

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

February 12, 2014

3:26 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Mike Chenault
Representative Bob Herron
Representative Dan Saddler
Representative Andy Josephson

MEMBERS ABSENT

Representative Lora Reinbold, Vice Chair
Representative Charisse Millett

COMMITTEE CALENDAR

OVERVIEW: DEPARTMENT OF LABOR & WORKFORCE DEVELOPMENT BY
COMMISSIONER DIANNE BLUMER

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

DIANNE BLUMER, Commissioner
Department of Labor & Workforce Development (DLWD)
Juneau, Alaska

POSITION STATEMENT: Testified during the Department of Labor & Workforce Development overview.

JAMES HARVEY, Director
Central Office
Division of Employment Security
Department of Labor & Workforce Development
Juneau, Alaska

POSITION STATEMENT: Testified during the overview of the Department of Labor & Workforce Development.

FRED ESPOSITO, Director
Division of AVTEC - Alaska's Institute of Technology (AVTEC)

Department of Labor & Workforce Development
Seward, Alaska

POSITION STATEMENT: Testified during the overview of the Department of Labor & Workforce Development.

WANETTA AYERS, Director
Division of Business Partnership
Department of Labor & Workforce Development
Juneau, Alaska

POSITION STATEMENT: Testified during the overview of the Department of Labor & Workforce Development.

NANCY DAHLSTROM, Director
Alaska Workforce Investment Board (AWIB)
Department of Labor & Workforce Development
Anchorage, Alaska

POSITION STATEMENT: Testified and answered questions during the overview of the Department of Labor & Workforce Development (DLWD).

GREY MITCHELL, Acting Assistant Commissioner;
Director, Division of Labor Standards & Safety
Department of Labor & Workforce Development
Juneau, Alaska

POSITION STATEMENT: Testified during the overview of the Department of Labor & Workforce Development.

CHERYL WALSH, Director
Statewide Programs
Division of Vocational Rehabilitation
Department of Labor & Workforce Development
Juneau, Alaska

POSITION STATEMENT: Testified during the overview of the Department of Labor & Workforce Development.

MIKE MONAGLE, Director
Central Office
Division of Workers' Compensation
Department of Labor & Workforce Development
Juneau, Alaska

POSITION STATEMENT: Testified during the overview of Department of Labor & Workforce Development.

ACTION NARRATIVE

[3:26:14 PM](#)

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at 3:26 p.m. Representatives Josephson, Herron, Saddler, and Olson were present at the call to order. Representative Chenault arrived as the meeting was in progress.

**Overview: Department of Labor & Workforce Development by
Commissioner Dianne Blumer**

[3:26:31 PM](#)

CHAIR OLSON announced that the only order of business would be an Overview: Department of Labor & Workforce Development by Commissioner Dianne Blumer.

[3:26:44 PM](#)

DIANNE BLUMER, Commissioner, Department of Labor & Workforce Development (DLWD), began her presentation. She stated that the DLWD's mission is to provide safe and legal working conditions to advance the opportunity for employment. The department primarily provides three core services: protects Alaskan workers, provides income replacement, and oversees workforce development.

[3:29:06 PM](#)

COMMISSIONER BLUMER briefly reviewed the department's organization chart [slide 2]. The dark blue areas on the chart represent the areas that provide departmental oversight - the commissioner's office and administration services division. The light blue areas on the chart represent workforce development functions. The Division of Business Partnerships reaches out to businesses and industry to provide assistance in design and implementation of training and workforce development plans. The Employment Security Division has two components, [Unemployment Insurance and Workers' Compensation Division] and provides a public labor exchange. The Alaska Workforce Investment Board provides policy oversight of state and federal funded jobs and job training. The Alaska Vocational Technical Center is an adult vocational training school in Seward. The Vocational Rehabilitation Division provides two components of core services, including workforce development in which staff assists individuals with disabilities to enter the workforce. Referring to the brown boxes on the chart, she identified the Labor Standards and Safety Division as the division that provides enforcement and training, and monitors labor laws, occupational

safety, and health. The Alaska Labor Relations Agency administers the Public Employment Relations Act. The green areas on the chart relate to income replacement for those not able to work. The Employment Security Division oversees unemployment insurance and the Workers' Compensation Division administers the state's Workers' Compensation Act, she said.

