

Department of Labor and Workforce Development

FY21 - Summary of Significant Budget Issues

(\$ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
1	Commissioner and Administrative Services / Labor Market Information	Eliminate Training Clearinghouse Service	(\$45.0) Gen Fund (UGF)	(\$45.0) Gen Fund (UGF)	The legislature accepted the Governor's proposal to eliminate the Alaska Training Clearinghouse service, an online tool for exploring post secondary training available in Alaska. Currently, Labor Market Information (LMI) maintains the Clearinghouse online; however, most information is publicly available on the internet. LMI does not have a statutory or regulatory requirement to collect or provide this data.
2	Workers' Compensation / Second Injury Fund	LFD Adjustment to Restore Fiscal Note OTI Ch. 91 SLA 2018 (HB79) to Match the Governor's Bill	Net Zero	Net Zero	<p>Adjustment to Correct 2018 Fiscal Note Error Unrealized Fiscal Note Projection: (\$400.0) Second Injury Fund (DGF) Retained FY21 Funding: \$400.0 Second Injury Fund (DGF)</p> <p>When HB 79 (Ch. 91, SLA 2018, Omnibus Workers' Compensation) was passed during the 2018 legislative session, the Second Injury Fund (SIF) provided a fiscal note stating that the fund could reduce expenditure authority for grants and benefits over five years until the expenditure authority was zeroed out. After further review, it has become clear that the fiscal note did not consider that 95% of SIF claims are for permanent total disability, meaning the claim will be paid for the life of the claimant. It will likely take decades for the fund liabilities to be fully absolved, and the division will require expenditure authority to make payments.</p> <p>This net zero transaction reflects both the projected savings as well as the retained FY21 funding.</p> <p>Fiscal Analyst Comment: The referenced fiscal note also projected additional annual reductions of (\$400.0) through FY24. Based on the Department's update that the Second Injury Fund will not be phased out in the near future, these reductions are not anticipated to occur.</p>
3	Labor Standards and Safety / Wage and Hour Administration	Replace UGF with GF/PR to Correct Categorization of Certified Payroll Filing Fees	Net Zero (\$1,400.0) Gen Fund (UGF) \$1,400.0 GF/Prgm (DGF)	Net Zero (\$1,400.0) Gen Fund (UGF) \$1,400.0 GF/Prgm (DGF)	The Wage and Hour Administration component collects certified payroll fees from contractors in Alaska under AS 36.05.045. Historically, the Department has collected these fees and deposited them directly into the general fund, then requested unrestricted general fund appropriations. These receipts meet the definition of program receipts under AS 37.05.146(a). This change correctly reflects certified payroll filing fee revenue as general fund program receipts.

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4	Labor Standards and Safety / Wage and Hour Administration	Reduce Authority to Realize Administrative Support Realignment Savings	(\$124.4) Gen Fund (UGF) (1) PFT Position	(\$124.4) Gen Fund (UGF) (1) PFT Position	The Governor proposed elimination of one full-time Office Assistant II position and associated authority due to administrative efficiencies. The legislature retained funding for this position in HB 205 (Ch. 8, SLA 2020). The Governor subsequently vetoed the funding.
5	Employment and Training Services / Workforce Services	Appropriation Level Open Ended Federal Receipt Authority Associated with COVID-19 (FY20-FY21) Supplemental	Net Zero	Net Zero	Open-ended federal authority was appropriated for Workforce Development and Unemployment Insurance support as a result of the COVID-19 pandemic. This authority allows the Department to receive federal CARES Act funds for FY20 and FY21. Items 5 & 6 are related.
6	Employment and Training Services / Unemployment Insurance	Open Ended Federal Receipt Authority Associated with COVID-19 (FY20-FY21) Supplemental	Net Zero	Net Zero	Open-ended federal authority was appropriated for Workforce Development and Unemployment Insurance support as a result of the COVID-19 pandemic. This authority allows the Department to receive federal CARES Act funds for FY20 and FY21. Items 5 & 6 are related.
7	Employment and Training Services / Unemployment Insurance	Delete Long-term Vacant Positions and Authority No Longer Needed	(\$173.2) Fed Rcpts (Fed) (2) PFT Positions	n/a	The legislature denied the Governor's proposed elimination of two PFT positions. Both positions are located in Juneau and had been vacant for one year due to a reduction in workload. The positions included an Accounting Technician II and an Employment Security Analyst.
8	Alaska Vocational Technical Center / Alaska Vocational Technical Center	Add Authority to Reflect Tuition and Fee Increases	\$250.0 GF/Prgm (DGF)	\$250.0 GF/Prgm (DGF)	This increment allows the Alaska Vocational and Technical Center (AVTEC) to collect and expend revenue from tuition and fee increases. AVTEC is pursuing revenue generation opportunities to keep charges aligned with increasing instructional costs while still remaining more affordable than comparable post-secondary training providers in Alaska. AVTEC's tuition rates increased by four percent as well as fees for student consumables and services related to technical instruction where expenditures are not fully supported by fee collection.
9	Alaska Vocational Technical Center / Alaska Vocational Technical Center	Add Authority for Contract Training in Response to Industry	\$234.1 Stat Desig (Other)	\$234.1 Stat Desig (Other)	This increment allows AVTEC to continue working with industry to provide focused, timely training to further develop Alaska's workforce, and to expend receipts collected from those non-State entities to conduct contracted trainings and support program operations.

