

HOUSE FINANCE COMMITTEE
January 31, 2007
1:41 p.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [1:41:04 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Harry Crawford
Representative Mike Hawker
Representative Reggie Joule
Representative Mary Nelson
Representative Bill Thomas, Jr.
Representative Les Gara

MEMBERS ABSENT

Representative Richard Foster
Representative Mike Kelly

ALSO PRESENT

Charles "Click" Bishop, Acting Commissioner, Alaska Department of Labor and Workforce Development; Guy Bell, Director, Division of Administrative Services, Department of Labor and Workforce Development; Representative Bob Buch; Representative Mark Neuman

PRESENT VIA TELECONFERENCE

None

GENERAL SUBJECT(S):

OVERVIEW: ALASKA DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

The following overview was taken in log note format. Handouts will be on file with the House Finance Committee through the 25th Legislative Session, contact 465-6814. After the 25th Legislative Session they will be available through the Legislative Library at 465-3808.

TIME	SPEAKER	DISCUSSION
1:42:08 PM	CLARK "CLICK" BISHOP, ACTING	Introduced members of the Department.

	COMMISSIONER OF LABOR AND WORKFORCE DEVELOPMENT	
1:43:41 PM	GUY BELL, ASSISTANT COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT	Referred to a handout, "Alaska Department of Labor and Workforce Development FY 08 Operating Budget January 31, 2007" (copy on file). He quoted from Governor Palin's State of the State speech, as seen on page 2 of the handout.
1:45:20 PM	Mr. Bell	Shared the Department of Labor and Workforce Development's (DLWD) mission depicted on page 3 of the handout.
1:45:51 PM	Mr. Bell	Highlighted key program accomplishments portrayed on page 4.
1:46:52 PM	Commissioner Bishop	Emphasized the Department's goal of having a 2 percent reduction in the rate of lost workday accidental injuries and illnesses.
1:47:57 PM	Mr. Bell	Reviewed the FY 08 budget of \$176.9 million as shown on page 5.
1:48:35 PM	Mr. Bell	Related the challenges to the Department as depicted on page 6. He spoke of the number of nonresidents working in the state, which has increased from 18.4 percent to 19.1 percent in 2005 due to the vibrant economy and the shortage of skilled workers in the state.
1:50:47 PM	Co-Chair Meyer	Pointed out that there were 25,600 Alaskans unemployed, yet almost 4,000 nonresident workers came to Alaska for jobs. He suggested putting Alaskans to work before recruiting nonresidents. He wondered if the issue is non-skilled workers. Commissioner Bishop replied that he believes that Alaskan employers could do a better job of reaching out to resident skilled workers. He also suggested ways to close the gap on the nonresident numbers and ways to utilize Alaskans.
1:52:38 PM	Representative Thomas	Asked how many of those nonresidents are returning college students. Mr. Bell addressed how those students are tracked. He added that it is more likely that students will stay in Alaska if they go to college in Alaska.
1:53:53 PM	Vice-Chair Stoltze	Requested data on General Education Development (GED) diplomas. Mr. Bell informed the committee about ways GED data can be requested. Vice-Chair

