

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

January 29, 2009

1:33 p.m.

MEMBERS PRESENT

Senator Joe Paskvan, Chair
Senator Joe Thomas, Vice Chair
Senator Bettye Davis
Senator Kevin Meyer
Senator Con Bunde

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

Overview of the Department of Labor and Workforce Development by Guy Bell, Director, Division of Administrative Services, and David Stone, Deputy Commissioner

Overview of the Department of Commerce, Community and Economic Development by Commissioner Emil Notti

PREVIOUS COMMITTEE ACTION

No previous action to consider

WITNESS REGISTER

GUY BELL, Director
Division of Administrative Services
Department of Labor and Workforce Development (DOLWD)
Juneau, AK

POSITION STATEMENT: Presented Department of Labor and Workforce Development overview.

DAVID STONE, Deputy Commissioner
Department of Labor and Workforce Development (DOLWD)
Juneau, AK

POSITION STATEMENT: Commented on mining issues relevant to the Department of Labor and Workforce Development.

EMIL NOTTI, Commissioner
Department of Commerce, Community & Economic Development (DCCED)

Juneau, AK

POSITION STATEMENT: Presented Department of Commerce and Economic Development Overview.

ACTION NARRATIVE

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CHAIR JOE PASKVAN called the Senate Labor and Commerce Standing Committee meeting to order at 1:33 p.m. Present at the call to order were Senators Davis, Meyer, Thomas and Paskvan. Senator Bunde arrived shortly after.

Overview: Department of Labor and Workforce Development (DOLWD)

GUY BELL, Director, Division of Administrative Services, Department of Labor and Workforce Development (DOLWD), apologized that the Commissioner wasn't able to attend due to illness and said he would deliver the overview for him. He introduced David Stone, Deputy Commissioner, Department of Labor and Workforce Development (DOLWD), who would comment on mining issues as well.

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MR. BELL went to the second page of his presentation and began the overview. He said the department has a dual mission of workforce development and a regulation. They develop and disseminate labor market information - workforce projections largely, but also population estimates and other data. They offer employment assistance through 23 job centers around the state, worker training and education, and worker training referrals to training providers around the state. They operate the Alaska Vocational Technical Center in Seward and a small component of it in Anchorage. They provide unemployment insurance benefits and assist people with disabilities in obtaining employment through the Division of Vocational Rehabilitation.

On the regulatory side they perform a wage and hour function assuring that people are paid the wages they are entitled to. They enforce workplace safety through Division of Occupational Safety and Health and mechanical inspection efforts. They adjudicate workers' compensation disputes through the Division of Workers' Compensation and the Workers' Compensation Appeals Commission. They also collect unemployment insurance taxes.

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SENATOR BUNDE commented that a few years ago the commissioner shared with the legislature what he thought the demographics of Alaska's future workforce might look like and that the vast majority would be under the age of 5 and over 65 and the small cohort would be 40 - 50 year olds. He asked if that was still current.

MR. BELL responded that he would provide that data and noted that there is a dip in the 30-something age group. He said that people are staying in the work force longer now and that people in highly skilled positions are retiring; so the state has to look at training younger and emerging workers for those jobs.

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At the same time he said there are approximately 22,000 unemployed workers in the state each month and a significant non-resident work force at any time. The legislature would be getting report called "Non-resident Workers in Alaska" that would provide them with much more detail. He said these workers earned about \$1.7 billion in 2006 or 13 percent of all Alaskan wages; they accounted for 29 percent of oil industry workers, which the state considers to be high-wage jobs generally. This is down slightly from the prior year. The wages for non-resident workers in the oil industry are significantly higher at \$364 million versus \$327 million in 2006.

As an agency, Mr. Bell said, he is trying to find out what Alaska can do better to train Alaskans so that more of them are available for the jobs that are being taken by non-resident workers, particularly the high-paying jobs.

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About 11,000 new Alaskans turn 18 years old every year; data indicates that 4,000 Alaskans ages 16-19 are not in school and not working. Only 62 percent of Alaskans graduate; only 62 percent of Alaskan high school graduates remain for training or employment; the rest leave the state. A significant number of people are falling through the cracks and DOLWD has been working with the Department of Education, the University and others to try to address some of these issues and improve those outcomes.

MR. BELL said the department's budget is \$175.2 million of which only \$31 million is from general funds. They are largely funded by federal funds and other state funds.

Slides 7 and 8 broke down the funding by division and program and he offered to answer questions on those.

