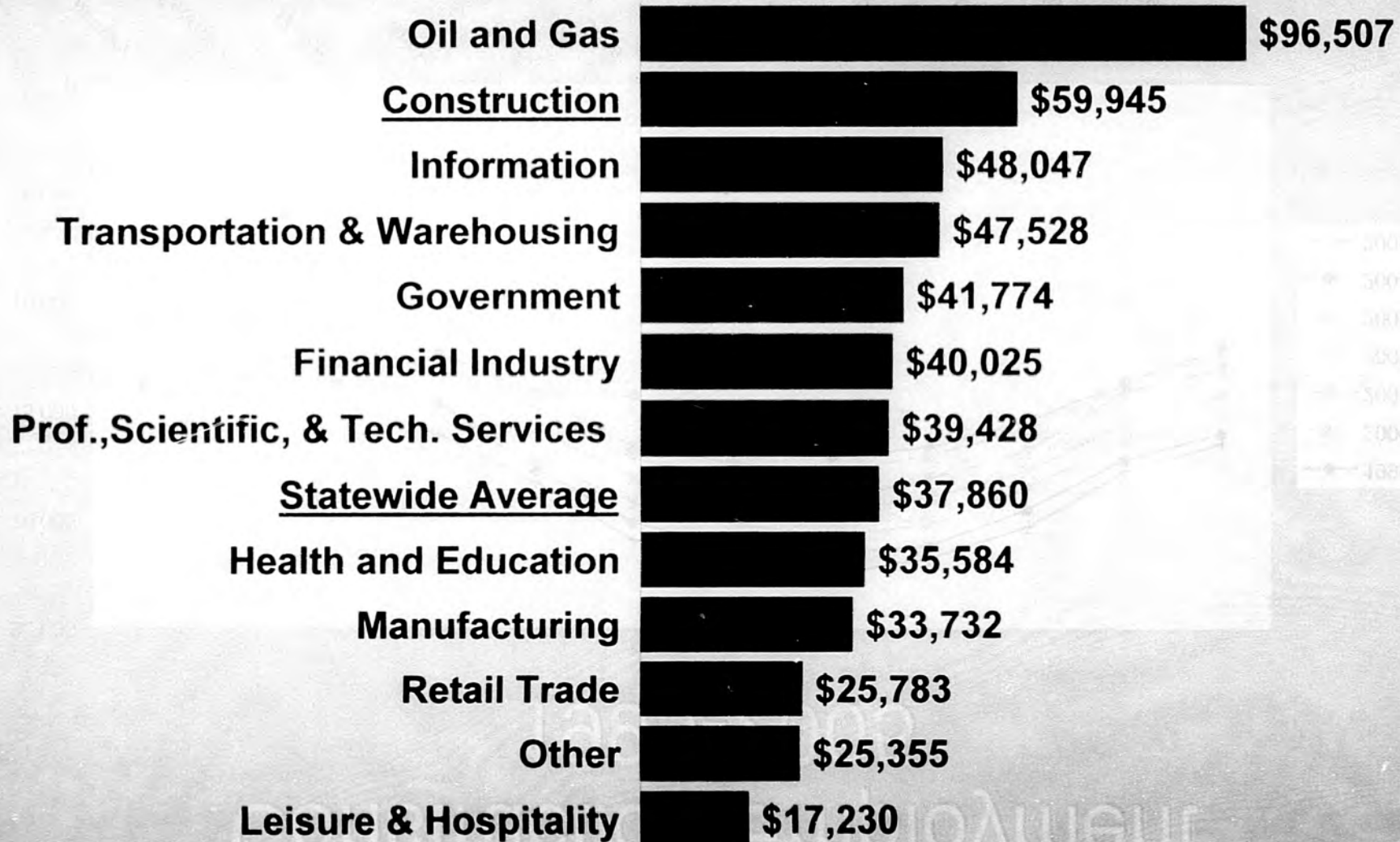


Construction Employment 1999-2005



