

ALASKA STATE LEGISLATURE

HOUSE FINANCE COMMITTEE

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DATE: February 24th, 2021
TO: House Finance Members Subcommittee Chairs
FROM: Representative Neal Foster, Co-Chair
House Finance Committee
RE: FY22 Operating Budget Subcommittees

This memo provides a high-level framework for reviewing the operating budget by the House Finance Operating Budget Subcommittees. The subcommittee process is meant to increase members' understanding of the responsibilities and challenges facing the agencies and make relevant recommendations to the Fiscal Year 2022 (FY22) budget. Our goal will be ensuring that basic services are provided in an efficient and focused manner.

This year's *Legislative Fiscal Analyst's Overview of the Governor's Request* is available at <http://www.legfin.akleg.gov/Overview/Overview2022.pdf> Please begin reviewing and working with your Legislative Finance Analyst.

SUBCOMMITTEE ADMINISTRATION AND OPERATION

Subcommittees should begin meeting the week of March 1st. The first subcommittee meetings should reach the following goals:

- 1) Understand budgetary actions taken over the past 10 years and the impact to the Department.
- 2) Understand the FY21 budget along with impacts and responses from agencies throughout the COVID pandemic.
- 3) Review the FY22 Budget; including increments, decrements, and any requests related to the overall success in completing the department's mission offered in the Governor's budget.
- 4) Provide a report to the House Finance Committee on the actions and recommendations of the subcommittee.

The subcommittees will utilize the Legislative Finance Division (LFD) and various materials specific to the Departments to help subcommittee members understand the historic significance of previous Legislatures and review of the Departments. An all-inclusive approach should be applied to the subcommittees action as they make decisions on the FY22 budget.

SUBCOMMITTEE BUDGET REVIEW PROCESS & REQUIREMENT

Subcommittees are to review the numbers section of their agency budgets and discuss budget detail transactions such as increments, decrements, transfers, new positions or position changes, fund source changes, etc. It is the expectation that all subcommittees will work with the LFD Budget Analyst to ensure a comprehensive and succinct schedule is created for each Subcommittee. This will ensure the necessary budget actions are addressed as the Subcommittee moves through the process.

The main tool of the Subcommittee will be the Subcommittee Binders. Should include the following:

- 1) *Statewide Budget Items*
 - a. *Fiscal Summaries*
 - b. *Budget History Graph*
 - i. *Long Term*
 - ii. *Short Term*
 - c. *Swoop Graph (specifically reflecting the departments relation to the overall budget)*
 - d. *Approximate Fund Balances*
- 2) *Agency FY12-FY22 Look Back Graphs*
 - a. *All Funds Graph*
 - b. *GF Only Graph*
 - c. *GF Only Appropriation/Allocation Summary*
- 3) *Transaction Comparison (FY22 Adjusted Base to FY22 Governor's Amended Request)*
- 4) *Department Program Priority Matrix*
- 5) *FY22 Subcommittee Book*
- 6) *FY21 CC Book*
- 7) *Individual Subcommittee Meeting materials*

Binders and the detailed information should be made available to all subcommittee members online by the first meeting of the subcommittee. At least one physical binder with the essential material should be provided to the office of each subcommittee member. The OMB Operating Budget Details reports <https://omb.alaska.gov/fiscal-year-2022-amended-budget/> should be made available to all subcommittee members online.

During the subcommittee process members should consider:

1. The subcommittee will not add any increments that increase the budget above the Adjusted Base (Unrestricted General Funds) unless there is a corresponding decrement to offset the additional funds or a valid fund source change.
2. The Governor's FY22 Amendments should be considered as part of the overall review of each subcommittee.
3. Accepting and/or declining Interdepartmental Transfer-Ins (ATrIns) and Transfers-Outs (ATrOuts) require coordination between both subcommittees impacted, LFD, and the Operating Budget Co-chair before a decision is made.
4. Budget items not to be considered by the Subcommittee are as follows:
 - a. Governor's Supplemental Budget
 - b. Changes to the Language section of the Operating Budget
 - c. Structure changes to appropriations

- i. Structure changes is reserved for House Finance Committee. A subcommittee can recommend structure changes to a specific appropriation, but the House Finance Committee will vote and approve the change.
5. How the past year's FY21 budget changes were implemented in each Appropriation/ Results Delivery Unit (RDU), and how they impact the future budget of the department? (example: Past veto Impacts, COVID Funding, continued efficacies identified during the response to the COVID pandemic, impacts to programs and divisions from funding reductions).
6. FY22 services the department provides, what it costs, and the results Alaskans receive for their investment; along with any reductions or improvement of services expected due to budgetary actions.
7. Changes the department anticipates in the future and the sustainability of services the department provides.
8. (as applicable) Any budget actions that would require statutory changes that could change funding or decrease expenditures.
9. (as applicable) Indirect Expenditures, what are the priority statutory could increase revenue?
10. *Regarding Items 8 & 9, the subcommittee should not discuss the legislation, instead review the potential fiscal changes that would impact the department's operating budget and make recommendations to the House Finance Committee if potential legislation is required.*

SUBCOMMITTEE CLOSE-OUT

The agency budgets should be reported out of the subcommittee and subcommittees closed out no later than March 26th.

Subcommittee chairs should use the Budget Action (BA) sheets provided by Legislative Finance as part of the close-out procedures. In addition to the BA sheets and the associated reports, Chairs will also need to prepare a subcommittee narrative that highlights actions taken in subcommittee. Detailed Close-Out Memo will be provided before subcommittees close out.

MEETINGS

Subcommittees should be given the highest priority possible during the scheduled time frame for standing and special committees until the subcommittee closes out. Subcommittees are not to be scheduled during the normal House Finance Committee meeting time of 1:30 to 3:30 p.m., Monday through Friday without prior approval and notification.

CLOSING

Please feel free to contact me or my staff, Brodie Anderson at 465-4858 or Patrick Fitzgerald at 465-6841, if you have questions or suggestions.

Short Fiscal Summary - FY21/FY22 Budget

(\$ Millions) (Non-duplicated Funds)		FY21		FY22 GOV Amd		Change in UGF	
		UGF		UGF			
1	Revenue						
2	UGF Revenue (Fall 2020 Forecast)	4,443.2		4,271.9		(171.3)	-4%
3	POMV Draw	1,243.1		1,202.6		(40.5)	-3%
4	Misc/Adjust/Non-UGF Revenue	3,091.5		3,069.3		(22.2)	-1%
		108.6		-		(108.6)	

5	Appropriations	6,537.6		6,368.9		(168.6)	-3%
6	Operating Budget	4,502.8		4,282.8		(220.1)	-5%
7	Agency Operations	4,008.9		3,818.6		(190.3)	-5%
8	Statewide Items	446.3		464.1		17.8	4%
9	Supplemental Appropriations	47.6		-		(47.6)	
10	Capital Budget	129.2		62.2		(67.0)	-52%
11	Current Year Appropriations	120.3		62.2		(58.1)	-48%
12	Supplemental Appropriations	8.9		-		(8.9)	
13	Permanent Fund	1,905.5		2,023.9		118.4	6%
14	Permanent Fund Dividends	1,905.5		2,023.9		118.4	6%
15	Inflation Proofing/Other Deposits	-		-			

