

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

January 29, 2015

1:29 p.m.

MEMBERS PRESENT

Senator Mia Costello, Chair
Senator Cathy Giessel, Vice Chair
Senator Gary Stevens
Senator Johnny Ellis
Senator Kevin Meyer

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

OVERVIEW: DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT (DOLWD)

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

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

POSITION STATEMENT: Delivered an overview of the Department of Labor and Workforce Development.

ANNA LATHAM, Legislative Liaison
Department of Labor and Workforce Development (DOLWD)
Juneau, Alaska

POSITION STATEMENT: Answered a question during the overview.

ACTION NARRATIVE

[1:29:02 PM](#)

CHAIR MIA COSTELLO called the Senate Labor and Commerce Standing Committee meeting to order at 1:29 p.m. Present at the call to

order were Senators Stevens, Ellis, Giessel, and Chair Costello. Senator Meyer arrived soon thereafter.

OVERVIEW: Department of Labor and Workforce Development (DOLWD)

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CHAIR COSTELLO announced the business before the committee would be an overview of the Department of Labor and Workforce Development (DOLWD)

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HEIDI DRYGAS, Commissioner Designee, Department of Labor and Workforce Development (DOLWD), introduced her staff and reviewed her resume. She began the overview by reading DOLWD's mission and the three key program priorities. She then displayed a map of different offices statewide. She explained that the job centers provide employment and training services and the vocational rehabilitation offices provide employment and training services to disabled Alaskans. The Alaska Vocational Technical Center (AVTEC) resides in Seward and the other program offices include Unemployment Insurance, Division of Labor Standards and Safety, and Workers' Compensation.

CHAIR COSTELLO asked if she has a plan for how the department will address the projected loss of \$3.6 million in federal funds over the next two years.

COMMISSIONER DRYGAS replied part of the reduction scenario that DOLWD put forward was accepting that the job centers would lose federal funds. Some of the offices will be closed, but the specific locations has not been determined. When a job center is closed, there will be an effort to partner with private nonprofits that provide similar services. Online services to Alaskans in locations that do not have a job center is another option.

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COMMISSIONER DRYGAS reviewed DOLWD's organization chart showing the three program priorities: 1) to protect workers, 2) develop an Alaskan workforce; 3) and provide income replacement. She noted that the Division of Employment Security and the Division of Vocational Rehabilitation have programs that cross priority program lines.

CHAIR COSTELLO asked her to comment on the status of the work to change the workers' compensation fee schedule.

COMMISSIONER DRYGAS replied she has had several meetings to ensure the department is aware of the legislation that passed, how it affects workers' compensation, and what changes need to be implemented in the future.

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COMMISSIONER DRYGAS reviewed the components of the department. The Alaska Labor Relations Agency administers the Public Employment Relations Act (PERA) and the labor provisions of the Alaska Railroad Corporation Act pertaining to collective bargaining for public employers. The agency also facilitates the resolution of disputes between organized labor and public employers.

The Alaska Workforce Investment Board provides policy oversight of state and federally funded job training and vocational education programs. It also provides an annual report to the legislature on the performance and evaluation of the state's training programs. One of her priorities will be to enhance the work of the board and provide policy guidance to the department on workforce development opportunities.

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CHAIR COSTELLO recognized that Senator Meyer joined the committee.

She asked how many Alaskan students enter the job market directly from high school as opposed to going on to college.

COMMISSIONER DRYGAS replied she did not have the statistics but this administration recognizes that not every student who graduates from high school will head directly to a four-year institution. DOLWD believes it needs to refocus on career and technical training for Alaskan, particularly in the key industries that need workers.

CHAIR COSTELLO noted that the transition report suggested career awareness for young people. She asked how that plan might be implemented.

COMMISSIONER DRYGAS replied the department is looking at how to ensure that there are opportunities for young Alaskans and that they are aware of them. This Governor has placed a priority on interdepartmental work and she's worked with both the university and education commissioner to ensure that efforts are not duplicated and training is streamlined. Half the battle is to

ensure that Alaskans are aware of DOLWD services that are already available, she said.

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COMMISSIONER DRYGAS displayed a picture of the new Alaska Vocational Technical Center (AVTEC) dormitory in Seward and reviewed the mission. In FY 2014, AVTEC had 382 long-term program enrollees and 898 short-term program enrollees. The FY 2014 completion rate was 89 percent, and 89 percent of the FY 2013 graduates were placed in training-related jobs in the following year.

