

ALASKA

NORTH TO OPPORTUNITY

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



2nd Highest GDP per capita

2nd Highest entrepreneurial activity rate

4th 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

22%

42%

*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.

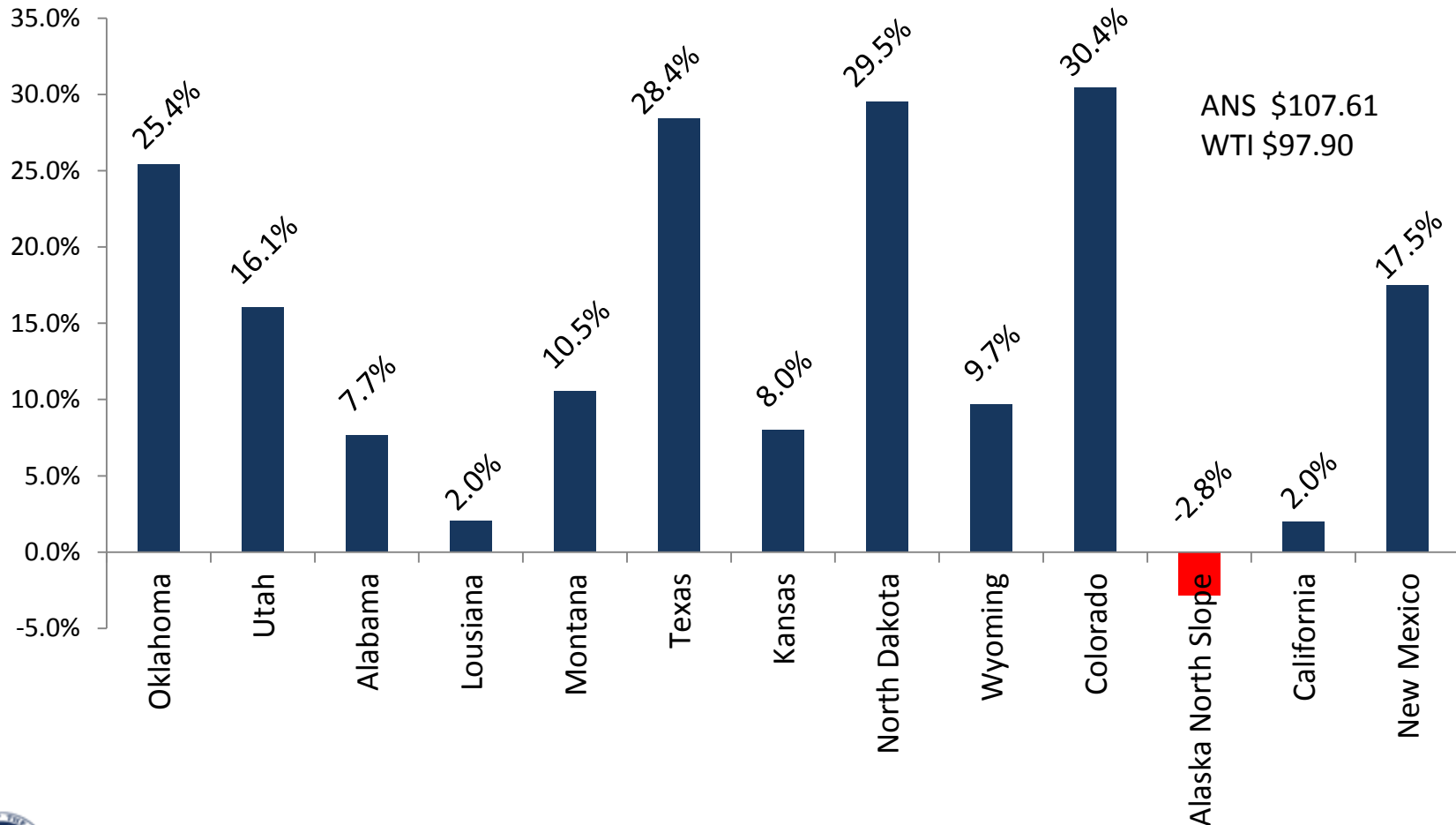


Sources:

