DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT
FY19 - Summary of Significant Budget Issues

Governor's Budget Items Approved as Requested

Item #	Approp/Allocation	Description	Amount/Fund Source	Comment
1	Commissioner and Administrative Services/ Leasing	Savings as a Result of Space Consolidation Efforts	($141.4) UGF	Since FY15, the department's UGF funding for lease costs has been reduced by 27% ($1.1 million). The department has significantly reduced its leased space through lease consolidations in Anchorage, Mat-Su, Juneau, and Kenai; and Job Center closures in Eagle River, Utqiagvik, and Kotzebue. The department continues to review leases for further consolidation opportunities. Due to these efforts, UGF is reduced by $141.4 in FY19 to align the budget with anticipated expenditures.
2	Various Appropriations/ Various Allocations	MH Trust: Projects in Support of Workforce Programs	$200.0 MHTAAR (Other)	The legislature approved the addition of Mental Health Trust Authority Authorized Receipts (MHTAAR) for two projects as follows: • **Commissioner and Administrative Services/ Labor Market Information: $75.0 MHTAAR (IncOTI).** Funds will be used to produce a biannual health care workforce profile and needs assessment and to develop tools and analyses to better understand and monitor workforce issues. • **Employment and Training Services/ Workforce Services: $125.0 MHTAAR (IncT FY16-FY19).** This increment provides funds for a liaison between the Division of Employment and Training Services and the Department of Corrections to collaborate with various partner programs and stakeholders to identify and make available services and opportunities aimed at reducing recidivism.

Governor's Budget Items Approved as Requested (continued)

Item #	Approp/Allocation	Description	Amount/Fund Source	Comment
3	Various Appropriations/ Various Allocations	Fund Changes to Maintain Programs	**Net Zero Change** ($250.5) UGF $250.5 GF/Prgm (DGF) $260.0 I/A Rcpts (Other) ($260.0) Federal Receipts	The legislature accepted the Governor's proposed fund changes which replace UGF with DGF and Federal Receipts with Interagency Receipts in order to maintain operations and align budgets with available funding: • **Alaska Vocational Technical Center: Switch ($250.5) UGF for $250.5 GF/Prgm Rcpts (DGF).** Due to additional revenue initiatives at the Alaska Vocational Technical Center (AVTEC), such as a new Penn Foster partnership and increased tax credit donations, five percent of the UGF in the AVTEC budget can be replaced with program receipt budget authority without negatively impacting services. • **Vocational Rehabilitation Administration: Switch ($260.0) Fed Rcpts for $260.0 Interagency Receipts (Other).** The Vocational Rehabilitation Administration allocation reflects a change in revenue authority to match anticipated funding. Previously unbudgeted internal I/A Receipts will now be shown as budgeted.
4	Various Appropriations/ Various Allocations	Technical Vocational Education Program (TVEP) Receipts	($520.6) VoTechEd Funding (DGF)	The legislature approved the Governor's formula decrease in TVEP funding of ($520.6) which affects the following allocations: • Employment and Training Services/ Workforce Development ($347.7); and • Alaska Vocational Technical Center/ Alaska Vocational Technical Center ($172.9). The Technical and Vocational Education Program (TVEP) is a diversion of 0.16 percent of employee contributions to the unemployment insurance trust fund. The receipts are transferred to a separate account in the general fund and, subject to appropriation, are used to support vocational training centers around the State. Taxable wages have declined and a reduction in TVEP authority is required to avoid overspending the fund. Legislative appropriations occur in several departments and have been based on a formula set out in statute (AS 23.15.835).

Governor's Budget Items Approved as Requested (continued)

Item #	Approp/Allocation	Description	Amount/Fund Source	Comment
5	Various Appropriations/ Various Allocations	Other Reductions to Align Authority with Anticipated Needs	Total: ($14,522.4) DGF: ($475.7) Other: ($3,688.1) Federal Receipts: ($10,358.6)	In addition to the $141.4 UGF reduction for Leasing and the $520.6 TVEP (DGF) reduction, the legislature approved decrements to the Department of Labor and Workforce Development's budget totaling $14.5 million in other funding. These decrements are intended to align anticipated revenue collections with anticipated FY19 spending. These reductions are spread throughout 19 departmental allocations.
6	Commissioner and Administrative Services/ Data Processing	Transfer Commodity Staff to the Department of Administration for Centralized Office of IT Program Alignment	**(7 PFT) Positions/ (1 PPT) Position** No Transfer of Funding	The Department of Administration created a centralized Office of Information Technology (OIT) in order to better align the State of Alaska's Information Technology (IT) organizations. The purpose of this centralization is to deliver commodity services at the lowest cost by leveraging the purchasing power of the State as a single organization; and realigning department IT organizations under a Chief Information Officer responsible for all statewide technology-related strategy and operations. In FY19, the Department of Labor and Workforce Development is transferring eight positions to OIT as part of the second phase of organizational implementation. Further realignment of IT staff is planned throughout FY19 and FY20. Budget authority is retained by DOLWD to pay for a service level agreement with OIT for the cost of the transferred positions.

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Fiscal Notes

Item #	Bill #	Title	Amount/Fund Source	Comment
7	HB 79 (Chapter 91, SLA 2018)	Omnibus Workers' Compensation	No Funding Changes Revenue Change Beginning in FY19	Workers' Compensation/ Various Allocations The passage of this legislation makes a number of changes to the Workers' Compensation Act. Under AS 21.09.210, the Division of Insurance collects a 2.7 percent tax from insurers on their annual Workers' Compensation premiums. HB 79 increases the portion of fees deposited into the Workers' Safety and Compensation Administrative Account (WSCAA) from 1.82 percent to 2.5 percent and decreases the amount deposited into the general fund from 0.88 percent to 0.20 percent. Based on 2017 premiums, this means that $1.8 million which would have been deposited into the general fund in FY19 will be deposited into WSCAA. The department projects that the additional WSCAA revenue is needed, as early as FY20, to avoid over expenditure of the account. HB 79 also sunsets the Second Injury Fund which will accept no claims after July 1, 2019. Claim payments will gradually decrease until all permanent, total disability benefits are paid. The Fund's liability will shrink over time and assessment rates will gradually be reduced until claim liability is exhausted. In addition, HB 79 allows the division to mandate electronic filing of documents. Once all employers convert to electronic filing (possibly by 2020), one position that currently supports paper filings may be eliminated.