

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

March 3, 2014

3:24 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Lora Reinbold, Vice Chair
Representative Mike Chenault
Representative Charisse Millett
Representative Andy Josephson

MEMBERS ABSENT

Representative Bob Herron
Representative Dan Saddler
Representative Craig Johnson

COMMITTEE CALENDAR

PRESENTATION: "EFFECTS OF THE LNG PROJECT ON EMPLOYMENT IN ALASKA" 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: Provided a presentation on the effects of the LNG Project on employment in Alaska.

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

POSITION STATEMENT: Presented a presentation on the effects of the Alaska LNG Project on employment in Alaska.

ACTION NARRATIVE

[3:24:33 PM](#)

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at 3:24 p.m. Representatives Millett, Josephson, Reinbold, Chenault, and Olson were present at the call to order.

Presentation: "Effects of the LNG Project on Employment in Alaska" by Commissioner Dianne Blumer

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CHAIR OLSON announced that the only order of business would be a Presentation: "Effects of the LNG Project on Employment in Alaska" by Commissioner Dianne Blumer.

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DIANNE BLUMER, Commissioner, Department of Labor & Workforce Development (DLWD), offered to provide a quick presentation on developing a qualified workforce, especially in light of some of the big projects in Alaska. She indicated she would cover the oil and gas component, and Wanetta Ayers will discuss developing the workforce overall. The Alaska statutes require the department to provide the state's oil and gas training plan. She indicated that it is necessary to work with industry in order to be cohesive and successful. The first plan was developed in 2008 for the Alaska Gasline Inducement Act (AGIA), which became the oil and gas sector workforce development plan. While the original 111 occupations identified in the workforce development plan represent a good start, the department decided it needed to hone in on the high-need occupational industries. She clarified that other industries are not less important but the department's focus is on oil and gas.

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COMMISSIONER BLUMER said the industry steering committee met throughout the summer of 2013 and has continued to provide comment and guidance as it works on a draft plan. The department has vetted the draft plan with key industry associations, labor unions, apprentice-training trusts, and other organizations and has solicited additional comments. She said the department believes it has done a good job marketing the plan and soliciting input from all of the stakeholders. The plan was presented to the Alaska Workforce Development Investment Board (AWIB) and will be presented again to the board in its final form. The draft document was distributed to

industry participants on February 21, 2014, for an informal 30-day public comment period, and DLWD will review comments and seek additional review by the industry steering committee prior to completing the plan by the end of March 2014. The plan identifies 61 occupations across five oil and gas industry priority career clusters, including natural resources, architect and construction, manufacturing, science, technology, engineering, math (STEM), transportation logistics, and distribution.

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COMMISSIONER BLUMER said the draft plan recommends an industry alliance to lead the implementation of the plan, developing its outreach efforts to educate students about oil and gas careers, and development of curriculum at the secondary and post-secondary levels for each of the five priority clusters and monitoring major projects to determine the best timing for training initiatives. She noted the difficulty in putting together a plan prior to the beginning of the project, although DLWD has done so and has developed a timeline for training.

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WANETTA AYERS, Director, Division of Business Partnership, Department of Labor & Workforce Development, said she understood the committee's interest in how the state is preparing for major economic opportunities under consideration this legislative session. She has approached this from the employers' standpoint of workforce availability and preparedness. She explained that workforce development is about anticipating employers' needs and figuring out how to fine tune the education and training systems to deliver that well-qualified workforce.

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MS. AYERS turned to a slide entitled, "Got Talent?" Many employers find that even if they have qualified candidates, the candidates have numerous options, some of which are global. This puts talent in the driver's seat with respect to choices in the workplace and this impacts Alaska. She said that Mark Lautman's article, When the Boomers Bail, identifies trends and global forces that will impact workforce availability and preparedness in the coming decades. This means the availability of a qualified workforce will be the defining factor for economic success in the future.

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MS. AYERS suggested that one in five jobs in Alaska require a college degree [slide 3], and about 60 percent of all jobs in the next decade will require more than a high school diploma.

MS. AYERS reviewed the postsecondary education outcomes for Alaska high school graduates and GED recipients as of 2012 [slide 4]. She indicated that postsecondary outcomes increase over time as students move away from their high school graduation. Of the 7,000 graduates in the 2004-2005 class, 20 percent receive a college degree 7 years out from high school and approximately 22 percent receive no additional training or education. Nearly 42 percent have had some college education. She related that the most vulnerable group falls into the 22 percent without any additional training, which are highly vulnerable to be unemployed or underemployed. She expressed concern that some may not have the technical skills needed and this is where workforce development plays a critical role. As a society the public education system provides the talent, and the workforce development system is a companion that helps direct students, jobseekers, underemployed, and the unemployed into career pathways that will lead to a living wage.