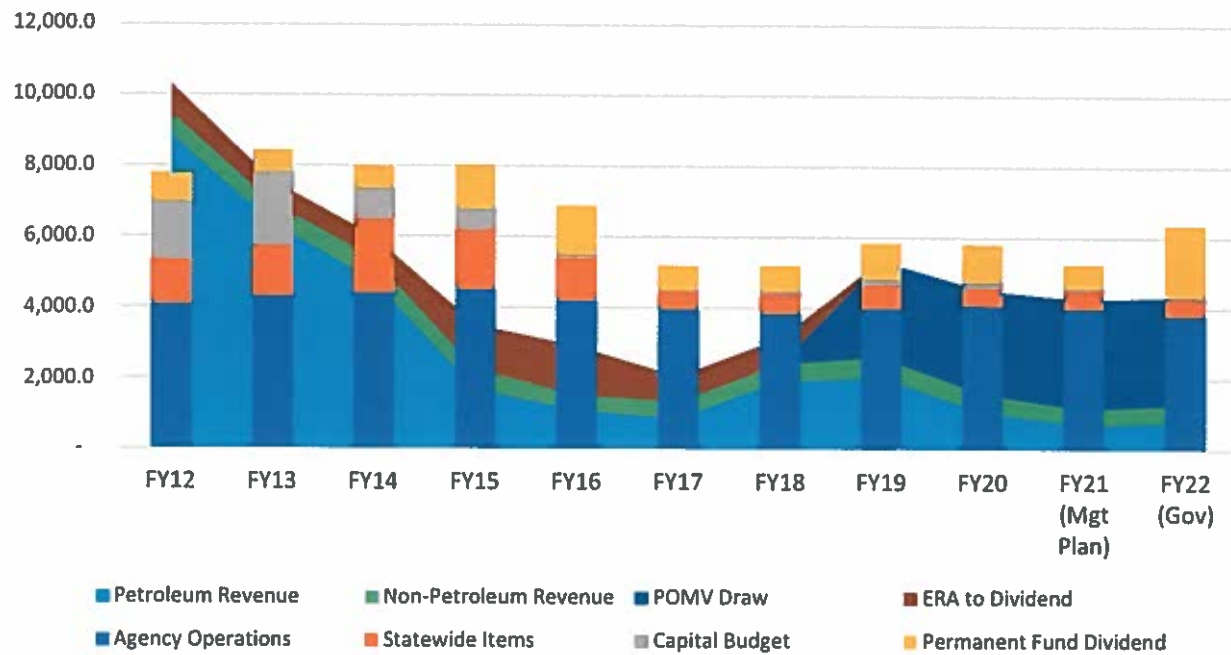
16	Pre-Transfer Surplus/(Deficit)	(2,094.4)		(2,097.0)			
17	Permanent Fund Earnings Reserve Account	(1,225.5)		(2,023.9)			
	Other Fund Transfers	40.9		19.9			
18	Post-Transfer Surplus/(Deficit)	(909.8)		(93.0)			

19	CBR Direct Appropriations	(1,064.2)		-			
20	Draw After Direct CBR Appropriations	154.4		(93.0)			
21	Total CBR Draw	(909.8)		(93.0)			

Reserve Balances (EOY)		
	FY21	FY22
CBR	914.2	846.8
ERA	12,052.8	10,955.6

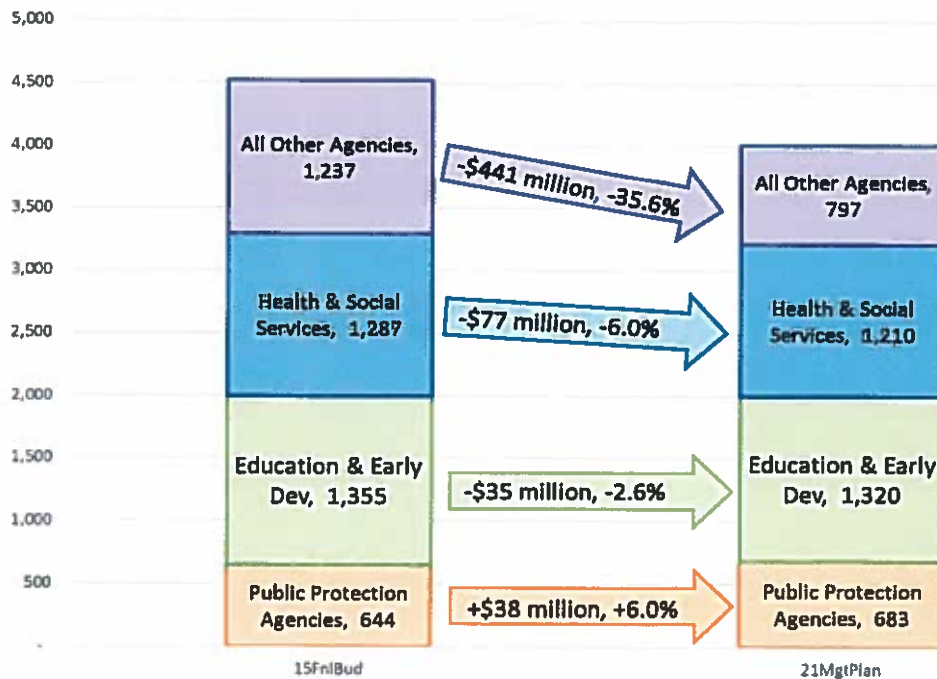
February 23, 2021

UGF Budget and Revenue, FY12 - FY22



UGF Agency Budget Changes, FY15 to FY21

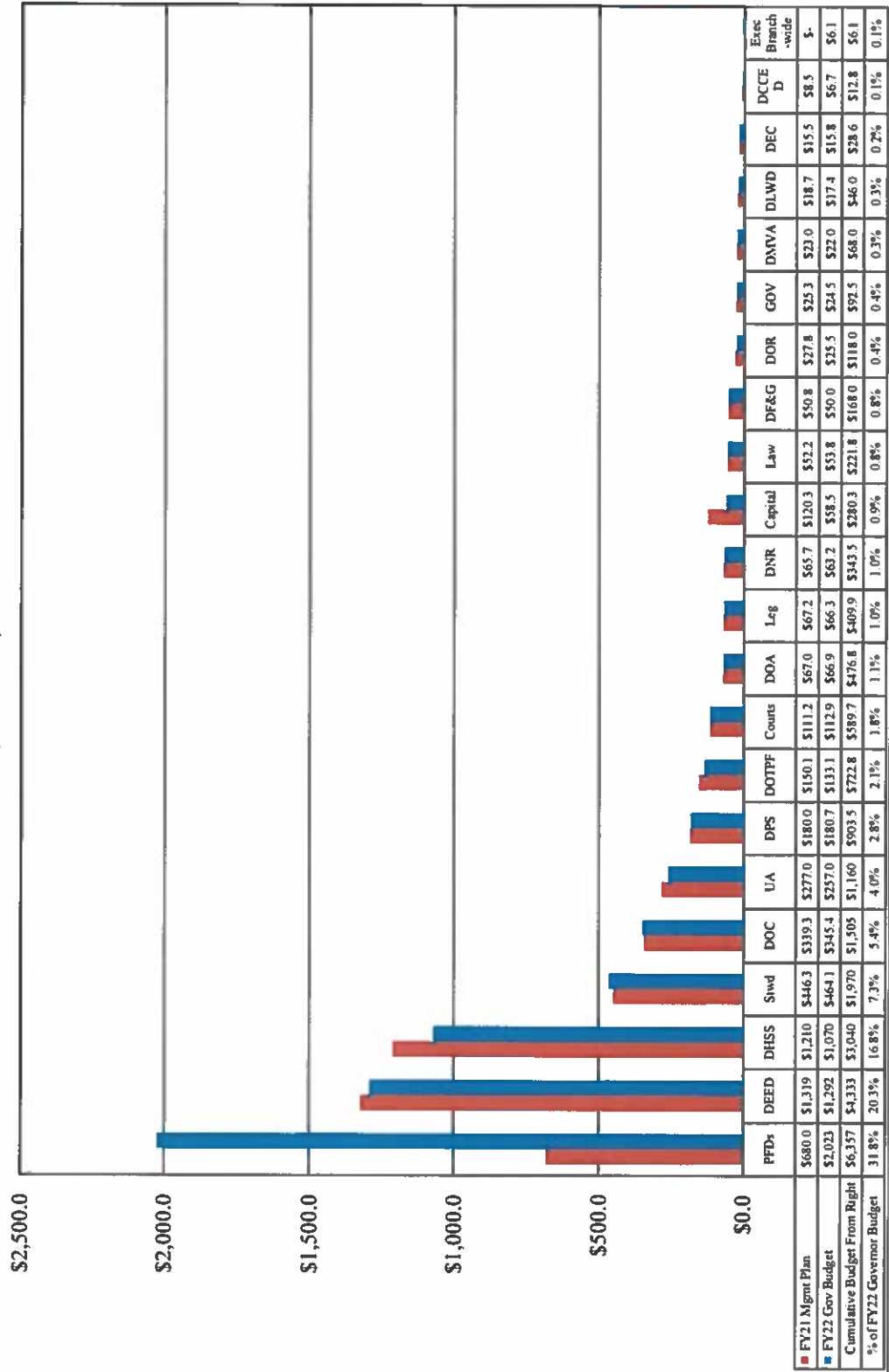
(in millions of dollars)