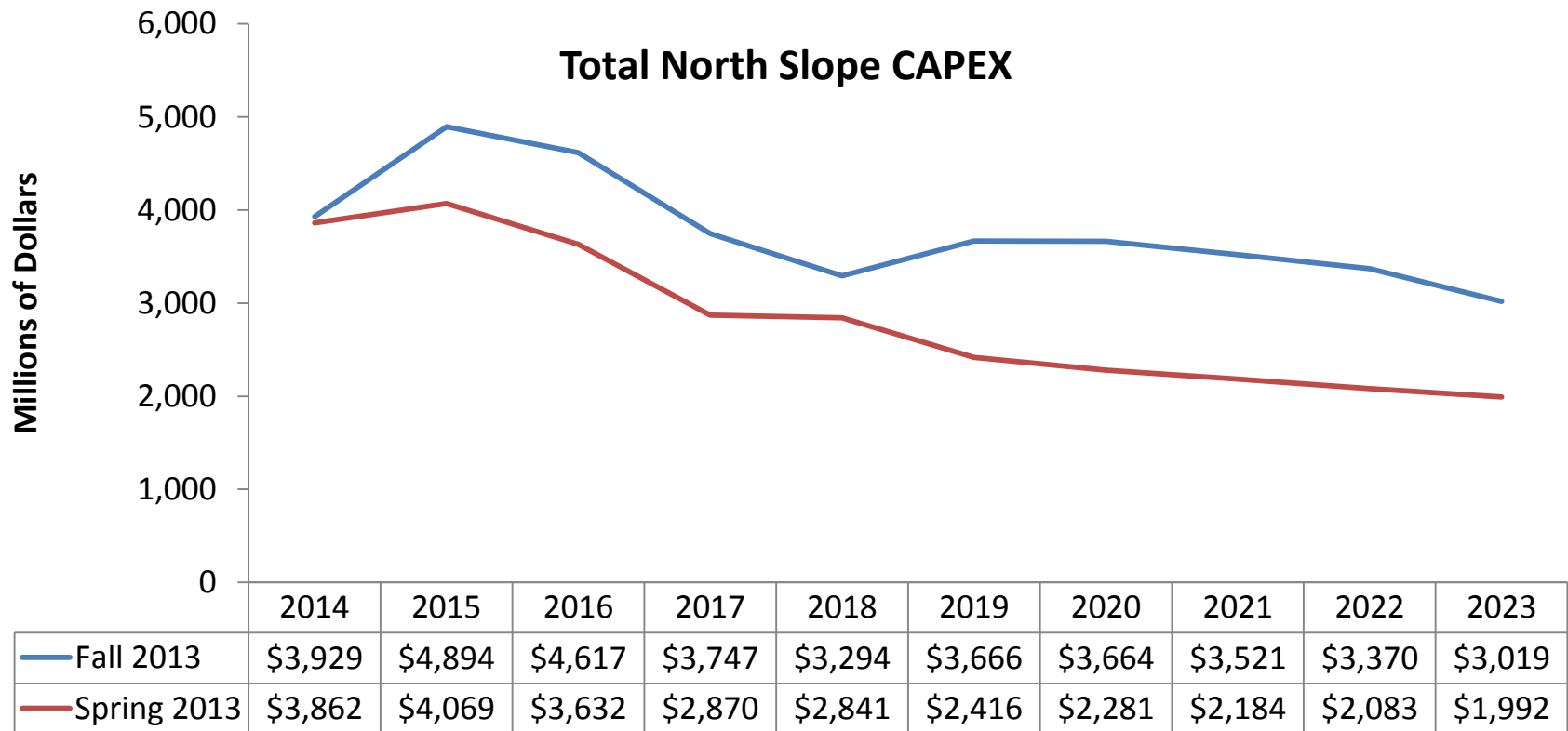
1. UGF Revenues : Fall 2013 Revenue Sources Book pages 94-95 (December 4, 2013)
2. Jobs: Institute of Social and Economic Research, Alaska's Economy: The Challenge Ahead (September 24, 2013)

