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 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**

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

*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

A $27 million annual investment

$1.25 billion
K – 12 Education
$0.9 billion UA
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
  o Oil Tax Reform
  o Manufacturing Credit

• Governor Parnell’s Education Opportunity Act (HB 278)
  o 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)
Change in Average Daily Oil Production by State—2012-2013
Prepared by DOR, Economic Research Group (June 16, 2014)

ANS $107.61
WTI $97.90
Change in North Slope Lease Expenditure Forecast, Spring 2013 to Fall 2013

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

Total North Slope CAPEX

<table>
<thead>
<tr>
<th>Year</th>
<th>Fall 2013</th>
<th>Spring 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$3,929</td>
<td>$3,862</td>
</tr>
<tr>
<td>2015</td>
<td>$4,894</td>
<td>$4,069</td>
</tr>
<tr>
<td>2016</td>
<td>$4,617</td>
<td>$3,632</td>
</tr>
<tr>
<td>2017</td>
<td>$3,747</td>
<td>$2,870</td>
</tr>
<tr>
<td>2018</td>
<td>$3,294</td>
<td>$2,841</td>
</tr>
<tr>
<td>2019</td>
<td>$3,666</td>
<td>$2,416</td>
</tr>
<tr>
<td>2020</td>
<td>$3,664</td>
<td>$2,281</td>
</tr>
<tr>
<td>2021</td>
<td>$3,521</td>
<td>$2,184</td>
</tr>
<tr>
<td>2022</td>
<td>$3,370</td>
<td>$2,083</td>
</tr>
<tr>
<td>2023</td>
<td>$3,019</td>
<td>$1,992</td>
</tr>
</tbody>
</table>

Total Increase: $9,492
MAP Act Generates Revenues close to ACES in FY15 at a Range of Oil Prices

Estimated General Fund Unrestricted Revenue with FY15 Assumptions

DOR Fall 2013 forecast assumptions, using 25 cent oil price increments

Source: Department of Revenue - Revenue Sources Book Fall 2013
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:
  o Public or Private nonprofit elementary or secondary schools as eligible organizations for the general credit for “direct instruction, research, and educational support purposes…”
  o Funding for a scholarship awarded by a non-profit organization to a dual-credit student to defray the cost of a dual credit course.
  o Constructing, operating or maintaining a residential housing facility by a residential school approved by the State DEED.
  o 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.
  o 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 AK LNG
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.
“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
<table>
<thead>
<tr>
<th>LOAN FUND</th>
<th>MAX. AMOUNT</th>
<th>MAX. TERM</th>
<th>INTEREST</th>
<th>BANK TURNDOWN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alaska Microloans</td>
<td>$35,000 per person or $70,000 for two or more people</td>
<td>6 years</td>
<td>Set at time of loan approval</td>
<td>Yes for loans of $35,000 or more</td>
</tr>
<tr>
<td>Small Business Economic Development</td>
<td>$300,000</td>
<td>20 years for fixed assets; 5 years for working capital</td>
<td>Set at time of loan approval</td>
<td>Yes</td>
</tr>
<tr>
<td>Rural Development Initiative Fund</td>
<td>$150,000 per person or $300,000 for two or more people</td>
<td>25 years</td>
<td>Set at time of loan approval</td>
<td>Yes</td>
</tr>
<tr>
<td>Alternative Energy Conservation Loan Fund</td>
<td>$50,000</td>
<td>20 years</td>
<td>Set at time of loan approval</td>
<td>Yes for loans more than $30,000</td>
</tr>
</tbody>
</table>
BUSINESS ASSISTANCE
Business Assistance

- Alaska Division of Economic Development
  commerce.alaska.gov/dnn/ded

- UAA Business Enterprise Institute
  www.ced.aaa.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

Alaska Loyal

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Questions?

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THANK YOU!