Swoop Graph - UGF Only

FY22 Governor Compared to FY21 Management Plan

(Millions)

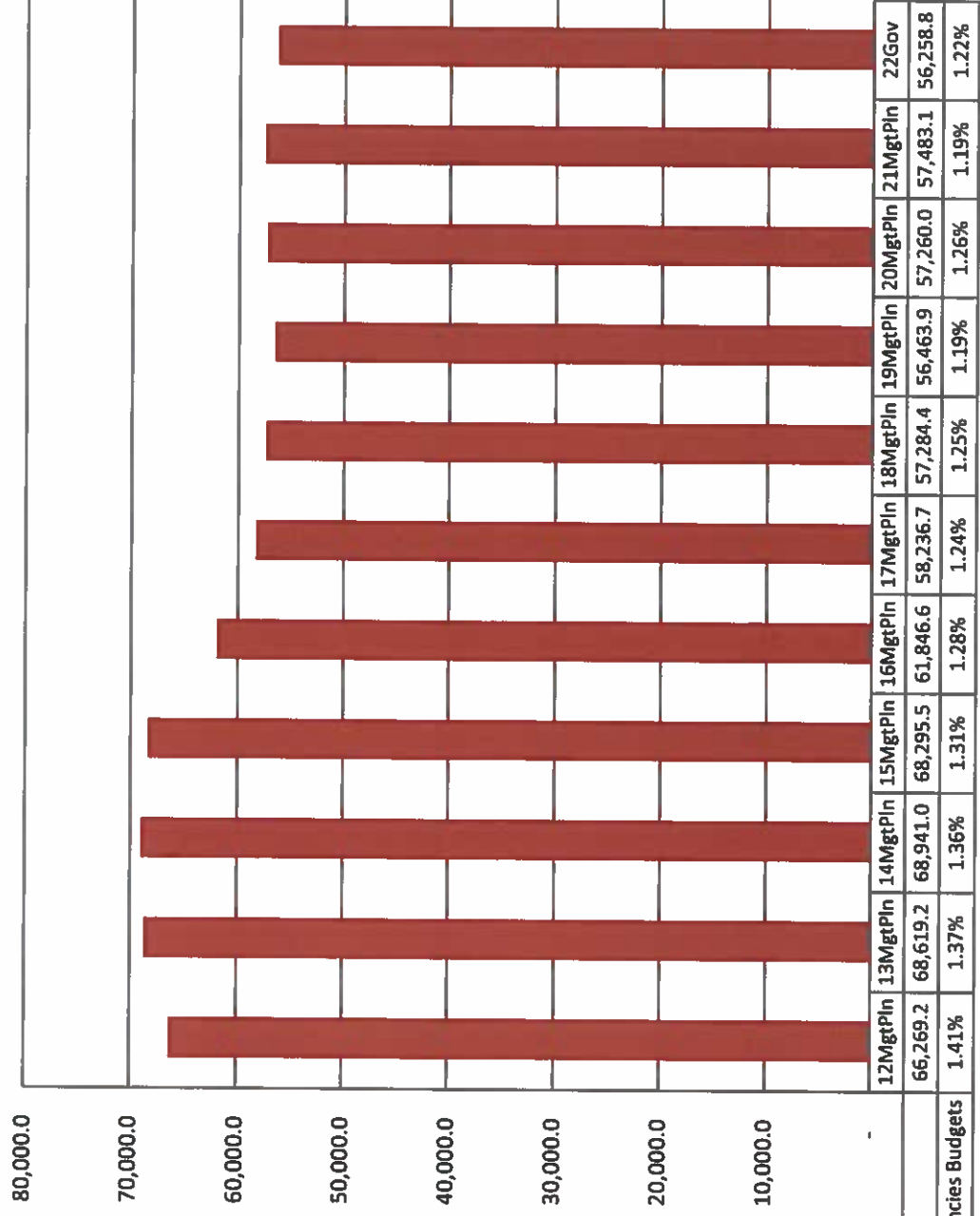


Projected Fund Balances -- FY21 and FY22 (\$ millions)

	FY21			FY22		
	BoY Balance	In	Out	BoY Balance	In	Out
Total Budget Reserves and Designated Funds	16,134.1	4,946.7	6,594.8	14,486.0	5,444.0	6,553.8
Undesignated Reserves	1,763.9	63.0	894.1	932.8	25.6	38.6
Constitutional Budget Reserve Fund	1,762.0	62.0	893.1	930.9	25.6	37.9
Statutory Budget Reserve Fund	0.0	-	-	0.0	-	-
Alaska Housing Capital Corporation Fund	1.9	1.0	1.0	1.9	-	0.8
Select Designated Funds	14,370.2	4,883.8	5,700.7	13,553.2	5,418.4	6,515.2
Total Excluding Permanent Fund	1,476.0	142.1	117.8	1,500.4	152.4	152.0
Alaska Capital Income Fund	(5.9)	23.1	17.4	(0.3)	49.0	49.8
Alaska Higher Education Investment Fund	343.8	20.6	21.0	343.3	20.5	21.8
Community Assistance Fund	60.0	28.7	20.0	68.7	12.4	22.9
Power Cost Equalization Endowment	1,078.2	69.8	59.3	1,088.6	70.4	57.5
Permanent Fund Earnings Reserve Account*	12,894.2	3,498.7	4,340.0	12,052.8	4,023.0	5,120.2
Unrestricted General Fund Appropriations				6,520.8		6,313.8
Reserves Ratio (Undesignated Reserves / Pre-Transfer Budget)				14%		15%
Pre-Transfer Deficit				(2,077.7)		(2,041.9)
Years of Deficit Coverage (Undesignated Reserves / Pre-Transfer Deficit)				0.45		0.45
Permanent Savings						
Permanent Fund Principal -- Market Value *						
(no appropriations allowed)	52,408.1	768.7	0.0	53,176.8	481.0	0.0
* Alaska Permanent Fund Corporation (APFC) median projection for FY21 and FY22 as of November 30, 2020. January 15, 2021						

Department of Labor and Workforce Development Share of Total Agency Operations

(GF Only)
(\$ Thousands)



The Department's GF budget decreased by \$10.0 million (11%) between FY12 and FY22 - an average annual growth rate for that period of -1.6%.

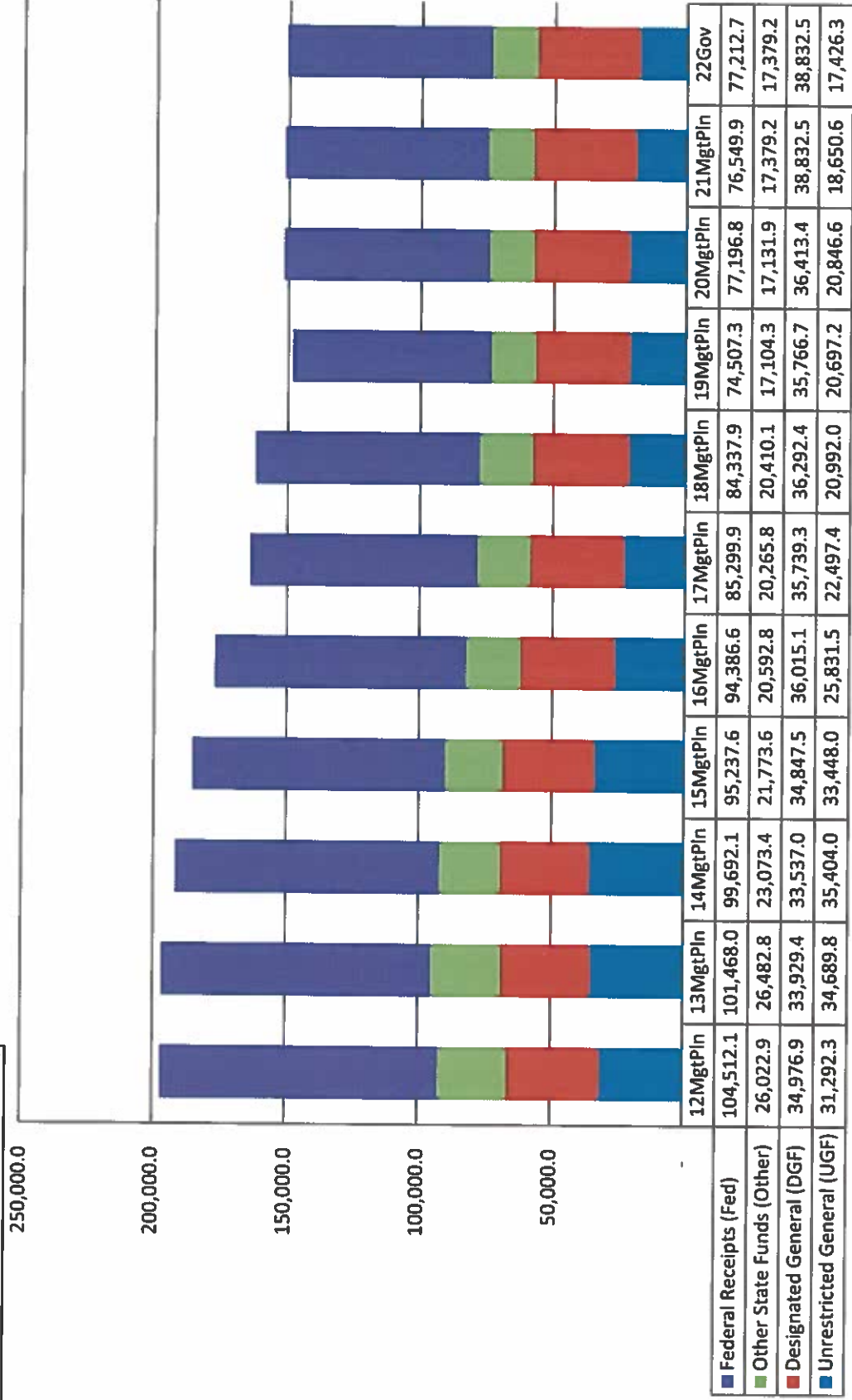
The Department's total FY22 GF budget equates to \$174 per resident worker, based on 323,711 resident workers in 2019.

