

Department of Labor and Workforce Development

FY25 - Summary of Significant Budget Issues

(\$ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
1	Commissioner and Administrative Services / Technology Services	Reorganize Department-Level Information Technology and Helpdesk Functions Under New Technology Services Allocation	\$608.5 I/A Rcpts (Other) Inc	\$608.5 I/A Rcpts (Other) Inc	<p>The purpose of this new allocation is to combine information technology and help desk resources under a single structure, as it had been previously. Positions that had once been transferred into the Office of Information Technology in the Department of Administration have returned to the Department.</p> <p>The new allocation consolidates 22 information technology positions from within the Department. Interagency receipt authority is added to the new allocation to receive existing funding from the divisions to support the positions.</p>
2	Commissioner and Administrative Services / Workforce Investment Board	Increase Authorization for Vocational Training Opportunities through the STEP Program Based on Available Revenues	\$1,631.1 STEP (DGF) Inc	\$1,631.1 STEP (DGF) Inc	<p>The source of revenue for the State Training and Employment Program (STEP) is 1/10th of 1 percent of wages subject to employee contributions for unemployment insurance under AS 23.20.290(d), which are diverted from the Unemployment Insurance trust fund to the STEP account. The FY25 revenue projection for the STEP account balance is higher than the current expenditure authority. Increased authority will allow for additional employment and training grants given to entities in service to Alaskans.</p> <p>The legislature also approved an FY24 Supplemental item of \$1,388.7 for the same purpose, but modified the request to be a Multiyear (FY24 - FY25) appropriation. Any STEP funds not expended in FY24 will be available in FY25, on top of the \$1,631.1 Increment.</p>
3	Various	Reauthorization of the Technical Vocational Education Program (TVEP)	n/a	\$16,469.5 VoTech Ed (DGF) Inc	<p>The Technical Vocational Education Program (TVEP) was established in FY01 under AS 23.15.820-850 and included a sunset provision which was extended eight times, with the most recent extension poised to sunset at the end of FY24.</p> <p>The Governor's FY25 budget request reflected the sunset of the program and subsequent loss of funding distributed under AS 23.15.835(d). The legislature chose to reauthorize the program in HB 148 (Ch. 4, SLA 24) and made several changes to the program, including:</p> <ul style="list-style-type: none"> - removing language directing the Department to establish a competitive grant program to distribute the funds; - increasing the percentage of employee wages collected from .16 percent to

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3	Various	Reauthorization of the Technical Vocational Education Program (TVEP)	n/a	\$16,469.5 VoTech Ed (DGF) Inc	<p>(continued) .25 percent; and - removing the sunset language to make TVEP permanent.</p> <p>Under TVEP, named recipients receive grants from a percentage of the revenues that are collected by the Department from employee wage contributions to the Unemployment Insurance (UI) fund. Two of the named recipients are the Alaska Workforce Investment Board (AWIB) and the Alaska Vocational Technical Center (AVTEC), both within the Department. AWIB also administers the program on behalf of the State.</p> <p>The Department submitted a Fiscal Note for the reauthorization, which was appropriated with the enacting legislation. With the program reauthorized indefinitely, the anticipated FY25 distribution of TVEP funding to the Department is \$16,469.5, allocated as follows:</p> <p>Commissioner and Administrative Services, AWIB: \$11,896.0 Commissioner and Administrative Services, Technology Services: \$35.0 Employment and Training Services, UI: \$440.6 Employment and Training Services, Workforce Services: \$14.8 AVTEC, AVTEC: \$4,083.1</p> <p>Fiscal Analyst Comment: In FY24, the TVEP distribution among named recipients was moved to the language section to appropriate the full amount available prior to the sunset. In FY25, the distribution was moved back to the numbers section in order to accommodate the legislature's late decision to amend AS 23.15.835(a) to increase the percentage of wages collected from .16 percent to .25 percent.</p>
4	Commissioner and Administrative Services / Office of Citizenship Assistance	Re-establish the Office of Citizenship Assistance	\$437.8 Gen Fund (UGF) Inc	\$437.8 Gen Fund (UGF) Inc	The Office of Citizenship Assistance (OCA) was originally created in 2004 but closed at the end of FY08 as there were no appropriations made to support OCA in FY09 or beyond. The Department has re-established OCA in order to provide assistance with work placement and training for immigrants and refugees within Alaska. This work falls outside the allowable scope of the

