

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

January 30, 2015

3:16 p.m.

**MEMBERS PRESENT**

Representative Kurt Olson, Chair  
Representative Shelley Hughes, Vice Chair  
Representative Jim Colver  
Representative Gabrielle LeDoux  
Representative Cathy Tilton  
Representative Andy Josephson  
Representative Sam Kito

**MEMBERS ABSENT**

Representative Mike Chenault (alternate)

**COMMITTEE CALENDAR**

OVERVIEW: DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT -  
COMMISSIONER HEIDI DRYGAS

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

HEIDI DRYGAS, Commissioner Designee  
Department of Labor and Workforce Development  
Anchorage, Alaska

**POSITION STATEMENT:** Presented a PowerPoint overview on the  
Department of Labor and Workforce Development.

PALOMA HARBOUR, Director  
Central Office  
Division of Administrative Services  
Department of Labor & Workforce Development (DLWD)  
Juneau, Alaska

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

**ACTION NARRATIVE**

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**CHAIR KURT OLSON** called the House Labor and Commerce Standing Committee meeting to order at 3:16 p.m. Representatives Josephson, Hughes, Tilton, Kito, and Olson were present at the call to order. Representatives Colver and LeDoux arrived as the meeting was in progress.

**OVERVIEW: DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT -  
COMMISSIONER HEIDI DRYGAS**

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CHAIR OLSON announced that the only order of business would be an overview of the Department of Labor and Workforce Development by Commissioner [Designee] Heidi Drygas.

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HEIDI DRYGAS, Commissioner Designee, Department of Labor and Workforce Development (DLWD), provided a brief personal and professional history, relating that she was born and raised in Fairbanks, and has a history degree from the University of Alaska Fairbanks. She attended law school in Salem, Oregon, returned to Fairbanks, and clerked for Alaska Superior Court Judge Penguilly in Fairbanks. She moved to Anchorage and worked as an associate for Guess and Rudd, primarily in the area of insurance defense, and as general counsel for the Alaska District Council of Laborers for nearly 10 years, handling negotiations, contract administration, grievance adjudication, arbitration, and hearings before the Alaska Labor Relations Agency and the National Labor Relations Board.

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COMMISSIONER DRYGAS began a PowerPoint overview by stating the department's mission: to provide safe and legal working conditions and advance opportunities for employment for Alaskans [slide 1]. The department accomplishes this mission and key program priorities of protecting Alaska's workforce through statutory and regulatory assistance and enforcement, developing an Alaskan workforce for Alaska's jobs, and income replacement for injured, unemployed, and permanently disabled workers. She highlighted the offices scattered across the state, with red dots that represent the Alaska Job Center Network, blue dots that indicate the vocational rehabilitation offices - the Alaska

Vocational Technical Center (AVTEC) is located in Seward - and finally, green dots that represent the other program offices, including unemployment insurance, labor standards and safety, workers' compensation, and other programs that will be discussed later [slide 2].

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COMMISSIONER DRYGAS reviewed the DLWD's organizational chart, noting this chart lists the organization by key program priorities. She pointed out that two divisions have programs that cross program priority lines - Employment Security and Vocational Rehabilitation, but some lines of distinction are "a little bit fuzzy." For example, the Division of Workers' Compensation has some crossover into the "protect workers priority" since the division must ensure employers have workers' compensation insurance for their employees. The department has historically placed the aforementioned division in the "income replacement" area since workers' compensation primarily ensures benefit payments to Alaska's injured workers.

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COMMISSIONER DRYGAS directed attention to the Alaska Labor Relations Agency (ALRA) that administers the Public Employment Relations Act (PERA) and to the labor provisions of the Alaska Railroad Corporation Act, pertaining to collective bargaining for public employers. The ALRA facilitates resolution of disputes between organized labor and public employers.