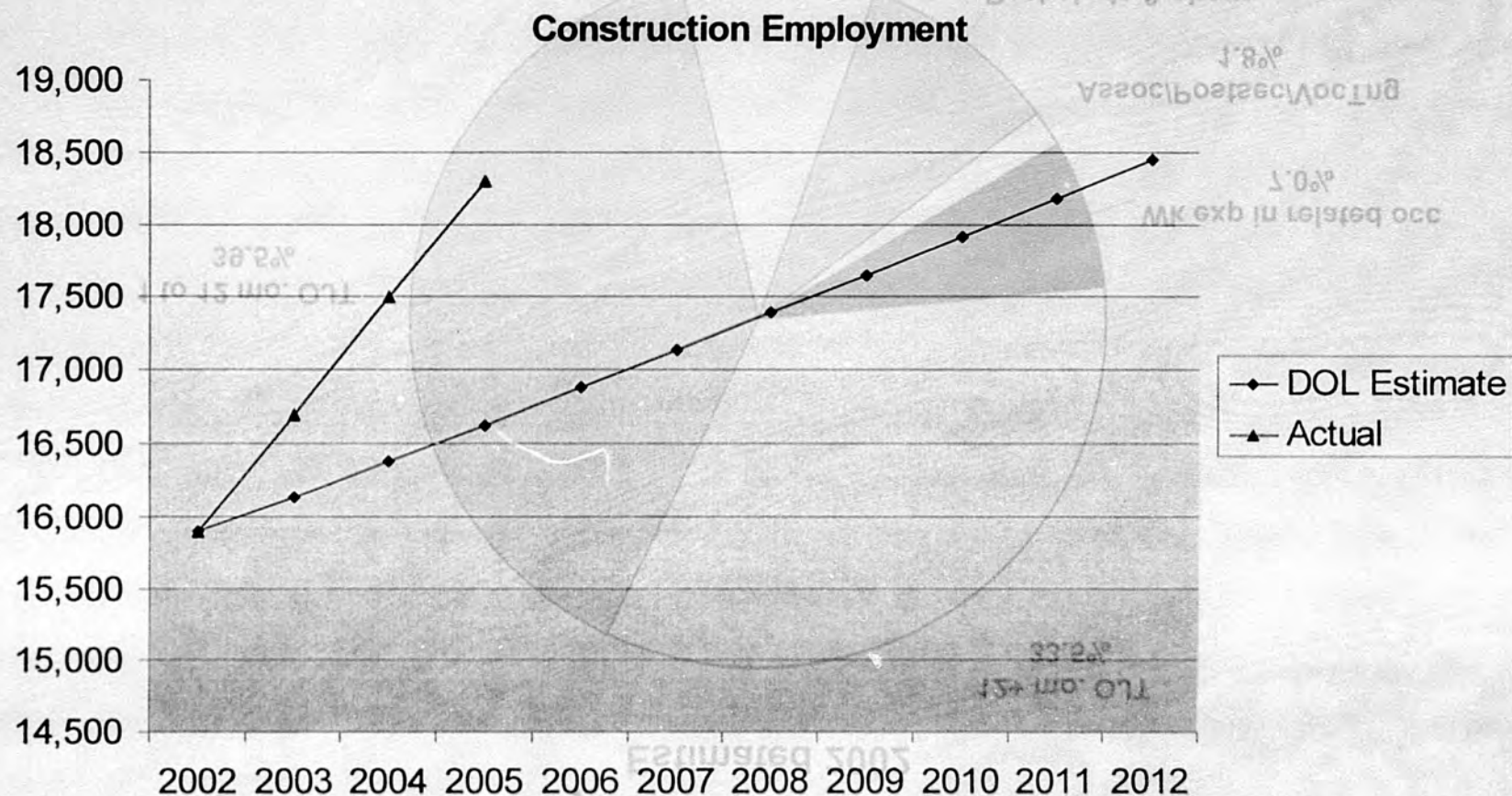
Construction Pays High Wages

2004 annual earnings



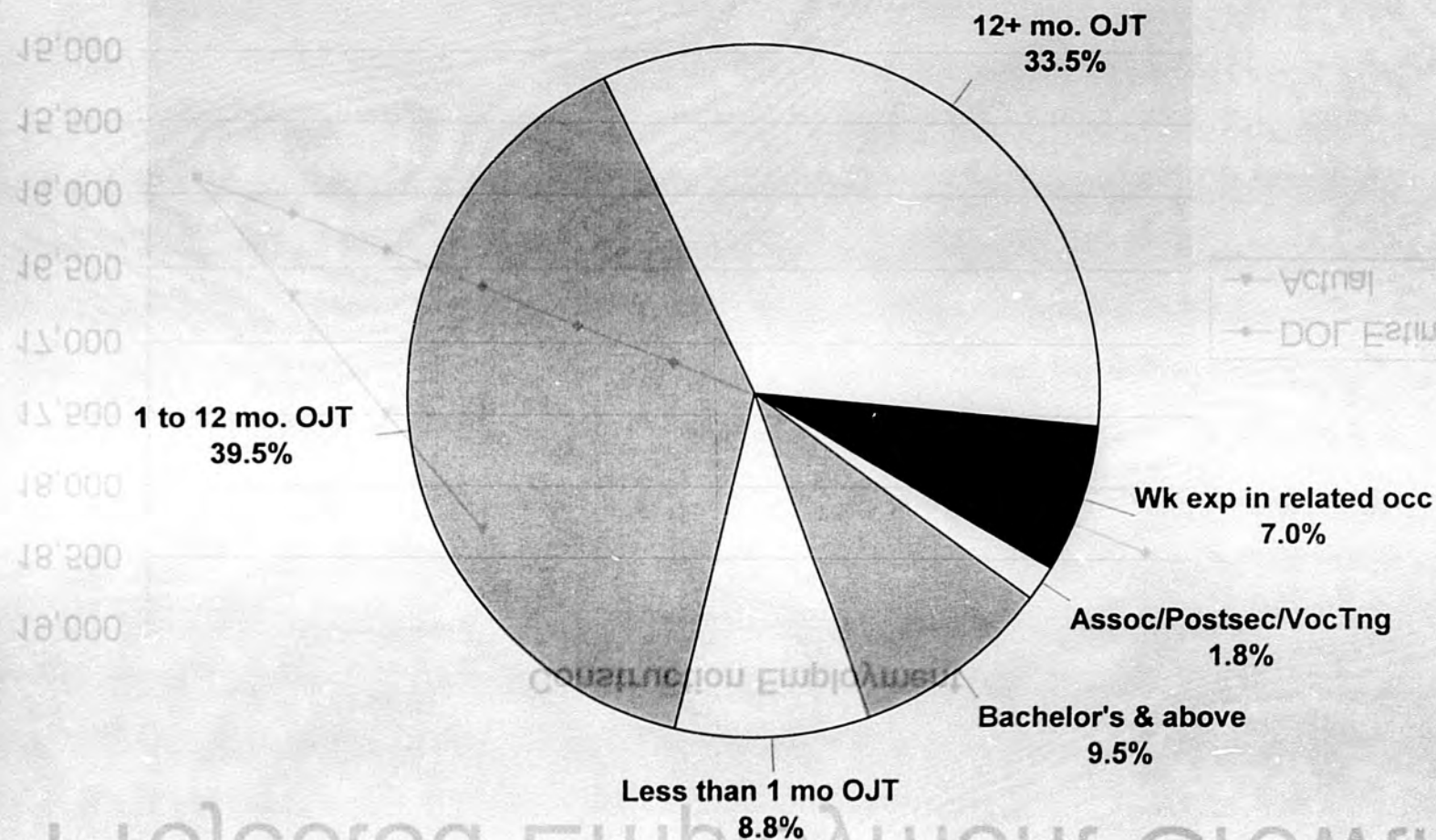
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Projected Employment Growth