[3:31:23 PM](#)

CHAIR OLSON thanked Mike Monagle, Director of the Division of Workers' Compensation, who has been extremely helpful and responsive to constituents in his district.

COMMISSIONER BLUMER pointed out that the disability determination is the other component of the Vocational Rehabilitation Division.

[3:31:56 PM](#)

COMMISSIONER BLUMER, referring to a map, reviewed the DLWD's services by location [slide 3]. The red dots represent the 21 job service centers, of which 3 are located in Anchorage, the blue areas represent vocational rehabilitation service locations, and the green dots represent all other program service locations such as worker protection and administrative services. The AVTEC has two locations - one located in Seward and the other in Anchorage.

[3:32:40 PM](#)

COMMISSIONER BLUMER said the Alaska Labor Relations Agency highlights two items [slide 4]. The agency provided training at no cost to the state for a summer law intern program through a "Study Law in Alaska" program sponsored by the University of Alaska Anchorage (UAA) and the Seattle University School of Law. The agency has worked to resolve more cases through resolution without using a formal hearing process, which saves everyone time and money, she said.

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COMMISSIONER BLUMER said Nancy Dahlstrom is the new executive director of the Alaska Workforce Investment Board (AWIB). She highlighted three accomplishments. First, the AWIB completed two job center certifications required for federal Workforce Investment funding, which ensures universal standards through the "one-stop" centers. Second, the AWIB participated heavily in

revision of the oil and gas plan with the Division of Business Partnerships and industry. She explained the plan updates what was formerly known as the AGIA plan. She related the department is rolling out a new plan that is more in line with the current proposed gasline. Third, the AWIB has conducted more outreach emphasizing it is not possible to have workforce development without industry input. The department took the AWIB to targeted communities that appeared to struggle with economic development and workforce development. For example, the board went to the Kenai and Ketchikan and invited industry to participate in panel discussions. Across the board, the department heard employers indicate the need for soft skills for youth, which "boils down to" work ethics. The department identified areas of importance, including how to pass a background check, hold a driver's license, pass a drug test, and job punctuality. Thus, the AWIB has been focused on how to make a difference. She recapped that the board has been conducting outreach that will reap benefits in the next few years.

[3:36:04 PM](#)

COMMISSIONER BLUMER stated that the Alaska Vocational Technical Center (AVTEC) has new dorms. She indicated the AVTEC's director will review its accomplishments, Ms. Ayers will discuss the Business Partnerships, and the new director of the Division of Employment Security will highlight the Employment Security Division.

[3:38:08 PM](#)

JAMES HARVEY, Director, Central Office, Division of Employment Security, Department of Labor & Workforce Development (DLWD), reviewed the division's accomplishments. The division recorded a 22 percent lower unemployment insurance rate for 2014, which was essentially the result of passage of HB 76 last year. This allowed the solvency tax adjustment to fall to the calculated difference rather than just three-tenths. The unemployment insurance program exceeded all of the federal UI management acceptable level of performance goals for core measures. This means that the division is doing its job well. He related that from July 1 until the current time, the division has experienced over 150,406 job center visits exceeding the number of visits in 2013. In response to a question, he clarified that these figures pertain to physical visits to the 23 job center locations statewide.

MR. HARVEY stated that in FY 13 the division had 1,840,000 visits to the online labor exchange. He emphasized that since July 1, 2013, the division helped 1,635 general educational development (GED) students graduate, which exceeds last year's figures of 1,600 graduates. He surmised this has been due to changes made to the GED test.

CHAIR OLSON remarked that these are significant accomplishments.

[3:41:05 PM](#)

FRED ESPOSITO, Director, Division of AVTEC - Alaska's Institute of Technology, Department of Labor & Workforce Development, stated that AVTEC has had a long history of providing workforce development and training in Alaska. He reported that AVTEC graduated 366 students in long-term programs and 758 in short-term programs in FY 13. He said the AVTEC is proud of its graduation rates, including its 87 percent completion rate and 92 percent training-related job placement rate for FY 12. He pointed out that the AVTEC follows its students one year after graduation and reports these statistics. The dorm, which opened to students January 4, 2014, was completed on time and on budget this year.

