

ALASKA LEGISLATURE COMMITTEE FILES

2007-2008

SHES

124

Chris Hayes, however, has the potential for a continual payment from the church. In April 2006, Jim Hayes signed a form, filed with the state Recorder's Office in Fairbanks, that designated his pastoral successor upon his incapacitation, resignation, removal or death."

The same form also included the following: "Upon request of Pastor James C. Hayes and in recognition of the establishment of this church by LeeRoy Parham, the new pastor is requested to set aside an honorarium for Murilda Chris Hayes until her remarriage or death."

NEXT: The government's loose leash

Contact staff writer Rod Boyce at 459-7575 or by e-mail at rboyce@newsminer.com.

This article may be accessed online at <http://newsminer.com/2007/03/27/6168/>.

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FAIRBANKS
Daily News - Miner

Most tax-exempt organization information is public

By Rod Boyce
 Published March 27, 2007

With Part 3 of 4

Information about the funding and expenses of federally tax-exempt organizations is, in most circumstances, required by law to be public.

Tax-exempt organizations that have annual gross receipts in excess of \$25,000 in a tax year must file an "information return" with the Internal Revenue Service for that year. The return, not really a tax return but often referred to as such, is known as a Form 990 and requires the reporting of revenue sources; expenses such as salaries and wages, supplies, travel, and legal fees; and a statement of program accomplishments. It also asks for the names of, and compensation given to, "officers, directors, trustees and key employees" and requires the answering of dozens of other questions. The names and addresses of contributors to nonprofit organizations are not required to be listed.

(View Forms 990 and other LOVE Social Services documents here)

The Form 990 is a public document that the tax-exempt organization must make available on demand.

Instructions for Form 990, for the 2006 tax year and for several preceding tax years, say a tax-exempt organization must:

- "Make its application for recognition of exemption and its annual information returns available for public inspection without charge at its principal, regional and district offices during regular business hours."
- "Make each annual information return available for a period of three years beginning on the date the return is required to be filed (determined with regard to any extension of time for filing) or is actually filed, whichever is later."
- "Provide a copy without charge, other than a reasonable fee for reproduction and actual postage costs, of all or any part of any application or return required to be made available for public inspection to any individual who makes a request for such copy in person or in writing (except as provided in Regulations sections 301.6104(d)-2 and -3)."

The rules also say that the organization may have an employee present during the inspection and that anyone wanting to inspect the records must be allowed "to take notes freely" during the inspection.

Requests made in person and during regular business hours for a copy of Form 990 must be fulfilled on the day of the request except in unusual circumstances, which the IRS defines as having the records request cause an unreasonable burden on the organization.

In those circumstances, the organization must provide the record on the business day immediately following the day the unusual circumstance ends or the fifth business day after the request, whichever occurs first.

The "application for recognition of exemption" referred to in the instructions for Form 990 are Form 1023 and Form 1024. Those forms and all supporting material required by the IRS and any additional material submitted with the

application for exemption are also public, as are any documents or letters from the IRS in response to the application, as long as the application was filed before July 15, 1987.

Forms 990 are also available through some online services. One popular source is GuideStar.org, which makes the Forms 990 available without charge. GuideStar is a service provided, according to its Web site, by Philanthropic Research Inc., which is also a federally tax-exempt organization. "PRI's mission is to revolutionize philanthropy and nonprofit practice with information," it says on its Web site.

GuideStar, funded by a variety of foundations, says it gets its financial information from the "IRS Business Master File of exempt organizations and IRS Forms 990, 990-EZ, and 990-PF. Other information, such as an organization's programs, accomplishments, and goals, are obtained directly from the organization or from the organization's Form 990 or 990-EZ."

—Red Boyce

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Daily News - Miner

Much of budget devoted to personnel costs

By Staff Report
Published March 27, 2007

With Part 3 of 4

Total personnel costs — including travel, benefits and board member expenses — proposed by LOVE Social Services in paperwork for the five grants through the Department of Housing and Urban Development and the Department of Justice accounted for about \$1.2 million of the \$2.9 million awarded to the agency for the 2001-2007 period the grants were intended to cover.

Chris Hayes was the highest paid employee at the nonprofit center, which also employed a student services coordinator and administrative assistant. Members of the LOVE Social Services board of directors, which at various times included Jim Hayes; his daughter, LaNene Scott; and Chris Hayes' nephew, Don Thomas, were not paid but did make several trips to cities throughout the Lower 48 and paid for through the federal grant funds.

[\(View budget documents here\)](#)

The Hayeses, Scott and Thomas were the four founding incorporators of LOVE Social Services and all signed state incorporation papers on Sept. 17, 2000. Most of the travel budget, which included air fare, hotel, meals and transportation, was to be used for travel by board members and Chris Hayes, though mentors and tutors were sometimes listed as joining them. Training was listed as the purpose of nearly all of the travel.

An undated memo to Hayes from the Office of the Comptroller in the Office of Justice Programs provided a breakdown of how much the department had authorized be spent in each of a variety of categories, among them \$121,457 for travel, \$790,726 for personnel, \$86,668 for benefits.

The center's director, Hayes, is budgeted for several trips in the Justice Department grant applications: The first grant, in 2002, includes trips to San Francisco, Seattle, Juneau and two each to Anchorage and Washington, D.C.; the second grant includes travel to Los Angeles, Juneau, and an unnamed location in Oregon, three trips to Anchorage and two trips to Washington, D.C.; the third Justice Department grant details travel for the director to Los Angeles, Juneau, Washington, D.C., and twice to Anchorage.

The training and travel budget is listed as \$30,000 for the 2001 HUD grant, with the application noting that the money was for the training and travel of board members. It makes no reference to Chris Hayes, who was the center's director but not a board member. No travel is proposed in the 2005 grant that LOVE Social Services obtained from HUD at the direction of Congress. The public record offers only a partial picture of what travel may actually have occurred, however. The Form 990 that tax-exempt organizations such as LOVE Social Services must file each year require the reporting of travel expenses. The IRS only has records of LOVE Social Services for 2003 and 2004, with the 2003 filing showing \$21,575 on travel and the 2004 filing reporting \$21,593 for travel.

—Rod Boyce

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Daily News - Miner

Federal earmarks help support Alaska programs. Too often, how that money is used goes unchecked

By Rod Boyce and Sam Bishop
Published March 28, 2007

Part 4 of 4

The federal indictment against Jim and Chris Hayes, for all its detail, is silent on the government's own role in what it alleges transpired between the Hayeses, their church and the nonprofit center in which they are so central.

LOVE Social Services received its federal money, nearly \$3 million, on the recommendation of Sen. Ted Stevens. Using language attached to annual spending bills, Stevens directed the Department of Justice and the Department of Housing and Urban Development to provide the grants to the nonprofit group founded by the former Fairbanks mayor and run by his wife.

Such directions are called "earmarks," and, in the nation's capital, they've grown as ubiquitous as cherry blossoms in spring.

[\(View the LOVE Social Services earmarks and related documents here\)](#)

The practice has been the subject of growing scorn by people in and out of government not only for increasing the government's spending but also for frittering away the taxpayers' money.

Stevens, though, ardently defends earmarks and his judgment in using several to direct money to LOVE Social Services while he was chairman of the Senate Appropriations Committee during the first half of this decade.

Federal agencies often neglect Alaska, Stevens said in a March 1 interview about his role in the situation.

"Someone has to call their attention to a need in Alaska and we do that through this earmark in a 'report,'" he said.

Once the agencies hand out the money, it's their job to monitor it, he said.

"When I was home in Fairbanks, I heard a lot about it," Stevens said, referring to discussions about the Hayeses' program while visiting during the mid-February congressional break.