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Slide 9 was a quick overview of the state's training system. Integral to the training system is the Workforce Investment Board, a private sector group that sets the overall policy for workforce development in the state. His agency does its best to follow those policies that are driven by the private sector.

He said generally there is a significant state and private partnership when it comes to workforce development - postsecondary, secondary, employment services that are the services provided through training providers in the private sector. They all work together to basically get people into jobs, preferably jobs that can sustain a family.

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Slide 10 summarized some of the state entity partnerships. They are very closely involved with the University of Alaska in coordinating their efforts with the Department of Education and Early Development in their engagement with K-12, where the state has been becoming even more involved in the recent several years, with the Department of Commerce and Economic Development in terms of meeting workforce needs associated with economic development projects, and they have developed a close relationship with the Department of Transportation and Public Facilities in looking at opportunities for apprenticeships in public construction projects. The relationships with other state agencies are very healthy right now he reported.

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Slide 11 showed a quick snapshot of some of the partnerships like the Workforce Investment Board where they have developed a training plan for the gasline with help from a private sector Gasline Training Plan Steering Committee.

MR. BELL explained that they had received financial support from private industry like the construction academies that operate construction-related training in high school facilities generally for both high school kids in school and for adults after hours. They have great partnerships with the Homebuilders Association and the Association of General Contractors.

The same type of activity exists in the State Training and Employment Program (STEP) which received \$5 million in from the private sector in FY 2008. The Occupational Safety and Health Program has improved workplace safety with employer incentives and initiatives. Finally, Workers' Compensation has a number of

advisory groups and a board that is made up of individuals from the private sector. They are seeing a much improved safety effort from employers.

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Slide 12 entitled "FY 08 Key Program Accomplishments" showed over 31,000 Alaskans were connected with jobs, 6,600 individuals received employment and/or training services for jobs, 94 percent of trained participants entered employment, 529 Division of Vocational Rehabilitation clients were employed, AVTEC trained nearly 900 Alaskans and issued over 1540 general education development diplomas (GED), and they published the Gasline Training Plan.

On the regulatory side, there has been a 21 percent reduction in lost workday accidental injuries, a pretty significant accomplishment in terms of improved workplace safety. They have reduced the time it takes to resolve wage claims, and uninsured employers are being detected to enforce the Workers' Compensation law.

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On apprenticeships, he said the commissioner has had to goal of seeing more people in non-traditional registered apprenticeships in the state. Deputy Commissioner Stone has been tasked with working with the mining industry, for instance, to develop registered apprenticeships around the mining industry.

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DAVID STONE, Deputy Commissioner, Department of Labor and Workforce Development (DOLWD) added that the mining industry has highly skilled jobs and not many Alaskans are qualified to get them. So, he is looking at taking young Alaskans from just entry levels at the University to the equivalent of a journeyman status. An example is with core drilling, which is exploration diamond drilling; this area has a high number of non-residents working in it and these are high-paying jobs. These would be good for rural Alaska because a lot of exploration is going on in those areas. Other areas are heavy duty mechanics for underground mines and how to take workers from entry level all the way to a top mining hand. The mining industry has been very receptive and he is very enthusiastic about it.

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MR. BELL said more generally, the department has entered into a unique agreement with the US Bureau of Apprenticeship to actually receive their apprentice enrollment data. They have

compared that data with other databases including the Permanent Fund and Unemployment Insurance databases and found 10 years of registration information and 90 percent of the people who were registered during that period of time are still Alaskan residents.

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SENATOR BUNDE said he heard the construction industry had trouble recruiting young people into a trade where they have to sweat and come to work on a regular basis. He asked if he was able to fill all the spots in the apprenticeship program and if it served all the people who wanted to be apprenticed.

MR. BELL answered that he can only influence the number of people who are taken into apprenticeships. He is trying to develop more relationships with firms to add apprentices. In the construction industry, they are using construction academies which engage high school kids in construction activities. They are operating in Anchorage, Fairbanks, Kenai, MatSu, Juneau and Ketchikan and are trying to expand those out to rural Alaska in a partnership with the Denali Commission. The focus would be to get basic skills training for high school age people and then to get them interested and then engaged in the industry. They are seeing quite high levels of success with that. More school districts are taking that on and focusing on construction as a career.

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MR. STONE said one of the areas they have failed in the schools is in educating young people that most of the future jobs in Alaska are career and technical education jobs that don't require a four-year degree, but do require further education; and that these are good jobs that are honorable and high-paying. They are partnering with the DOE and the University of Alaska to develop a seamless transition for young people to explore these careers. He thought this focus would result in a lot more people going into these careers.