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MS. AYERS discussed how the workforce development system invests in "Alaska's Talent Pipeline" by increasing the capacity for career and technical education across the state, providing adult and incumbent worker training, providing industry specific training, and working to ensure youth development [slide 6].

MS. AYERS turned to the Alaska Technical Vocational Education Program [slide 8]. The department has two funds focused on this purpose, including the Technical Vocational Education Program (TVEP) and the Career and Technical Education Grants. First, the legislature designated specific facilities and programs to receive capacity-building and operating funds through TVEP. The TVEP fund is a designated fund with 0.15 percent employee contribution to the unemployment insurance trust. She reported that in FY 2014, the department has had six grantees issued through the Division of Business Partnerships. There are other grantees that receive their funds directly or through another department. Of those six grantees, "we have \$4.3 million in awards, and we're projecting that there will be over 3,336 Alaskans that will receive training or some level of secondary or postsecondary education as a result." Governor Parnell has

proposed in HB 278 to reauthorize the TVEP program for 10 years and strengthen it by requiring dual credits to establish stronger links between secondary education and post-secondary job training.

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MS. AYERS stated that the second fund is the Career and Technical Education Grants [slide 9]. She explained that this program funds strategies and actions identified in the Alaska Career and Technical Education Plan. It focuses specifically on developing career and technical education curriculum and training capacity. Most of the grantees under this fund are school districts or non-profit training providers funded with a general fund appropriation. This year 15 grantees received competitively-awarded grants of \$610 thousand in awards, and they anticipate providing 1,838 students with additional career and technical education access.

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MS. AYERS turned to adult and incumbent worker training, provided through two funds: the State Training and Employment Program (STEP) and the Workforce Investment Act [slide 11]. The STEP program represents the largest training fund in the state. The focus of the STEP is to provide accessible job training for employers, employees, and future workers and to reduce the demand for unemployment benefits. The funding source is the designated general fund, with one-tenth of a percent of the employees' contributions to the unemployment insurance trust. In FY 2014, 37 grantees were competitively awarded \$5.9 million in grants, and the department anticipates 3,403 Alaskans will receive training. She provided examples, such as commercial driver training, noting that demand will continue to be high as the state approaches large projects. Additionally, one grantee is focused on rural building maintenance and weatherization, and plumbers and steamfitters use the STEP funds for apprenticeship and journeyman training.

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MS. AYERS turned to the second fund for the adult and incumbent workers, the Workforce Investment Act (WIA). These funds are federal formula funds allocated to the states and rather than issuing grants individuals are issued training allowances or ITAs. This fiscal year, the state anticipates \$2.9 million in training awards that will impact over 3,150 Alaskan trainees.

The goal is to help people achieve occupational skills to help them make a living wage. The WIA imposes eligibility requirements. Individuals would go to one of the 21 job centers and a determination would be made as to whether the individuals are eligible for an ITA.

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MS. AYERS turned to industry specific training [slides 13-14]. At times, the U.S. Department of Labor has asked Alaska to administer targeted training funds. First, she discussed the Alaska Oil and Gas Occupations Training Funds, which is an unrestricted general fund (UFG) appropriation specifically to support the 2008 oil and gas workforce development plan. In 2014, 10 grants were competitively awarded totaling \$424,000, and the department anticipates 562 Alaskans trained as a result.

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REPRESENTATIVE CHENAULT asked for more detail on the training encompassed in the grants.

MS. AYERS, with respect to the oil and gas fund, reported that the Associated Builders and Contractors instituted a distance learning program covering occupations including security, electrical, plumbers, pipefitters, and sheet metal workers. Additionally, the UAA received a grant to provide an eight-week project management intensive, specifically to help sanction projects moving forward and making an economic case for an oil and gas project. Another grantee will provide training for aerial remote sensing to track marine mammal migration patterns for North Slope offshore oil development. She stated that the 10 grantees cover occupations ranging from basic camp services to project management engineering focus.

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MS. AYERS said the department has been working on the Alaska Workforce Development Plan, which was put together in conjunction with an industry steering committee. The plan has been released for informal public comment, and it prioritizes long-term legacy jobs and identifies an action agenda to continue to advance the oil and gas industry through workforce preparedness. She turned to the Denali Training Fund, [slide 15]. This fund consists of federal funds issued to the Denali Commission. The commission works with the department to field and administer the grants issued under the Denali Training Fund.