"A lot of people seem to think I should have paid more attention, etc., etc., and I tried to tell them 'That's not my job,'" he said.

But critics say the federal agencies also seem disinclined to view it as their job when it comes to congressionally earmarked grants.

If accurate, the opposing assertions would seem to leave no one diligently checking on a grant-making system that prosecutors say allowed the Hayeses to misspend at least \$425,000 in taxpayer money over the course of five years.

Cascade of criticism

The Justice Department's Office of Justice Programs, through which three of the five LOVE Social Services earmarks was criticized in a 2002 report by the Government Accountability Office for its poor record of grant monitoring. The GAO is an investigative agency of Congress.

"Our work has shown long-standing problems with OJP grant monitoring and has begun to raise questions about the methodological rigor of some of OJP's impact evaluation studies," wrote Laurie Ekstrand, the GAO's director of justice issues, in a statement to a House subcommittee in 2002.

The following year, in October 2003, a report from the White House Task Force for Disadvantaged Youth delivered a report to President Bush that criticized congressional earmarks and said earmarks for programs for disadvantaged youth were "an especially problematic situation." Stevens' 2003 earmark to LOVE Social Services is among the many earmarks nationwide listed in the report's appendix.

"Earmarked programs do not receive the oversight that enables agencies to make sure they are actually helping youth, achieving their goals, and making wise use of limited funds. The earmark process also keeps federal agencies, charged with implementing the statutes, from making funding decisions based on a coordinated, identified need to address a specific problem," the report said.

Another report, in December 2005 from a federal advisory committee, called for the elimination of all earmarks to the Office of Juvenile Justice and Delinquency Prevention, the agency that handled three LOVE Social Services grants totaling \$1.7 million.

"Besides taking a drastic portion of federal program appropriations, earmarked programs are not held accountable for effectiveness (or ineffectiveness)," said the report, which was given to the president and Congress by the Federal Advisory Committee on Juvenile Justice.

"Because these programs bypass the competitive grant process by going directly to a member of Congress, they do not have to meet performance standards nor demonstrate that they work," the committee said.

"In fact, it is often difficult for federal agencies to monitor earmarked programs as program staff believe they are not subject to agency oversight because their funding came directly from Congress," it added.

Stevens disagreed strongly with such assertions.

An earmark of the sort given LOVE Social Services is not law; it is a recommendation to fund an organization, he said.

"It makes them eligible to participate in the program and in effect urges the agency to favorably consider an application for it. But it is not a mandate. Very clearly it is not a mandate," he said.

Agencies often need that encouragement, he said. "The problem is, they've got expertise but they never go to Alaska," Stevens said.

Stevens acknowledged that Alaska nonprofits and other organizations can apply for grants like any other group in the nation, even without earmarks.

"Oh yeah, you can apply. The question is, do they (the agencies) have anyone in the area that can investigate and mine the validity of it," he said. "If we're going to get any of this money, it's only through earmarks or through somehow or another calling it to their attention."

Despite critics' assertions, the "somehow or another" often involves working with the agencies, said Lisa Sutherland, who served as Stevens' aide for Alaska projects during the senator's tenure as Appropriations Committee chairman.

Stevens, concerned about Alaska's high rate of violence against women, once forced a federal program director to attend a conference with rape crisis centers, she said.

Afterward, the agency "developed a program and they used our earmark money for it," Sutherland said.

"So we do pull the expertise of the agencies in," she said. "That's why he brings all those people up to Alaska in the summer, to show them the things we're working on."

The pressure from back home to provide earmarks is intense. Stevens receives hundreds of requests, and he said he maybe gets one out of every eight or nine he seeks. "We don't dream these up now," he said.

The upside of earmarks

Earmarks are often virtual blessings from on high to nonprofit groups in Alaska.

For example, the senator has directed about \$650,000 annually for the past five years to the Alaska Mentoring Demonstration Project, mostly through the same federal office that handled the LOVE Social Services grant — the Office of Juvenile Justice and Delinquency Prevention.

To run the Alaska mentoring project, the Big Brothers-Big Sisters groups in Fairbanks, Anchorage and Southeast Alaska teamed with Boys and Girls Clubs of Alaska and the National Senior Service Corps.

The money was a "godsend," said Taber Rehbaum, executive director of Big Brothers/Big Sisters of Fairbanks. It helped bring a mentoring program to about 500 kids in about 30 communities, reaching well beyond the state's urban areas where Big Brothers-Big Sisters has operated for many years, she said.

"That would not have been possible without the expansion money," Rehbaum said. "The suicide rate is such a concern, especially in rural Alaska, and the resources for individual communities — there aren't a lot."

Chuck Barber, a consultant from Eagle River who has helped administer the grants, said the project is truly a "demonstration" because Big Brothers-Big Sisters had never operated in the nation's rural areas before and no one was sure how well it would work.

Costs are higher but evaluations indicate the project is very beneficial, Barber said.

The recent decision by the Democratic leadership in Congress to eliminate earmarks in the current fiscal year budget may kill the federal funding for the project, though, Barber said. So people involved in the project are working hard to demonstrate its success to the agencies.

They may have some lingering resentments to overcome.

"Most of the staff people I've talked to over the years are not fond of earmarks and don't like their hands tied that way," Barber said.

Like them or not, Stevens said, the agencies have the responsibility to monitor the earmarked grants.

"We don't have any investigators on Appropriations," he said of the Senate committee. "I don't have any way of

oversight on these things. Oversight is clearly an executive branch function, and we rely on them to do that."

And if agencies might have any reason to be timid in their oversight of earmarks, Stevens said "not to my knowledge."

Sutherland said agencies sometimes do defy an earmark. She cited the example of a senior center, not in Fairbanks, to which Stevens sent some money for exercise equipment through a federal agency program.

"It turns out that program only funds operations. It did not fund equipment. So that one was rejected and we had to find another way to do it, which we did," Sutherland said.

The first of three Justice Department earmarks to LOVE Social Services, for fiscal 2002, appears in a funding bill after language that says the Office of Justice Programs "is expected to review the following proposals, provide grants if warranted," and report to Congress on its intentions. It also says that "up to 10 percent of the funds provided for each program shall be made available for an independent evaluation of that program."

Similar direction to the Office of Justice Programs appears, absent the reference to an independent evaluation, for the 2003 and 2004 earmarks.

Stevens said he never saw any such evaluations or reports. That's not unusual, he said.

"We get periodic reports about what they've done," he said. "However, the oversight really is done by Justice, and they would only report back to us if they had a negative impact or any irregularity."

'A perfect example'

At the end, Sutherland said, the agency oversight of LOVE Social Services did uncover the alleged misuse of funds.

The Department of Housing and Urban Development's inspector general looked at some of the LOVE Social Service reports and apparently found irregularities, she said.

"They were involved in working with the U.S. attorney's office in bringing this indictment," she said. "So, if anything, this is a perfect example of oversight working. [The] HUD inspector general found a problem, you have the Justice Department following up, and they're dealing with it."

Justice Department officials have repeatedly declined to answer questions from the News-Miner about their monitoring of the LOVE Social Services grants. A spokesman for the Office of Justice Programs recently declined to answer questions about the grants, noting that they were part of a criminal case.

A spokesman for the Department of Housing and Urban Development, through which two of the five congressional earmarks to LOVE Social Services came, said in 2005 that the department's oversight of LOVE Social Services was not up to par.

"I will say that the department has recently tightened certain reporting protocols to more effectively track and monitor the draw downs on the many THOUSAND(s) of these special purpose grants," spokesman Brian Sullivan wrote in an e-mail response to the News-Miner at the time.

Stevens said he had no reason to worry about the LOVE Social Services grants, given Jim and Chris Hayes' standing in Fairbanks.