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4	Commissioner and Administrative Services / Office of Citizenship Assistance	Re-establish the Office of Citizenship Assistance	\$437.8 Gen Fund (UGF) Inc	\$437.8 Gen Fund (UGF) Inc	<p>(continued)</p> <p>Department's federal programs, so unrestricted general funds are used to support OCA.</p> <p>The Department has identified three vacant, full-time positions from other allocations to transfer into OCA in order to meet staffing needs: one position from the Alaska Workforce Investment Board in the same appropriation, and two positions from the Unemployment Insurance allocation in the Employment and Training Services appropriation. These positions will be reclassified in order to meet the service needs of OCA and will report to a Deputy Commissioner.</p>
5	Workers' Compensation / Workers' Compensation	Implement Compensation Recommendations from Workers' Compensation Hearing Officers Salary Study	\$118.0 Wrkrs Safe (DGF) Inc	\$118.0 Wrkrs Safe (DGF) Inc	<p>The Division of Personnel and Labor Relations completed the Workers' Compensation Hearing Officer salary review study and found a misalignment between salary and duties. The result of the study adjusts the pay for one Hearing Officer 1 from range 21 to range 22, and six Hearing Officer 2 positions from range 22 to range 24. This Increment will fund the increased salaries.</p> <p>These adjustments took effect on February 19, 2024. The Department stated that the increased costs for the remaining FY24 payroll periods could be absorbed and therefore did not submit a related request for an FY24 Supplemental appropriation.</p>
6	Workers' Compensation / Workers' Compensation Benefits Guaranty Fund	Add Unrestricted General Funds for Projected Workers' Compensation Benefits Guaranty Fund Claims	\$518.6 Gen Fund (UGF) Suppl	\$518.6 Gen Fund (UGF) Suppl	<p>The Workers' Compensation Benefits Guaranty Fund (WCBGF) was established in 2005 and consists of civil penalty payments made by employers who fail to provide workers compensation insurance (AS 23.30.080) under the Alaska Workers' Compensation Act. These revenues are appropriated for claims made by employees injured on the job without the protection of workers' compensation insurance.</p> <p>At the end of FY22 the WCBGF was swept and no longer available to support claims, resulting in a projected shortfall to the fund for FY24. This Supplemental appropriation of unrestricted general funds was added to eliminate the FY24 shortfall. Per statute, failure to pay any successful claims</p>

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6	Workers' Compensation / Workers' Compensation Benefits Guaranty Fund	Add Unrestricted General Funds for Projected Workers' Compensation Benefits Guaranty Fund Claims	\$518.6 Gen Fund (UGF) Suppl	\$518.6 Gen Fund (UGF) Suppl	(continued) within 30 days would result in a 25 percent penalty plus interest against the State of Alaska.
7	Labor Standards and Safety / Alaska Safety Advisory Council	Executive Order 135 - Eliminate the Alaska Safety Advisory Council	n/a	n/a	<p>The Governor issued Executive Order 135 (EO 135) to eliminate the Alaska Safety Advisory Council (ASAC) and transfer its duties to the Department of Labor and Workforce Development. Historically, ASAC has had its own allocation under the Labor Standards and Safety appropriation within the Department.</p> <p>Senate Special Concurrent Resolution 12 would have overridden EO 135 but failed to pass the legislature. EO 135 eliminates ASAC effective July 1, 2024.</p> <p>Fiscal Analyst Comment: The Office of Management and Budget provided a Statement of Cost whitepaper for EO 135, which outlined the need for two new permanent full-time positions, at a cost of \$262.8 annually (no fund source was designated), to be added in order for the Department to successfully take on the work of ASAC. However, a request to fund the activities of ASAC within the Department never materialized even after EO 135 was sustained.</p> <p>Prior to issuing EO 135, the Governor requested to maintain \$281.6 in Statutory Designated Program Receipts to support the ASAC allocation in FY25. Despite sustaining EO 135 to disband the ASAC allocation, the legislature also approved this request.</p>
8	Employment and Training Services / Workforce Services	Partnership with the Department of Transportation and Public Facilities for Workforce Development	\$2,400.0 I/A Rcpts (Other) Inc	\$2,400.0 I/A Rcpts (Other) Inc	The Department of Transportation and Public Facilities (DOT) has received federal funds for training as part of the Infrastructure Investment and Jobs Act and has partnered with the Department of Labor and Workforce Development to grant funds to individuals through the Alaska Job Center Network for costs directly associated with training and supportive services. Five vacant positions have transferred from Unemployment Insurance to Workforce Services to administer the distribution.