Department of Labor and Workforce Development Total Funding Comparison by Fund Group

(All Funds)
(\$ Thousands)

Between FY12 and FY22:

Total funds increased by \$46.0 million (23%)
--UGF decreased by \$13.9 million (-44%)
--DGF increased by \$3.9 million (11%)
--Other Funds decreased by \$8.6 million (-33%)
--Federal Receipts decreased by \$27.3 million (-26%)



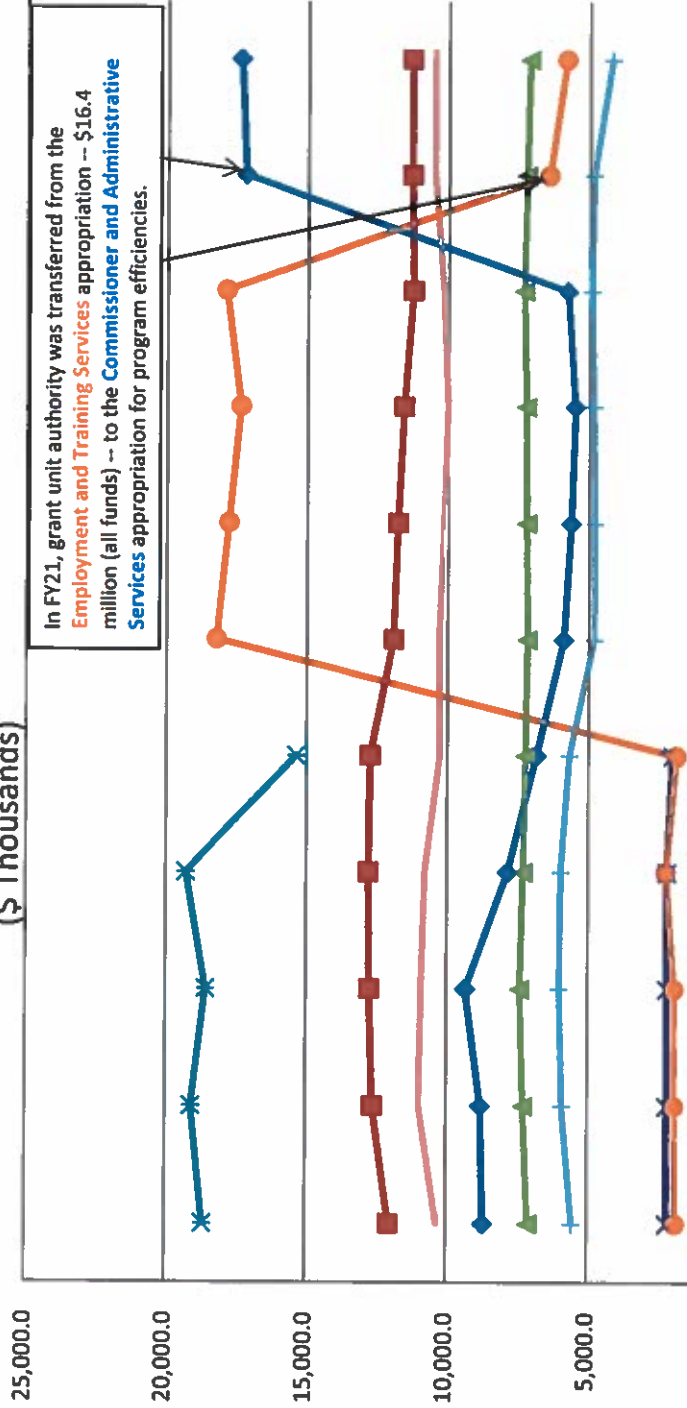
Appropriations within the Department of Labor and Workforce Development (GF Only) (\$ Thousands)

In FY17, the **Business Partnerships** and **Employment Security** appropriations were merged into the **Employment and Training Services** appropriation.

In FY22, the Alaska Construction Academy Program (\$618.5 UGF) within the Employment and Training Services appropriation is being proposed to transfer to the Commissioner and Administrative Services appropriation.

In FY22, **Vocational Rehabilitation** plans to decrease their use of GF match (\$662.8) and leverage available federal funding. They will re-evaluate this need for FY23.

In FY21, grant unit authority was transferred from the **Employment and Training Services** appropriation -- \$16.4 million (all funds) -- to the **Commissioner and Administrative Services** appropriation for program efficiencies.



2021 Legislature - Operating Budget Transaction Compare - Governor Structure Between AdjBase+ and 22GovAmd

Numbers and Language
Differences
Agencies: Labor

Agency: Department of Labor and Workforce Development

Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	THP
Commissioner and Administrative Services												
Commissioner's Office												
Reduce Commodities Expenditures and Split Funding for Executive Secretary III (07-1015) 1004 Gen Fund (UGF) -57.2												
22GovAmd	Dec	-57.2	-47.9	0.0	-2.0	-7.3	0.0	0.0	0.0	0	0	0
* Allocation Difference *												
		-57.2	-47.9	0.0	-2.0	-7.3	0.0	0.0	0.0	0	0	0
Alaska Labor Relations Agency												
Reduce Travel, Office Space Costs, and Commodities Expenditures Due to Administrative Efficiencies 1004 Gen Fund (UGF) -60.4												
22GovAmd	Dec	-60.4	0.0	-15.4	-28.4	-16.6	0.0	0.0	0.0	0	0	0
* Allocation Difference *												
		-60.4	0.0	-15.4	-28.4	-16.6	0.0	0.0	0.0	0	0	0
Management Services												
Reduce Authority No Longer Needed for Shared Services of Alaska Chargeback 1004 Gen Fund (UGF) -66.9												
22GovAmd	Dec	-66.9	0.0	0.0	-66.9	0.0	0.0	0.0	0.0	0	0	0
GA 154 Transfer Human Resources Staff to Department of Administration for HR Consolidation												
22GovAmd	ATrOut	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-2	0	0
* Allocation Difference *												
		-66.9	0.0	0.0	-66.9	0.0	0.0	0.0	0.0	-2	0	0
Leasing												
GA 155 Transfer from Dept. of Transportation and Public Facilities to Align Maintenance and Operations with Occupying Ag 1004 Gen Fund (UGF) 22.9												
22GovAmd	ATrIn	22.9	0.0	0.0	22.9	0.0	0.0	0.0	0.0	0	0	0
* Allocation Difference *												
		22.9	0.0	0.0	22.9	0.0	0.0	0.0	0.0	0	0	0
Data Processing												
Reduce General Fund Support for IT Services Due to Business Process Realignment 1004 Gen Fund (UGF) -29.6												
22GovAmd	Dec	-29.6	0.0	0.0	0.0	-29.6	0.0	0.0	0.0	0	0	0
* Allocation Difference *												
		-29.6	0.0	0.0	0.0	-29.6	0.0	0.0	0.0	0	0	0
Labor Market Information												
Delete Long-term Vacant Research Analyst III (07-1738) 1004 Gen Fund (UGF) -115.5												
22GovAmd	Dec	-115.5	-107.6	0.0	-7.9	0.0	0.0	0.0	0.0	-1	0	0
Reduce Funding by Renegotiating Federally- Funded Reimbursable Service Agreements 1004 Gen Fund (UGF) -123.4												
22GovAmd	Dec	-123.4	-92.0	0.0	-31.4	0.0	0.0	0.0	0.0	0	0	0
* Allocation Difference *												
		-238.9	-199.6	0.0	-39.3	0.0	0.0	0.0	0.0	-1	0	0