"I of course never envisioned what we're seeing now, and I'm really saddened and surprised by it because Hayes had an

enormous reputation," Stevens said of the former mayor.

Stevens said he and his wife, Catherine, have known the Hayeses for many years. In May of 2003, the senator arranged for Jim Hayes, pastor of Lily of the Valley Church of God in Christ, to deliver the opening invocation to the U.S. Senate.

The Hayeses' son, James, worked for Stevens in Fairbanks and Washington, D.C., for about six years starting in 1999, although "he was not in any way connected with that earmark," the senator said.

Stevens said he has not talked with Jim or Chris Hayes since before federal officers served warrants at the church, the nonprofit and the Hayes home in January 2006.

He has not talked to any law enforcement officers about the case, he said. "I haven't, and I don't think my staff has either."

Stevens tends to take the long, broad view of his earmarks and the criticism they generate.

"I've been here all but 10 years since Alaska has been a state, and when I came here there were literally hundreds of programs that we did not participate in because they didn't have anyone looking at Alaska to determine what the needs were," he said.

So he took on that role, and he believes his record has been successful, despite the recent criticism.

Contact staff writer Rod Boyce at 459-7575 or by e-mail at rboyce@newsminer.com. Staff writer Sam Bishop ended his employment with the News-Miner on March 14.

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FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SR 3
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Legislature
 Title "Relating to consideration by the Senate of RDU Legislative Council
 of impeachment of James C. Hayes, University of Alaska..." Component Session Expenses
 Sponsor Senators Wagoner, Bunde
 Requester Senate HESS Committee Component No. 782

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	10.0					
Travel	210.0					
Contractual	200.0					
Supplies	5.0					
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	425.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES

CHANGE IN REVENUES ()

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	425.0					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	425.0	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)
 SR3 relates to consideration by the Senate of impeachment of James C. Hayes, University of Alaska Regent. If the Senate passes this resolution, the matter would be referred to the House of Representatives which would conduct a trial on impeachment for the removal of James C. Hayes from his position. For the purposes of this fiscal note, it is assumed that the Senate would hold hearings in the committees of referral during the 25th Legislature and any costs to the Senate would be absorbed within existing budgets. If this resolution passes, it is anticipated that the Legislature would convene in special session to hold a trial. For purposes of this fiscal note it is assumed that a trial would last approximately two weeks. After the special session convened, the Senate would most likely recess with the approval of the House while the trial was conducted. Costs for a special session to conduct a two week impeachment trial would be \$425.0.

Prepared by: Karla Schofield, Deputy Director Phone 465-6626
 Division Legislative Affairs Agency Date/Time 4/25/07 11:30 AM
 Approved by: Pamela Varni, Executive Director Date 4/25/2007
 Agency Legislative Affairs Agency

FISCAL NOTE

**STATE OF ALASKA
2007 LEGISLATIVE SESSION**

BILL NO. SR 3

ANALYSIS CONTINUATION

Personal Services

Costs for floor staff and LAA Special Session Staff
Total 10.0

Travel

Cost to bring all Legislators to Juneau - 50.0
2 days session per diem - Senators - 9.0
14 days session per diem - House - 121.0
Total - 180.0

Costs to bring witnesses to Juneau for
both sides
5 witnesses for each side = 10 witnesses
5 days per diem for each witness
to allow for being called back to testify - 15.0
Travel costs for 10 witnesses - 15.0
Total - 30.0

Travel and per diem costs for a Supreme Court
Justice to preside at the trial will be absorbed
by the Court System

Contractual

Costs for Attorney Fees to advise the House - 100.0
Costs for Attorney Fees to advise Regent Hayes - 100.0
Total - 200.0

Supplies

Business supplies - 2.5
Lounge operation costs - 2.5
Total - 5.0

Total Costs for a Special Session on Impeachment of University Regent James C. Hayes - 425.0.

Memorandum

To: Senator Bettye Davis
From: Richard Benavides
Date: April 4, 2007
RE: Proposal on How to Proceed with Senate Resolution 3

I have reviewed the packet on this resolution and would like to make the following recommendations for a possible hearing in Senate HESS.

Limit the meeting solely to the following issues:

- The effect of Regent Hayes' situation on the business of the Regents.
- The monetary impact of his absences.
- The issue of time lost in decision making by his absences.
- Any operational impacts.
- Any lost planning time impacted.
- Any lost budgeting time impacted.

The Committee could request Legislative Research to research these areas for discussion. This should prevent having to delve into any time consuming legal areas that would require us to have legal counsel present for both sides during the time the committee debates the resolution.

**RESPONSE TO SENATE HESS COMMITTEE REGARDING
SENATE RESOLUTION 3**

1. The effect of Regent Hayes' situation on the business of the Regents.

Board of Regents' Bylaw 03. Duties of the Board of Regents.

The board will be responsible for the governance of the university as provided by the Constitution of the State of Alaska and the laws enacted pursuant thereto. The board may annually review the performance of the board. A failure to perform an annual review is an internal matter and does not affect the validity of any action.

As an appointed official of the State of Alaska, any regent absence is a loss; however, because there are 11 regents, the effect of the absence of one member at a meeting does not keep the board from taking action as appropriate and necessary.

2. The monetary impact of his absences.

Board of Regents' Bylaw 02.C. Compensation.

Regents receive no compensation for their service. Regents will receive actual transportation expenses for attendance at board meetings or for other university purposes approved by the board's chair. Each regent may elect on an annual basis to receive meals and lodging expense reimbursement in accordance with board travel policy and university regulation; or to receive a per diem allowance as established by the board travel policy and university regulation for each day or portion of a day spent in an actual meeting, or on authorized official business incident to duties as a regent, in accordance with AS 39.20.

When a regent does not attend a meeting, he/she receives no reimbursement expenses.

3. The issue of time lost in decision making due to his absences.

Board of Regents' Bylaw 08.G. Quorum.

No business may be transacted at any meeting of the board unless at least six regents are present. There will be no proxy permitted. There is no quorum requirement for committee meetings. Official action of the board requires the affirmative vote of the majority of the whole board.

As long as a quorum is present, a regent's absence does not result in lost time in decision making.

4. Any operational impacts to the Board.

Board of Regents' Bylaw 08.G. Quorum.

No business may be transacted at any meeting of the board unless at least six regents are present. There will be no proxy permitted. There is no quorum requirement for committee meetings. Official action of the board requires the affirmative vote of the majority of the whole board.

As long as a quorum is present, a regent's absence does not result in negative operational impacts to the university.

5. Any lost planning time impacts.

Board of Regents' Bylaw 08.G. Quorum.

No business may be transacted at any meeting of the board unless at least six regents are present. There will be no proxy permitted. There is no quorum requirement for committee meetings. Official action of the board requires the affirmative vote of the majority of the whole board.

As long as a quorum is present, a regent's absence does not result in lost time in planning.

6. Any lost budgeting time impacts.

Board of Regents' Bylaw 08.G. Quorum.

No business may be transacted at any meeting of the board unless at least six regents are present. There will be no proxy permitted. There is no quorum requirement for committee meetings. Official action of the board requires the affirmative vote of the majority of the whole board.

As long as a quorum is present, a regent's absence does not result in lost time in making budget decisions.

HB

2

SENATE COMMITTEE REPORT

DATE: 4/20/07

FURTHER: Finance

DATE TURNED
IN TO OFFICE: 4/30/07

Health, Education and Social Services 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 _____ (_____)
- adopt previous SCS or CS _____ (_____)
- attached amendment(s)
- adopt _____ Letter of Intent
- further referral to _____ Committee

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

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
Adm	3/14/07			✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	Eiton	✓			
	Thomas	✓			
	Dysan	✓			
	Cowdery	✓			
CHAIR:	Davis				

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.