SENATOR BUNDE asked if they have plenty of applicants for the apprenticeship programs.

MR. STONE answered that between GEDs and high school diplomas, they have roughly 10,000 recruits every year.

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MR. BELL explained that their budget is flat year to year and slide 15 summarized their work training efforts, where the

funding came from, and how many people were served in each category.

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Capital budget requests are identified on slide 16, he said, and mostly they relate to the Alaska Vocational Technical Center in Seward, which has significantly substandard facilities that need to be replaced. Some efforts are being made there, in particular to one dormitory that was built in the 1970s by students, and the heavy equipment, diesel and pipe welding training facility, which now doesn't meet code requirements.

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He said that STEP is funded \$8.5 million/year, but that expires on June 30, 2010 unless extended.

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MR. BELL said the medical cost cap for Workers' Compensation expires March 31, 2009 and unless a new cap is adopted there will be no cost controls on those costs after that date.

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SENATOR MEYER asked if the governor was going to introduce a bill to do that.

MR. BELL replied he didn't know.

SENATOR MEYER said time is of the essence.

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SENATOR THOMAS remarked that the imported workers number is staggering. In the tourism industry for instance, there is a ramp up time and a short period of time for working and it seemed that was more opportunity for the governor's office and DOLWD to encourage those industries that start right around the end of the school year to focus on students.

He also commented that he didn't see much coordination between the state agencies he mentioned and the Division of Corrections, where he hears that the young ones in jail are getting an education only in how to become a better criminal. Fairbanks prisoners, for instance, don't do any kind of work other than in the laundry.

MR. BELL responded that Commissioner Bishop has had discussions with the Department of Corrections about the possibility of at least pre apprenticeship training for persons who are

incarcerated, but with the likelihood that they will be back in the work force in the near future. That discussion is in its infancy, but they are working towards developing it.

SENATOR MEYER asked if he was concerned with the current unemployment rate increasing, especially in the mining and oil and gas industries.

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MR. BELL replied that they are concerned that the unemployment rate is at 7.5 percent now, but the research section doesn't project a substantial raise in that figure this year. Alaska hasn't suffered to the extent that other states have and they hope the stimulus package will help.

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SENATOR PASKVAN went to slide 12 and asked why occupational safety has improved.

MR. BELL replied that part of it is because employers are concerned with the cost of workers' compensation and they are taking steps to improve workers' safety because it affects their bottom line. The Division of Occupational Safety and Health has developed partnerships through some with award programs recognizing safe work places. They offer compliance inspections without the fear of penalties. A number of activities are making a difference.

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SENATOR THOMAS said he found when people came to the unions looking for an apprenticeship, generally out of high school, they didn't realize what it took, and in reality a wide variety of skills are needed. He thought that intervention early in the high school years to keep them interested and to let them know that it's not going to be just simply you have to go to school till you're 16 and then you're going to become a carpenter.

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CHAIR PASKVAN announced an at ease at 2:11.

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CHAIR PASKVAN called the meeting back to order at 2:14.

Overview: Department of Commerce, Community & Economic Development

CHAIR PASKVAN announced that Commissioner Notti, would give them the Department of Commerce, Community & Economic Development (DCCED) overview.

EMIL NOTTI, Commissioner, Department of Commerce, Community & Economic Development (DCCED), said their mission statement is a healthy economy and strong communities. The department has six divisions and one office that isn't quite a division.

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Besides the divisions, the department has a relationship with six independent agencies or state corporations. One division is Corporations, Business and Professional Licensing that works with 39 professional occupational licenses, and it issues 100,000 licenses a year. The Governor nominates the board members and the legislature confirms them. They deal with tobacco licensing, they register corporation trademarks, they investigate consumer complaints. They have also improved the web licensing procedure making it easier to get and renew licenses on line. They deal with the guide units and are providing new maps for big game guides.

The next is the Division of Banking and Securities that deals with 71 financial institutions that have to be examined every 18 months. They handle the complaints from native corporations, mainly on elections, and investigate fraud.

The Division of Insurance licenses insurance companies; they audit their financial reports and determine financial solvency. They have investigated 54 cases in the last year, and since 2006 they have had eight criminal convictions. They also handle consumer complaints regarding insurance.

The Administrative Services Division houses information technology and procurement and keeps things kosher.