They are largely focused on occupations that will support infrastructure, health care facilities, or energy projects funded by the Denali Commission. This may be the last year due to reduction in federal funds issued to the Denali Commission. In 2014, six grants were awarded totaling \$810 thousand, and the department anticipates 117 Alaskans to be trained.

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MS. AYERS turned to the Cast and Crew Advancement [slide 16.] She explained that this is a legislatively designated capital grant. The state has offered film tax credits to encourage film and television production in Alaska. Additional workforce training was needed in order to maximize the state's economic return. In 2014, six competitively-awarded grants totaled \$249 thousand with seven grants awarded and six remaining. Additionally, a portion was set aside for individual training allowances (ITA) through job centers.

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REPRESENTATIVE MILLETT suggested that a bill is before the legislature [HB 112] that would "kill" the film tax credit. She asked what will happen to the grantees and the funding.

MS. AYERS offered her belief that this year is the last year for the funding. The state would have an obligation to grantees, although it is possible some funds will be rescinded for ITA; however, she was unsure.

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REPRESENTATIVE MILLETT asked how much of the \$249,000 has been encumbered to date.

MS. AYERS answered that about half the funds have been disbursed to grantees and half to individuals training allowances. She estimated that roughly half the funding will be split between the two.

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MS. AYERS turned to the Alaska Construction Academy, which is a legislative designated grant with the Construction Education Foundation as the single grantee. The total fund is \$3.2 million for the purpose of promoting an understanding of the construction trades. The funds assist students to learn how to

apply for registered apprenticeships or postsecondary education that will lead to a construction industry career. This effort does not provide training but it does provide for outreach that targets potential workers from middle and senior high school along with some adult training. She anticipated that approximately 4,800 students will receive information on how to access the construction industry jobs this year.

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REPRESENTATIVE REINBOLD asked who receives the funding. She said she has had questions on the Alaska Construction Academy.

MS. AYERS answered that the department does not divvy up the funds. The funds are legislatively-designated funds to one individual grantee, the "Construction Education Foundation." She said this grant is not competitive but is similar to TVEP, in that the legislature identified the grantee and asked the department to administer it.

CHAIR OLSON remarked that one academy is located on the Kenai Peninsula that committee members could tour.

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MS. AYERS discussed youth development [slide 18]. One of the basic tenets of workforce development is to reach students and students at risk of not completing school. She reported that young people often engage in risky behavior if they cannot envision a future for themselves. The youth development helps identify and envision what the youth's future could look like.

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MS. AYERS stated that two funds reach out to youth to encourage school completion, promote related work experience, and other activities that help youth plan and create their future. She reported that the Alaska Youth First Fund has focused on assisting youth with career awareness and information, employability skills, work maturity skills, paid and non-paid work experience, applied academic training, and educator externships. The source of funding is unrestricted general fund appropriations. In FY 14, the department had 18 competitively-awarded grants for a total of \$1.9 million with an anticipated 17,437 students being served. However, Alaska Youth First has been slated to receive a \$2.4 million reduction [slide 20]. She highlighted that many activities will be reduced, including

career awareness in classrooms, workplaces, and neighborhoods. In some instances, the funding assists students to identify a need in the community and create a career service project or short-term job to meet the need. As students mature, they take the WorkKeys exam, obtain a work-ready certificate and work to receive occupational certificates that will help them be "job ready" after high school. Additionally, career development works to identify the postsecondary training options, such as military service, apprenticeships, and trade or technical schools like AVTEC.

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REPRESENTATIVE MILLETT stated that she also serves on the House Labor & Commerce Finance Subcommittee and this subcommittee removed the program. She said the committee held discussions with the DLWD to try to find other ways to reduce overall funding since this program is a pretty powerful program.

MS. AYERS, in response to a question, indicated the program has been in effect for nine years.

REPRESENTATIVE MILLETT acknowledged that if the cuts are retained that schools will not provide any career counseling. She wanted to be sure the committee was aware of the program, which was removed in "one fell swoop" in the subcommittee.

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REPRESENTATIVE JOSEPHSON asked for clarification on how the proposed cuts came about.

REPRESENTATIVE MILLETT answered that someone on the House Finance subcommittee made the recommendation to cut this program.

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REPRESENTATIVE JOSEPHSON asked what the governor requested in the budget.