Alaska's Current Construction Jobs by Level of Required Education

Estimated 2002



Problem Areas - Selected Crafts

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



Selected Crafts

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

Selected Crafts - Continued

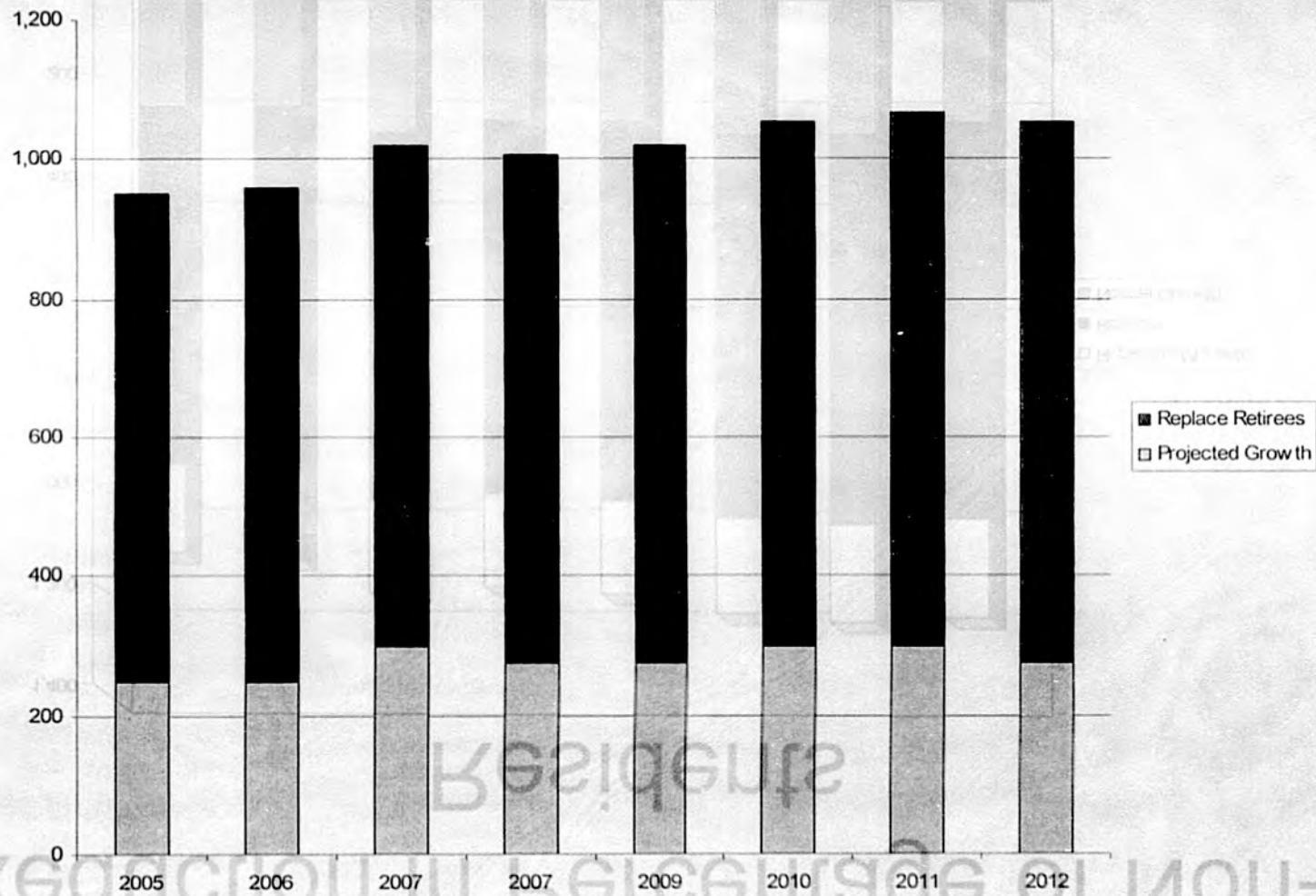
<u>Craft</u>	<u>Total Need</u>	<u>Annual Need</u>
Carpenters	2,105	210
Laborers	1,551	155
Electricians	1,079	108
Plumbers	700	70
Op. Engineers	2,049	205
Painters	407	41
Roofers	128	13
Supervisors/Mngrs	1,594	160
Const & Bldg Insp	184	18