CHAIR COSTELLO asked if she has made a decision about moving forward on the tuition increases at AVTEC.

COMMISSIONER DRYGAS replied a decision has not been made, but an increase is likely since tuition has remained static since 2010.

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SENATOR STEVENS asked if all DOLWD's training is centered in Seward.

COMMISSIONER DRYGAS replied all the training that is administered through the department is at AVTEC, but multiple grantees are awarded step grants and TVEC grants to do training throughout the state.

CHAIR COSTELLO asked her to define the acronyms she uses.

COMMISSIONER DRYGAS reviewed the Division of Business Partnerships (DBP). It administers DOLWD's competitive and pass-through workforce development grant programs. In FY 2014, DBP administered training to 2,954 Alaskans through the State Training and Employment Program (STEP), and 87 percent of the graduates entered training-related jobs in Alaska.

CHAIR COSTELLO asked if she had reviewed the efforts to engage private partnerships in expanding broadband throughout Alaska.

COMMISSIONER DRYGAS answered that she had not seen anything about the broadband program, but her staff is now aware and she will get up to speed to further that.

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COMMISSIONER DRYGAS reviewed the Employment Security Division. It provides: employment and training services through the Alaska Job Center Network and online through the Alaska Labor Exchange

System (ALEXS); economic stability to unemployed Alaskans through Unemployment Insurance; and Adult Basic Education to advance opportunities for employment.

The Labor Standards and Safety Division provides enforcement, training, and monitoring of laws governing: occupational safety and health, wages and hours, child labor, and electrical and mechanical codes. The division also supports the Alaska Safety Advisory Council that is responsible for the annual Governor's Safety Conference. In 2014 the division developed a 10-hour Occupational Safety and Health Administration (OSHA) safety course for seafood processing. The direct result was that the state experienced record low workplace lost time for illness and injury. The majority of the decrease was from the seafood processing industry.

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COMMISSIONER DRYGAS reviewed The Division of Vocational Rehabilitation (DVR). It assists Alaskans with disabilities to secure and maintain employment and provides economic stability to disabled Alaskans through Social Security disability determinations. In FY 2014, DVR had 607 individuals employed upon exit from their individualized plan for employment. It was an increase from FY 2013 and represents the second highest level on record. The average wage of employed individuals exiting the DVR program was \$14.31, an increase from \$13.84 the previous fiscal year. She noted that Alaska is regularly in the top 15 states in the nation for average wage.

She explained 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. She noted that a current focus is working with the Medical Services Review Committee on a revised medical fee schedule to reduce workers' compensation medical costs in Alaska.

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SENATOR MEYER asked if she was working with members of the Alaska State Chamber of Commerce because they bring that issue forward every year.

COMMISSIONER DRYGAS answered yes; she attended a reception for the chamber last night and has bumped into several members in the hallway. A number of members have expressed a desire to talk with DOLWD about workers' compensation and the department

understands the importance of bringing rates down. She noted that the department has proposed legislation and she is reviewing it with the division director and the legislative liaison.

SENATOR MEYER asked if the legislature could expect to see the legislation this session.

COMMISSIONER DRYGAS replied "yes, I believe so, probably."

SENATOR MEYER asked if Alaska has the highest workers' compensation rates in the nation.

COMMISSIONER DRYGAS deferred to Ms. Latham.

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ANNA LATHAM, Legislative Liaison, Department of Labor and Workforce Development (DOLWD) stated that Alaska has had the highest or second highest workers' compensation rates for the last ten years. The rates this year are lower, but still in the top five.

COMMISSIONER DRYGAS reviewed the FY 2016 endorsed budget that totals \$179,412,800. Federal funds represent 52 percent or \$94,386,600. The department's unrestricted general funds totals \$29.2 million. This is \$4.2 million less than FY 2015 and equivalent to a 12.5 percent reduction. To implement this reduction, DOLWD is focusing on the Governor's goal of redesigning administrative infrastructure to maintain maximum program and services delivery. She stated her commitment to streamlining services, finding inefficiencies, and developing partnerships to maintain key services and program priorities.

