

HOUSE FINANCE COMMITTEE
January 25, 2012
1:35 p.m.

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CALL TO ORDER

Co-Chair Thomas called the House Finance Committee meeting to order at 1:35 p.m.

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Co-Chair
Representative Anna Fairclough, Vice-Chair
Representative Mia Costello
Representative Mike Doogan
Representative Bryce Edgmon
Representative Les Gara
Representative David Guttenberg
Representative Reggie Joule
Representative Mark Neuman
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Representative Sharon Cisna; Larry Hartig, Commissioner, Department of Environmental Conservation; Clark (Click) Bishop, Commissioner, Department of Labor and Workforce Development; Brynn Keith, Division Director, Division of Administrative Services.

PRESENT VIA TELECONFERENCE

None

SUMMARY

BUDGET OVERVIEW:

Department of Environmental Conservation
Department of Labor and Workforce Development

^BUDGET OVERVIEW: DEPARTMENT OF ENVIRONMENTAL CONSERVATION

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LARRY HARTIG, COMMISSIONER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, provided members with a PowerPoint presentation: Department of Environmental Conservation, House Finance Overview, Commissioner Larry Hartig, January 25, 2012 (copy on file) and introduced staff.

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Commissioner Hartig observed that the department's mission was to: protect human health and the environment. He stressed that "protecting human health" refers to how the department can take care of the environment in a way that promotes human health. "We all rely on fresh air; we rely on clean water to drink and good sanitation in our communities."

Commissioner Hartig reviewed the responsibilities and functions of the Department of Environmental Conservation (DEC). The Department of Environmental Conservation is a regulatory agency that sets standards used in permitting and authorizations, which were primarily issued to those that discharge pollutants to air, water or land. The department inspects facilities and assists with compliance, and implementation of new requirements. The department also has enforcement duties and responsibilities.

Commissioner Hartig reviewed other duties of the department:

- Develop standards
- Issue permits
- Provide compliance and financial assistance
- Respond to spills of oil and other hazardous substances
- Safeguard the quality of food and seafood
- Operate the State Environmental Health Lab
- House the Office of the State Veterinarian
- Regulate pesticides and certain types of use
- Educate and assist the public
- Interact with our federal agency counterparts
- Investigate violations and enforce state law

Commissioner Hartig emphasized has been very supportive of the shellfish and seafood industry in Alaska; and the department's work with water and sewer projects: Village Safe Water Program for communities of a 1,000 or less; and the Municipal Grant and Loan Program.

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Commissioner Hartig noted that there has been little change in the department's undesignated general fund request. The Department of Environmental Conservation represented less than one percent of the state's budget and has the smallest portions of general funds.

Co-Chair Stoltze noted that the Department of Environmental Conservation was one of the newer department's in the state. He did not see a lot of constitutional support for the department. He maintained that the major mission of public health is under Health, Education and Social Services section. The Department of Natural Resources is tasked with promoting developing. He observed that many of his constituents view the department as "backstops and the guys that slow things down or stop things." He couldn't provide examples where the Department of Environmental Conservation speeded things up or put Alaskans to work. Commissioner Hartig observed that the subcommittee would have a detailed look at the department's missions and measure to assure that the budget was closely tied to them.

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Commissioner Hartig observed that the department was created in statute in 1971, which can be found in Title 44, Chapter 46:

Sec. 44.46.020. Duties of department.