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

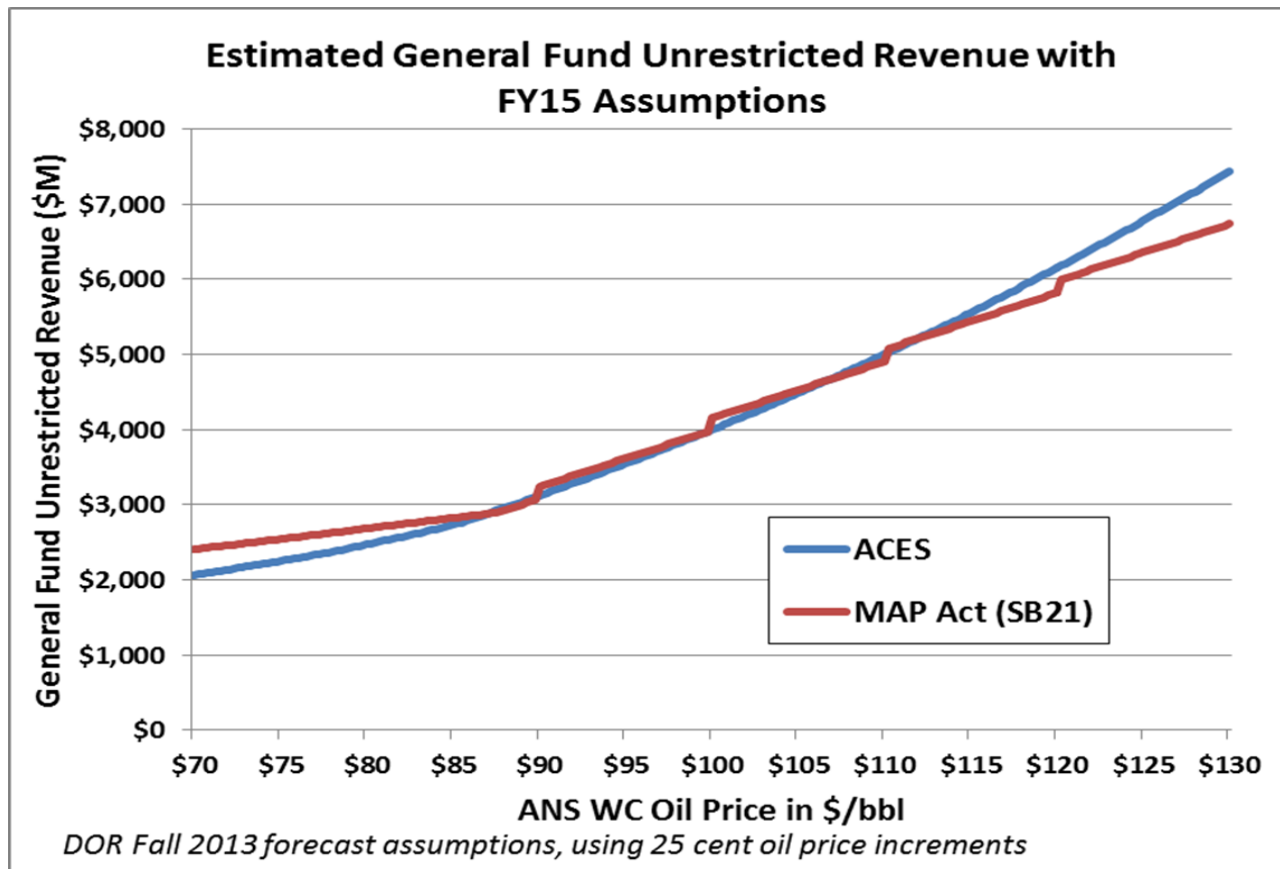


Total Increase: \$9,492

Note: These estimates include lease expenditures by companies that are not expected to have a tax liability.
Source: Department of Revenue - Revenue Sources Book Fall 2013 / 2012