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The Office of Economic Development is small, but it provides a lot of publications. It publishes the Alaska Economic Performance Report and does a net rate of return on the businesses. It publishes the Alaska Minerals Industry Report, the Alaska Minerals Commission, Alaskan Loggers History and this past year they started up the film office. They have one forestry specialist who does promotion, most recently hard wood products including translating the report on hard woods into the Japanese language. He promotes saw mills and recently some wood pellets.

This office also deals with Alaska Regional Development Organization (ARDOR). The legislature provides \$57,000 to the 12 ARDORs that need to have a local match to promote small businesses. They control the "made in Alaska" logo and they work with small business assistance, the University and Small Business Association (SBA) on that issue.

MR. NOTTI said the Division of Investments is a state-run bank that operates in areas that are not adequately serviced because of high risk and limited collateral. They promote economic development and return a dividend to the state. It has six loan programs; the latest one being a Capstone program for aviation, the latest use of technology for safety in rural Alaska that has proved to reduce accidents by over 30 percent. Because the state helped finance the equipment on airplanes, the FAA committed to spending over \$400 million in the next 10 years. They do commercial fishing revolving loan funds, too, that fishermen can use for buying boats, permits and upgrading their equipment. The commercial fishing carbon footprint is being compared to fish farms'; so there is great pressure to improve emissions and efficiency in the fishing fleet.

They also have the revolving fishing enhancement fund, which mainly finances hatcheries. They deal with permits and quota share. A rural development fund makes loans in communities less than 5,000 people to promote economic development.

The last division, the Office of Economic Development (tourism, mining, fisheries, timber, small business), is a hang-over from the old Department of Community and Regional Affairs that deals with local communities and does the Rural Utility Business Advisor Program (RUBA) training. The office visited 172 communities last year to do training on upkeep of diesel generators, and it is the land trustee of land claims for villages on the transfer of land from the federal government. He explained that if there is no local government, the state becomes the trustee of the land the village corporations have to turn over.

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This office does grants administration; about 900 grants amounting to \$1 billion are in place right now and in various stages of completion. They deal in forestry receipts to communities and the fishery tax. Last year they incorporated the Wrangell Borough and did an annexation for the Ketchikan Borough. The state tax assessor is within this division and does

the annual full value tax assessment report. They do research on community profiles and energy costs.

The independent agencies were "joined at the hip" with the Alaska Railroad Corporation because by statute the DCEED commissioner on the railroad board. He has seats on other boards as well. They have the Railroad Commission, the Alaska Regulatory Commission, the Alaska Seafood Marketing Institute, the Alaska Aerospace Development Corporation, the Alaskan Industrial Development and Export Authority and the Alaska Energy Authority. The legislature will get a report from the Seafood Marketing Institute that markets Alaska salmon all over the world. He has heard that the price of salmon to the fishermen went from around \$.50/lb. to over \$2.

MR. NOTTI offered to answer questions.

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SENATOR THOMAS asked in which areas he saw lacks and what initiatives had he taken with an eye to the downturn in the economy.

MR. NOTTI replied that he does a lot of licensing and regulation, but not necessarily development even though they have an Office of Economic Development with one forestry and one mining expert. The department didn't even have an economist when he came in. The reason he wanted one is whenever data is needed they have to go to every different department. That pointed out to them that if someone wanted to do business in Alaska, it became a big research job for them to get the information they need to consider it. So they are compiling a database as a one-point of contact to get information.

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SENATOR THOMAS said the CDQ became an extremely successful operation when it was put together from the previous process. He asked if there were other areas that could be improved like that - for geological data in mining, for instance.

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COMMISSIONER NOTTI replied that was a good point. They don't know how much minerals are taken out of the state because miners are not required to report it. A lot of the data is guess work and it would be good to tighten that up.

The CDQ program doesn't require reports to the department any more. He is not sure what their role is until the regulations are promulgated on that law.

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SENATOR MEYER asked if anyone had applied for tax credits under the new film office law.

COMMISSIONER NOTTI replied that regulations took until July to get set up. The office has a director and an assistant, and they have begun to take applications.

SENATOR MEYER said he thought that office had a lot of potential to bring money into the state. He asked what the Alaska State Community Service Commission program does.

MR. NOTTI replied that program was established under Governor Hickel. It was required for Alaska to apply and get the federal money for volunteer and service work. Three or four volunteer agencies come under this umbrella.

SENATOR MEYER asked if the state is matching the federal money.

COMMISSIONER NOTTI replied that he thought it was a pass-through situation.

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There being no further business to come before the committee, Chair Paskvan adjourned the meeting at 2:34 p.m.