

**ALASKA STATE LEGISLATURE**  
**HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

May 11, 2002

6:25 p.m.

**MEMBERS PRESENT**

Representative Lisa Murkowski, Chair  
Representative Andrew Halcro, Vice Chair  
Representative Kevin Meyer  
Representative Norman Rokeberg  
Representative Harry Crawford  
Representative Joe Hayes

**MEMBERS ABSENT**

Representative Pete Kott

**COMMITTEE CALENDAR**

CS FOR SENATE BILL NO. 252(RLS)

"An Act renaming the Alaska Human Resource Investment Council as the Alaska Workforce Investment Board and relating to its membership; relating to repayment on promissory notes for work-related items paid for by grant programs; extending the termination date of the state training and employment program; relating to employment and training activities; and providing for an effective date."

- MOVED CSSB 252(RLS) OUT OF COMMITTEE

**PREVIOUS ACTION**

BILL: SB 252

SHORT TITLE:EMPLOYMENT AND TRAINING PROGRAM/BOARD

SPONSOR(S): RLS BY REQUEST OF THE GOVERNOR

Jrn-Date	Jrn-Page		Action
01/22/02	2003	(S)	READ THE FIRST TIME - REFERRALS
01/22/02	2003	(S)	L&C, FIN
01/22/02	2003	(S)	FN1: (LWF); FN2: (LWF); FN3: (LWF)
01/22/02	2003	(S)	GOVERNOR'S TRANSMITTAL LETTER
02/14/02		(S)	L&C AT 1:30 PM BELTZ 211
02/14/02		(S)	Heard & Held

02/14/02		(S)	MINUTE(L&C)
04/18/02		(S)	L&C AT 1:30 PM BELTZ 211
04/18/02		(S)	Heard & Held
04/18/02		(S)	MINUTE(L&C)
04/25/02		(S)	L&C AT 1:30 PM BELTZ 211
04/25/02		(S)	Moved CS(L&C) Out of Committee
04/25/02		(S)	MINUTE(L&C)
04/26/02	2972	(S)	L&C RPT CS 5DP NEW TITLE
04/26/02	2972	(S)	DP: STEVENS, AUSTERMAN, DAVIS, LEMAN,
04/26/02	2972	(S)	TORGERSON
04/26/02	2972	(S)	FN1: (LWF); FN2: (LWF);
04/26/02	2972	(S)	FN3: (LWF)
05/02/02		(S)	FIN AT 9:00 AM SENATE FINANCE 532
05/02/02		(S)	Heard & Held
05/02/02		(S)	FIN AT 4:00 PM SENATE FINANCE 532
05/02/02		(S)	Moved CS(FIN) Out of Committee
05/02/02		(S)	MINUTE(FIN)
05/02/02		(S)	MINUTE(FIN)
05/06/02	3173	(S)	FIN RPT CS 2DP 5NR 1AM NEW TITLE
05/06/02	3173	(S)	NR: KELLY, HOFFMAN, OLSON, WILKEN,
05/06/02	3173	(S)	WARD; AM: DONLEY; DP: AUSTERMAN, LEMAN
05/06/02	3173	(S)	FN4: (LWF); FN5: (LWF)
05/06/02	3173	(S)	FN6: (LWF); FN7: (LWF)
05/08/02		(S)	RLS AT 9:30 AM FAHRENKAMP 203
05/08/02		(S)	MINUTE(RLS)
05/08/02		(S)	MINUTE(RLS)
05/08/02		(S)	MINUTE(RLS)
05/10/02	3293	(S)	RULES TO CALENDAR W/CS 5/10 NEW TITLE
05/10/02	3294	(S)	FN4: (LWF); FN5: (LWF)
05/10/02	3294	(S)	FN6: (LWF); FN7: (LWF)
05/10/02	3297	(S)	READ THE SECOND TIME
05/10/02	3298	(S)	RLS CS ADOPTED UNAN CONSENT
05/10/02	3298	(S)	ADVANCED TO THIRD READING UNAN CONSENT
05/10/02	3298	(S)	READ THE THIRD TIME CSSB 252(RLS)
05/10/02	3298	(S)	PASSED Y19 N1
05/10/02	3299	(S)	EFFECTIVE DATE(S) SAME AS