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

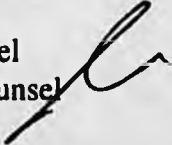
State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

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

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
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
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

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
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2007) cost: 0.0
 Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

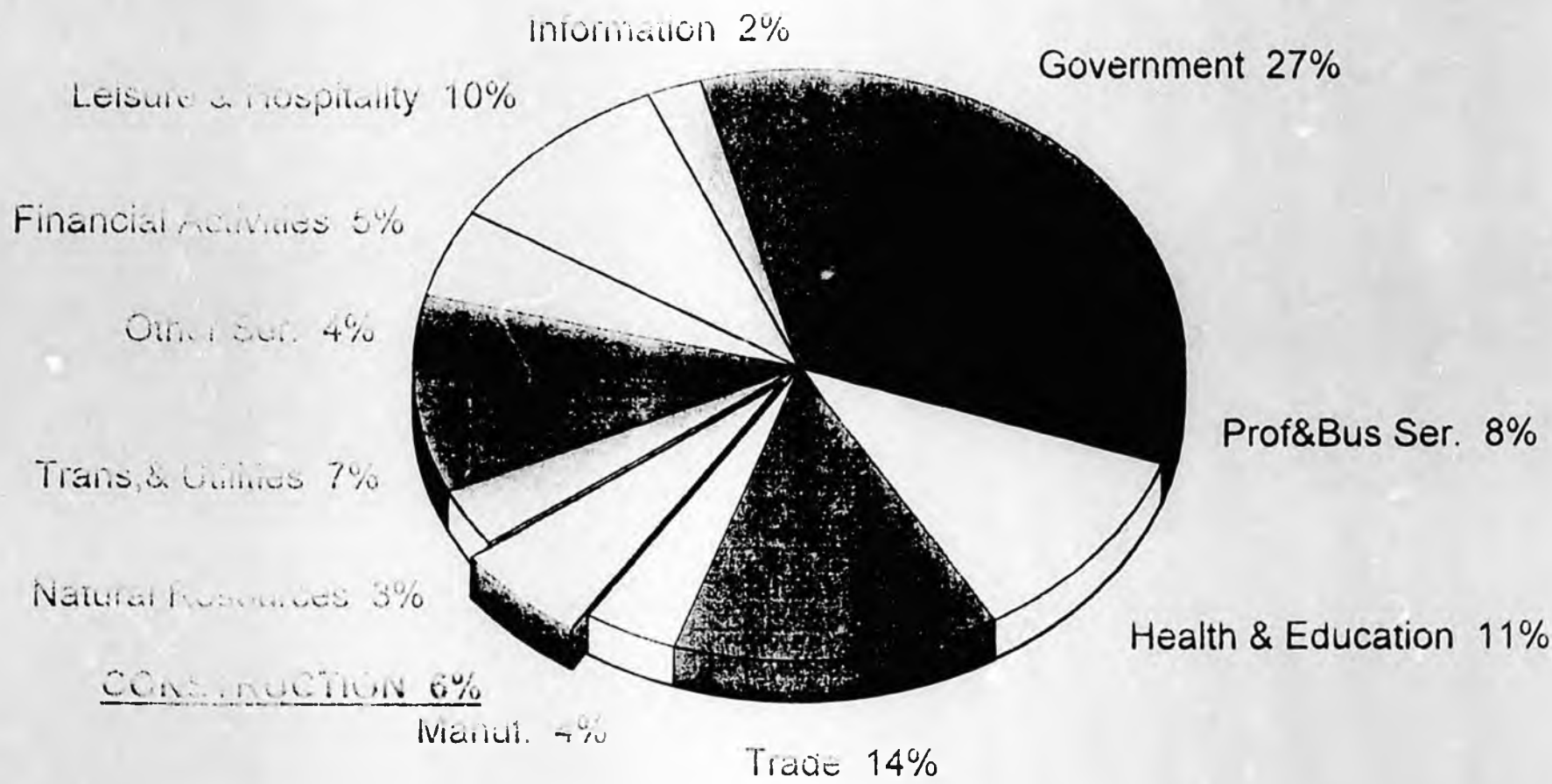
ANALYSIS: (Attach a separate page if necessary)
 Establishing funds created by legislation such as this is in the normal course of business for the Division of Finance.

Prepared by: Kim Garnero Phone 465-3435
 Division: Finance Date/Time 3/8/07 5:30 PM
 Approved by: Kevin Brooks, Deputy Commissioner Date 3/14/07 11:30am
 Agency: Department of Administration

**Alaska's
Construction
Workers
Are there enough?**

**Richard Cattanach
Associated General Contractors of
Alaska**

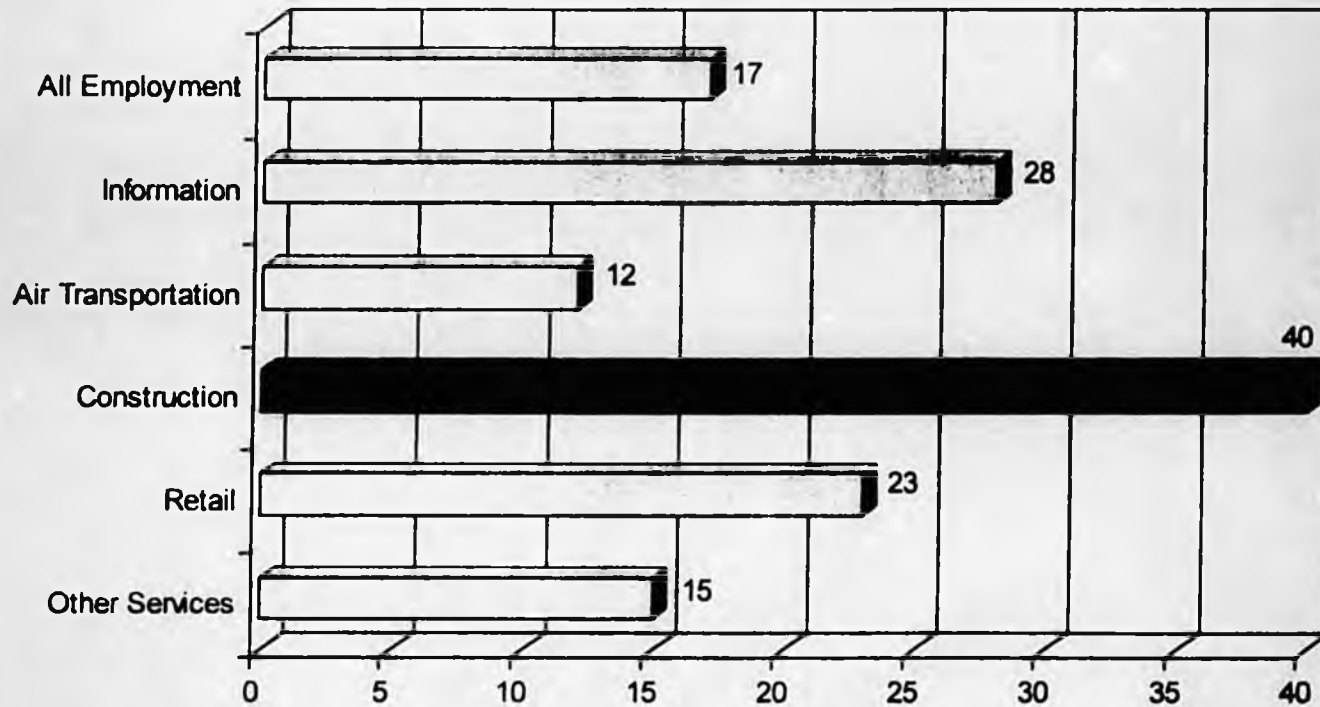
Alaska's Construction Industry Employment 2004



