

# ALASKA

**NORTH TO OPPORTUNITY**

**Strengthening Alaska's Businesses to Support Industry Success  
Tools Available from the State of Alaska**



**2<sup>nd</sup> Highest GDP per capita**

**2<sup>nd</sup> Highest entrepreneurial activity rate**

**4<sup>th</sup> Best business tax climate**

**Top ten for business friendliness**

**Most state pride in the country!**

**In the average U.S. community, 76% of new jobs and capital investment is derived from existing business.**

# **WORKFORCE DEVELOPMENT**

## Workforce Readiness

Only **1 in 5 jobs** in Alaska *requires* a college degree

However . . .

**60 percent** of all jobs in the next decade will require *more* than a high school diploma

### Postsecondary Education, by 2012 Alaska High School Graduates and GED Recipients, 2005-2011

Academic Year	High School Outcome	Students	College Graduate	Some College or still Enrolled	Job Training Only	No Postsecondary
2004-2005	GED	784	12	230	191	351
2004-2005	Graduate	6,233	1,685	2,755	591	1,202
2005-2006	GED	814	14	256	198	346
2005-2006	Graduate	6,745	1,508	3,244	633	1,360
2006-2007	GED	640	6	183	194	257
2006-2007	Graduate	7,058	1,080	3,632	1,317	1,029
2007-2008	GED	528	4	134	131	259
2007-2008	Graduate	7,182	258	4,448	609	1,867
2008-2009	GED	456	0	104	130	222
2008-2009	Graduate	7,250	113	4,464	650	2,023
2009-2010	GED	399	0	75	101	223
2009-2010	Graduate	7,529	23	4,317	657	2,532
2010-2011	GED	277	1	34	50	192
2010-2011	Graduate	7,322	1	3,529	282	3,510



\*Postsecondary outcomes were derived from the National Student Clearinghouse and Alaska's job training providers.



**Workforce Development System: The education, employment, and job-training efforts designed to help employers get a skilled workforce as well as to help individuals to succeed in the workplace.**



## Workforce Development System

### Investing in Alaska's Talent Pipeline:

- Adult and Incumbent Worker Training
- Industry Specific Training Funds
- Youth Development
- Other Capacity Building

**\$1.25 billion**  
**K – 12 Education**  
**\$0.9 billion UA**

**A \$27million annual investment**



# Investing in Alaska's Talent Pipeline: Adults and incumbent workers

## State Training and Employment Program (STEP)

**Purpose:** to enhance the quality and accessibility of job training for employers, employees, and future workers and to reduce the demand for unemployment benefits.

**Source:** DGF - 0.1 percent of employee contributions to the Alaska unemployment insurance trust fund

### SFY2015 Uses and Projections:

- 31 grantees ~ competitively awarded
- \$4.5 million in awards
- 3,400 projected trainees



## Workforce Investment Act (WIA) Adult and Dislocated Workers

**Purpose:** Train eligible adults to increase employment, job retention, earnings, and occupational skills. Additional support services may also be available for workers experiencing hardships or other barriers to ongoing employment.

**Source:** Federal formula funds allocated to the states

### **SFY2014 Uses and Projections:**

- Individual Training Allowances (ITAs)
- \$2.9 million in awards
- 3,150 trainees



# Investing in Alaska's Talent Pipeline: Industry Specific Training

## Alaska Oil and Gas Occupations Training Fund

**Purpose:** Support training for priority occupations identified in the Alaska Oil and Gas Workforce Development Plan

**Source:** Annual UGF appropriation.

### **SFY2015 Uses and Projections:**

- 2 grants ~ competitively awarded
- \$161.3K in awards
- 162 projected trainees



**CREATING NEW  
OPPORTUNITIES  
THROUGH TAX REFORM**

## Creating Opportunity Through Tax Reform

Oil taxes were reformed because of:

- Declining production
- Comparatively low investment
- Declining Value
- Declining opportunities for Alaskans

Key Tax Reform Policies:

- **Senate Bill 21**
  - Oil Tax Reform
  - Manufacturing Credit
- **Governor Parnell's Education Opportunity Act (HB 278)**
  - Expanded education tax credit to provide opportunities to Alaskans
- **Senate Bill 138: AKLNG**