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COMMISSIONER DRYGAS related the Alaska Workforce Investment Board (AWIB), a 26-member board representing industry, labor, education, commerce, and Native groups, provides policy oversight of state and federally funded job training and vocational education programs. The AWIB provides an annual report to the legislature on the performance and evaluation of the state's training programs and will meet in Juneau on February 2 and 3.

COMMISSIONER DRYGAS directed attention to Alaska Vocational (AVTEC) whose mission is to provide market-driven vocational and technical training to prepare Alaska residents for jobs. In FY [fiscal year] 14, AVTEC had 382 long-term program enrollees and 898 short-term enrollees and AVTEC's FY 14 completion rate was 89 percent, plus 89 percent of AVTEC's FY 13 graduates were

placed in training-related jobs within the following year. She remarked that the department is very proud of the aforementioned statistic.

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COMMISSIONER DRYGAS turned to the Division of Business Partnerships, which administers the department's competitive and pass-through workforce development grant programs [slide 7]. In FY 14, a total of 2,954 Alaskans received training through the State Training and Employment Program (STEP). She reported that 87 percent of the FY 13 STEP training participants entered training-related jobs in Alaska.

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COMMISSIONER DRYGAS directed attention to the Employment Security Division, which provides employment and training services through the Alaska Job Center Network and online through the Alaska Labor Exchange System (ALEXsys) [slide 8]. This division also provides economic stability to unemployed Alaskans through unemployment insurance and adult basic education services to advance opportunities for employment for Alaskans who need extra assistance.

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COMMISSIONER DRYGAS directed attention to Labor Standards and Safety, noting this division provides occupational safety and health, training and monitoring of laws governing occupational safety and health, wages and hours, child labor, and electrical and mechanical codes [slide 9]. This division also supports the Alaska Safety Advisory Council (ASAC) that is responsible for the annual Governor's Safety Conference. This past year the division developed a 10-hour Occupational Safety and Health Administration (OSHA) safety course used to improve safety in the target industry of seafood processing. As a direct result of this OSHA course, the state experienced a record low workplace lost time per 100 employees of 0.51 percent, down from 1.13 percent in FY 13. She characterized this as being a remarkable drop. A majority of the decrease occurred in the seafood processing industry and the department is very proud of that statistic.

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REPRESENTATIVE LEDOUX asked what caused the drop in the seafood processing industry.

COMMISSIONER DRYGAS offered her belief that it was directly related to the 10-hour OSHA safety course, specifically geared towards the seafood processing industry, which had a significant and immediate effect. She indicated the department will continue this program in the future since it clearly had a positive effect for Alaska's workforce.

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COMMISSIONER DRYGAS stated that the Division of Vocational Rehabilitation (DVR) assists Alaskans with disabilities to secure and maintain employment and provides economic stability to disabled Alaskans through Social Security disability determinations. In FY 14, the DVR had 607 individuals employed upon exit of their individualized plan for employment: an increase from 598 in FY 13 represents the second highest level on record. The average wage of employed individuals exiting the program equaled \$14.31, an increase from \$13.84 in FY 13, she said. In fact, Alaska has regularly been in the top 15 in the nation for the average wage.

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REPRESENTATIVE HUGHES noticed the map does not show the Matanuska-Susitna valley as having a vocational rehabilitation center. She asked whether that center is still in operation.

COMMISSIONER DRYGAS assured Representative Hughes that the department has a vocational rehabilitation center located in the Matanuska-Susitna valley.

REPRESENTATIVE HUGHES remarked that her daughter participated in the center a number of years ago. She had significant hearing loss and it was a great resource for her, she said. She counted her daughter among the vocational rehabilitation success stories, given that her daughter went on to college, is gainfully employed, and is a good citizen.

CHAIR OLSON commented he heard the Muldoon office might close. He asked whether the Muldoon job center office is still open.