MR. ESPOSITO related that the AVTEC's Alaska Maritime Training Center implemented the first-ever U.S. Coast Guard approved ice navigation course. He emphasized that this has put the AVTEC maritime program on an international status of providing training to meet the International Maritime Organization's (IMO) Polar Code, necessary for arctic work. The AVTEC's programs have been embraced by industry, particularly, with respect to the maritime field. The AVTEC uses up to date maritime technology and understands regulations and innovations used on ships. He outlined a few maritime contract programs including working with ConocoPhillips Alaska, Inc. polar tankers, Norton Sound Economic Development Corporation and others to provide contract training to specifically meet industry needs. He characterized the AVTEC's maritime programs as being "area specific, vessel specific, and company specific." In FY 13, the AVTEC enjoyed partner and corporate support of more than \$350,000.

[3:44:48 PM](#)

REPRESENTATIVE HERRON referred to the 92 percent training-related job placement rate and asked about the one-year follow-up figures.

MR. ESPOSITO clarified that in FY 12, the AVTEC experienced an 87 percent program completion and 92 percent employment.

[3:45:37 PM](#)

REPRESENTATIVE SADDLER asked for the measurable analysis on whether the new dorms improve retention or graduation rates.

MR. ESPOSITO responded that the new dorm replaced an aging facility. He anticipated more students will be living on campuses and will have a better experience, which may lead to improved completion rates. Further, the AVTEC hopes the new dorm will increase enrollment by attracting more students.

[3:47:05 PM](#)

REPRESENTATIVE SADDLER asked whether students pay for residential costs.

MR. ESPOSITO answered yes. He said the AVTEC's program is funded the same way as for any other college campus.

[3:47:45 PM](#)

WANETTA AYERS, Director, Division of Business Partnership, Department of Labor & Workforce Development, stated that the Division of Business Partnership's role is to manage the state's investments in workforce development [slide 7]. In FY 13 the division's efforts resulted in training over 5,500 Alaskan workers and the delivery of career awareness, guidance or work experience to 21,000 students. The division has listened to employers, training providers, and other grantees and has rebuilt its grant making process. This allows the division to operate a combined solicitation for its competitive grant, which is currently "on the street." This will enable awardees to develop their programs and optimize grant funds. Finally, the division has been working with the oil and gas industry on development of workforce development plan, which she hoped would be finalized the next 30 to 35 days. In response to a question, she deferred to Mr. Harvey to answer efforts the department has been taking with the announcement of the Flint Hills refinery closure.

[3:50:16 PM](#)

REPRESENTATIVE HERRON, referring to slide 5, which read, "Completed 2 job center certifications required for federal

Workforce Investment Act funding." He asked whether the state needs to certify more job centers.

NANCY DAHLSTROM, Director, Alaska Workforce Investment Board (AWIB), Department of Labor & Workforce Development, answered that every job center is certified in a timely basis. At present the department is current on certifications.

[3:50:57 PM](#)

REPRESENTATIVE HERRON asked whether the AWIB is regionally balanced.

MS. DAHLSTROM answered that currently the board does not have representation from Bethel. She acknowledged that as seats become open that the department has worked to ensure adequate representation from all areas of the state. She said the board is interested in having someone from the Bethel region apply to serve on the board.

REPRESENTATIVE HERRON pointed out he also represents Unalaska and asked whether anyone from the Aleutians serves on the AWIB.

MS. DAHLSTROM answered no.

[3:52:04 PM](#)

REPRESENTATIVE HERRON asked whether the administration has a current position on the allocation of Alaska Technical Vocational Education Program grant fund dollars.

MS. DAHLSTROM answered that AVTEC has applied for some of the grant funds so she couldn't comment on the allocation. She hoped the information AVTEC has provided will help the legislature determine fund allocation.

REPRESENTATIVE HERRON suggested that it might mean that entities get "a smaller slice of the pie."

[3:53:08 PM](#)

REPRESENTATIVE HERRON asked how the department defines success, noting that some entities do well and others under perform.