(a) The Department of Environmental Conservation shall

(1) have primary responsibility for coordination and development of policies, programs, and planning related to the environment of the state and of the various regions of the state;

(2) have primary responsibility for the adoption and enforcement of regulations setting standards for the prevention and abatement of all water, land, subsurface land, and air pollution, and other sources or potential sources of pollution of the environment,

including by way of example only, petroleum and natural gas pipelines;

(3) promote and develop programs for the protection and control of the environment of the state;

(4) take actions that are necessary and proper to further the policy declared in AS 46.03.010;

(5) adopt regulations for

(A) the prevention and control of public health nuisances;

(B) the regulation of sanitation and sanitary practices in the interest of public health;

(C) standards of cleanliness and sanitation in connection with the construction, operation, and maintenance of a camp, cannery, food handling establishment, food manufacturing plant, mattress manufacturing establishment, industrial plant, school, barbershop, hairdressing, manicuring, esthetics, tattooing and permanent cosmetic coloring, body piercing, or ear piercing establishment, soft drink establishment, beer and wine dispensaries, and for other similar establishments in which lack of sanitation may create a condition that causes disease;

(D) the regulation of quality and purity of commercially compressed air sold for human respiration.

(b) The department's regulations for tattooing and permanent cosmetic coloring shops and for body piercing shops must include requirements that

(1) the shop be equipped with appropriate sterilizing equipment, with availability of hot and cold running water, and with an appropriate waste receptacle;

(2) the owner of the shop is responsible for ensuring that case history cards are kept for each client for a period of three years after the client's most recent tattooing and permanent cosmetic coloring or body piercing;

(3) a practitioner in the shop may use only instruments for tattooing and permanent cosmetic coloring or body piercing that have been sterilized in accordance with methods approved by the department.

Commissioner Hartig reiterated that the department's relationship to state government was to protect human health not to slow down development. The department has tried to be user friendly, but much of their mandate came

from the federal government. Changes in federal law were tracked to anticipate how they would work or not work in Alaska. He did not see the Department of Environmental Conservation's mission as being in conflict to any other department. He acknowledged that the narrow view of Environmental Protection Agency (EPA) might conflict with the state's view.

Co-Chair Stoltze asked if the department got a "bum rap" in the public. Commissioner Hartig responded that the department was trying to do their programs and mission as best they could without personal involvement. Co-Chair Stoltze acknowledged the role of the federal government in driving the department. He reiterated concerns that the department's major function were in the health, education and welfare section of the Alaska Constitution, Article 7. Commissioner Hartig noted that the department works with the Department of Health and Social Services.

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Representative Wilson maintained that the Department of Environmental Conservation became the liaison to the federal government, and the Environmental Protection Agency's (EPA) "front runner", versus "going back to them and expressing the economics that we may have in our area that's different than the rest of the states". She asked if there has ever been federal regulation the department didn't like or didn't feel was worth the money to implement.

Commissioner Hartig acknowledged Representative Wilson' comments and noted that he had received similar questions from the governor. He explained that the department engages with EPA every day. He referred to the state's primacy though the Clean Water Act and water discharge permitting program. Problems occurred when the state begin issuing permits that had been issued by EPA. The EPA required a review of state permits prior to issuance. The process bogged down state permits over arguments that there were no legal requirements to make changes recommended by EPA. The state indicated to the federal government that it would write the permit and they would be elevated to the commissioner and regional administrator absence federal objection. The system worked. He observed that this type of push back was not always seen and noted other occurrences: NPR-A development, and Tanana River Bridge. The state tries

to ask the federal government to raise objections early in the game, so that progress can be made in a timely manner.

Representative Wilson asked if economics were taken into account, such as the Healy Clean Coal Plant. Commissioner Hartig agreed and gave backup information regarding the Healy Clean Coal Plant. The permit was originally issued over a decade ago. The plant intends to resume suspended operations. The question was would a new permit need to be issued due to the change of technologies, or could it be updated and reissued. The regional administrator agreed with DEC, but there was a split at headquarters. The department was ready to issue the permit. He observed that EPA did a 45 day review and did not object to the permit. He emphasized that the department must follow the law. Sometimes the department can respond to economic factors and sometime they can't.

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Commissioner Hartig looked at the department's fund sources. The department received a mix of general, federal, program receipts and other funds. He reiterated that general funding was flat at .9 percent of the state's total.