COMMISSIONER DRYGAS answered yes; however, due to a significant reduction of federal funds and general funds, it is all but certain that some job centers will close. The evaluation

process is currently underway, but she would like to review the final list. She expressed an interest in working with legislators on offices being considered, commenting that while the centers may still close, she prefers to use a collaborative process. She agreed the map needs to be revised to reflect the Wasilla center to ensure that people know the center offers services.

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COMMISSIONER DRYGAS stated that the Workers' Compensation Division aids Alaskans with employment-related injuries and illnesses by administering the Alaska Workers' Compensation Act, the Fishermen's Fund, the Workers' Compensation Benefits Guaranty Fund, and the Second Injury Fund [slide 11].

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COMMISSIONER DRYGAS directed attention to the FY 2016 Governor's endorsed budget, which totals \$179.4 million, of which \$94.4 million or 53 percent is derived from federal funds. The department's unrestricted general funds in the FY 16 endorsed budget total \$29.2 million, which is down \$4.2 million from FY 15. She indicated this is equivalent to a 12.5 percent reduction. To implement this reduction, the department will focus on the governor's goal of redesigning administrative infrastructure to maintain maximum program and services and delivery [slide 13]. She said there will obviously be funding implications for programs resulting from a cut of this magnitude, but she is committed to streamlining services, finding efficiencies, and developing partnerships to maintain key services and program priority.

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COMMISSIONER DRYGAS outlined her vision for the department. She related she has had an opportunity to visit many of the department's campuses in Anchorage and Juneau and looks forward to visiting those offices in the Matanuska-Susitna valley, Fairbanks, and in other outlying areas. She has been struck by the staff's attitude and commitment to protect the public and provide assistance. She emphasized that her goals are to streamline programs and revamp the workforce development system to ensure maximum effectiveness and efficiency within a sustainable budget. Under consideration is a proposal that would return the department to its FY 13 structure, with workforce development grants administered by the Division of

Employment Securities instead of a separate Division of Business Partnerships, she said, estimating this will result in a savings of \$850,000. This revamp is critical to ensuring the maximum of funds are being distributed in the form of grants for training and workforce development opportunities for Alaskans.

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COMMISSIONER DRYGAS emphasized the importance of increasing Alaska hire to ensure that Alaskans are getting Alaska's jobs. Part of this effort will be more targeted workforce development funding in areas with high nonresident hire and increasing the focus on Alaska hire enforcement. In fact, the DLWF is charged by statute to enforce the state's resident hire laws. Hiring Alaskans to fill Alaska's jobs is critical to the economic success of the state and the residents the department serves, she said. Alaska has one of the highest ratios of nonresident to resident workers in the nation, which impacts the rate of unemployment among residents. Further, nonresident workers use services provided by the state but do not contribute fairly to the cost of those services because the state has no personal income or sales tax. She concluded that Alaskans suffer economically when nonresidents displace qualified residents since resident workers contribute to local taxes as well as their share of royalties from natural resources. She offered to continue to focus on the department's other key priority program areas of fostering economic stability for injured, unemployed and disabled workers and ensuring safe and legal working conditions for Alaska's workers.

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CHAIR OLSON asked for further clarification whether the department will continue with the construction academies.

COMMISSIONER DRYGAS said she thinks it is a good example of training young Alaskans. She characterized it as a terrific program that exposes youth to the construction trades. She acknowledged that it uses general fund monies, but she will work hard to maintain the funds since the program is important and vital to young Alaskans.

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CHAIR OLSON commented that he is familiar with the one in Kenai and the program has been helpful as the region ramps up for

gasline projects. He recalled that the DLWD suffered budget reductions last year.

COMMISSIONER DRYGAS agreed.

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REPRESENTATIVE HUGHES recalled the governor mentioning vocational education and partnering with the schools. She asked whether any work has been done with the Department of Corrections in assisting inmates return to the workforce.