			PASSAGE
05/10/02	3321	(S)	TRANSMITTED TO (H)
05/10/02	3321	(S)	VERSION: CSSB 252(RLS)
05/10/02		(S)	RLS AT 9:30 AM FAHRENKAMP 203
05/10/02		(S)	MINUTE(RLS)
05/11/02	3510	(H)	READ THE FIRST TIME -
			REFERRALS
05/11/02	3510	(H)	L&C, FIN
05/11/02		(H)	FIN AT 1:30 PM HOUSE FINANCE
			519
05/11/02		(H)	-- Recessed to call of Chair
			--
05/11/02		(H)	L&C AT 0:00 AM CAPITOL 17

**WITNESS REGISTER**

MARY JACKSON, Staff  
to Senator John Torgerson  
Alaska State Legislature  
Juneau, Alaska  
POSITION STATEMENT: Presented SB 252 on behalf of the sponsor,  
Senator Torgerson.

MARK MICKELSON, Assistant Director  
Job Training & Work Readiness  
Division of Employment Security  
Department of Labor & Workforce Development  
PO Box 25509  
Juneau, Alaska 99802-5509  
POSITION STATEMENT: During hearing on SB 252, answered  
questions.

REBECCA NANCE GAMEZ, Deputy Commissioner  
Office of the Commissioner  
Department of Labor & Workforce Development  
PO Box 21149  
Juneau, Alaska  
POSITION STATEMENT: During hearing on SB 252, answered  
questions.

PAT DAVIDSON, Legislative Auditor  
Division of Legislative Audit  
Legislative Budget and Audit Committee  
Alaska State Legislature  
Juneau, Alaska  
POSITION STATEMENT: During hearing on SB 252, discussed the  
governor's discretionary fund.

JAMES WAKEFIELD, Chair  
Balance of State Workforce Investment Board  
17325 Pt. Lena Loop Road  
Juneau, Alaska 99801  
POSITION STATEMENT: Testified in support of SB 252.

LINDA HULBERT, Vice Chair  
Alaska Human Resources Investment Council  
Anchorage, Alaska  
POSITION STATEMENT: Testified in support of SB 252.

DON ETHERIDGE, Lobbyist  
Alaska AFL-CIO  
710 W. 9th Street  
Juneau, Alaska 99801  
POSITION STATEMENT: Provided comments on SB 252.

#### **ACTION NARRATIVE**

TAPE 02-74, SIDE A  
Number 0001

CHAIR LISA MURKOWSKI called the House Labor and Commerce Standing Committee meeting to order at 6:25 p.m. Representatives Murkowski, Halcro, Meyer, Rokeberg, and Crawford were present at the call to order. Representative Hayes arrived as the meeting was in progress.

#### SB 252-EMPLOYMENT AND TRAINING PROGRAM/BOARD

CHAIR MURKOWSKI announced that the only order of business would be CS FOR SENATE BILL NO. 252(RLS), "An Act renaming the Alaska Human Resource Investment Council as the Alaska Workforce Investment Board and relating to its membership; relating to repayment on promissory notes for work-related items paid for by grant programs; extending the termination date of the state training and employment program; relating to employment and training activities; and providing for an effective date."

Number 0063

MARY JACKSON, Staff to Senator John Torgerson, Alaska State Legislature, informed the committee that this is the governor's legislation brought forward to extend the State Training Employment Program (STEP). She noted that Senator Torgerson had

requested an audit of the STEP and after going through the audit, a number of amendments have been offered to the legislation throughout the process. She explained that the audit found that there was a problem with reporting, which the department understands. Probably the most difficult issue had to do with the competitiveness of the program. Ms. Jackson pointed out that STEP is paid for by a diversion from the Unemployment Insurance Trust Fund. The entire point of STEP is to train people in order to avoid unemployment. The theory, she explained, is that more people working results in more being paid into the trust. Therefore, the trust becomes more solvent and draws can be taken to train people. In that context, unions provide training programs. However, there was concern that language in the original legislation restricted private entities from competing in certain areas and thus the Senate Finance Standing Committee eliminated that language.

MS. JACKSON pointed out that initially recommendations were for a one-year extension. The audit recommended four years, but the current legislation specifies two years. By next year, there are a number of reports, as specified on page 28 of CSSB 252(RLS), that the Department of Labor & Workforce Development must provide to the legislature. She highlighted the sixth report and stated that the issue is whether all employers should pay into the STEP. Currently, the State of Alaska doesn't pay into the STEP, although its employees would be eligible to use the program.