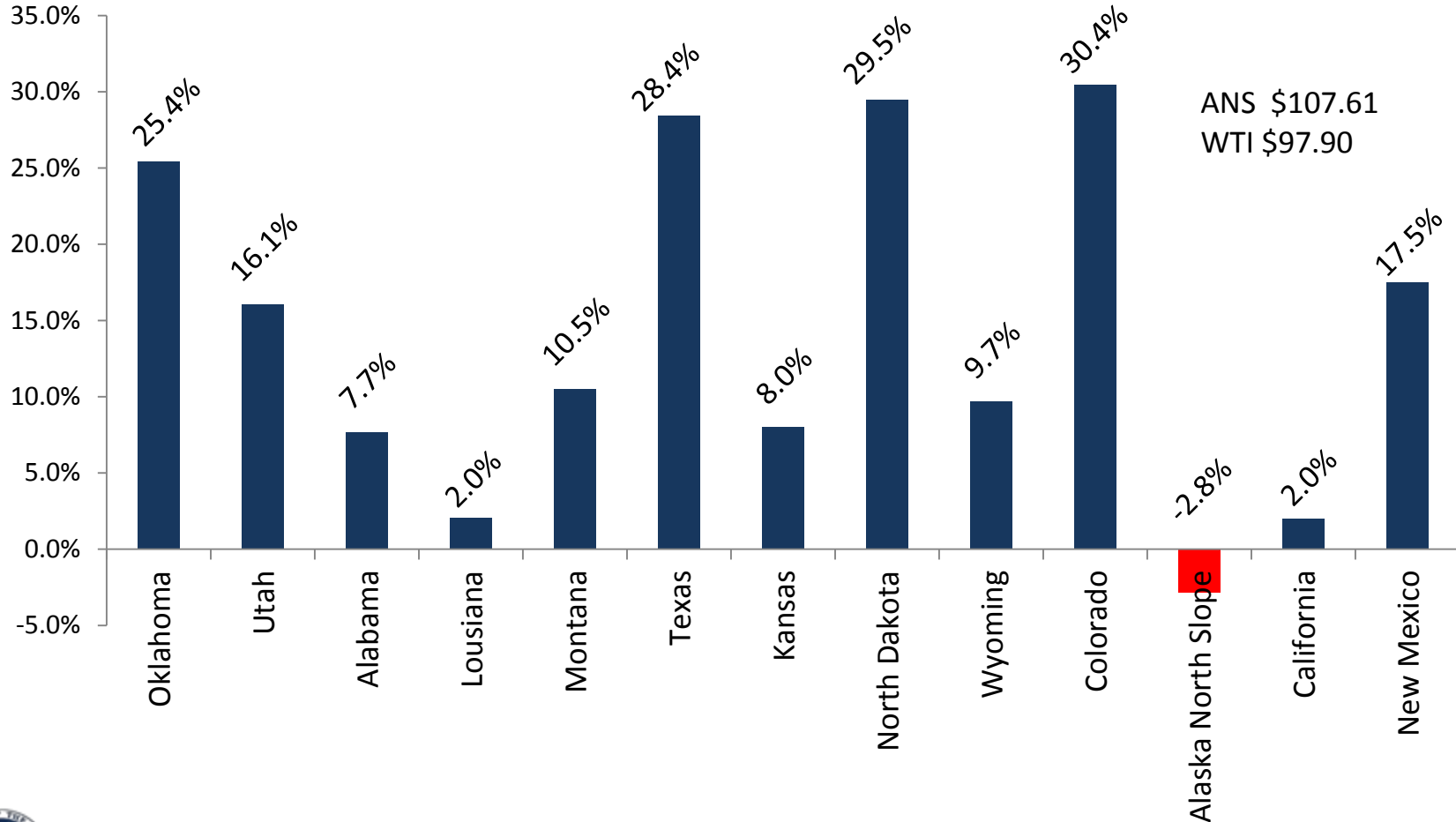


Revenues from oil production provide ~90% of unrestricted state revenues and directly or indirectly, half of Alaska jobs.