2021 Legislature - Operating Budget Transaction Compare - Governor Structure Between AdjBase+ and 22GovAmd

Numbers and Language
Differences
Agencies: Labor

Agency: Department of Labor and Workforce Development

Commissioner and Administrative Services (continued)												
** Appropriation Difference **												
Trans Type	Column	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	THP
Workers' Compensation												
Second Injury Fund												
	22GovAmd	400.0	0.0	0.0	0.0	0.0	0.0	400.0	0.0	0	0	0
Restore Omnibus Workers' Compensation Ch91 SLA2018 (HB79)												
	1031 Sec Injury (DGF)	400.0										
* Allocation Difference *												
** Appropriation Difference **												
Labor Standards and Safety												
Wage and Hour Administration												
	22GovAmd	-66.8	-66.8	0.0	0.0	0.0	0.0	0.0	0.0	-1	0	0
Delete Vacant Office Assistant II (07-4034) in Anchorage no Longer Needed												
	1004 Gen Fund (UGF)	-66.8										
* Allocation Difference *												
Occupational Safety and Health												
	22GovAmd	-41.7	-41.7	0.0	0.0	0.0	0.0	0.0	0.0	-1	0	0
Delete Vacant Administrative Assistant I (07-4533) Due to Administrative Efficiencies												
	1003 GF/Match (UGF)	-41.7										
* Allocation Difference *												
** Appropriation Difference **												
Employment and Training Services												
Workforce Services												
	22GovAmd	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
L Open Ended Federal Receipt Authority Associated with Covid-19												
* Allocation Difference *												
Unemployment Insurance												
	22GovAmd	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
L Open Ended Federal Receipt Authority Associated with Covid-19												
* Allocation Difference *												
** Appropriation Difference **												
Vocational Rehabilitation												
Client Services												
	22GovAmd	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
Decrease General Fund Match to Client Services' Basic Support Federal Grant												
	1002 Fed Rcpts (Fed)	662.8										
	1003 GF/Match (UGF)	-662.8										

**2021 Legislature - Operating Budget
Transaction Compare - Governor Structure
Between AdjBase+ and 22GovAmd**

Numbers and Language
Differences
Agencies: Labor

Agency: Department of Labor and Workforce Development

Column	Trans Type	Total Expenditure	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants	Misc	PFT	PPT	THP
		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
		-138.6	-356.0	-15.4	-113.7	-53.5	0.0	400.0	0.0	-5	0	0
		-138.6	-356.0	-15.4	-113.7	-53.5	0.0	400.0	0.0	-5	0	0

Vocational Rehabilitation (continued)

Client Services (continued)
 * Allocation Difference *
 ** Appropriation Difference **
 *** Agency Difference ***
 **** All Agencies Difference ****

DOLWD Program Priority Table

Program	Constitutional Requirement	Federal Requirement	Statutory Req.	# of Alaskans Served
Commissioner and Administrative Services	Partially	Partially	Yes; 44.31	
Commissioner's Office	Partially	Yes	Yes; 44.31	
Workforce Investment Board	No	Yes	Yes; 23.15.550-.850	
Alaska Labor Relations Agency	No	No	Yes; 23.05.360-.390	65000
	No	Yes	Yes; 37.05	
Management Services				
Leasing	No	No	Yes; 36.30.080	
	No	Yes	Yes; 23.20.005(b)	
Data Processing				
	No	Yes	Yes; 44.31.020(2)&(4)	
Labor Market Information				
Workers' Compensation Division	No	No	Yes; 23.30	
Workers' Compensation	No	No	23.30.005-.400	
Workers' Compensation Appeals Commission	No	No	Yes; 23.30.007-.009	
Workers' Compensation Benefits Guaranty Fund	No	No	Yes; 23.30.082	
Second Injury Fund	No	No	Yes; 23.30.040	
Fishermen's Fund	No	No	Yes; 23.35.010-.150	
Labor Standards and Safety Division			Yes;	
Wage and Hour Administration	No	Partially	18.60 & 23.05	
Mechanical Inspection	No	No	Yes; 23.05.130-.340	
Occupational Safety and Health	No	No	Yes; 18.60.08.18	
Alaska Safety Advisory Council	No	Yes	Yes; 18.60	
Employment and Training Services Division	No	No	Yes; 18.60.830-.840	
Employment and Training Services Administration	No	Yes	Yes; 23.20 & 44.31.020(5)	
Workforce Services	No	Yes	Yes; 23.20	
Workforce Development (WD)	No	Yes	Yes; 23.20	
Unemployment Insurance	No	Yes	Yes; 23.15.620, 23.15.830, 44.31.020(5)	
DETS WD			Yes; 23.20	
Construction Academy Training	No	No	No	
Adult Basic Education	No	Yes	Yes; 44.31.020(6)	
State Training and Employment Program	No	No	Yes; 23.15.620	
Technical and Vocational Education Program	No	No	Yes; 44.31.020(5)	

DOLWD Program Priority Table

Program	Constitutional Requirement		Federal Requirement	Statutory Req.	# of Alaskans Served
Workforce Innovation and Opportunity Act	No	No	Yes	Yes, 23.15 835(d)	
Senior Community Service Employment Program	No	No	Yes	No	
Vocational Rehabilitation Division	No	No	Yes	Yes; 23.15	
Vocational Rehabilitation Administration	No	No	Yes	Yes; 23.15	
Client Services	No	No	Yes	Yes; 23.15	
Disability Determination	No	No	Yes	Yes; 23.15	
Special Projects**	No	No	Yes	Yes; 23.15	
Alaska Vocational Technical Center Division	No	No	No	Yes; 44.31.020(7)	
Alaska Vocational Technical Center	No	No	No	Yes; 44.31.020(7)	
AVTEC Facilities Maintenance	No	No	No	Yes; 37.07.020(e)	

Department of Labor and Workforce Development
FY22 Subcommittee Book - Significant Transactions
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Workers' Compensation / Second Injury Fund	Restore Omnibus Workers' Compensation Ch91 SLA2018 (HB79)	\$400.0 Sec Injury (DGF)	The referenced fiscal note had projected additional annual reductions of (\$400.0) in the Second Injury Fund (SIF). However, 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. This will take decades for the fund liabilities to be fully absorbed and therefore, the division will require the \$400.0 expenditure authority to make payments from the fund.
2	Employment and Training Services / Various	Open-Ended Federal Receipt Authority Associated with COVID-19	Net Zero	Open-ended federal receipt authority was added to the Employment and Training Services appropriation in sec. 29(e) & (f), ch. 8, SLA 2020 for the purposes of receiving federal awards associated with COVID-19. This includes receiving federal funding to make unemployment insurance payments. Similar language is added to the Governor's FY22 budget proposal.
3	Vocational Rehabilitation / Client Services	Decrease General Fund Match to Client Services' Basic Support Federal Grant	Net Zero \$662.8 Fed Repts (Fed) (\$662.8) GF/Match (UGF)	This is a one-time fund change as the department plans to leverage available federal funds for FY22 and will re-evaluate the general fund match need for FY23.
4	Various	UGF Savings Associated with Administrative Efficiencies and Positions No Longer Needed	Total: (\$561.5) (\$41.7) GF/Match (UGF) (\$519.8) Gen Fund (UGF) (3) PFT Positions	UGF decrements associated with administrative efficiencies and positions no longer needed in the following appropriations/allocations: <u>Commissioner and Administrative Services Total: (\$453.0 UGF) and (1 PFT)</u> -Commissioner's Office (\$57.2 UGF) - split funding and duties of Executive Secretary position with the Workforce Investment Board -Alaska Labor Relations Agency (\$60.4 UGF) - administrative efficiencies -Management Services (\$66.9 UGF) - reduce funding no longer needed for Shared Services of Alaska chargeback costs -Data Processing (\$29.6 UGF) - business process realignment savings -Labor Market Information (\$238.9) and (1 PFT) - savings from renegotiating Reimbursable Services Agreements and delete Research Analyst position <u>Labor Standards and Safety Total: (108.5 GF) and (2 PFTs)</u> -Wage and Hour Administration (\$66.8 UGF) and (1 PFT-) delete vacant Office Assistant position Occupational Safety and Health (\$41.7 GF Match) and (1 PFT) - delete vacant Administrative Assistant position

Department of Labor and Workforce Development
FY21 Conference Committee Book - Significant Transactions
(\$ 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	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) 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. This net zero transaction reflects both the projected savings as well as the retained FY21 funding. 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.
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.