		Stoltze asked how unemployment was defined and whether the people were actively seeking employment or were seasonal employees. Mr. Bell said about 5,600 are seasonal employees.
1:55:51 PM	Commissioner Bishop	Suggested sorting unemployment data by "trade group". Vice-Chair Stoltz said complete information makes for better decisions.
1:56:39 PM	Representative Crawford	Mentioned his experience with the iron workers apprenticeship program. There is a seasonal need to move to where the jobs are and that means a loss of jobs to the state.
1:57:31 PM	Mr. Bell	Pointed to page 7 of the handout, which depicts a challenge to the Department - loss of federal funding and increasing costs. Retirement cost increases are the main cost driver. The challenge is to maintain services with increasing costs.
1:59:10 PM	Co-Chair Meyer	Asked if some federal funding was lost last year. Mr. Bell said it was in the unemployment insurance program which is driven by volumes, which were down. Slide 8 shows the elimination of 53 full-time positions due to reduced federal funding. The Department is requesting general fund increments to offset federal funding reductions and is looking at paring back services.
2:00:47 PM	Co-Chair Chenault	Asked if the Department is proposing to use state general funds to pay for costs to PERS for state employees that are funded through a federally funded program. Mr. Bell said that is correct. He explained that the unemployment insurance program historically has been funded with federal money and this budget proposal would inject general fund into that program to maintain levels of service to those seeking unemployment insurance benefits. Co-Chair Chenault asked if there were any federal funds available to cover retirement costs. Mr. Bell replied that the unemployment insurance program is workload driven and the job service program is allocated on a declining percentage formula.
2:02:57 PM	Mr. Bell	Explained page 9, which described how the Department addresses preparing Alaska's youth for the workforce.

2:04:11 PM	Commissioner Bishop	Addressed the dropout rate of Alaskan students - less than 60 percent graduate high school. He shared his own experience with positive benefits of vocational education programs.
2:05:42 PM	Co-Chair Meyer	Agreed that vocational education programs are important.
2:06:03 PM	Vice-Chair Stoltz	Inquired how successful the commissioner would be in implementing the Department's vocational education goals. Commissioner Bishop stated that he would be very successful. He pointed to his good working relationship with the university system.
2:07:21 PM	Mr. Bell	Referred to page 10 - "Improving the success of Alaska's students". He shared some of the focuses of Alaska Youth First. He informed the committee of the successes of the King Career Center.
2:10:17 PM	Representative Hawker	Asked if the \$4.3 appropriation is a single appropriation spread throughout various functions in the budget. Mr. Bell replied that it is in one spot in the Division of Business Partnerships under Business Services on page 22 of the budget short form. He clarified the \$4.3 amount for Representative Hawker.
2:11:39 PM	Mr. Bell	Highlighted the Alaska Vocational-Technical Center located in Seward, as explained on page 11. He mentioned other training centers included in grant funding.
2:12:49 PM	Co-Chair Chenault	Asked how Savec in King Salmon was funded. Mr. Bell explained that the allocation for Savec was determined through the Technical Vocational Education Program, a special account in the general fund that is distributed by a formula set by the legislature. Savec receives 4 percent of that allocation each year. The Department is a pass-through agency for those dollars.
2:13:36 PM	Mr. Bell	Spoke about the State Training and Employment Program (STEP) shown on page 12. He termed it a very successful program which would expire on June 30, 2008, unless extended by the legislature.
2:15:18 PM	Mr. Bell	Highlighted gas pipeline workforce

		preparation programs as shown on page 13. The focus is on training for jobs available today. He discussed the Fairbanks Joint Pipeliner Training program funding, which has been very successful, and the funding for a Fairbanks Training Facility. Commissioner Bishop added that the Pipeliner Training is proven, does work, and is his commitment to the industry.
2:18:01 PM	Representative Joule	Pointed out that many workers will be leaving jobs in their communities to take pipeline jobs. He suggested working with communities to fill jobs that are left unfilled. Commissioner Bishop said that is the same discussion he had with his staff earlier today. He agreed that those jobs had to also be considered.
2:20:20 PM	Mr. Bell	Emphasized the Alaska hire commitment by the developers of the gas pipeline.
2:21:19 PM	Mr. Bell	Explained a graph on page 14, which compares the unemployment rate in the U.S. and Alaska between 1996 and 2006.
2:22:16 PM	REPRESENTATIVE MARK NEUMAN	Spoke of a concern about reaching young adults in rural Alaska at risk for dropping out. He wondered who would teach those students job skills. Commissioner Bishop said the Department is working on that problem. He spoke of his experience with training in rural Alaska.
2:24:25 PM	Representative Hawker	Asked for an explanation of "business services" in the Department's budget document. Mr. Bell stated that business services deals with State Training and Employment Program (STEP) and with federal receipts. He further explained the \$32 million in federal receipts and business services, money that comes from the U.S. Department of Labor Employment Training Administration, a combination of formula money and money derived from competitive awards.
2:26:31 PM	Representative Hawker	Asked where that money goes. Mr. Bell replied that \$3 million goes to High Need Youth. Two or three million dollars goes to the Adult Program - job services and training for out of work adults. Some of the money goes to the Dislocated Worker Program, and Rapid