Co-Chair Stoltze asked about the changing landscape of federal funding and what the state should anticipate in terms of declining federal funding. Commissioner Hartig thought the primary affect from declining federal funding would be in the Village Safe Water program. There has been a 60 percent decline of federal funds in the last ten years. The program requires 75 percent federal funds and a 25 percent state match. State matching funds were reduced as federal funds were reduced. The question was how the state can continue to do projects in rural Alaska with a declining budget. The state had already stopped doing new [water and sewer] projects. New projects would slow current projects as funds were spread thinner. The department was looking at efficiencies to get price down along with operation and maintenance questions.

Commissioner Hartig noted declines in federal funds in other programs; drinking water loans to municipalities have also been cut. There was competition for funding, which was difficult for smaller communities.

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Representative Gara observed that the state water, sewer and sanitation policy was dependent on federal funding. He asked how many communities were operating without flushable toilets. Commissioner Hartig stressed that there was a state, federal and local partnership. The challenge was to protect human health and lower costs through new technologies. There were 6,000 homes without primary services (pipe or covered haul systems). He emphasized that a central water point did not enhance sanitation due to a lack of convenience. Of the 6,000 homes without systems, 4,000 homes were in communities without the ability to connect; and 2,000 had systems in place that just needed to be expanded. He concluded that there were 5,000 homes that need to be addressed. He pointed out that there were also aging systems that needed upgrades or maintenance. The total unmet need was approximately \$667 - \$700 million.

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Representative Edgmon noted that the Bush Caucus was shown a graph depicting declines in rural areas from all funding areas. He stressed the effect of the permafrost on safe water. Commissioner Hartig agreed. He referred to slide 16, which showed declining federal and state funding to rural communities.

Commissioner Hartig spoke to permafrost. Some systems have to be built over the permafrost. Problems also occur when state systems have to be connected to other systems.

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Co-Chair Thomas referred to frozen lines at schools in Bethel. Commissioner Hartig acknowledged the problem and explained that some schools had to be shut down due to frozen lines during Christmas. He stressed that frozen lines become a food and sanitation problem.

Co-Chair Thomas explained that the lines needed to be replaced or dug deeper. Commissioner Hartig thought that there was funding in the governor's capital budget. Co-Chair Thomas noted his intent to try to move the funds to the supplemental so that they would be available in the upcoming construction season.

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Commissioner Hartig noted that the Department of Environmental Conservation was broken down into five divisions. The first division was Administration Services, which contains the Office of the Commissioner, and the Division of Administrative Services. It also included the environmental crime unit (2 positions) for more serious environmental violations. These positions served the entire department and were placed under Administrative Services to avoid the appearance of influence. The crime unit personnel were sworn peace officers with enhanced training, who trained other civil inspectors and investigators.

The largest division was Environmental Health, which included food safety, pesticide regulation, animal care, state veterinarian, the Environmental Health Laboratory, and regulated solid waste facilities.

Commissioner Hartig noted that the Air Quality Division controlled air pollutants, such as from power plants, refineries, and cruise ships stack emissions.

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Co-Chair Stoltze noted the need for ocean rangers and asked the status of new rangers and local hire. Commissioner Hartig affirmed that there had been an increase in local hire with legislation and more aggressive recruitment. A report to the legislature was forthcoming. He stated that there were more than one additional Alaskan hires.

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Commissioner Hartig reviewed the Spill Prevention and Response Division, which was tasked with spill preparation, response and cleanup.

Commissioner Hartig observed that there were two sides to the Division of Water: water quality issues (standards, permitting and compliance) and facilities (Village Safe Water Program and the Municipal Grant and Loan Program).

Vice-chair Fairclough noted issues with the federal government in relationship to spill prevention and open wellheads. She asked if DEC had tried to hold the federal government accountable for cleanup. Commissioner Hartig

observed that the department tried to work with federal agencies but pointed out that well closures were the responsibility of the Alaska Oil and Gas Conservation Commission. The state was responsible if there was an actual release from the well.