Department of Labor and Workforce Development

FY21 Conference Committee Book - Significant Transactions
(\\$ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
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	Sec 29(f), HB205 Appropriation Level Open Ended Federal Receipt Authority Associated with COVID-19 (FY20-FY21)	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	Supplemental Sec 29(e), HB205 Open Ended Federal Receipt Authority Associated with COVID-19 (FY20-FY21)	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	Supplemental 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.

Department of Labor and Workforce Development
FY21 Conference Committee Book - Significant Transactions
(\$ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
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	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: 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 Labor Standards & Safety Occupational Safety and Health (\$3.0) Vocational Rehabilitation Client Services (\$84.3) and (2) PFTs - Close Kodiak field office and eliminate two Vocational Rehabilitation positions Alaska Vocational Technical Center (AVTEC) AVTEC (\$226.7) and (2) PFTs - Delete Maritime Instructional Aide and AVTEC Instructor positions 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: - \$4,952.5 Federal Receipts - \$1,245.1 UGF - \$5,923.7 Employment Assistance and Training Program Account (STEP) (DGF) - \$4,238.7 Technical Vocational Education Program Receipts (TVEP) (DGF) 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 proposals due to anticipated revenue loss from the COVID-19 pandemic.
11	Various	Transfer Grants Unit Authority from Workforce Development to the Workforce Investment Board	n/a	n/a	The Technical and Vocational Education Program (TVEP) is funded by a

Department of Labor and Workforce Development
FY21 Conference Committee Book - Significant Transactions
(\$ thousands)

Item	Appropriation / Allocation	Description	Governor Request	Amount Enacted	Comment
11	Various	Transfer Grants Unit Authority from Workforce Development to the Workforce Investment Board	n/a	n/a	(continued) 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.

ALASKA DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT

House Finance Subcommittee



March 3, 2021



ALASKA DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT
DR. TAMIKA L. LEDBETTER, COMMISSIONER

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3/3/2021

Department Overview

MISSION:

Provide safe and legal working conditions and advance opportunities for employment.

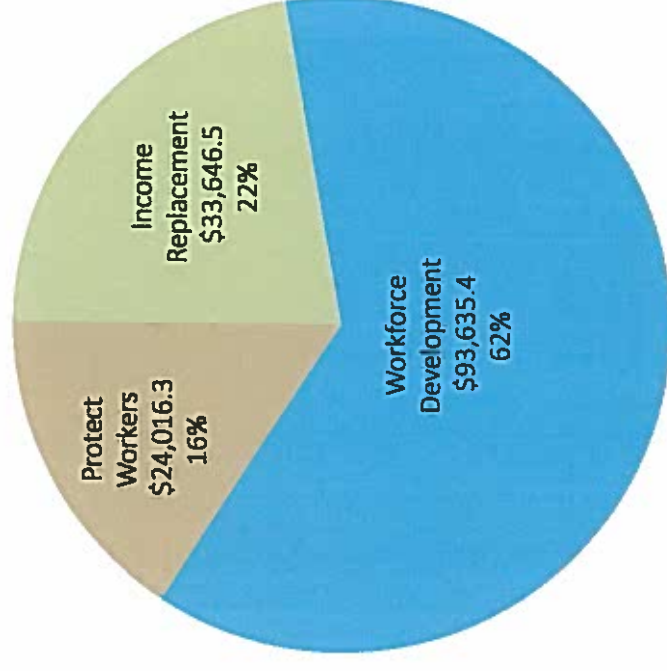
CORE SERVICES:

- Protect Alaska's workers through statutory and regulatory assistance and enforcement.
- Workforce development to support Alaska hire and economic development.
- Income replacement for injured, unemployed, and permanently disabled workers.

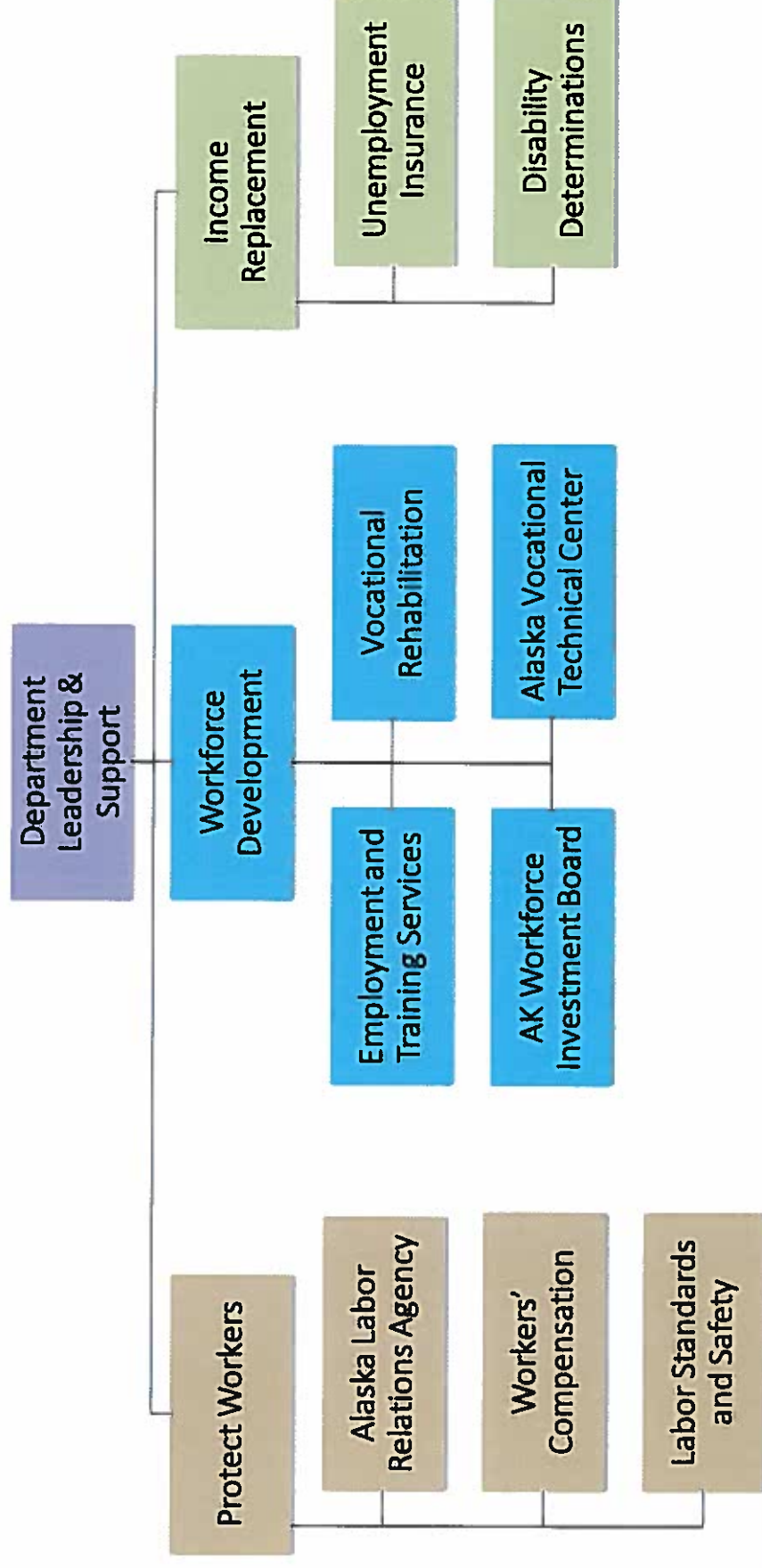
FY2022 Governor's Budget by Core

Service: \$151,298.2

(Thousands)