Number 0475

CHAIR MURKOWSKI turned attention to the fifth report, the status of the governor's discretionary fund.

MS. JACKSON said that the governor's discretionary fund "is no more." On page 13, the audit report specifies that in 1999 the STEP Plan action steps identified the creation of a governor's discretionary fund for statewide activities. The aforementioned was surprising, especially since STEP was supposed to be for training and grants were to be available. Although it was determined that the governor's discretionary fund wasn't [utilized], the audit pointed it out.

CHAIR MURKOWSKI noted that the committee packet includes a one-page document [from Senator Gene Therriault's office] discussing the governor's discretionary fund. The document explains where the set aside funds were used. The document says, "I think we are getting a little bit of a dodge from the department about

any continued use of set-aside funds into FY 02. Maybe this is a question that they should be asked at the Senate Labor and Commerce committee meeting."

MS. JACKSON related her understanding that the matter was resolved. She emphasized that the STEP is supposed to be the program of last resort.

Number 0671

REPRESENTATIVE MEYER requested that Ms. Jackson explain the five different fiscal notes.

MS. JACKSON explained that the state doesn't pay anything for this program, the funds come through the Unemployment Insurance Trust Fund. There are no general funds (GF) used for the STEP.

MS. JACKSON, in response to Representative Rokeberg, confirmed that the provisions that are repealed serve as basically a sunset provision so that the department will return to the legislature in three years. She highlighted that the department has to report to the legislature within ten days of the Twenty-Third Legislature on the questions raised in the audit.

REPRESENTATIVE ROKEBERG asked if the Senate considered the question raised in the audit regarding the participation of organized labor in the STEP.

MS. JACKSON replied yes and reiterated that was the reason for the amendment made by the Senate Finance Standing Committee on page 17 of the legislation.

REPRESENTATIVE ROKEBERG pointed out that on page 15 of the audit it says, "We acknowledge that unions are a valuable partner in training Alaskans. However, given that unions have a funding source for training through their dues collection process, we question how DLWD [Department of Labor & Workforce Development] and AHRIC [Alaska Human Resources Investment Council] ensure that STEP funding is not being used by unions to supplant rather than leverage." He ventured to say that 99 percent of the private business people in the state who are paying the [majority] of this tax would be very upset if they knew they were funding union apprenticeship programs. Representative Rokeberg expressed concern with the aforementioned. He questioned why he [as a private business owner] would pay, subsidize, organized labor out of his gross receipts to do training [for unions].

MS. JACKSON said that was exactly the issue that was discussed at length with the department. The issue ties in with the department's better reporting and tracking and data requirements.

Number 0953

CHAIR MURKOWSKI pointed out that the only entity involved in the report is DLWD. She asked whether there has been any discussion regarding input outside of DLWD because she didn't want the report to be totally biased with DLWD's perspective.

MS. JACKSON related her thought that it might be appropriate to ask the Alaska Chamber of Commerce to read [the report] and comment. She was sure that many of the private industry councils and private businesses would be willing to come forward [and comment].

CHAIR MURKOWSKI remarked that she wasn't sure that including input outside of DLWD would require an amendment to the legislation.

Number 1126

REPRESENTATIVE CRAWFORD informed the committee that the STEP allows [unions] to bring people in from the Bush to obtain training. The reason this money goes toward union apprenticeship programs is because those programs are in place and deliver the training to those in need of jobs. Although the STEP may be the program of last resort in some areas, the individuals, no matter their location, receive good training. The STEP is necessary for those who don't have the same advantages to those located in Anchorage or Fairbanks. Representative Crawford took exception to Representative Rokeberg's earlier comment that he, as a businessman, is subsidizing rich unions. Representative Crawford said, "Those are the training programs that are in place. We're just trying to get people to work; it's not to put ... anybody ... out of business."

REPRESENTATIVE ROKEBERG asked if the department keeps a breakdown of the geographic location of the training offered in the state.

Number 1290

MARK MICKELSON, Assistant Director, Job Training & Work Readiness, Division of Employment Security, Department of Labor & Workforce Development, explained that the department has done a yearly evaluation through research and analysis. In response to Representative Rokeberg, Mr. Mickelson said he believes that in 2002 approximately 45 percent of the resources were spent in the Anchorage and Matanuska Susitna Valley region.