Vice-chair Fairclough referred to wells with sludge or some sort of by-product sitting on the tundra. Commissioner Hartig agreed that it would be under DEC jurisdiction if there were a release. Approximately half of the contaminated sites in Alaska were federal sites from federal activities or on federally managed land. He referred to discussions with senior federal managers.

Vice-chair Fairclough asked how the state holds the federal government accountable to the standards they issue to Alaskans that they did not hold themselves to.

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Representative Gara referred to rural sanitation problems and noted the long history of the issue. He suggested that dependency on federal money has slowed progress. He questioned the flexibility of federal funds. Commissioner Hartig emphasized that federal funds were not that flexible and required a 25 percent state match for every dollar. He observed that there had been progress and that the state was down to eight percent of rural communities without first time service; a decade or two ago it was over 50 percent. The problem was the difficulty of implementing the final eight percent. These were communities without a good water source. Solutions could be engineered, but the cost would be \$400 - \$500 thousand per system and systems would have to be maintained. The issue was whether communities would have the funds to maintain systems if they were built. There were no federal or state funds available to communities for maintenance.

Commissioner Hartig observed that there were four categories of need: those without first time [water or sanitation] service, where service would be protective of human health; those with existing systems that need to be upgraded for human health concerns; those that need maintenance and help to maintain the state's investment; and temporary emergencies. He stressed that the state didn't have funding for emergencies. Seven communities had greater difficulties with frozen pipes than Bethel, but the

department didn't have the funds to address their needs. The questioned was how to best put declining funds.

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Representative Joule emphasized the need in rural communities without services. He acknowledged the high cost of rural systems. He observed that new technologies for research and development of innovated systems can be used to replace old systems as well as address the remaining needs.

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Co-Chair Stoltze pointed to state support of rural needs but emphasized that there were problems in other parts of the states as well. He stressed that not all the water and sewage problems were in rural Alaska. He felt that support would change if there were a statewide program.

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Commissioner Hartig spoke to challenges before the department. Challenges in the Division Environmental Health were to increase the frequency of high risk food safety inspections. The department intended to concentrate resources on high risk facilities. The other big issue was paralytic shellfish poison testing (PSP), which was critical for recreational beaches due to the risk to the public and commercial programs. The PSP testing was critical for expanding commercial programs. There have been more incidents of PSP in areas with Dungeness crab. The program was expanded to include Dungeness crab. One position was added for Paralytic Shellfish Poison testing, while the department lost six positions throughout the department. There was an increment request for PSP testing.

Commissioner Hartig noted that there was also an increment for fish tissue testing. The department worked with the Department of Natural Resources to look for mercury, pollutants and pesticides. Fish were tested at DEC's laboratory. The request included funds to backfill for lost federal funds. The program would allow the department to respond to concerns and to track trends over time.

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Commissioner Hartig observed that the challenge of the Division of Air Quality was to continue to work with

communities in the Fairbanks area: Fairbanks, Fairbanks North Star Borough, and North Pole. He acknowledged energy costs in the area. The department's mission was to work with the community to mitigate wood smoke issues and align with health standards.

Commissioner Hartig reviewed the Division of Spill Prevention and Response (SPAR). The division's biggest challenge was declining revenues from the 470 Fund, which provides a five-cent surcharge on each barrel of crude oil. The Prevention Account was funded by a four-cent surcharge on each barrel of crude oil, which paid for the programs within the Division of Spill Prevention and Response. Funding had declined with production. The fund has had a surplus, which would be depleted by FY 14. The department anticipated a FY 14 shortfall of \$1.5 million. An increment or increased surcharge would be needed to stabilize SPAR. A \$6 million increment in FY 14 would provide level SPAR funding over the next four years with a four-cent surcharge on each barrel of crude oil. Without an increment the division would need significant cuts.