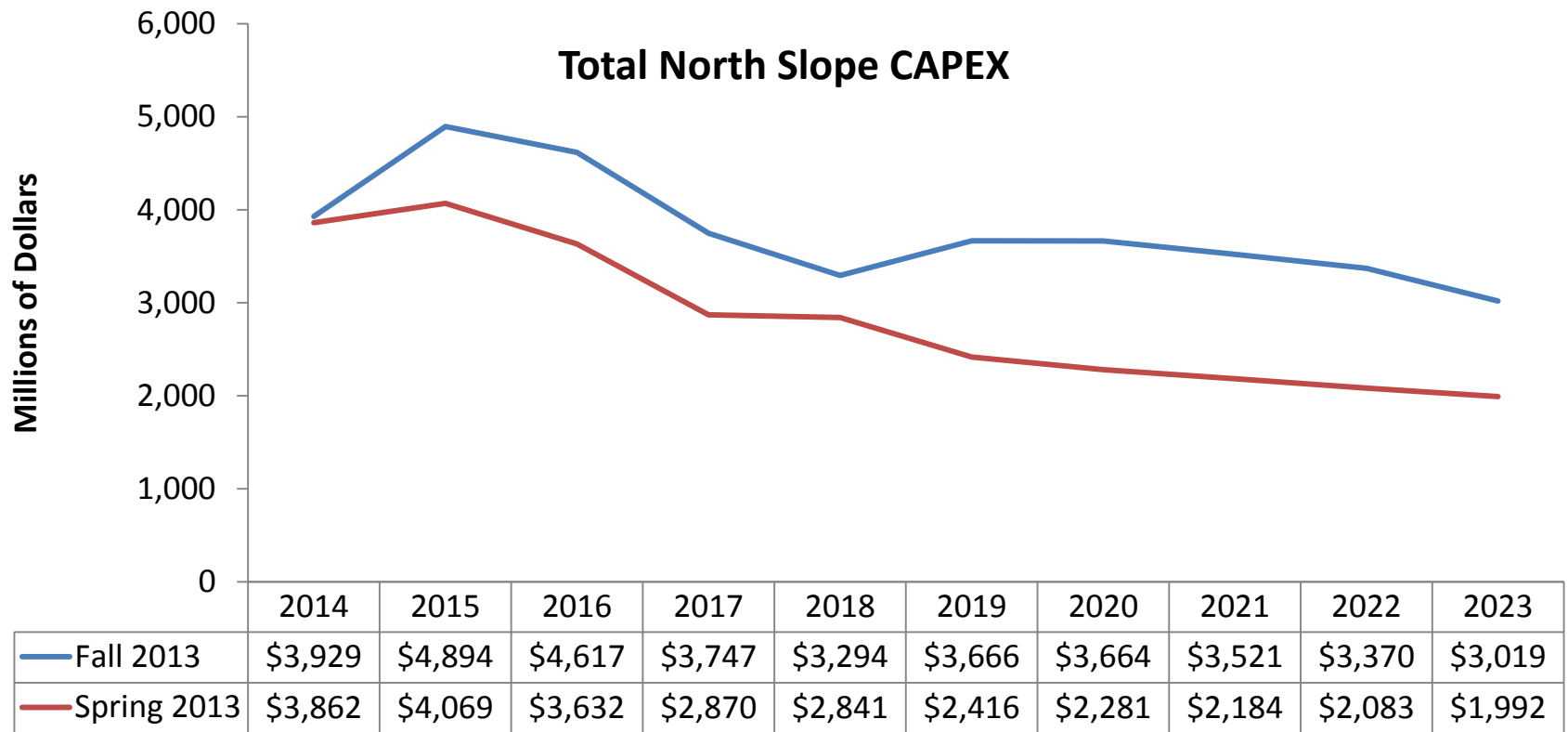


## Change in Average Daily Oil Production by State—2012-2013

Prepared by DOR, Economic Research Group (June 16, 2014)



