



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

Department of Labor and  
Workforce Development

Office of the Commissioner

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February 6, 2018

The Honorable Neal Foster  
Chair House Finance Subcommittee  
State Capitol Building, Room 410  
Juneau, AK 99801

Dear Representative Foster,

Thank you for the opportunity to present the Department of Labor and Workforce Development FY2019 Budget Overview to the Labor House Finance Subcommittee on January 31, 2018. Provided below are responses to inquiries raised during the meeting.

Representative Sullivan-Leonard requested statistics for the Wasilla job center in comparison with other Alaska job centers.

Enclosed is a table with information on job center traffic for FY2017; this includes the total number of visits for each job center and the number of distinct individuals served by each job center. The U.S. Department of Labor converted to a new reporting system with implementation of the Workforce Innovation and Opportunity Act, and, as a result, employment outcomes for the individuals served in FY2017 will not be available until August 2018. Additionally, this system only provides employment outcomes on a statewide level and does not have the ability to breakdown this data for individual job centers.

Representative Pruitt inquired about the effects of sunseting the Second Injury Fund and the cost impact to employers of the sunset.

First, the department stated on the record that the Second Injury Fund (SIF) is related to an employee hired with a previous Workers' Compensation injury. This is not correct. SIF was established at statehood to provide an economic incentive to an employer to hire employees with certain qualifying disabilities such as diabetes or epilepsy. With the passage of the Americans with Disabilities Act, it is unlawful for an employer to ask someone whether or not they have a disability before offering them a job and employers may not discriminate against disabled persons in hiring or retention practices. Historically, all 50 states have had similar funds, but since the passage of ADA, 19 states have sunset their second injury funds. For a qualifying claim, SIF reimburses the Workers' Compensation insurance provider or self-insured employer only for wage replacement benefits after two years. The insurer or self-insured employer of the injured worker must pay all other benefits and the first two years of wage replacement benefits.

Revenue to SIF comes from an annual assessment on Workers' Compensation insurance providers and self-insured employers through a contribution rate that changes every year based on a formula in statute designed to ensure sufficient revenue to cover expenses. Insurance companies are able to pass this assessment on to employers through premiums. Sunseting SIF would reduce costs to employers over time as the contribution rates decline. Opposition may come from a few employers

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or insurers that get more in SIF reimbursements than they pay into the Fund. For example, in FY2017 New Hampshire Insurance Co. paid \$72,798 in SIF assessments, and it received \$156,000 in SIF reimbursements; in comparison Alaska National paid \$518,346 in SIF assessments, and it only received \$268,117 in SIF reimbursements.

Please let me know if you have further questions. I welcome the opportunity to speak with you on these or any other topics related to the department.

Sincerely,

A handwritten signature in blue ink, appearing to read "Greg Cashen".

Greg Cashen  
Acting Commissioner

Enclosure