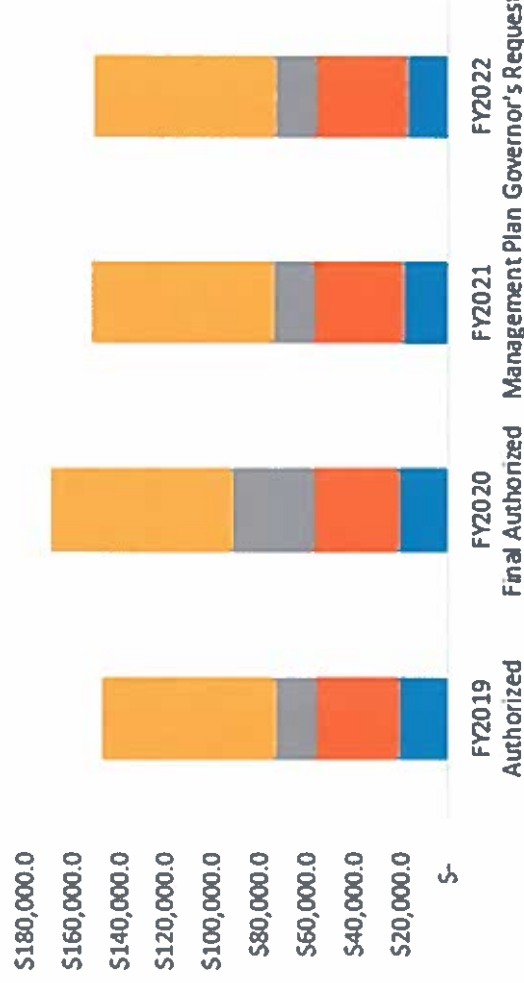


Department Organization by Core Service



FY2022 Operating Budget Comparison

(\$ Thousands)



	FY2019	FY2020	FY2021	FY2022	FY2019	%
	Authorized	Final Authorized	Management Plan	Governor's Request	to FY2022	of Difference
UGF	\$ 20,697.2	\$ 20,846.7	\$ 18,650.6	\$ 17,501.3	\$ (3,195.9)	-15.40%
DGF	\$ 35,766.7	\$ 36,413.4	\$ 38,832.5	\$ 38,899.7	\$ 3,133.0	8.80%
Other	\$ 17,104.3	\$ 34,741.1	\$ 17,379.2	\$ 17,416.4	\$ 312.1	1.80%
Federal	\$ 74,507.3	\$ 77,598.8	\$ 77,549.9	\$ 77,480.3	\$ 2,973.0	4.00%
Total	\$148,075.5	\$ 169,600.0	\$ 152,412.2	\$ 151,297.7	\$ 3,222.2	2.20%



ALASKA DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT
DR. TAMIKA L. LEDBETTER, COMMISSIONER

FY2022 Proposed Operating Budget (Changes from Adjusted Base)

	Component	Title	Trans Type	\$ in Thousands	Funding	PCNs
1	Alaska Labor Relations Agency	Reduce Travel, Office Space Costs, and Commodities Expenditures	Dec	\$ (60.4)	GF	
2	Client Services	Decrease General Fund Match to Client Services' Basic Support Grant	FndChg	\$ (662.8)	GFM	
3	Commissioner's Office	Reduce Commodities Expenditures and Split Funding for Executive Secretary III (07-1015)	Dec	\$ (57.2)	GF	
4	Data Processing	Reduce General Fund Support for IT Services Due to Business Process Realignment	Dec	\$ (29.6)	GF	
5	Disability Determination	Delete Non-Permanent Disability Adjudication Associate II Position (07-N14006)	PosAdj	\$ -		-1
6	Labor Market Information	Renegotiate Federally Funded Reimbursable Service Agreements	Dec	\$ (123.4)	GF	



FY2022 Proposed Operating Budget (Changes from Adjusted Base)

	Component	Title	Trans Type	\$ in Thousands	Funding	PCNs
7	Labor Market Information	Delete Long-term Vacant Research Analyst III (07-1738)	Dec	\$ (115.5)	GF	-1
8	Management Services	Reduce Authority No Longer Needed for Shared Services of Alaska Chargeback	Dec	\$ (66.9)	GF	
9	Management Services	Transfer Three Procurement Staff to Department of Administration for Procurement Consolidation	Atrout	\$ -		-3
10	Occupational Safety and Health	Delete Vacant Administrative Assistant I (07-4533) Due to Administrative Efficiencies	Dec	\$ (41.7)	GFM	-1
11	Second Injury Fund	Correct premature reduction in the authority of the Second Injury Fund as the program sunsets.	Inc	\$ 400.0	SIF	
12	Wage & Hour Administration	Delete Vacant Office Assistant II (07-4034) in Anchorage no Longer Needed	Dec	\$ (66.8)	GF	-1



Legislative Topics of Interest

- Unemployment Insurance
- Reemployment Services - COVID recovery
- Technical Vocational Education Program (TVEP)
- Alaska Vocational Technical Center (AVTEC)

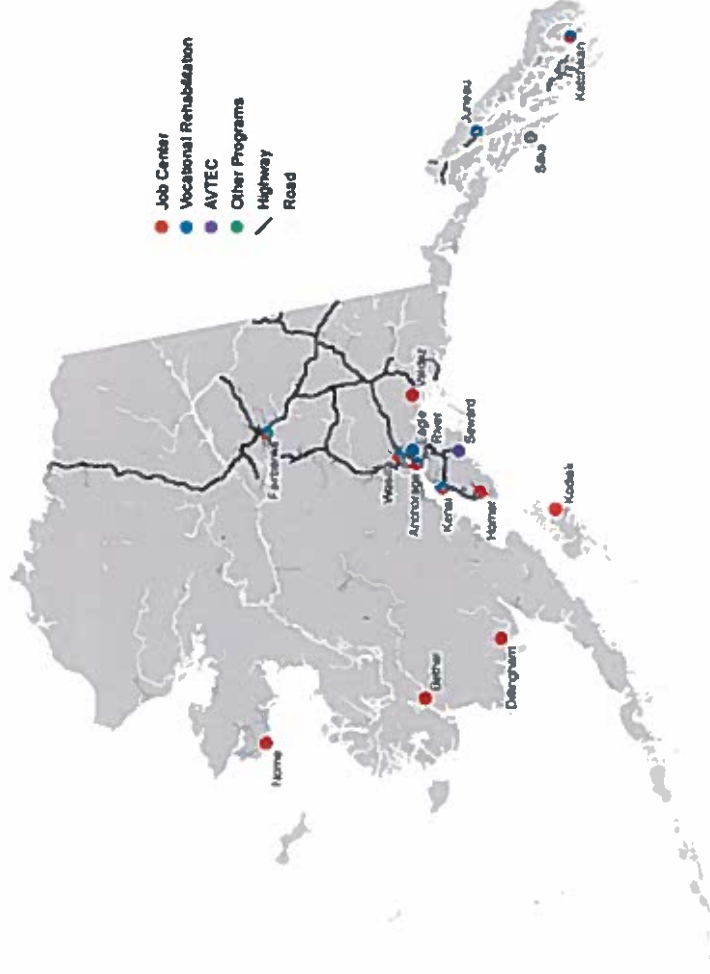


Employment and Training Services

Patsy Westcott, Director

Income
Replacement

Workforce
Development



- Provides employment, training and education services through the Alaska Job Center Network across Alaska.
- Administers Workforce Innovation and Opportunity Act (WIOA) federal funding and other federal programs.
- Provides economic stability to unemployed Alaskans through Unemployment Insurance.