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



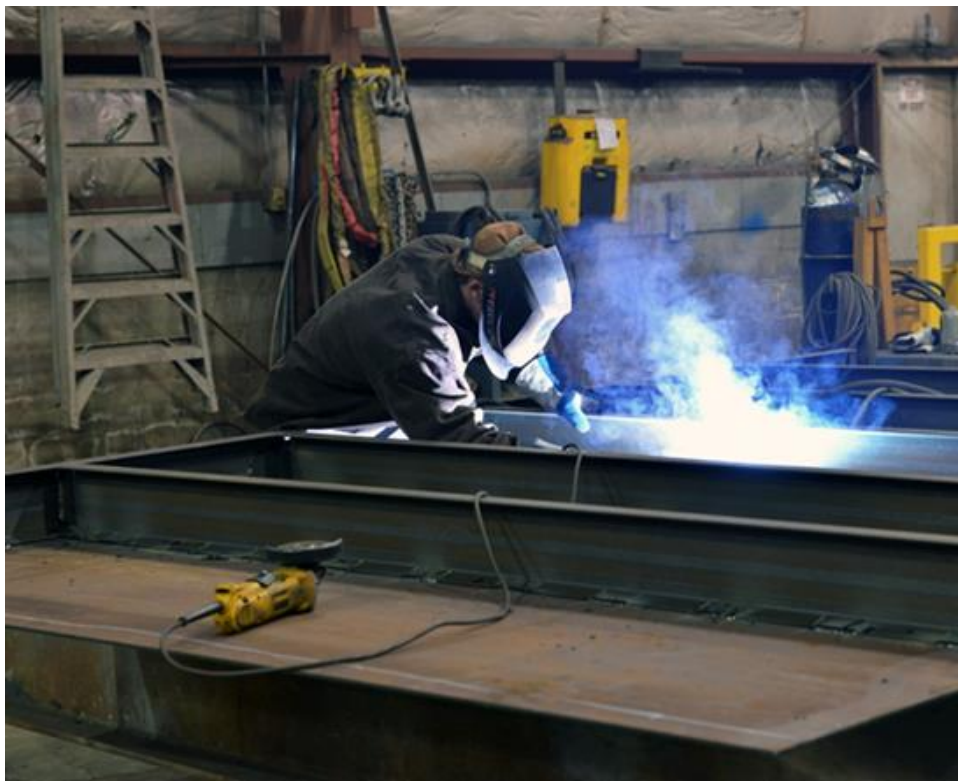
TAX INCENTIVES

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 (not including components) of \$1,000 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 \$2,000 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
- UAA Business Enterprise Institute
www.ced.uaa.alaska.edu
- Alaska Small Business Development Center
www.aksbdc.org
- AK SourceLink
<http://www.aksourcelink.com>

PROMOTIONAL AND PRODUCT PREFERENCE PROGRAMS

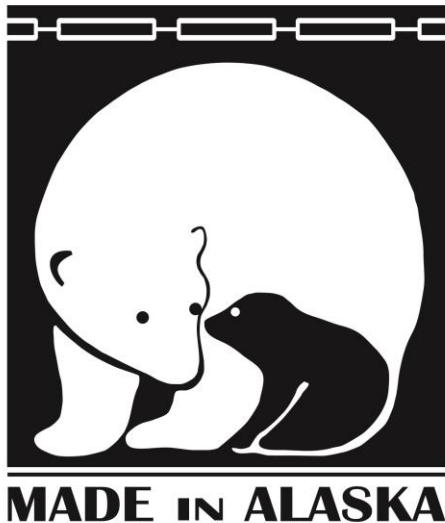
Product Preference

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



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Alaska Loyal



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Questions?

Jon Bittner, Deputy Commissioner

Department of Commerce, Community and Economic Development

Jon.bittner@alaska.gov

Mike Pawlowski, Deputy Commissioner

Department of Revenue

Mike.pawlowski@Alaska.gov

Mike Shiffer, Assistant Director

Department of Labor and Workforce Development, Division of Business Partnerships

Mike.shiffer@alaska.gov



THANK YOU!