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10	Various	UGF Savings Associated with Administrative Efficiencies and Positions No Longer Needed	(\$479.0) Gen Fund (UGF) (6) PFT Positions	(\$479.0) Gen Fund (UGF) (6) PFT Positions	<p>The legislature accepted the Governor's proposal to achieve administrative efficiencies with a total decrement of \$479.0 UGF and the elimination of positions in various appropriations and allocations in the following areas:</p> <p>Commissioner and Administrative Services Commissioner's Office (\$35.0) - Legal expense savings Management Services (\$45.0) and (1) PFT - Delete Administrative Assistant position Data Processing (\$45.0) - Shift focus to non-UGF funding sources Labor Market Information (\$40.0) and (1) PFT - Delete Office Assistant position</p> <p>Labor Standards & Safety Occupational Safety and Health (\$3.0)</p> <p>Vocational Rehabilitation Client Services (\$84.3) and (2) PFTs - Close Kodiak field office and eliminate two Vocational Rehabilitation positions</p> <p>Alaska Vocational Technical Center (AVTEC) AVTEC (\$226.7) and (2) PFTs - Delete Maritime Instructional Aide and AVTEC Instructor positions</p>
11	Various	Transfer Grants Unit Authority from Workforce Development to the Workforce Investment Board	n/a	n/a	<p>To eliminate the need for a reimbursable services agreement, the following grants unit authority, totaling \$16,380.0 and including 11 PFTs, was transferred from the Workforce Development appropriation to the Workforce Investment Board in the Commissioner and Administrative Services appropriation:</p> <ul style="list-style-type: none"> - \$4,952.5 Federal Receipts - \$1,245.1 UGF - \$5,923.7 Employment Assistance and Training Program Account (STEP) (DGF) - \$4,258.7 Technical Vocational Education Program Receipts (TVEP) (DGF) <p>Fiscal Analyst Comment: As of June 24, 2020, the FY21 TVEP distribution is approximately \$12.6 million, which includes management costs. This is approximately \$3 million less than what was projected during the Governor's</p>

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11	Various	Transfer Grants Unit Authority from Workforce Development to the Workforce Investment Board	n/a	n/a	(continued) proposals due to anticipated revenue loss from the COVID-19 pandemic. The Technical and Vocational Education Program (TVEP) is funded by 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. Legislative appropriations occur in several departments and have been based on a formula set out in statute (AS 23.15.835).
12	Various	Replace UGF with CBR Direct 1001	n/a	Net Zero \$4,584.5 CBR Fund (UGF) (\$1,725.8) GF/Match (UGF) (\$2,858.7) Gen Fund (UGF)	The legislature funded 25% of numbers section UGF items directly from the Constitutional Budget Reserve (CBR) using fund code 1001. For the Department of Labor and Workforce Development, that resulted in \$2,858.7 being switched from code 1004 (UGF) and \$1,725.8 from fund code 1003 (GF Match) to code 1001 (CBR). Because both sources are counted as UGF, this change will have no impact on the agency's operations.