REPRESENTATIVE ROKEBERG commented that it was good and was a real improvement from the 15 percent he remembered from four years ago. He asked if the reason behind the increase is because the department is being responsive to where the job needs are.

MR. MICKELSON explained that the allocation for STEP is based on several factors, including the rate of unemployment, the number of people who file, et cetera. It's based on the residence of the unemployment insurance claimants, he specified. In further response to Representative Rokeberg, Mr. Mickelson clarified that the STEP fund is split between local areas designated under the Workforce Investment Act: the Anchorage Mat-Su Consortium and the balance of the state. Funds for training are generally let through two channels, one of which is an areawide competitive request for proposal (RFP). The other methodology is called individual referral in which eligible clients come into one of the departments one-stop offices around the state and could be referred to preexisting training. Therefore, there are large grants and individual grants. Most years there has been close to full utilization and expenditure, although there have been years in which it was less.

REPRESENTATIVE ROKEBERG asked if in years of surplus extra training programs in Kotzebue and (indisc.) were funded.

Number 1465

REBECCA NANCE GAMEZ, Deputy Commissioner, Office of the Commissioner, Department of Labor & Workforce Development, clarified that those were funded through some lapse funds and an additional diversion. She further clarified that it was a separate appropriation under a different Senate bill.

REPRESENTATIVE ROKEBERG inquired as to the rationale of funding organized labor's apprenticeship programs vis-à-vis other programs.

MS. GAMEZ directed attention to page 150 of the audit report, which contains a statement with which the department doesn't fully concur. She echoed Representative Crawford's earlier comments that the STEP funds obtained by the unions aren't necessarily used for training; much of it is used for travel expenses. Therefore, the unions can offer training in rural Alaska, such as Bethel and Nome.

Number 1556

CHAIR MURKOWSKI returned to the issue of the governor's discretionary fund and its current status.

MS. GAMEZ related that a couple of years ago AHRIC wanted to direct more funds toward certain occupations. Therefore, AHRIC directed the activities. At that time, AHRIC was located in the Office of the Governor. Currently, AHRIC is located in the department, although it isn't a division of the department. At this point, there has been no action by AHRIC to have those [discretionary] funds available.

Number 1656

PAT DAVIDSON, Legislative Auditor, Division of Legislative Audit, Legislative Budget and Audit Committee, Alaska State Legislature, said she believes that much of the STEP was meant to parallel and cover areas not covered by the former federal Jobs Training Partnership Act (JTPA) program which included a number of restrictions and the governor's discretionary fund. Under JTPA a small pool of money was exempted in order to allow those funds to be used on priorities identified by the governor. When the STEP was established, the JTPA concept of the governor being able to identify particular areas that needed training dollars was continued. During the audit, the auditors had a difficult time trying to identify what the governor's discretionary fund was spent on because the department didn't track it. Ms. Davidson said that the notion that there was a pool of money that was available for the governor to spend is a bit of a misconception.

REPRESENTATIVE ROKEBERG asked if there were funds that were unaccounted for.

MS. DAVIDSON replied no and reiterated that it was difficult to determine whether funds would be identified as part of the governor's discretionary expenditure as opposed to any other expenditure made for the STEP.

Number 1790

JAMES WAKEFIELD, Chair, Balance of State Workforce Investment Board, informed the committee that the board, which consists of over 50 percent private sector members, strongly supports SB 252. This program has been around since 1989 and has trained over 18,000 Alaskans. There are many success stories. For example, the City of Hyder has put half of its eligible work population to work through a STEP program. Mr. Wakefield highlighted that the program doesn't tap GF dollars. With regard to the joint apprentice programs using the funds, Mr. Wakefield said that it has provided rural Alaskans the ability to obtain training in fields that allow them to work near their home in rural Alaska. The board would like to see a permanent program, he related.

Number 1905

LINDA HULBERT, Vice Chair, Alaska Human Resources Investment Council, encouraged the committee to pass SB 252.

DON ETHERIDGE, Lobbyist, Alaska AFL-CIO, informed the committee that not all the STEP funds the unions use are for the union's membership. Many of the STEP funds are used to train rural Alaskans for things such as installing and maintaining water lines.

REPRESENTATIVE ROKEBERG asked if unions are having difficulties recruiting apprentices.