Selected Crafts - Continued

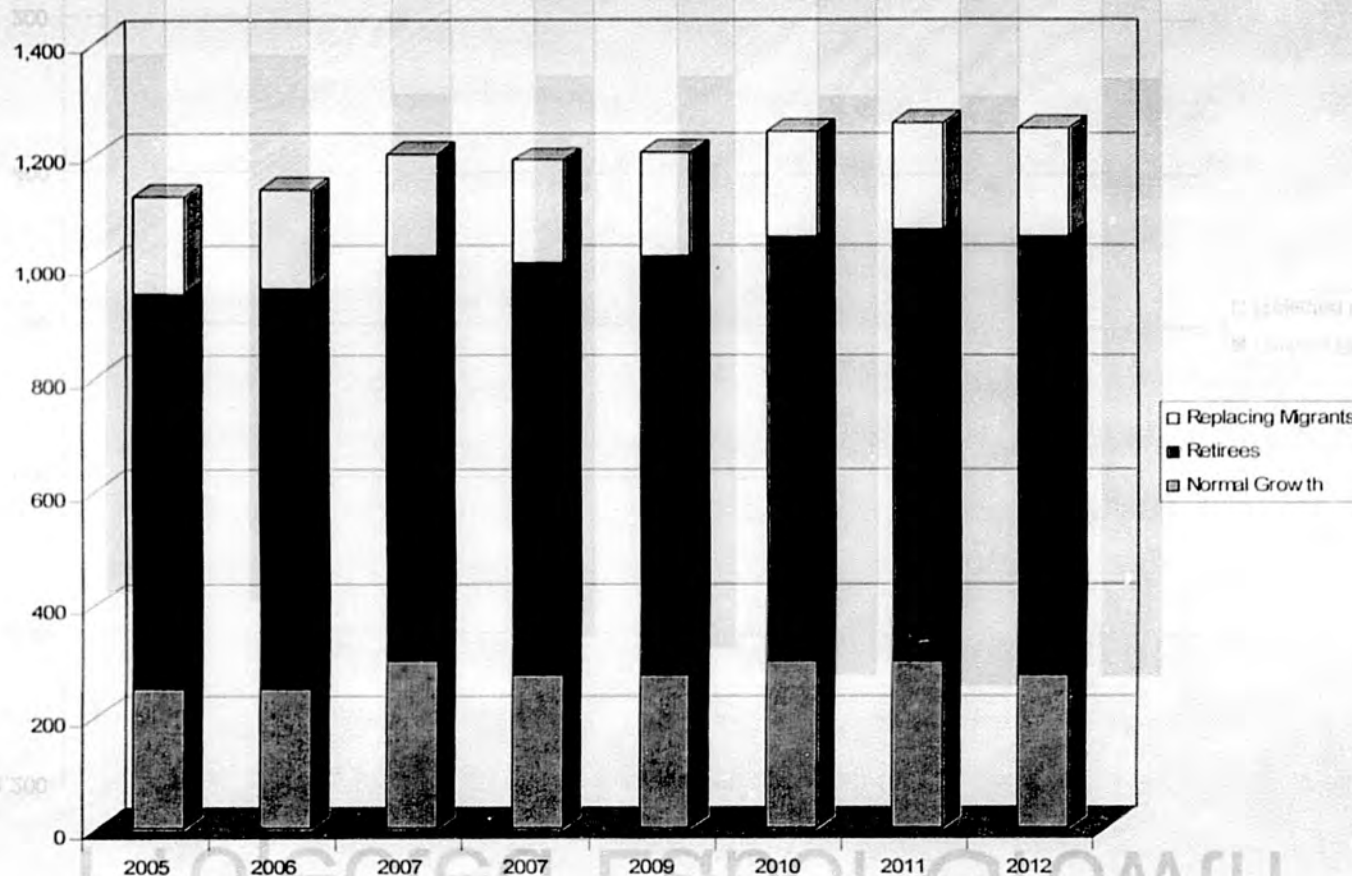
• <u>Craft</u>	<u>Total Need</u>	<u>Employment</u>	<u>%</u>
Carpenters	2,105	4,855	43%
Laborers	1,551	3,605	43%
Electricians	1,079	2,164	50%
Plumbers	700	1,492	47%
Op. Engineers	2,049	2,741	75%
Painters	407	909	45%
Roofers	128	394	32%