ALASKA DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT
DR. TAMIKA L. LEDBETTER, COMMISSIONER

Technical Vocational Education Program (TVEP) History (\$ Thousands)

Entity	Distr. %	FY2018 Distribution	FY2019 Distribution	FY2020 Distribution	FY2021 Gov Amend Distribution	FY2021 COVID Revised Distribution	FY2021 COVID Supplemental Revised 1/11/2020
University of Alaska	45%	\$ 5,386.6	\$ 4,926.4	\$ 5,619.3	\$ 6,225.2	\$ 5,446.3	\$ 5,757.4
Galena Interior Learning Academy	4%	\$ 478.8	\$ 437.9	\$ 499.5	\$ 553.4	\$ 484.1	\$ 511.8
Alaska Technical Center	9%	\$ 1,001.6	\$ 927.8	\$ 1,123.8	\$ 1,245.0	\$ 1,089.3	\$ 1,151.5
Southwest Alaska Vocational and Education Center	3%	\$ 359.1	\$ 328.4	\$ 374.6	\$ 415.0	\$ 363.1	\$ 383.8
Yuntut Eitnaurviat, Inc. People's Learning Center	9%	\$ 1,077.3	\$ 985.3	\$ 1,123.8	\$ 1,245.0	\$ 1,089.3	\$ 1,151.5
Northwestern Alaska Career and Technical Center	3%	\$ 359.1	\$ 328.4	\$ 374.6	\$ 415.0	\$ 363.1	\$ 383.8
Partners for Progress in Delta, Inc.	3%	\$ 359.1	\$ 328.4	\$ 374.6	\$ 415.0	\$ 363.1	\$ 383.8
Amundsen Educational Center	2%	\$ 239.4	\$ 218.9	\$ 249.7	\$ 276.7	\$ 242.1	\$ 255.9
Ilisagvik College	5%	\$ 598.5	\$ 547.4	\$ 624.4	\$ 691.7	\$ 605.1	\$ 639.7
Alaska Vocational Technical Center	17%	\$ 2,034.0	\$ 1,861.1	\$ 2,124.2	\$ 2,351.7	\$ 2,057.5	\$ 2,175.0
Total	100%	\$11,893.5	\$10,890.0	\$12,488.5	\$ 13,833.8	\$ 12,102.8	\$ 12,794.2



ALASKA DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT
DR. TAMIKA L. LEDBETTER, COMMISSIONER

PREPARING ALASKANS FOR THE JOBS OF TODAY—AND TOMORROW

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ALASKA DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT
DR. TAMIKA L. LEDBETTER, COMMISSIONER

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3/3/2021

ALASKA DEPARTMENT OF LABOR AND WORKFORCE

Division of Employment & Training Services Unemployment Insurance Financing



ALASKA DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT
DR. TAMIKA L. LEDBETTER, COMMISSIONER



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March 3, 2021

Federal Unemployment Tax Act

- FUTA requires employers to pay a federal payroll tax and a state tax contribution
 - Current FUTA tax = 6%
 - Current FUTA credit = 5.4%
 - What the FUTA taxes fund



Administrative Funding

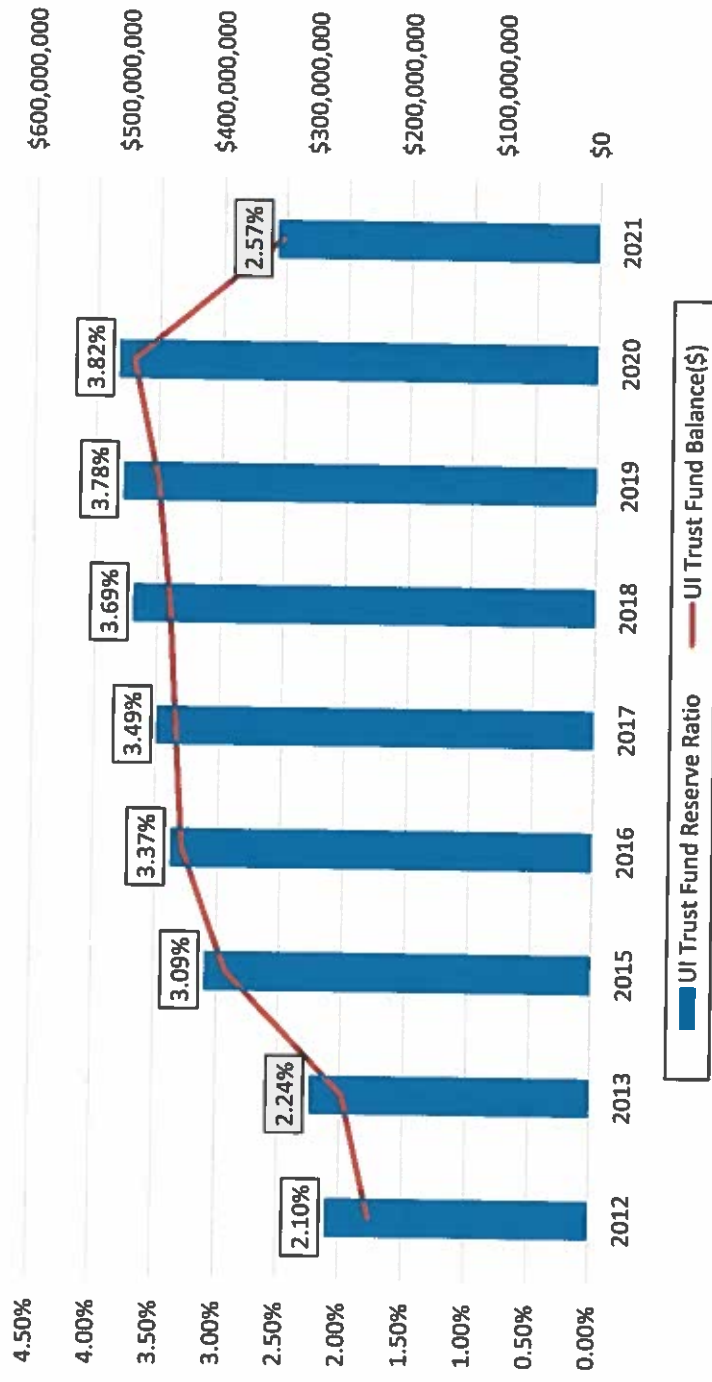
- Resource Justification Model
 - Methodology to determine state administrative funding
 - Based, in part, on past experience and forecasted workload
 - Full funding for Integrity and Quality Control efforts
- Above base funding

Trust Fund Financing

- Key Components
 - The system seeks to maintain a reserve sufficient to handle a vast majority of potential benefit costs via a reserve ratio target.
 - A solvency adjustment may be added to base tax rates in years where the fund falls outside of target range.
 - Recaptures state liabilities paid out in previous years.
 - 3 year averaging to smooth changes in tax rates from year-to-year.
 - Indexed taxable wage base.
 - Currently set at \$43,600 (equivalent to 75% of the annual average wage).

Solvency of the Fund

UI Trust Fund Reserve Ratio and Fund Balance



Note: Values are as of September 30th values, which is the date used for annual UI tax rate calculations.

Monthly UI Claims Data

Unemployment Insurance data reflective of January 2021

Level		Over the Month, Change		Over the Year, Change	
Current	Prior Month	Level	Percent	Level	Percent
19,715	18,334	1,381	7.5%	13,985	244.1%
12,221	9,362	2,859	30.5%	8,669	244.1%
88,730	84,395	4,335	5.1%	46,869	112.0%
76,039	71,172	4,867	6.8%	42,105	124.1%
64,763	83,161	-18,398	-22.1%	30,442	88.7%
54,948	69,280	-14,332	-20.7%	27,552	100.6%
\$18.92	\$24.40	-5.485	-22.5%	9.578	102.6%
\$15.89	\$20.16	-4.266	-21.2%	8.49	114.7%
\$289.5	\$304.2	-\$14.70	-4.8%	(\$206.20)	-41.6%

New Initial Claims, total

-New Initial Claims, in-state

Weeks Claimed, total

-Weeks Claimed, in-state

Weeks Paid, total

-Weeks Paid, in-state

Dollars Paid, total (millions)

-Dollars Paid, in-state (millions)

Trust Fund Bal, 1/31 (millions)

Source: Treasury

Burn Rate, TF Bal / current \$ paid 15 Months

number of consecutive months the UI Trust could absorb current level of payments before being exhausted, excludes new revenue.



ALASKA DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT
DR. TAMIKA L. LEDBETTER, COMMISSIONER



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March 3, 2021

Division of Employment & Training Services - Alaska Job Centers

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ALASKA DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT
DR. TAMIKA L. LEDBETTER, COMMISSIONER



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March 3, 2021