COMMISSIONER DRYGAS reported the vision for the department is to streamline programs and revamp the workforce development system to ensure maximum effectiveness and efficiency within a sustainable budget. She said she is currently reviewing a proposal that would return the department to its FY 2003 structure of having workforce development grants administered by the Employment Security Division instead of having a separate Business Partnerships Division. This could result in an \$850,000 savings to the department. She described the revamp as critical to ensure that the maximum funds possible are going out on the street as grants for training and workforce development opportunities for Alaskans.

Another goal is to increase Alaska resident hire in priority industries and occupations to ensure that Alaskans are getting Alaska's jobs. This will be addressed through more targeted workforce development funding in areas with high nonresident hire rates and increased focus on Alaska resident hire enforcement. This is a statutory requirement and is critical to the economic success of the state and its residents. Alaska has one of the highest ratios of nonresident to resident workers in the nation, which impacts the rate of unemployment among residents. Nonresident workers use services provided by the state but do not contribute fairly to the cost of those services. She said she will continue to focus on ensuring the economic stability for injured, unemployed and disabled Alaskans and ensuring safe and legal working conditions for Alaska's workers.

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SENATOR GIESSEL asked how she would address fisheries that is the occupational group with the highest nonresident hire.

COMMISSIONER DRYGAS replied she committed is to taking a closer look at recognizing fisheries as a priority industry.

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SENATOR ELLIS asked where she expects innovative ideas for efficiencies will come from.

COMMISSIONER DRYGAS explained that she envisions elevating the Alaska Workforce Investment Board to a policy role and she expects that they will generate a lot of ideas. Another efficiency will be to streamline administrative services by combining the Division of Business Partnerships with the Division of Employment Security. The 26-member Alaska Workforce Investment Board also may be restructured to be more effective and efficient. Staff input has been solicited and the transition team reports have been reviewed looking for ways to do more with less. That will be the theme of this legislative session and everyone is taking it very seriously, she said.

SENATOR STEVENS commented on the potential to develop year-round opportunities and value-added products in the fishing industry. He noted the opportunities associated with Pollack and highlighted that many people have lived in Kodiak and worked in the fish processing plant for several generations. The processing plant at Ship Creek provides job opportunities for 300 people in Anchorage, and the largest number of permit holders in the state reside in that municipality. The Governor

in the State of the State address talked about the important issue of value added and he hopes that will result in more Alaska hire and year-round jobs. He related that he visited a plant in Spain that produces fish patties made from Alaska Pollack and he believes that could be done in Alaska.

COMMISSIONER DRYGAS said she likes the idea and believes that in lean times it is particularly important to think outside the box to find efficiencies. The Governor and his staff have empowered commissioners to do that.

SENATOR STEVENS noted that in 2000 the legislature used federal funds to develop a tax credit program to help canneries update and purchase new equipment to flash-freeze salmon filets. The program still exists and has worked remarkably well.

SENATOR MEYER expressed hope that people going through the workforce training programs will be warned that safety standards will not be lowered just because marijuana has been legalized. If a worker does not pass the drug test, he or she will not be hired. He asked if that information is part of the training.

COMMISSIONER DRYGAS replied the department has not been tasked with that, but it may have to engage in that education of the public.

CHAIR COSTELLO asked what her commitment is to seeing a gas pipeline project come to fruition.

COMMISSIONER DRYGAS replied DOLWD's role in developing a gasline is to ensure that there is a ready and trained workforce and her department is committed to this. Secondly, she sits on the Alaska Gasline Development Corporation (AGDC) Board and she takes the responsibility very seriously. The gasline is critical to the future of the state.

CHAIR COSTELLO asked if she plans to work with the Department of Education to prepare young Alaskans to fill those jobs in the future and if DOLWD has identified the number and types of jobs that will be filled.

COMMISSIONER DRYGAS replied she has a meeting tomorrow with Commissioner Hanley to look at current technical education (CTE) to make sure that DOLWD and DEED are working together on that. She said she has not reviewed the report DOLWD prepared before her tenure identifying the occupations that would result from a gasline, but that will be a priority this year.

CHAIR COSTELLO emphasized the value of including hands-on activities like Lego robotics in the DEED curricula.

She thanked Commissioner Drygas for the presentation.

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There being no further business to come before the committee, Chair Costello adjourned the Senate Labor and Commerce Standing Committee meeting at 2:14 p.m.