MS. DAHLSTROM answered that AWIB has been reviewing the definitions and is working with Ms. Ayer's group to ensure a means exists to measure performance. For example, not everyone

has access to the same centers or facilities so it isn't possible to do a straight rating across the board, she said.

3:54:35 PM

REPRESENTATIVE SADDLER noticed [on slide 5], that AWIB assisted in revising the oil and gas plan. He asked for any trends or directions in employment in the oil and gas industry.

MS. DAHLSTROM said she does not have information on any new directions but she recalled Ms. Ayers mentioning the report should be ready in 30 to 35 days.

3:56:20 PM

MR. HARVEY stated that the division has dedicated staff response specialists, similar to the ones who assisted the Kenai Peninsula area when Agrium, Inc. closed its plant. He reported that the division's staff has reached out specifically to the Flint Hills refinery in an effort to inform employees about the services the job center provides with respect to unemployment insurance and hoped it would coincide with the warning notices.

CHAIR OLSON lauded the Division of Employment Security's staff. He said he was extremely grateful for the division's assistance on the Kenai Peninsula with the Agrium plant closure.

COMMISSIONER BLUMER added that the administration has reached out to work with the [Alaska Support] Industry Alliance and the Resource Development Council to assist those who may be facing layoffs.

3:57:49 PM

REPRESENTATIVE JOSEPHSON asked for further clarification.

MR. HARVEY answered that employers with more than 15 employees must file a warning notice within 60 days in advance of a layoff.

3:58:16 PM

COMMISSIONER BLUMER, in response to a question by Representative Herron, stated that the department welcomes applications from his region and that she has been seeking applicants from Bethel, Barrow, and Unalaska.

REPRESENTATIVE HERRON offered to advise the Aleutian region and the Yukon-Kuskokwim Delta area.

3:59:11 PM

GREY MITCHELL, Acting Assistant Commissioner, Director, Division of Labor Standards & Safety, DLWD, highlighted the components, noting that the wage and hour administrative staff handles enforcement of all the wage and hour laws. This group has focused effort on employers, noting that staff conducted over 12,000 employer briefings. He said the briefings help employers understand the laws since most employers want to do the right thing, but laws can be confusing. The division takes a proactive effort to ensure that employers are aware of the rules. The department notices the correlation between this effort and the reduction in the number of wage claims filed.

4:00:29 PM

MR. MITCHELL stated that the mechanical inspection component inspected over 5,000 boilers, 557 elevators, and 1,577 electrical/plumbing inspections. One outcome has been to achieve the goal of 90 percent timeliness. He reported that the division increased worksite inspections, performing 15 percent more inspections, with 60 percent resulting in consultations and 40 percent enforcement actions, typically due to an accident or a complaint. He emphasized significant results last year in the occupational safety and health category. The division observed a 7 percent reduction in the overall "lost time and injury rate," which is the second lowest rate ever experienced. He reported that in two focus areas, construction and transportation warehousing, that the rates dropped 24 percent and 17 percent, respectively.

4:02:28 PM

MR. MITCHELL stated that the Governor's Safety and Health Conference is scheduled on March 4-6 at Anchorage's Dena'ina Center. He welcomed legislators attending or dropping by. He explained that the conference is a tremendous outpouring of educational information. The youth outreach effort is "growing exponentially." The division has been working with the King Career Center to expose youth to occupational safety and health. This year West High School has joined the effort and will be busing students from throughout the Anchorage School District. He anticipated that approximately 2,000 students will be given seminars in workplace safety and health awareness.

4:03:53 PM

COMMISSIONER BLUMER reviewed the Division of Vocational Rehabilitation highlights. The DVR's counselors are trained to address the unique employment barriers faced by individuals with disabilities and conviction histories. The department as a whole has been working closely with the Department of Corrections for recidivism reduction. Consequently the department has been focused on assisting those released into the communities overcome barriers and become employed.

CHAIR OLSON asked whether the program has been in existence to give any figures.

COMMISSIONER BLUMER answered that 20.8 percent of the population has been served. After consulting with staff, she answered that 21 percent of the case load have prior convictions.