MR. ETHERIDGE answered that for some time there wasn't a lot of apprenticeship drive due to the lack of work. Now that the work has increased, interest in apprenticeship programs has increased. He explained that the number of apprentices that are accepted is adjusted according to the amount of work available.

REPRESENTATIVE ROKEBERG related his belief that laborers would be particularly well-suited to participate in short-term specialized training. He asked if Mr. Etheridge had an example of situations in which STEP funds had been used for the aforementioned.

MR. ETHERIDGE responded that quite a bit of that is being done in the Northern region. Instructors are being sent out frequently to teach people how to install and maintain water and

sewer lines. The laborers and operators work together on these projects.

REPRESENTATIVE ROKEBERG remarked that he believes such uses of the fund are good and he didn't object to those. However, he reiterated his objection to the funds being used to subsidize the apprenticeship programs. Representative Rokeberg said he thinks it's a good goal, particularly for outreach programs, to obtain minorities and members from outlying areas. However, using STEP funds for travel offsets tax dollars that should belong to an organization [such as the AFL-CIO].

MR. ETHERIDGE noted that a lot [of the funds] aren't used for the apprenticeship program. He informed the committee that during a recent training session in Metlakatla, a large group of locals were trained to perform hazardous waste cleanup. Out of the dozen folks trained, [the union] received one member.

Number 2163

REPRESENTATIVE CRAWFORD added that over the last several years, the ironworker's union has taken in 10-20 apprentices each year. However, this year [the ironworker's union] has taken in over 50 apprentices and is actively looking for more. Representative Crawford knew that [the ironworker's union] has applied for some of these [STEP] funds in order to have folks come into the school in Anchorage. He clarified that none of the [STEP] funds have ever been used for the ironworker's apprenticeship program, although the funds have been used to get people [to a location] where they can be trained.

MS. DAVIDSON, in response to whether the Legislative Audit Division has any outstanding concerns, pointed to the following two items. Ms. Davidson clarified that the Legislative Audit Division wasn't looking for outreach to a particular segment of the Alaskan workforce. However, the STEP program can be used to fund training for unemployed, under employed, and people whose job may be ending due to economic conditions. The STEP program could use an outreach program for the under employed or the soon-to-be unemployed. In fiscal year 2001 over \$800,000 was allowed to lapse and at the end of fiscal year 2001 there was an unexpended balance of funds in the amount of \$2.4 million. The concern surrounds STEP and diverting employee portions of unemployment insurance taxes; the idea to keep people from drawing unemployment and to increase the wage base. In general, the STEP program is meant to revenue expenditure neutral. Therefore, the concern with regard to the lapsed money is that

if the money isn't being spent, then the benefits aren't being created. Ms. Davidson explained that STEP works because the employee's portion is a set percentage while the employer's percentage is a percentage plug whatever it talks to balance the fund. To the extent that benefits aren't received from the program, there will be an increased benefit on the employer's portion.

TAPE 02-74, SIDE B

MS. DAVIDSON said that the division wanted to highlight that spending the money, performing the outreach, and creating the benefits is a continuing goal of the program. Ms. Davidson turned to the issue of displacing federal and possibly private training funds. The division couldn't say that [the STEP program] was displacing because there wasn't enough documentation to demonstrate that these were supplemental funds rather than supplanting. She mentioned that perhaps the aforementioned is a matter of documentation, which the agency could resolve. Ms. Davidson pointed out that during the audit the federal JTPA program changed to the Workforce Investment Act (WIA) program and many of the rules loosened. For instance, industry-specific training is now allowed under the federal program. Therefore, the division [wanted to be sure] that the vendors, the grantees, the municipalities, and balance of the state analyzed the clients to make sure that the training programs couldn't be funded by the federal program before going to the STEP program. Although the division didn't really see that happening, the expectation is that the information and data collection and reporting being sought will provide the information necessary to make the aforementioned assessment.

REPRESENTATIVE ROKEBERG noted that there is an organization in the state that endeavors to establish nonunion apprenticeship programs. He asked if the audit reviewed that.

MS. DAVIDSON said that the audit didn't focus on that, although an amendment made in the Senate Finance Standing Committee which eliminated that concern. Therefore, regardless of whether a training program is union or nonunion, the program would be on the same playing field when applying for a grant.

Number 2219

REPRESENTATIVE MEYER moved to report CSSB 252(RLS) out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, it was so ordered.

**ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 7:15 p.m.