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Co-Chair Stoltze suggested a different strategy, increased production. He stressed that increased revenue was an alternative to an increased tax on a diminishing commodity. Commissioner Hartig acknowledged Co-Chair Stoltze's remarks and observed that the department has worked with the Department of Natural Resources and other agencies to identify prospects for development. The department's ten-year plan showed an 8.3 percent increase associated with increased workload and associated OSH development and heavy oil.

Representative Guttenberg asked whether the Response Fund had always been capped at \$50 million. Commissioner Hartig explained that the Response Fund has been five-cents a barrel; four-cents went to the prevention account used for the operating budget for SPAR. One-cent went into the Response Account and would only be triggered if the fund fell below \$50 million. The intent was to retain sufficient funds to respond to any future spills. He explained that the department needed to access the fund three or four times per year. The commissioner must first authorize the request to access the fund; then send notice to the legislature and the governor within 24 hours. Cost recovery

against the responsible party was required by state law after the spill was resolved. Recovered funds would be placed into a holding account and would be reappropriated back into the Response Account by the legislature. The one-cent a barrel would apply if the Response Account fell below \$50 million. The surcharge has varied between four and five cent a barrel.

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Representative Guttenberg noted that small spills were more prominent and wondered whether the \$50 million represented a sustainable level to handle larger spills.

Commissioner Hartig responded that the party that caused the spill had primary responsibility to respond. The state required industry preparedness through required spill prevention and contingency plans. The department was the backup and would not provide additional assistance unless it were a big event or required significant government oversight, or if the party that caused the spill did not respond as quickly and as thoroughly as they should; in that case DEC would have the legal ability and requirement to take over responsibility.

Co-Chair Stoltze recollected that the original intent was to cap the fund at \$50 million and maintained that it became a funding vehicle for government spending. He did not believe that it was ever envisioned that the money would become a government funding vehicle.

Commissioner Hartig clarified that use of the fund had changed to tie more directly to spills.

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Representative Gara agreed that the [470 Fund] funds were intended for spill response and not government programs. He questioned how the department would compensate for a funding shortfall.

Commissioner Hartig anticipated a general fund increment would be needed. He explained that the department had worked with the legislature on interim solutions. He observed approximately \$1.9 million a year went into the prevention account. The department stopped paying for items

that did not promote prevention and response. The division has remained relatively flat in terms of general funds.

Commissioner Hartig referred to a \$1 million capital request for new technologies to be used in the Village Safe Water program. The intent would be to fund pilot programs for future projects in rural Alaska. He emphasized that technologies currently exist that could benefit rural Alaska.

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Co-Chair Thomas encouraged the department to keep in mind that the state would be in a deficit at the current seven percent rate of growth.

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^BUDGET OVERVIEW: DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

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CLARK (CLICK) BISHOP, COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, provided members with a PowerPoint: Alaska Department of Labor and Workforce Development, FY13 Budget Overview, House Finance Committee, Commissioner Click Bishop, January 25, 2012(copy on file) and introduced staff. He also recognized previous commissioners.

Commissioner Bishop Mission observed that the department's mission has been the same since statehood: Provide safe and legal working conditions and advance opportunities for employment.

Commissioner Bishop observed that core services included statutory and regulatory assistance and enforcement to protect Alaska's workers through wage and child labor law enforcement, workplace safety compliance and enforcement, mechanical device inspection, and overseeing State of Alaska Americans with Disabilities Act compliance. He noted that the department did not initiate very many regulations,

but had worked to streamline and discard unnecessary regulations.

Commissioner Bishop discussed income replacement, which was the anchor of the department. Injured, unemployed and permanently disabled workers fall under income replacement.

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Commissioner Bishop stressed the strength of the department's workforce development mission. He observed that the mining industry paid compliment to the department's successes in bringing together industry, the University of Alaska and the Department of Labor and Workforce Development to train a workforce. He emphasized that the department could not be successful without the support of the legislature, the appropriation body. The department tried to maximize training dollars in "legacy jobs," high paying jobs.

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Vice-chair Fairclough observed that unemployment benefits totaling \$293,184,753 were distributed to 69,723 insured workers and asked if the number was up or down from the previous year. Commissioner Bishop thought that the number was slightly up.