COMMISSIONER DRYGAS answered that the governor is committed to vocational and technical training. He has requested that the commissioners of the Department of Labor and Workforce Development (DLWD), Department of Education and Early Development (EED), and the university partner together to work on making workforce development opportunities more efficient and essentially do more with less. In fact, she met with University of Alaska President Gamble to discuss vocational and technical training and they plan to work together on the aforementioned issues. In addition, she met with Commissioner Hanley [EED] on career and technical training education. The DLWD, EED, and the UA are partnering together and hope to identify key areas for workforce training and are excited about the opportunity.

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COMMISSIONER DRYGAS also related that she has met with Department of Corrections Commissioner Taylor to continue the partnership with respect to re-employment of prisoners. She offered that jobs give prisoners a purpose, which has an obvious effect on recidivism. She related a scenario in which the judicial system worked with women at the Hiland Correctional Center. Later she received feedback from a woman who received the training who credited the training with helping her turn her life around. She remarked that stories like the aforementioned one impact us and she's wondered how she could help. Now she has a chance to enhance the partnership with the DOC on that program, she said.

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REPRESENTATIVE HUGHES related a personal scenario, noting her husband ran a medical department in five of the correctional institutions and recalled him sharing that inmates sometimes purposefully get arrested and return to prison because they

cannot obtain jobs, need medical attention, but cannot afford it. This also leads her think about veterans. She asked whether the department partners with the Department of Military and Veterans Affairs (MVA) on job placement for returning veterans.

COMMISSIONER DRYGAS stated that the Helmets to Hard Hats is a program to help employ veterans in the construction trades. In addition, the department works with the Military Youth Academy on some of their program requirements. She reported that she was invited to speak to a group of currently enlisted officers and members of the military about career opportunities as they transition into civilian life. She deferred to her staff to respond.

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PALOMA HARBOUR, Director, Central Office, Division of Administrative Services, Department of Labor & Workforce Development (DLWD), stated that the Healing Heart program works with veterans who need assistance adjusting to civilian life. The department partners with the Healing Heart program through a state training and employment grant.

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REPRESENTATIVE JOSEPHSON said he was interested in Alaska hire. He understands some constitutional issues prevent the state from not hiring people from other states. He expressed an interest on how far the envelope can be pushed. He asked whether the department has an expert on reform.

COMMISSIONER DRYGAS stated that she is very familiar with many experts on Alaska hire. She offered that the department is in the process of an Alaska resident hire study, plus she is familiar with the challenges from her work at the Alaska District Council of Laborers. She indicated the department is committed to enforcing Alaska hire to the fullest extent of the law. Governor Walker has made it clear that Alaska hire is one of his top priorities. She said, "It's good for Alaskans, it's good for the state, and it's good for the economic bottom line so that will be one of my key focuses moving forward."

REPRESENTATIVE JOSEPHSON asked to be kept informed.

COMMISSIONER DRYGAS agreed to do so.

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REPRESENTATIVE KITO referred to the issue of coordination with the EED and the UA on efforts. He wondered what types of things all three agencies could work on together.

COMMISSIONER DRYGAS answered that the Department of Education & Early Development, the University of Alaska, and Department of Labor & Workforce Development have started discussions. The governor has made it clear that these three agencies needed to create a CTE [Career and Technical Education] plan for the state. She has held discussions with Commissioner Hanley and although they haven't identified specifics, they have considered perhaps a task force approach to develop benchmarks to focus on actual results and improve CTE training in the state. She highlighted that there is sense of cooperation between the UA, the DLWD, and the EED. She wants to make an impact when it comes to CTE.

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REPRESENTATIVE KITO asked whether the three organizations will consider where Alaska's workforce will be in 8-10 years as the state gears up for a gasline to ensure that resources are available to train Alaskans.

COMMISSIONER DRYGAS offered that the department previously worked on a plan when the Alaska Gasline Inducement Act was in place. Thus, the department has a gas development plan that it can build on that identifies many different occupations Alaska needs to be ready to fill in the event of a gas pipeline. She related that the department wants to update and refine the plan for this administration. She concluded by saying the nice thing is that the department is not starting from zero.