Projected Labor Growth



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

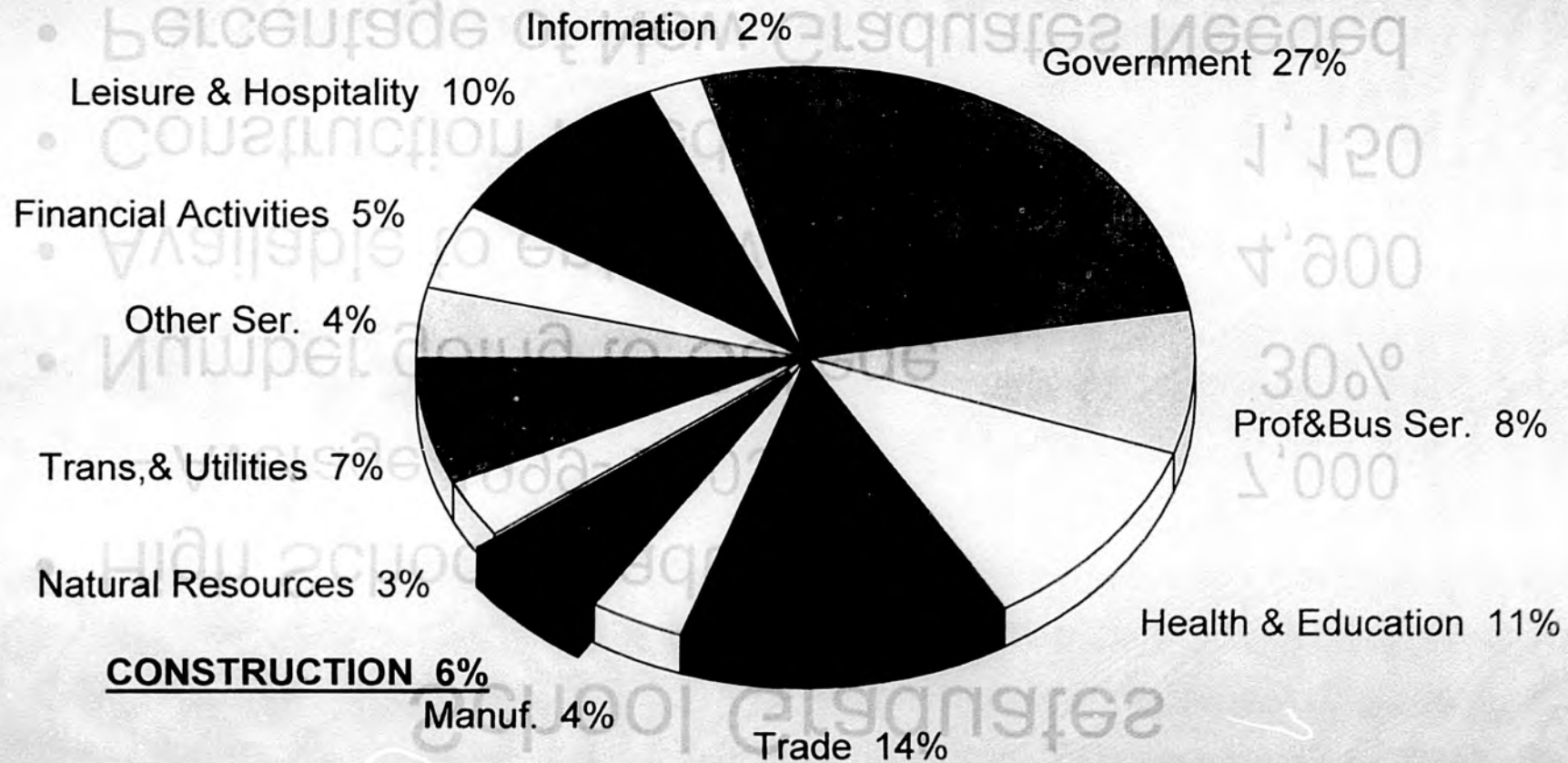


Labor Needs Relative to High School Graduates

- 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



AEDC 2006

Workforce Development Conference Report



Message From The President of AEDC

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

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

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

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

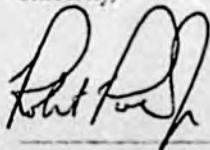
Immediately following, a total of four break-out periods were held on recruitment, training, employment, and funding. For each topic a facilitator led the discussion on what tactics are working, what are missing, and brainstormed strategies that addressed the problems identified. At the end of the day,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

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

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

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

Sincerely,



Robert G. Poe,
President and CEO,
AEDC



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

Online visit www.aedcweb.com



Action Statements and Approval Ratings

Passed

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

Failed

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

Workforce Development Conference Overview

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

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

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

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

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

Summary of Presentations

Commonwealth North White Paper on Workforce Development

Alice Galvin, BP

Jeff Staser, Staser Group

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

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

Ten recommendations are proposed:

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

Vocational Education White Paper on Workforce Development

Mary L. Madden, Madden Associates

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

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

Labor's Perspective on Workforce Development

Vince Beltrami, AFL-CIO

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

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

Alaska Native Perspective on Workforce Development

M.J. Longley, Cook Inlet Tribal Council

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

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

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

Putting Alaska Resources to Work

Colleen Ward, XCEL

Dave Rees, BP

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

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

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

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

Appendix of Supporting Research

Preliminary Survey Results

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



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

85.3% Very Important
11.9% Somewhat Important

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

78.9% Very Important
21.1% Somewhat Important

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

67.9% Very Important
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

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