		Response Program, which deals with imminent closures of work sites.
2:28:27 PM	Representative Hawker	Asked what the unallocated cut target in general funds is. Mr. Bell replied \$2.5 million. Representative Hawker noted that the existing general fund is slightly under \$12 million. Mr. Bell replied that the total budget request is \$30 million in general funds. Representative Hawker asked where Mr. Bell envisions finding \$2.5 million of efficiencies. Mr. Bell replied throughout the department. Representative Hawker spoke of his expertise with the human services budget where almost all general fund money is leveraged with matching money. He wondered if that is also true for the Department of Labor and Workforce Development. Mr. Bell said it is true in a number of areas such as Vocational Rehabilitation and Adult Basic Education.
2:30:30 PM	REPRESENTATIVE BOB BUCH	Voiced appreciation for the Commissioner's service to the state. He said the state is not doing a very good job of transferring education facilities to jobs. He requested ideas for turning around the poor graduation rate and lack of job-trained young adults. Commissioner Bishop suggested that having more jobs would help.
2:33:01 PM	Representative Nelson	Pointed out that the current way the foundation formula is written, three major categories comprise 20 percent of the state's allocation: special needs, bi-lingual, bi-cultural education, and vocational technical. She maintained that any one of those areas could take up 20 percent of a district's budget. She asked what a better target might be for vocational technical needs under a new foundation formula. Commissioner Bishop suggested more vocational opportunities in the high school. He deferred to Mr. Bell for funding details. Mr. Bell suggested an alternate funding outside of the Department of Education and outside of the foundation formula, such as an investment program with the Department of Labor or through the Governor's Office.

2:35:36 PM	Representative Gara	Suggested auditing the Department of Labor's budget to weed out duplication and waste. He wondered how long that would take. Mr. Bell maintained that the answer is not auditing, but rather to look at the services provided and ask how they can continue on an adequate level, and cut operating costs without impact on the public. He suggested looking at operating more efficiently through the use of technology.
2:38:07 PM	Representative Gara	Suggested avoiding duplication and waste when examining the Department's budget. He asked about the closing of an Anchorage job training office. Mr. Bell thought it was a consolidation of two programs where positions were eliminated. Representative Gara wondered if the outcome was successful. Mr. Bell thought it was.
2:40:07 PM	Representative Gara	Inquired about making training facilities and housing available to adults from rural areas. He wondered about housing assistance. Mr. Bell reported a high success with bringing people from around the state to the pipeline training program. Commissioner Bishop stated that 43 percent of the pipeline training group came from outside the Fairbanks/Anchorage area. He agreed that new housing facilities will be needed for new programs.
2:42:14 PM	Representative Joule	Spoke of opportunities the Department has ahead of it to redefine vocational education. He suggested a new high school vocational training structure, such as is done in Europe. He described what it could potentially do for rural areas. Commissioner Bishop agreed.
2:44:37 PM	Representative Crawford	Mentioned his experience as an organizer for the iron workers' union. He recalled the loss of office workers over time. He suggested it would be difficult to find efficiencies in some areas that have been already cut back and stretched too thin. Commissioner Bishop said he could provide information about the wage/hour department Representative Crawford was referring to. He voiced concern about

		the consequences of making severe cuts.
		<u>ADJOURNMENT</u>
		The meeting was adjourned at 2:46 PM.