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

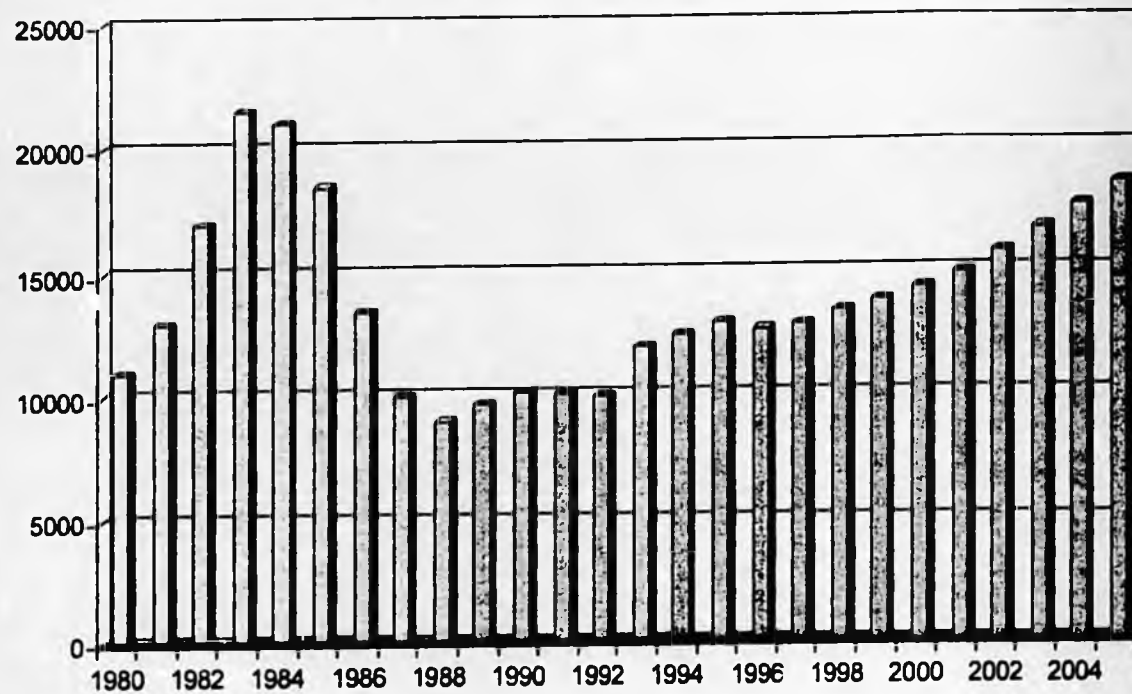
Construction has been one of the employment stars over the past decade

