



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

**Department of Labor and
Workforce Development**

Office of the Commissioner

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February 7, 2014

The Honorable Kevin Meyer
The Honorable Pete Kelly
Co-Chairs of Senate Finance
State Capitol Building
Juneau, AK 99801-1182

Dear Senators Meyer and Kelly,

Thank you for the opportunity to testify on senate bill 93 related to the Technical and Vocational Education Program (TVEP) sponsored by Senator Olson. Please accept the following in response to questions posed by members of the Senate Finance committee.

Question:

Please provide a fiscal note that shows the actual revenue anticipated each year instead of assuming the revenue will be flat.

Answer:

Instead of updating three different fiscal notes to include inflation, which is against the Office of Management and Budget fiscal note instructions and would require the legislators to add the figures for all three together, we have provided one overall TVEP revenue projection through FY2020. The projection is based on the average rate of change from FY2009-FY2013 of 3.4 percent and applies that growth rate to determine the revenue projection for FY 2015 through FY2020.

Also enclosed for the committee's reference is a table showing how much additional revenue would go to the TVEP fund if the set-aside rate established in AS 23.15.835(a) was increased at 0.01 percent increments from the current rate of 0.15 percent to 0.20 percent. This document also illustrates the corresponding increase to employer taxes at each increment.

Question:

Can the department's Research and Analysis section provide some input on job growth anticipated in the Ketchikan, Prince of Wales and North Slope areas?

Answer:

The Research and Analysis (R&A) section of the Department of Labor and Workforce Development projects job growth based on recent trends. However, these job growth projections do not include estimates for new projects coming online. Also, they are limited to Southeast, Fairbanks and Anchorage and do not drill down to smaller areas such as Ketchikan, Prince of Wales Island or the North Slope. Some R&A industry-specific job growth projections, such as for

oil and gas employment forecasts, may provide some insights to growth on the North Slope, but these projections include other areas such as the Kenai Peninsula.

For your reference, below are links to two Alaska Economic Trends publications containing job growth projections. The first is the Employment Forecast for 2014. The Southeast forecast starts on page 15. Oil industry jobs are referenced on page eight. The second is the October 2012 Alaska Economic Trends issue article on industry employment forecasts. According to that article, oil and gas extraction added about 300 jobs from 2007 to 2010 and is expected to grow by 5.2 percent from 2010 to 2020. Page four of the article has a table that shows projected oil and gas employment from 3,551 in 2010 to 3,737 in 2020. Again, these projections do not account for significant new projects that may come on line.

<http://labor.alaska.gov/trends/jan14.pdf>

<http://laborstats.alaska.gov/trends/oct12art1.pdf>

Also, the Department of Natural Resources (DNR) tracks mining prospects and is a good resource for information on new prospects in particular areas of the state. Provided below is a link to a map of Alaska mineral resources produced by DNR.

http://137.229.113.30/webpubs/dggs/mp/oversized/mp142_sh001.pdf

I would welcome the opportunity to provide additional information as necessary.

Sincerely,



Grey Mitchell

Assistant Commissioner

Enclosures:

1. Alaska Technical and Vocational Education Program Revenue Projections
2. Current and Hypothetical Employee Tax for TVEP

Current and Hypothetical Employee Tax for Technical Vocational Education Program (TVEP)

Employee Tax for TVEP*	Additional TVEP Funds	Additional Employer Tax Per Employee**	Annual Tax Increase for Employer with Four Employees	Annual Tax Increase for Employer with 50 Employees
0.15% (Current Law)	\$0	\$0	\$0	\$0
0.16%	\$751,924	\$2.40	\$9.60	\$120
0.17%	\$1,503,848	\$4.80	\$19.20	\$240
0.18%	\$2,255,772	\$7.20	\$28.80	\$360
0.19%	\$3,007,696	\$9.60	\$38.40	\$480
0.20%	\$3,759,620	\$12.00	\$48.00	\$600

* AS 23.15.835: Percentages are of unemployment insurance covered employees' taxable wages as detailed in AS 23.20.175.

** If a higher percentage of employee taxes went to TVEP, a lower percentage would be deposited into the unemployment insurance trust fund, a difference that would be made up by increased employer taxes.

Note: Figures are based on calendar year 2013 TVEP funding and are approximations of the effect larger TVEP funding percentages would have had on 2014 employer tax rates (employee tax rates would remain unchanged).

Enclosure 2

Department of Labor and Workforce Development
Alaska Technical and Vocational Education Program Revenue Projections

Prepared February 10, 2014

Fiscal Year	Actual Revenue	Projected Revenue	\$ Change	% Change	Average % Change
2009	9,671,764				
2010	9,526,969		(144,795)	-1.5%	3.4%
2011	10,196,947		669,978	7.0%	
2012	10,611,614		414,667	4.1%	
2013	11,044,226		432,612	4.1%	
2014		11,386,997	342,771	3.1%	
2015		11,598,146	211,149	1.9%	
2016		11,992,483	394,337	3.4%	
2017		12,400,227	407,744	3.4%	
2018		12,821,835	421,608	3.4%	
2019		13,257,778	435,942	3.4%	
2020		13,708,542	450,764	3.4%	

Notes:

- 1) FY2014 was estimated by the Research and Analysis section at 3.1 percent.
- 2) The FY2015 revenue change of 1.9 percent is the assumption the FY2015 budget distribution was based on. The budget is developed with a modest growth assumption to avoid negative supplementals to the TVEP recipients if revenue is not realized.
- 3) The rate of growth estimated for FY2016-FY2020 is based on the average annual rate of change from FY2009-FY2013.

Enclosure 1