Commissioner Bishop observed that the department was recognized as one of the best in the nation in terms of getting payments out in a timely fashion. He shared a press release commending the Alaska Department of Labor and Workforce Development's Unemployment Insurance Appeals Tribunal in the Employment Security Division:

The Alaska Department of Labor and Workforce Development's Unemployment Insurance Appeals Tribunal in the Employment Security Division received a national award for performance excellence in quality and timeliness of its appeal decisions during the federal fiscal year 2011.

The Appeals Tribunal, led by Chief of Appeals Janne Carran, holds hearings and issues decisions on appeals from benefit and tax determinations issued by the Employment Security Division. The decisions can be

further appealed to the commissioner of labor, and to the Alaska Superior and Supreme Courts.

Using two criteria - Alaska scored 85 percent or higher on quality of appeals, and issued decisions within 12 days - the state ranked highest in the nation among small states.

Commissioner Bishop explained that the U.S. Department of Labor, Employment and Training Administration required all states to issue 60 percent of its decisions within 30 days of the date an appeal is filed to a tribunal.

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BRYNN KEITH, DIVISION DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, discussed slide 4. The Department of Labor and Workforce Development's general fund request was low, 1.6 percent of total state general funds. The department's overall budget was approximately \$198.6 million; 52 percent of the budget was federal. Other funding, which was predominantly interagency receipts was 13 percent. General fund was roughly 34 percent.

Ms. Keith spoke to the decline in federal funds. She noted that the decline had been softened by one-time funding streams, which were not expected to continue.

Co-Chair Thomas turned the gavel over to Vice-chair Fairclough.

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In response to a question by Representative Doogan, Ms. Keith observed that WSCAA stands for: Workers Safety and Compensation Administration Account.

Ms. Keith noted that the department's position count was down 26 positions. The department's position count had been declining since 2008 due to a change in the business model, as a result of uncertainty in federal funding. The department had moved from permanent full-time positions to temporary positions to allow the department to be nimble in meeting grant needs.

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Ms. Keith discussed WSCAA. The department requested a change the financial support of \$2,000.0 in ongoing operating expenses from WSCAA to unrestricted general funds due to fund sufficiency concerns. She observed that WSCAA was established in 2005 by the legislature to create an ongoing stable funding stream for the Workers' Compensation and Occupational Safety and Health (OSH) programs. The fund was created through employer fees. Workers' compensation insurance was a percentage of their premiums; for the self-insured it was percentage of their benefits. Funds going into the fund were declining, while operating costs had increased. In 2005, the Workers' Compensation Appeals Commission and the Fraud Unit were rolled under WSCAA, without additional funding. The cost of running WSCAA programs went up approximately \$1.5 to \$1.9 million annually.

Ms. Keith observed that declines in revenue were caused both by a decline in paid premiums and fewer payouts. The fund faced a \$2 million shortfall in FY 13. Without additional funds the Workers' Compensation and Occupational Safety and Health (OSH) programs would be underfunded.

Commissioner Bishop spoke to what would occur if the program was lost. He observed that 25 states operate state OSH plans; the remainders were administered by the federal government. He stressed the importance of administrating the state's program. He emphasized that premiums were going down due to safety in the workplace. The department has led the charge in workplace safety.

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Ms. Keith reviewed requests related to the Alaska Vocational Technical Center (AVTEC). The first request supported increased operating expense not otherwise supported due to unrealized program receipts. A decision was made not to raise AVTEC tuition and to keep it affordable so Alaskans could participate.

Representative Edgmon noted that there were seven participants in the Alaska Performance Scholarship (APS) program from AVTEC and questioned if the number was low. Commissioner Bishop could not respond since the data was new.

Ms. Keith, in response to a question by Representative Doogan, explained that the state had the authority [to take in funds], but the department cannot actually realized the authority. The department had hoped to receive additional funding through tuition increases, but the decision was made to keep tuition low.