Labor Growth over the Past Decade

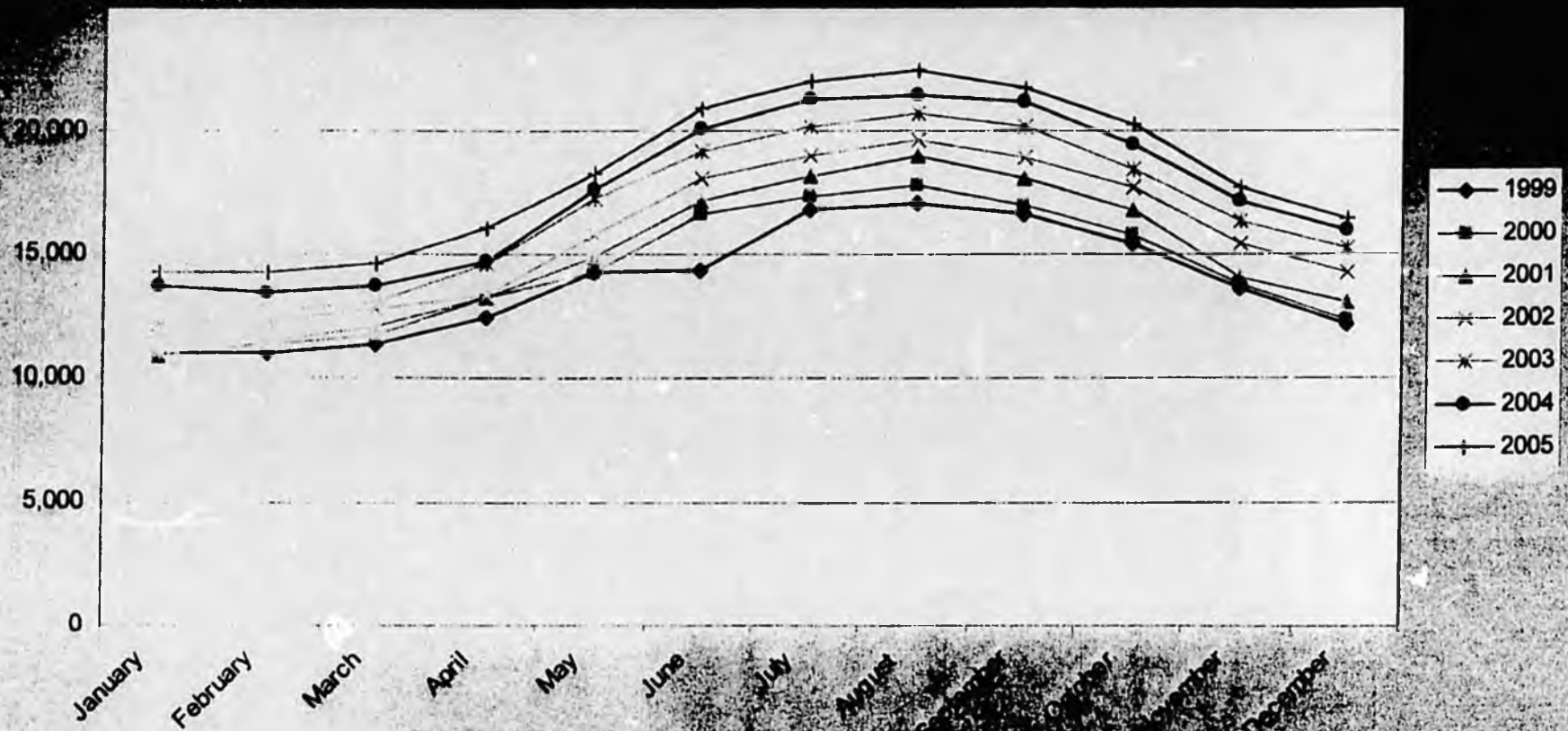


Construction Industry since 1980

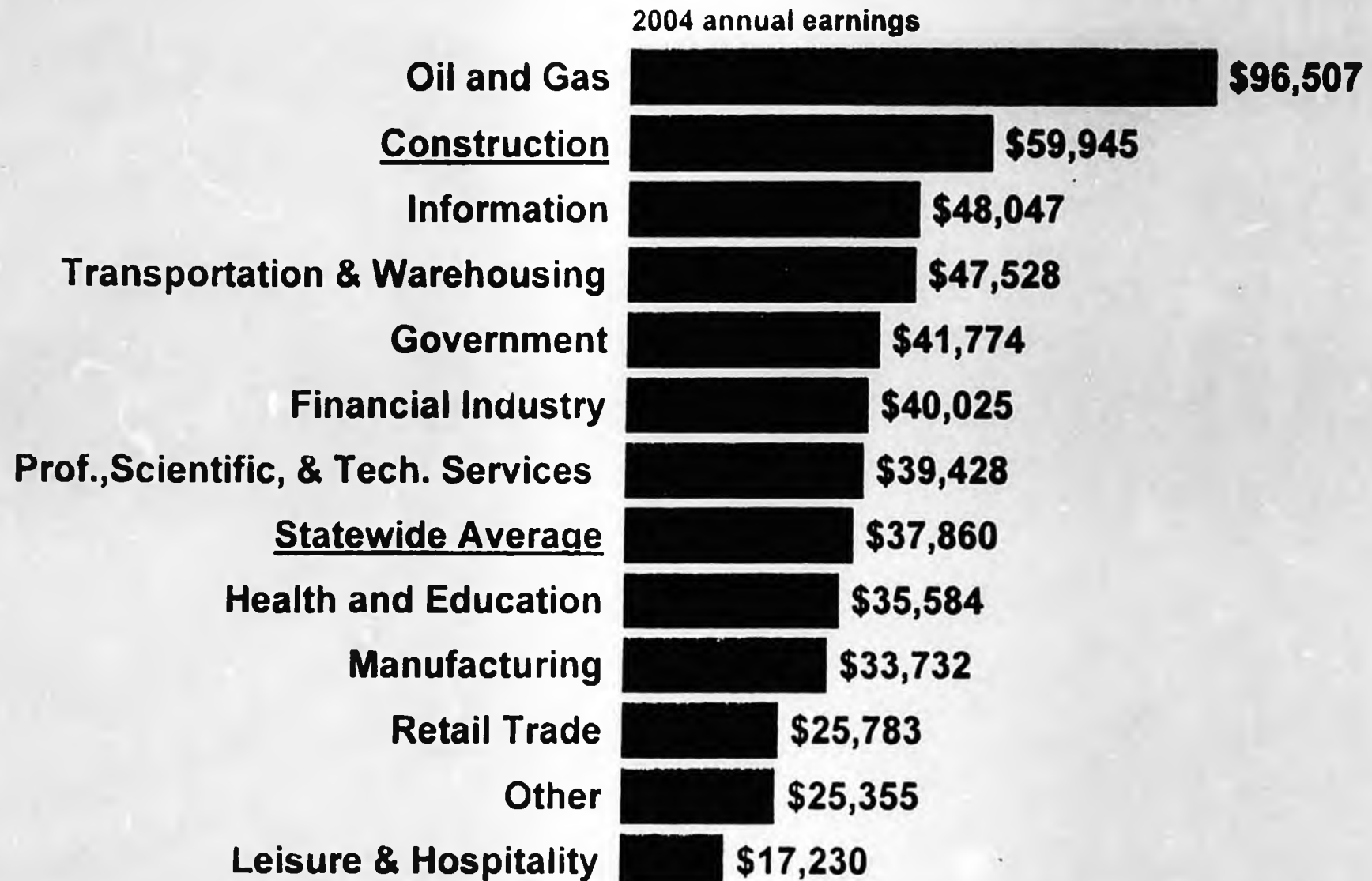
Industry Employment Since 1980



Construction Employment 1999-2005

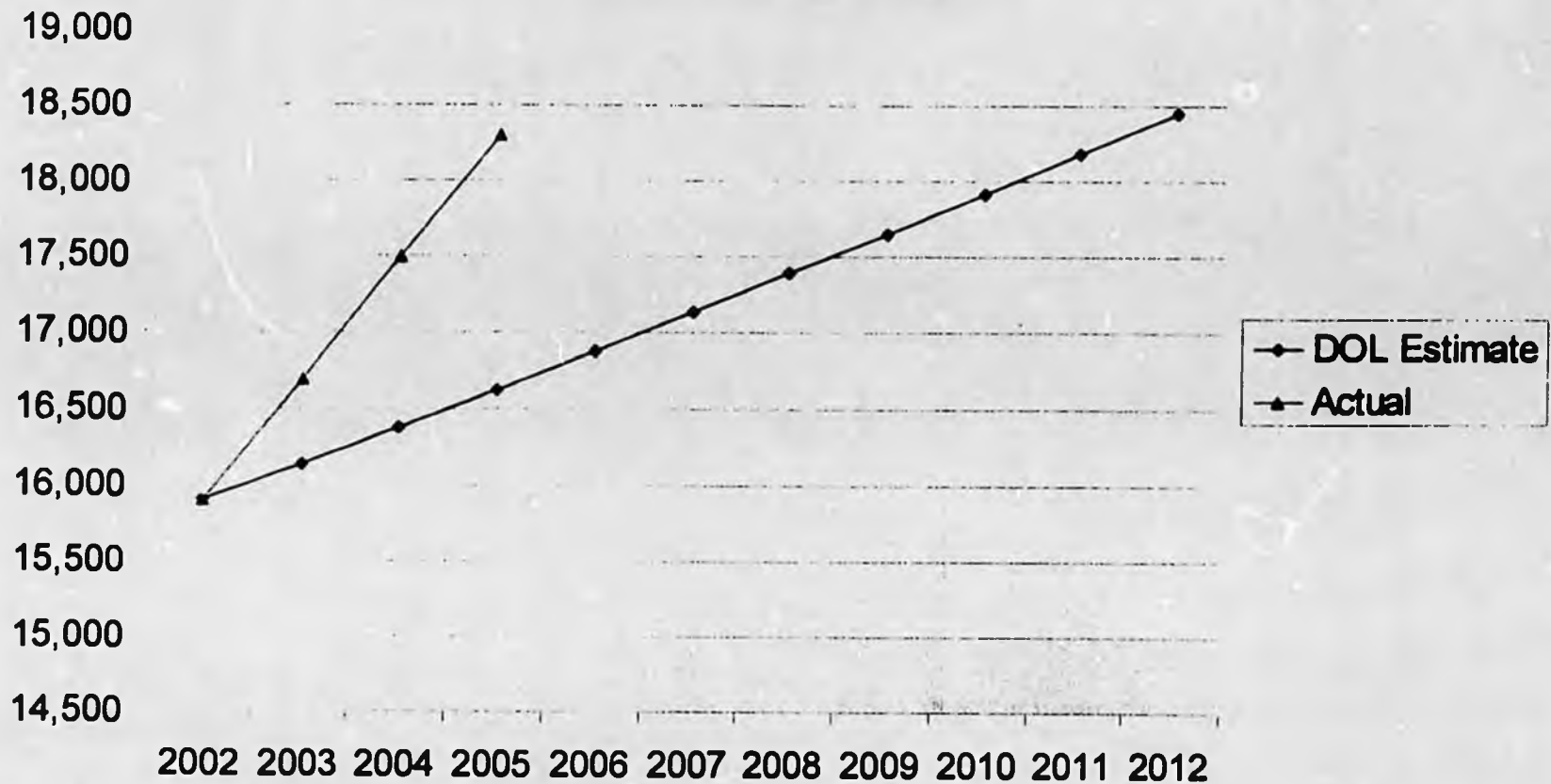


Construction Pays High Wages