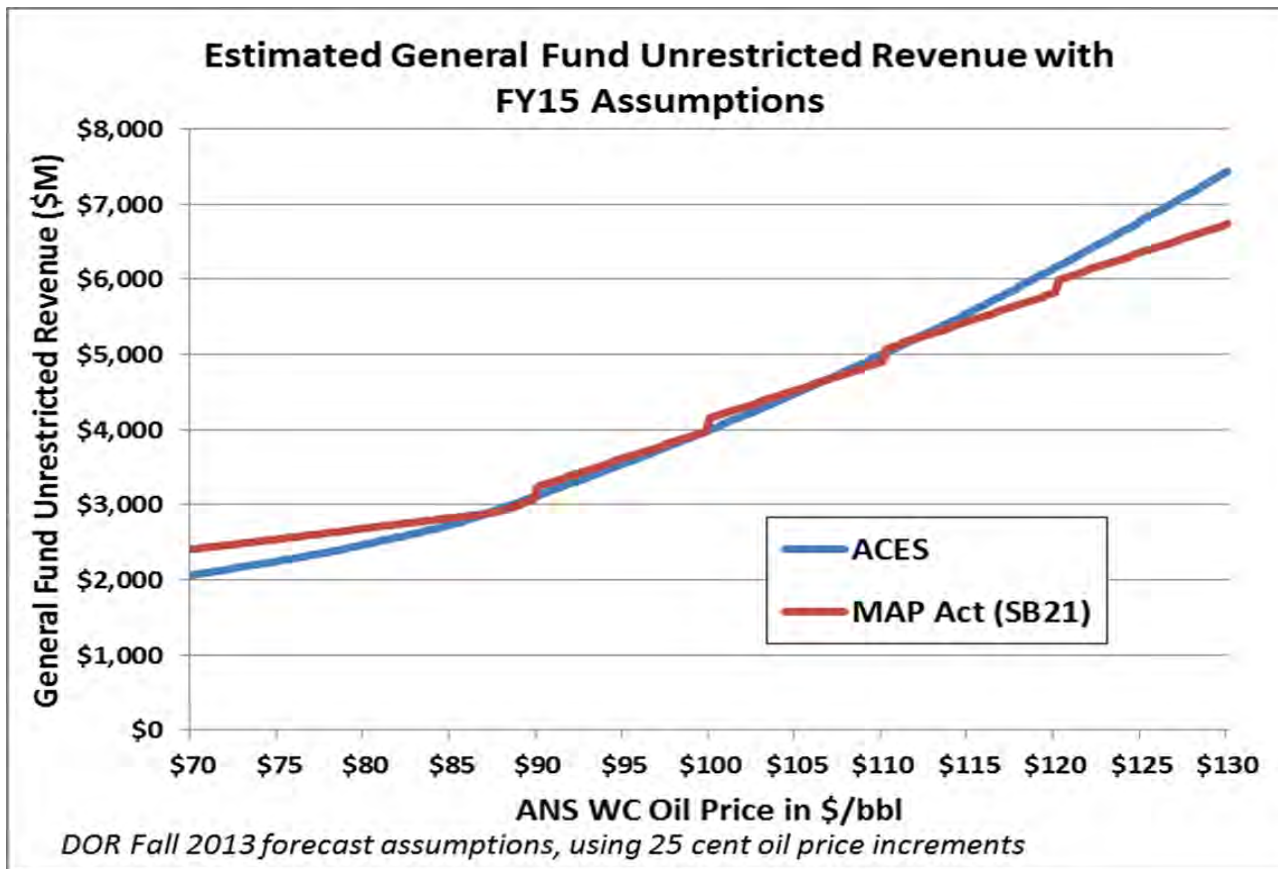
## Change in North Slope Lease Expenditure Forecast, Spring 2013 to Fall 2013