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REPRESENTATIVE HUGHES recalled there being spreadsheets that highlighted the various types of workers that would need to be trained for the future. She also reported that she visited the Donlin Gold site this fall and understood the company anticipates that current 7th grade students will provide the workforce for its proposed project. She emphasized the importance of the department working with the Department of Education and the school districts throughout Alaska. She suggested that the commissioner should also look at the

Matanuska-Susitna Career and Technical high school as a competitive model high school.

REPRESENTATIVE HUGHES asked how Commissioner Drygas likes her new position.

COMMISSIONER DRYGAS said has only been on the job for four weeks, and although she loved her previous work, it is not often one has an opportunity to influence and affect Alaskan workers. She feels like the job provides her with a broader scope due to the department's emphasis on protecting Alaska's workers and increasing training opportunities for Alaskans. She said she finds her staff to be very committed and she is humbled and honored to serve in this capacity.

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CHAIR OLSON highlighted that approximately 1,000 people are working at Point Thomson and about 400-500 in Cook Inlet on the new gas work in existing fields and on the prep work at Nikiski. Many workers come from the Lower 48 since the state lacks skilled workers. He predicted that further labor shortages will occur. However, he also noted that most of Alaska's workers are familiar with [UA] urinalysis tests whereas some Lower 48 workers come in and cannot pass them. He suggested drug testing might need to be incorporated into training programs. He also commented that the state is closer [to a gasline] than ever, but it is not ready for it in terms of skilled workers.

COMMISSIONER DRYGAS agreed. She also agreed that the aforementioned labor issues need to be addressed. She assured members that this administration is committed to training Alaska's workforce and in developing a comprehensive workforce development plan. She highlighted that the Alaska Workforce Investment Board (AWIB) will be meeting next week and workforce development is something the board will consider. She emphasized her desire to elevate the work this board does for the state. She offered her belief that the AWIB should be the overall policy making authority for workforce development in the state. The governor is also interested in enhancing the AWIB's role in leading the state in terms of workforce development, she said.

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CHAIR OLSON pointed out that drug testing will get a little more complicated when marijuana is legalized. He expressed concern

that some people will think it is legal and will fail their UA testing as a result. He offered his belief that the state should have studied Colorado and Washington's experiences in legalizing marijuana prior to taking action.

COMMISSIONER DRYGAS answered that the aforementioned issues were raised in the Senate Labor & Commerce Standing Committee. She said plenty of things are legal, but it doesn't mean people can keep their jobs if they are under the influence of drugs or alcohol, especially when operating heavy equipment.

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REPRESENTATIVE JOSEPHSON brought up a problem with abuse of independent contractors, with employees not covered by unemployment insurance or workers' compensation under the guise of their workers not being employees. He hoped this is something the department will examine. He said it seems as though some type of reform is needed.

COMMISSIONER DRYGAS said she is very aware of worker misclassification issues. She recently met with John Lund from the federal Department of Labor (U.S.-DOL) in the West Coast. She recalled he wanted to address worker misclassification and whether the U.S.-DOL can partner with the state Department of Labor & Workforce Development on enforcement of those laws. She offered that the federal agency has a framework for enforcement actions in terms of independent contractors. She said this issue has a huge effect on the economy since some independent contractors are not paying the appropriate taxes, such as workers' compensation or unemployment insurance. She agreed there are huge ramifications for that. She stated that Grey Mitchell, Division of Labor Standards director will work with Mr. Lund, U.S.-DOL on these issues. She stated that this issue is very important, not just in terms of the economy, but in terms of how it affects Alaskans who are injured on the job or need unemployment insurance benefits. Some independent contractors don't realize they have to file the appropriate taxes on their workers, who are employees as defined by the law.

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#### **ADJOURNMENT**

There being no further business before the committee, the House Labor & Commerce Standing Committee meeting was adjourned at 4:00 p.m.