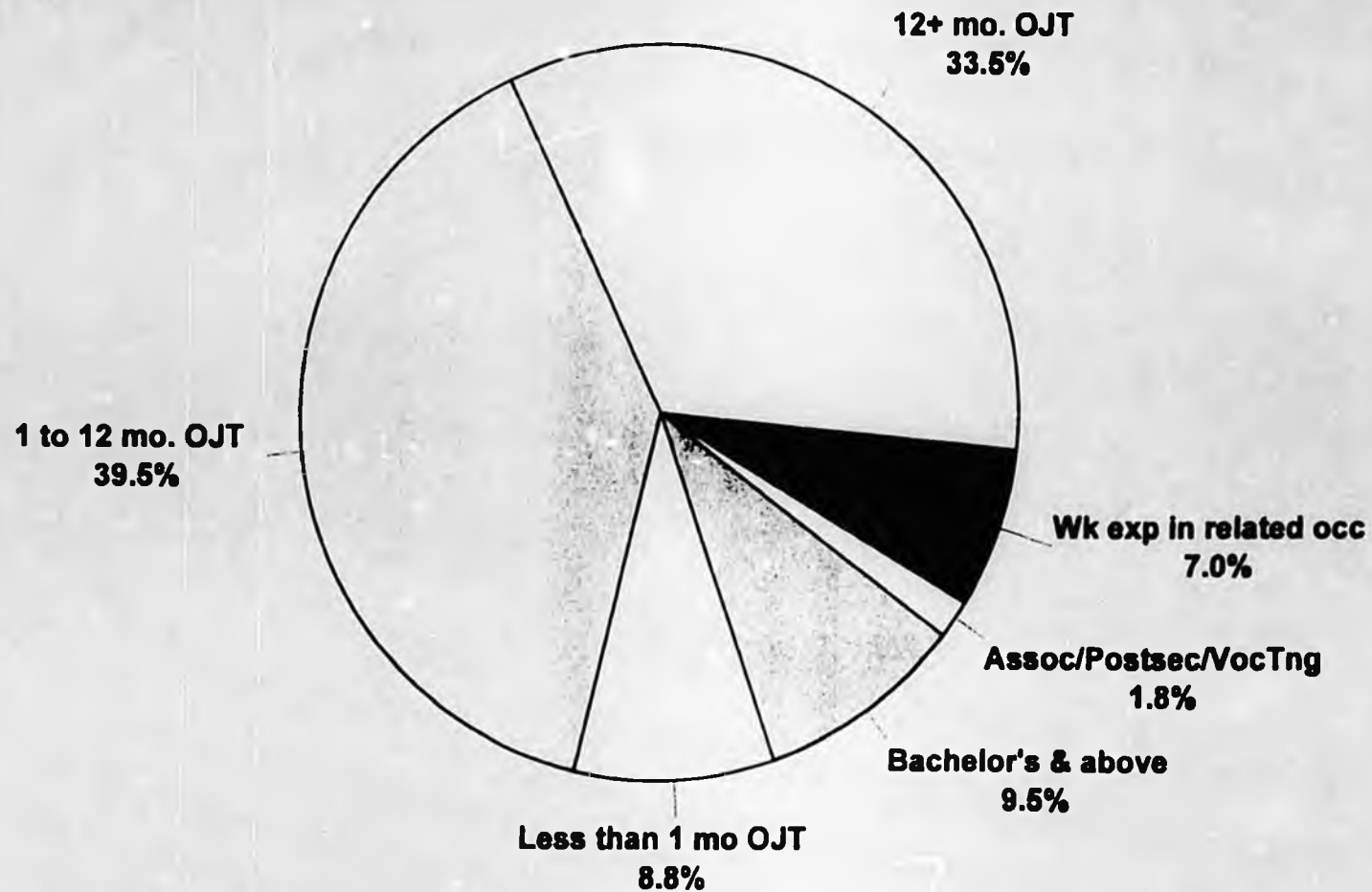
Projected Employment Growth

Construction Employment



Alaska's Current Construction Jobs by Level of Required Education

Estimated 2002



Problem Areas - Selected Crafts	Non-Resident Workers %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