4:05:19 PM

REPRESENTATIVE HERRON recalled the Bethel region faces similar issues in tribal health. He compared a teen with a shoplifting conviction to more serious convictions of crimes. He asked whether the legislature should revisit barrier crimes.

COMMISSIONER BLUMER answered that the Criminal Justice Working Group is currently considering this and has identified many barrier crimes, not only in Alaska, but nationally. The group has been interested in ensuring that a nexus is applied to the barrier.

4:06:57 PM

CHERYL WALSH, Director, Statewide Programs, Division of Vocational Rehabilitation, DLWD, stated the division has found an increasing number of people have misdemeanor and felony convictions. The division develops unique relationships with employers, who will often give these clients a chance, so the barrier doesn't become a lifelong issue once the person has served time.

CHAIR OLSON asked whether the crimes fall under misdemeanor nonviolent criminal acts.

4:07:51 PM

MR. WALSH answered that the division covers the whole spectrum.

REPRESENTATIVE HERRON asked whether she had a timeframe for completion.

COMMISSIONER BLUMER answered that she was unsure, but she offered to report back to the committee. In response to a question, she said was unsure if the report would be done during the legislative session.

4:08:50 PM

MR. WALSH explained that the Division of Vocational Rehabilitation has established a "business team" of counselors to assist employers hire qualified employees with disabilities or criminal history. The division assisted 598 individuals with disabilities find employment. The division has collaborated with the Department of Administration to increase the knowledge of the provisional hiring program. This program allows people with disabilities to have access to state jobs, with an additional four months of provisional hire. The competitive interview process is difficult for the disabled, plus the process doesn't indicate how well they can perform once hired. She pointed out the statute has been underutilized. The DOA has been working with hiring managers, for example, managers must fill out a checklist indicating whether they have considered the provisional hire program to raise awareness.

4:11:20 PM

REPRESENTATIVE JOSEPHSON asked whether the division could provide an executive summary on employment barriers rather than providing a full report. He's primarily interested in the crime and the employment barriers. For example, a theft conviction would understandably prevent a person from working in a bank, but the person may be able to work in another field.

COMMISSIONER BLUMER recalled that when the department started the process approximately 435 barriers exist in statute. The department strives to pare that number down and do a "crosswalk" to specific jobs and specific crimes.

4:13:04 PM

MIKE MONAGLE, Director, Central Office, Division of Workers' Compensation, DLWD, stated that last year, the Workers' Compensation Board formed a working group consisting of labor

and industry who conducted "listening sessions" to obtain a sense of the employee and employer issues. He characterized this effort as being instructive, noting the group received good feedback. It's been so successful that the division made the working group a permanent subcommittee of the board. This year, the division rolled out a new computer case management system that improves data capture but also allows the division to take advantage of electronic data interchange. That interchange allows insurance companies, claims administrators, employers, and self-insured employers the ability to report information to the division electronically. He described the changes as being a simplified process which eliminates paperwork.

MR. MONAGLE reported that the division has a special investigations unit that ensures compliance with the insurance requirements of the workers' compensation act. He further reported that an employer who fails to carry insurance is subject to fairly steep civil penalties. The division has been working to be more proactive and has held employer education workshops statewide since employers are often not aware of the legal requirements or are misinformed about independent contractors or employee labor. The division would rather educate people "upfront" to ensure compliance than to assess large civil penalties. In response to a question, he agreed that employee claims can trigger investigative actions.

[4:15:53 PM](#)

REPRESENTATIVE JOSEPHSON recalled learning that some trades, such as dry wall, carpentry, or roofing, have experienced rampant workers' compensation issues since some employees are being treated as employees for tax purposes only.

MR. MONAGLE acknowledged that it is common in the construction industry to treat employees as independent contractors rather than as employees, which is not appropriate. He pointed out the division receives complaints from industry, a specific employer, or an employee. He related that the division has a Memorandum of Understanding with the Division of Insurance (DOI) with respect to procedures for handling this. For example, if the employer doesn't have any insurance, it becomes a workers' compensation issue as an uninsured employer. However, if the employer has an insurance policy, the matter is handled by the DOI, who treats it as a misclassification or premium fraud. To recap, the workers' compensation division does follow up on complaints, he said.