MS. AYERS answered that the governor's budget fully funded the program. She reiterated the program consists of \$2.4 million in funds with some salaries and grant administration costs included in the program.

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MS. AYERS turned to the WIA program in youth development [slide 21]. These funds serve low-income youth ages 14-21. Some assessment activities are performed by the ten FY 2014 grantees receiving \$1.4 million in awards. An estimated 3,150 youth will be served, and these are federal formula funds to the states. She concluded that this provides members with an overview of the workforce development system, but this presentation did not cover all of the department's activities, such as assistance to transition veterans into jobs, prisoner re-entry, assisting people with disabilities, and vocational rehabilitation.

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MS. AYERS reviewed the project outlook [slide 22.] She explained this slide highlights some of the major projects and how the industry steering committee considered the workforce development for oil and gas needs. She listed some projects, including the Alaska LNG project, the instate gasline, and the Donlin Gold project. She pointed out that dozens of other mining projects will have significant demand on Alaska's workforce, and public infrastructure projects. This chart depicts the projects and the timing with the focus of the oil and gas plan to cover through 2018. She emphasized the importance of using funds to time projects appropriately so the workforce is ready at the time employers need them. These projects will demand thousands of qualified workers and many are just entering high school right now. She emphasized the importance to build and optimize the talent pipeline is the objective of the workforce development system. The state will be challenged to meet demands but will work to ensure that Alaskans are prepared and well qualified to take lead positions and legacy jobs that will lead to long-term careers and productive lives in Alaska.

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CHAIR OLSON looked at Point Thomson on the chart and suggested the number of jobs is closer to 450. He surmised that some of the other estimates may be conservative estimates.

MS. AYERS answered that the figures "look a little light" since they are derived from the project operator perspective and are not necessarily inclusive of all the contracting associated with the projects.

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REPRESENTATIVE MILLETT recalled touring the Pipeline Training Center in Anchorage. She asked whether funding comes from the Department of Labor & Workforce Development.

COMMISSIONER BLUMER answered that the Pipeline Training Center applies for some competitive grants. She was unsure of the business model.

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REPRESENTATIVE MILLETT noticed that it seems like the center is only offering one class per year.

COMMISSIONER BLUMER responded that the center has been working with the university on some process technical training. For example, the center recently opened a 16-day welding shop course. She recalled that the center is also working on some high school training programs for credit. She offered to provide a full list to the committee.

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REPRESENTATIVE JOSEPHSON asked for any impacts on housing for the Alaska LNG construction.

CHAIR OLSON noted [housing and training] problems also occurred with Trans-Alaska Pipeline System (TAPS). He lauded the department for "looking forward" by anticipating construction needs by having a number of people trained and ready to fill the [proposed Alaska LNG and instate pipeline] jobs.

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REPRESENTATIVE CHENAULT asked for figures on how many people have successfully obtained work after completing the programs.

MS. AYERS responded the department can report on the number of people employed within one year of their training and their wage outcome. She explained that the ATVEP or STEP may be longer term projections so the department does not have that information yet. She reported that when the 2008 plan was developed that the state received a \$7.5 million federal appropriation. She also reported that three years out 80 percent of the individuals were working in Alaska and 1,600-1,700 trained individuals were earning a total of \$30 million in wages prior to training and \$43 million after training. She

said this represents a significant increase. She stated that some of the front line supervisory positions will be more advanced positions in a gasline project. In response to a question, she recalled that 1,600 to 1,700 total workers were trained.

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REPRESENTATIVE CHENAULT asked whether the DLWD is providing assistance for workers with the closure of the Flint Hills refinery.

COMMISSIONER BLUMER answered that the department has a rapid response team that works through the job service centers. The "rapid resource" staff has reached out to Flint Hills refinery employees. The department offers job matching services and has been working with other industry employers who have expressed an interest in hiring Flint Hills' refinery workers. The department has requested information on employees slated for layoff and will work to contact each person.

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CHAIR OLSON asked whether the department has a rough estimate on the number of people leaving Fairbanks due to the closure. He recalled a number of people planned on leaving the Kenai Peninsula when the Agrium plant closed; however, the number who actually left was fewer than anticipated.

COMMISSIONER BLUMER answered that the Flint Hills refinery has not provided a solid number of employees, but she offered to provide it to the committee once she has the figures.

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CHAIR OLSON lauded the DLWD's team in Kenai. He said they did an excellent job when the Agrium plant closed.

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ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:02 p.m.