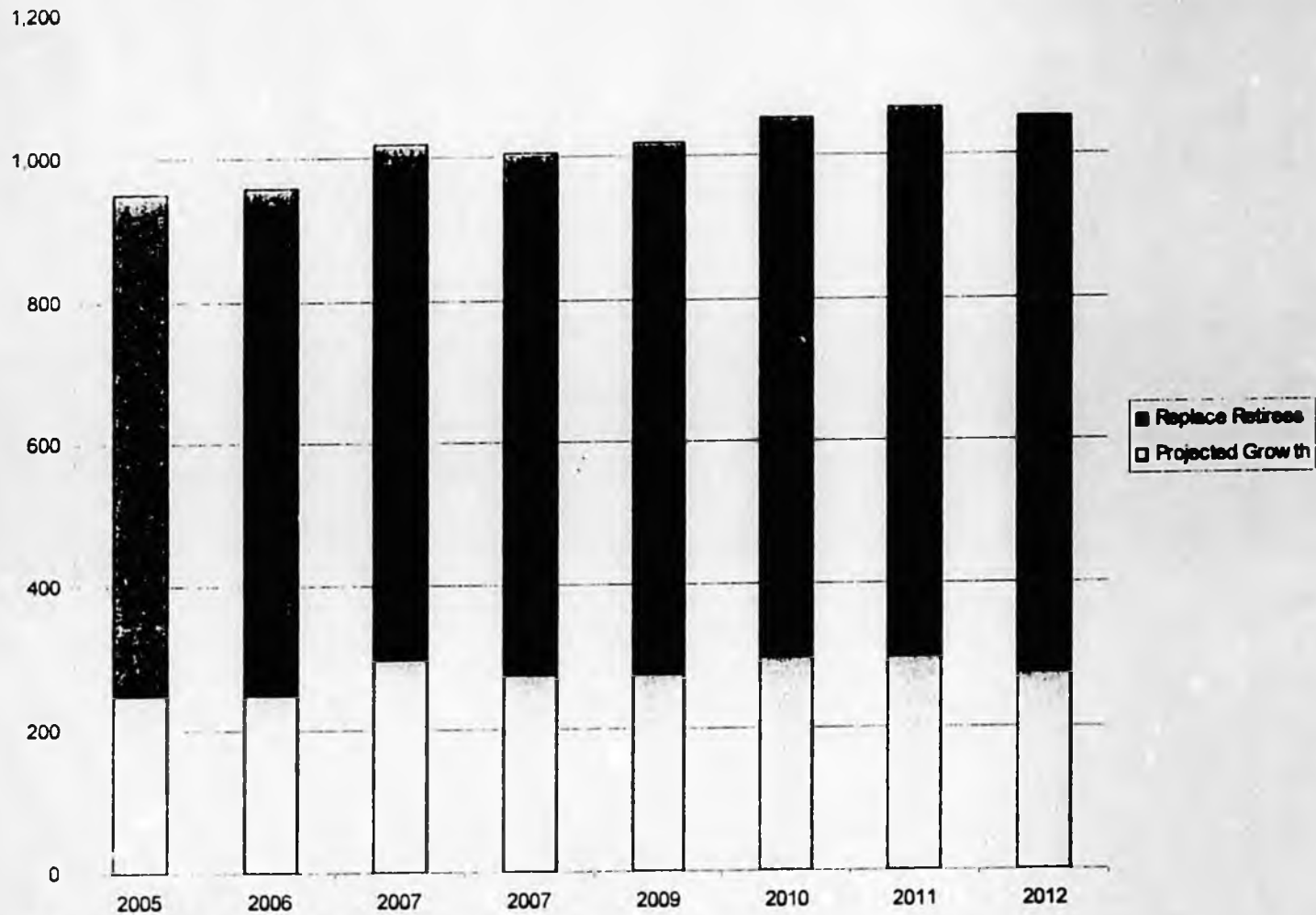
Selected Crafts - Continued

<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

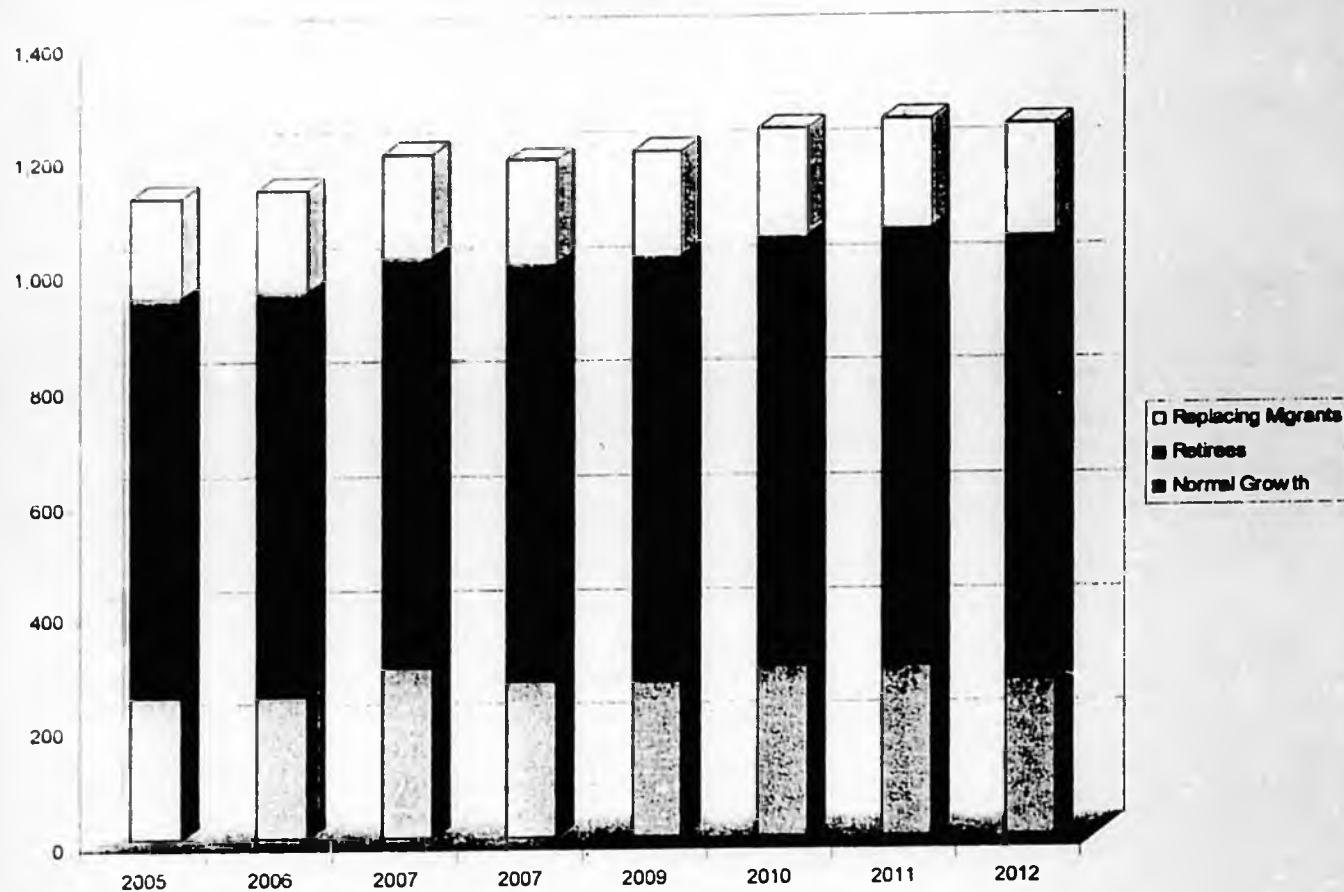
Selected Crafts - Continued

<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



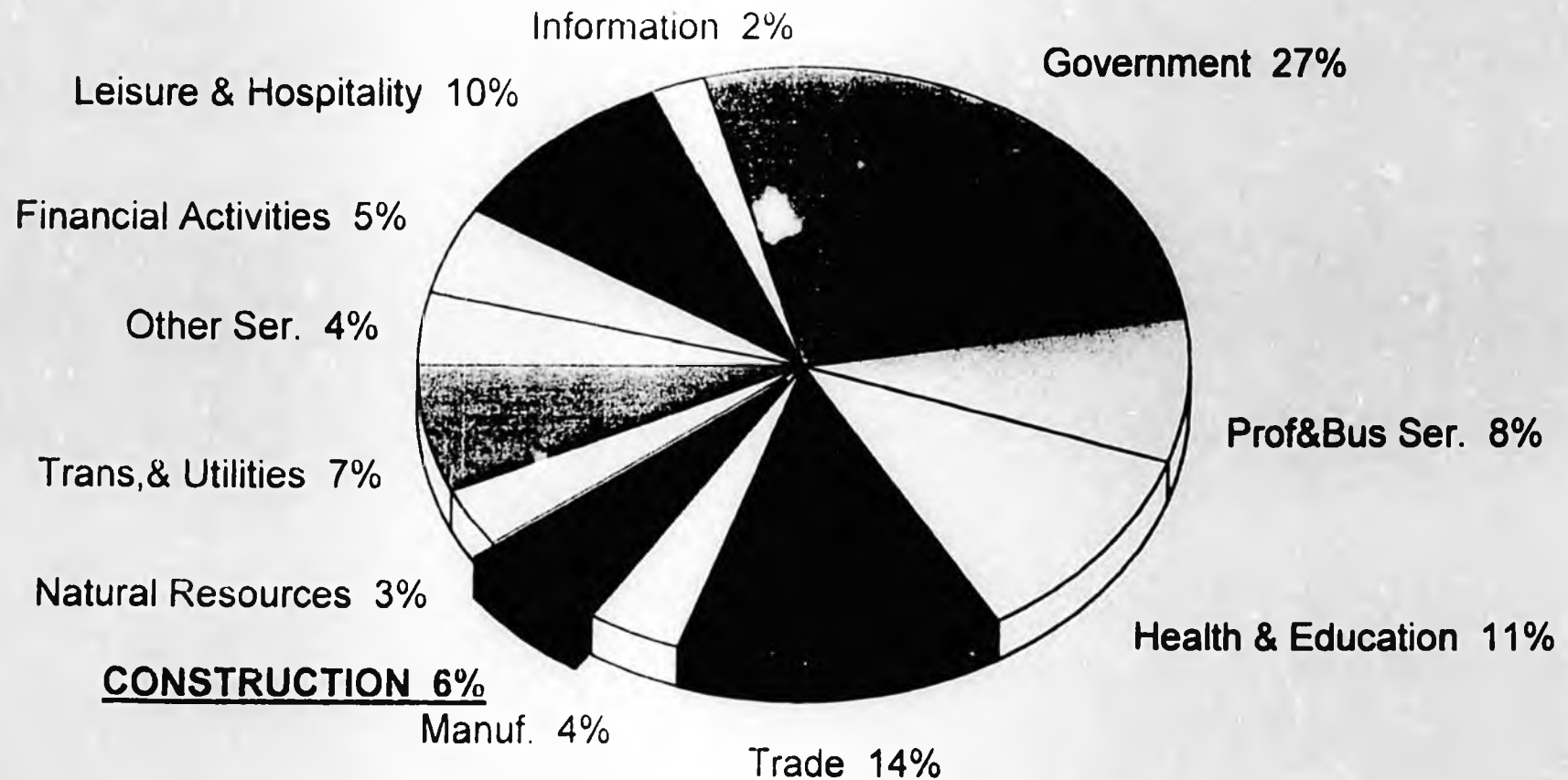
Projected Labor Growth – Including Reduction in Percentage of Non-Residents



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, DOLW'D, ASD, AHB, AWP, CITC

AEDC 2000

**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 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.

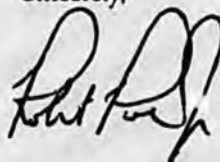
Immediately following, a total of four break-out periods were held on recruitment, training, employment, and funding. For each topic a facilitator led the discussion on what tactics are working, what are missing, and brainstormed strategies that addressed the problems identified. At the end of the day,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

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Conference
Overview

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Summary of
Presentations

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Preliminary
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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



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 Gulvin, 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

Mury 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