**Total Increase: \$9,492**



## MAP Act Generates Revenues close to ACES in FY15 at a Range of Oil Prices



# **TAX INCENTIVES**

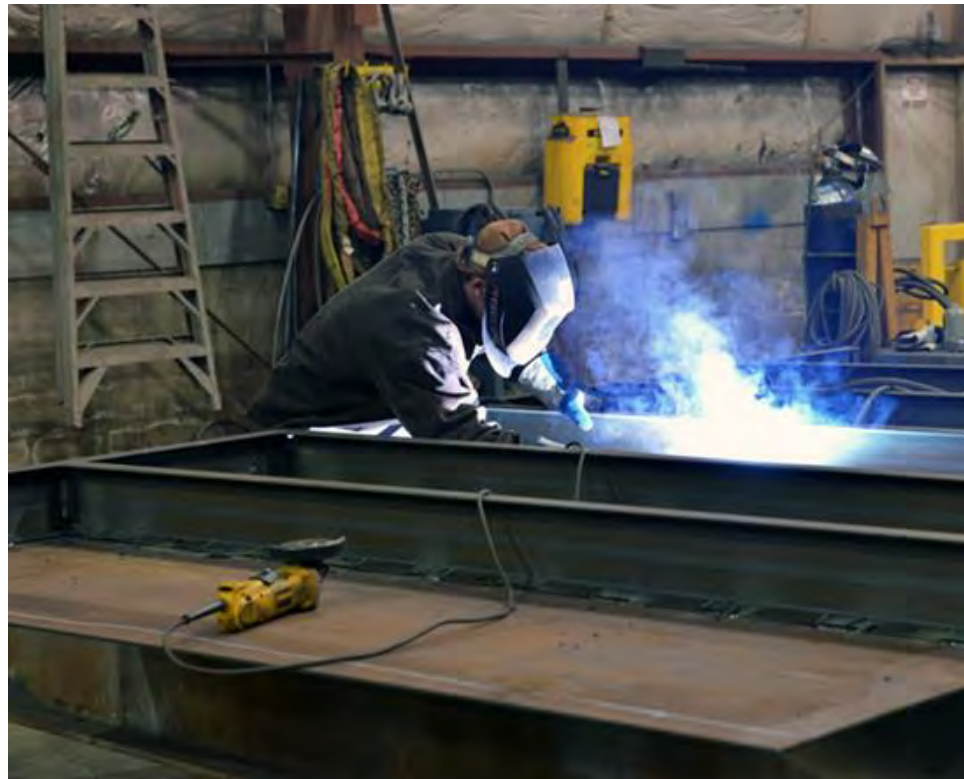
## SB 21: Manufacturing Credit

Key component of SB 21 based on idea that a healthy oil business **requires** a healthy service sector.

- A taxpayer may claim a credit against their State Corporate Income Tax liability of 10% of a qualified oil and gas service industry expenditure.
- The “qualified” expenditure is the manufacturing or modification of tangible personal property with a useful life of more than three years used in the exploration for, development of or production of oil and gas deposits.
- The concept of tangible personal property used in the exploration for, development of or production of oil and gas comes from Alaska's property tax statutes.



**Example: A welding company is making 20 vertical support mechanisms (VSMs) for a gathering line in a North Slope field at a cost of \$10,000 each. The welding company can claim a credit of 10% of the cost of making those VSM's on its corporate income taxes for a \$20,000 credit.**



## Understanding the Education Tax Credit

The Education Credit Program is defined in statutes enacted by the Legislature. General concept:

- A taxpayer may claim a credit against several tax types for cash contributions to eligible organizations or programs.
- Eligible organizations or programs may receive cash contributions for certain purposes.
- The Department of Revenue reviews tax returns and audits taxpayers.



## Recent Legislative Changes

### Senate Bill 138

- **Authorized and enabled progress on a large scale Liquefied Natural Gas Project.**
- **Amended the Education Credit for the Oil and Gas Production Tax to include programs approved by the U.S. Department of Veterans Affairs and the Alaska Commission on Postsecondary Education, non-profit regional training centers operated by the AK Department of Labor and Workforce Development or apprenticeship programs that are registered with the U.S. Department of Labor.**

## Recent Legislative Changes

### House Bill 278: Comprehensive Education Reform and Funding Bill

- **Amended the Education Credit for the (1) the Alaska Net Income Tax (2) Mining License Tax (3) Fisheries Business Tax (4) Fishery Resource Landing Tax to include:**
  - Public or Private nonprofit elementary or secondary schools as eligible organizations for the general credit for “direct instruction, research, and educational support purposes...”
  - Funding for a scholarship awarded by a non-profit organization to a dual-credit student to defray the cost of a dual credit course.
  - Constructing, operating or maintaining a residential housing facility by a residential school approved by the State DEED.
  - Childhood early learning programs provided by a nonprofit corporation organized under AS 10.20, a tribal entity or a school district in the State, by the Department of Education and Early Development, or through a state grant.
  - Operation of a nonprofit organization dedicated to providing education opportunities that promote a legacy of public service contributions to the State.