4:18:04 PM

REPRESENTATIVE JOSEPHSON asked whether the statutes are adequate for enforcement.

MR. MONAGLE offered his belief that the workers' compensation laws are adequate. He said this as a "hot topic country wide" and not unique to Alaska. Many states have adopted statutory language specific to independent contractors to the extent that people must register with the state as an independent contractor. He said he doesn't think the state is interested in more bureaucracy; however, the workers' compensation has a well-defined litmus test to differentiate between employees and independent contractors. Thus, the workers' compensation board has a "fact set" to make the correct determination.

4:19:22 PM

CHAIR OLSON offered his belief that this problem likely will arise when someone is consistently the low bidder on projects since the company doesn't have the labor burden.

MR. MONAGLE answered that lots of people "play by the rules" but they must compete with those that don't. The division receives complaints when companies consistently underbid since they have 12 independent contractors working for them.

4:19:56 PM

REPRESENTATIVE HERRON recalled that people appreciated the Division of Workers' Compensation "listening." He asked for the top two complaints the division has heard.

MR. MONAGLE answered that the number one complaint employers raised was the cost of the premiums and medical costs. Additionally, some injured workers complained about the amount of time it takes to settle disputes since it can take up to 8-10 years to complete the process. He characterized this as being horrific, that people need solutions faster, and the outcome - either a denial or an award - must happen more quickly. The workers' compensation does mediations which has cut time. Last year the division conducted 60 mediations. He remarked that what is nice about this is that the mediations result in about 90 percent resolution; however, the process is voluntary. Finally, the division receives complaints about the re-employment process. For example, if a person is hurt and can't perform the same work, the division has a statutory process for

retraining, which includes a cash stipend. He reported the success rate in retraining people is about eight percent with only 10-13 people become retrained annually. Most people just take the cash and settle out. In those instances the division is not really assisting the injured worker in getting back into gainful employment.

4:22:28 PM

REPRESENTATIVE HERRON recalled Ms. Dahlstrom indicated the department is working on success definition under ATVEP. He understood several vocational education schools want to take advantage of ATVEP dollars. He said the "800 pound gorilla" is that the UA receives a substantial amount of this funding. He asked whether the UA will be held to the same standards as "all the little guys" including AVTEC. He asked whether the legislature should be working in concert with the DLWD to define the success definition. Secondly, he asked whether instead of making the slice smaller for the "little guys" shouldn't some be sliced from the university.

COMMISSIONER BLUMER answered that the ATVEP fund has 10 recipients, with 50 percent going to the university. Additionally, funds go directly to the organizations and do not pass through the department. The rest of the grants are administered through the department and the department provides the legislature with a report. She offered her belief that the legislature should have received that report recently. However, the department does not have any authority to garner all the information required by statute. She suggested that a slight adjustment needs to occur, which is outlined in the governor's bill, which requires an articulation agreement. She said each ATVEP recipient must have at least one articulation agreement encouraging them to work with youth and the school districts to provide a "running start" for students graduating from high school. Secondly, another component in the governor's bill is the authority to reduce funding by 20 percent the following year, if those measurements are not met and provided to the department. She further said she thinks that should be sufficient to assist the department in gathering that information and providing it to the legislature.

COMMISSIONER BLUMER, in terms of cuts, responded that the department is very neutral on formula funding. The department will provide the information needed in terms of performance measures but it is up to the legislature to make the determination.

[4:26:07 PM](#)

REPRESENTATIVE HERRON acknowledged that the legislature has the purse strings. He wondered whether the legislature should work in concert on the "success definition" since it's important to think about what a "success definition" and the legislature should be part of the debate "before we trot it out into the world."

COMMISSIONER BLUMER agreed. She highlighted that three strong measurement components exist: the participant rate, the employment after completion, and the wage component. She acknowledged that the other two components are difficult to get, such as measuring participant satisfaction and employer satisfaction. She said, "That's hard information to get sometimes, frankly."

ADJOURNMENT

[4:27:29 PM](#)

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:27 p.m.