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9	Vocational Rehabilitation / Vocational Rehabilitation Administration	Temporary Replacement of Federal Indirect Revenues to Maintain Vocational Rehabilitation Administration Support	\$97.5 Gen Fund (UGF) IncOTI	\$97.5 Gen Fund (UGF) IncOTI	General funds are added on a one-time basis to avoid a projected shortfall in FY25 for this allocation, which is funded through a federal indirect rate based on the number of filled positions within the Division. The Department stated that high vacancy of direct reimbursement positions in the Client Services and Disability Determination Services components, 24.3 percent and 37.5 percent respectively, left the allocation unable to collect \$211.3 in federal indirect revenue to support the other positions covered by the indirect rate.
10	Vocational Rehabilitation / Special Projects	Sec 40(e), HB 268 - Reappropriate Unobligated and Unexpended Balance of the Assistive Technology Loan Guarantee Fund	n/a	\$446.8 Reappropriates (Other) FisNot	The Assistive Technology Loan Fund (ATLF) was established in 1995 under AS 23.15.125 with a grant awarded through the federal Assistive Technology Act. Reappropriation of the balance of the ATLF, \$446.8 in Other Funds, was made contingent upon the passage of HB 219 (SLA 24). HB 219 repeals the statute and includes a related conditional effect that the legislature reappropriate the balance of the ATLF as part of eliminating the program. Reappropriation allows the Department to grant the funds to the Assistive Technologies of Alaska (ATLA), a disability and support services organization which both the Department and the U.S. Department of Health and Social Services already have an existing oversight and reporting relationship with. The intent is to better leverage the funds with the complementary work that the ATLA is already doing while reducing the administrative and financial burden to the State. Fiscal Analyst Comment: The purpose of the ATLF was to allow the State to guarantee the loans of, or buy down the interest rates on a loan for, Alaskans

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10	Vocational Rehabilitation / Special Projects	Sec 40(e), HB 268 - Reappropriate Unobligated and Unexpended Balance of the Assistive Technology Loan Guarantee Fund	n/a	\$446.8 Reappropriations (Other) FisNot	(continued) with disabilities who would not otherwise qualify for a loan but needed one in order to procure assistive technology. Flaws in the program, including the financial onus of marketing the program and screening applicants being entirely on the State, led to very little use of the ATLF since inception. As interest rates fell in more recent years, administration of the program essentially ceased.
11	Alaska Vocational Technical Center / Alaska Vocational Technical Center	Support for Existing Vocational Training Opportunities	\$629.5 Gen Fund (UGF) Suppl	\$629.5 Gen Fund (UGF) Suppl	AVTEC is funded primarily through General Fund Program Receipts from student tuition and fees, and some general fund support from the State. AVTEC requires student enrollment of 85 percent or greater to maintain operations without additional general fund support. In FY19, AVTEC had enrollment of over 90 percent in most of its course offerings but enrollment was substantially reduced as a result of the coronavirus pandemic. In FY24, AVTEC's student enrollment reached 75 percent but was still under the target enrollment to cover operating expenses.