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Representative Joule noted some crossover with university programs. He expressed support for AVTEC, but felt that the Kotzebue vocational center had been neglected. He advocated support for the other state funded technical school.

Commissioner Bishop observed that the department had an agreement with the University of Alaska to track student success.

Commissioner Bishop also acknowledged comments by Representative Joule and observed training at the Alaska Technical Center (ACT). Representative Joule recognized support for the Alaska Technical Center in Kotzebue but did not feel it had equal support to AVTEC. Commissioner Bishop promised further discussions.

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Commissioner Bishop mentioned the Fisherman's Fund. The fund was healthy. The number of days it took to process a claim for an injured fisherman was decreased from 34 to 20. The department's target was 10 days. He explained that progress was slowed by struggles with employee turnover and training time.

Co-Chair Thomas asked if the fund was stable. Commissioner Bishop noted that the fund paid out \$783 thousand in the last year.

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Ms. Keith noted that the department's budget included a request for a nursing program at AVTEC (\$226.8 UGF, \$100.0 DGF). The AVTEC program would be a two year program. The intent was to be a career ladder for AVTEC students already in other AVTEC programs, such as the Certified Nursing Assistant (CAN), or Licensing Practical Nurse (LPN), to the two year program. Many of the AVTEC students were

considered "non-traditional". She stressed that the program could give these students an entry into high wage, high demand career.

Vice-chair Fairclough asked if demand was broken out between first year nurses on the streets and senior nurses, as to who was actually needed in the health care environment. Ms. Keith responded that the data did not allow a division based on experience. She acknowledged that employer's "ideal candidate was not a baby nurse".

Vice-chair Fairclough observed that nurses have been labeled as a high area of need, but suggested that health care providers such as hospitals were looking for experienced nurses. She mentioned the Alaska Native Health Consortium where nurses can have their loans paid off in exchange for work. She recalled an issue around competition with the university programs.

Commissioner Bishop stressed the importance of the program to the administration and explained that he met with the university multiple times over the interim. The department had recently received approval for the curriculum from the Board of Nursing. He observed support from the Executive Committee of the Alaska Workforce Investment Board, and the Providence Board of Nursing. He maintained that the programs were complimentary.

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Vice-chair Fairclough acknowledged that the programs were complimentary but observed that the decline in state funding required more discussion on what was the highest need. She pointed to the long wait list with the university.

Commissioner Bishop stressed the value of "doubling down" on a program. He referred to the successful efforts to increase engineering graduates in the university system; engineering graduates were increased to 67 percent since 2001.

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Co-Chair Thomas expressed concern that the state would be left with the general fund cost for programs begun with federal funds. He emphasized that the university had a

program in place. He questioned how workers could get experience without a chance to work. He gave the example of a Haines girl that had to go out-of-state for work.

Vice-chair Fairclough noted that it could be especially hard for nurses in small communities to find work in their communities.

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Ms. Keith observed that there were two requests for the Division of Vocational Rehabilitation. The first request was for Project Search, which was a cooperative program with the Alaska Mental Health Trust Authority and Department of Health and Social Services. The program would put [disabled] high school seniors in a complex work environment to teach work skills and self-esteem. The program would also demonstrate that disabled youth could be good employees. The request would be an extension of a pilot program.

Ms. Keith observed that the department was also asking for an increase for independent living centers. The role of the independent living centers was to keep people in the community and allow disabled of all age groups to remain in their homes. Transportation and other services were coordinated through the program.

Ms. Keith noted two requests for the Workers' Compensation Benefits Guaranty Fund. The fund covered those injured while working for uninsured employers. The department asked for increase authority to cover increased benefit payments and a collections officer. A collections office was expected to bring in \$500 - \$600 thousand in additional collections. Representative Edgmon clarified that both requests were for general fund program receipts.

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ADJOURNMENT

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The meeting was adjourned at 3:37 PM.