**Example: A nonprofit organization wants to create a scholarship program for students pursuing dual-credit courses by covering the students' tuition or textbooks.**

**Company D has a modest tax liability (~\$25,000) under the Alaska Net Income Tax and wishes to support establishing the program with an initial \$100,000 donation and \$10,000 annually thereafter.**

**Company D could use a credit of \$25,000 (even though the initial \$100,000 donation is eligible for up to \$50,000 in credit) in year 1 and \$5,000 annually.**



**SENATE BILL 138**  
**ENABLING AKLNG**

## Senate Bill 138: Enabling AKLNG

- Enabled the State's participation in the large scale LNG export project currently being developed by AGDC, BP, ConocoPhillips, ExxonMobil, and TransCanada.
- Set the State's share in the project by establishing a fixed 13% production tax on gas that allowed the State to take a share of the gas produced.
- Created alignment that has already led to:
  - Official Kickoff of Pre-FEED.
  - 2014 Summer Field Season.
  - Filing of an Export Application with U.S. Department of Energy.

**“While North Slope gas commercialization is challenging, working together, we can maintain the momentum toward our shared vision for Alaska.”**



# **FINANCING OPPORTUNITIES**

## Financing Opportunities

### Alaska Industrial Development and Export Authority (AIDEA)

- Mustang Road and Pad
- Mustang Operations Center
- Endeavor – Spirit of Independence Drilling Rig
- DeLong Mountain Transportation System



## Financing Opportunities

### Division of Economic Development

- Alaska Microloan Revolving Loan Fund
- Small Business Economic Development Loan
- Rural Development Initiative Fund
- Alternative Energy Conservation Loan Fund

LOAN FUND	MAX. AMOUNT	MAX. TERM	INTEREST	BANK TURNDOWN
Alaska Microloans	\$35,000 per person or \$70,000 for two or more people	6 years	Set at time of loan approval	Yes for loans of \$35,000 or more
Small Business Economic Development	\$300,000	20 years for fixed assets; 5 years for working capital	Set at time of loan approval	Yes
Rural Development Initiative Fund	\$150,000 per person or \$300,000 for two or more people	25 years	Set at time of loan approval	Yes
Alternative Energy Conservation Loan Fund	\$50,000	20 years	Set at time of loan approval	Yes for loans more than \$30,000



# **BUSINESS ASSISTANCE**

## Business Assistance

- Alaska Division of Economic Development  
[commerce.alaska.gov/dnn/ded](http://commerce.alaska.gov/dnn/ded)
- UAA Business Enterprise Institute  
[www.ced.uaa.alaska.edu](http://www.ced.uaa.alaska.edu)
- Alaska Small Business Development Center  
[www.aksbdc.org](http://www.aksbdc.org)
- AK SourceLink  
<http://www.aksourcelink.com>



**PROMOTIONAL AND  
PRODUCT PREFERENCE  
PROGRAMS**

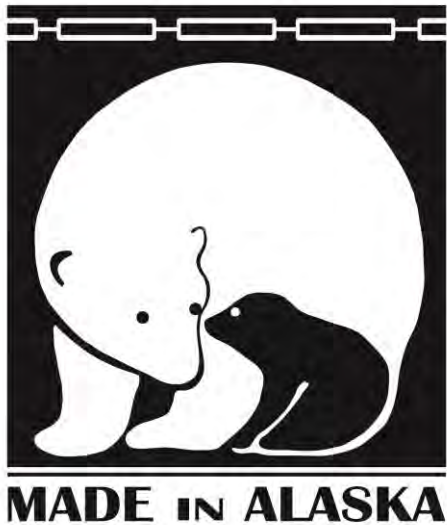
## Product Preference

Products produced in Alaska by local manufacturers/producers have a preference over non-Alaskan products:

- Alaska Product Preference Program
- Alaska Forest Product Preference Program

## Promotional Programs

### Made in Alaska



[www.facebook.com/Made-In-Alaska](http://www.facebook.com/Made-In-Alaska)

### Alaska Loyal



[www.facebook.com/AlaskaLoyal](http://www.facebook.com/AlaskaLoyal)

















## Questions?

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**THANK YOU!**