

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

February 27, 2019

3:16 p.m.

**MEMBERS PRESENT**

Representative Gabrielle LeDoux, Co-Chair  
Representative Adam Wool, Co-Chair  
Representative Zack Fields  
Representative Sara Hannan  
Representative Louise Stutes  
Representative Josh Revak  
Representative David Talerico

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

OVERVIEW(S): DEPARTMENT OF LABOR BY COMMISSIONER TAMIKA L. LEDBETTER

- HEARD

**PREVIOUS COMMITTEE ACTION**

No previous action to record

**WITNESS REGISTER**

TAMIKA L. LEDBETTER, PhD, Commissioner-Designee  
Department of Labor and Workforce Development  
Juneau, Alaska

**POSITION STATEMENT:** Presented an overview of the Alaska Department of Labor and Workforce Development.

PATSY WESTCOTT, Director  
Division of Employment and Training Services  
Alaska Department of Labor and Workforce Development  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions during the overview of the DOLWD.

PALOMA HARBOUR, Director  
Division of Administrative Services

Alaska Department of Labor and Workforce Development  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions during the overview of the DOLWD.

GREY MITCHELL, Director  
Division of Workers' Compensation  
Department of Labor and Workforce Development  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions during the overview of the DOLWD.

NELSON SAN JUAN, Deputy Commissioner  
Department of Labor and Workforce Development  
Juneau, Alaska

**POSITION STATEMENT:** Answered questions during the overview of the DOLWD.

#### **ACTION NARRATIVE**

[3:16:50 PM](#)

**CO-CHAIR ADAM WOOL** called the House Labor and Commerce Standing Committee meeting to order at 3:16 p.m. Present at the call to order were Representatives Hannan, Fields, Revak, Stutes, LeDoux, and Wool. Representative Talerico arrived as the meeting was in progress.

#### **OVERVIEW(S): DEPARTMENT OF LABOR BY COMMISSIONER TAMIKA L. LEDBETTER**

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**CO-CHAIR WOOL** announced that the only order of business would be an overview of the Alaska Department of Labor and Workforce Development by Commissioner-Designee Dr. Tamika Ledbetter.

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**TAMIKA L. LEDBETTER**, PhD, Commissioner-Designee, Department of Labor and Workforce Development (DLWD), gave a brief overview of her background, education, and military service. She said she came to Alaska with the Air Force in 2003 and served at Elmendorf Air Force Base. She said she has two sons serving in the United States Marine Corps. She also discussed her teenage daughter's career aspirations. She said she presented this information to offer insight into why she is passionate about

workforce development, specifically career and technical education.

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COMMISSIONER LEDBETTER said she started working with DLWD in 2007. She said she was hired as a career development specialist with the Division of Employment and Training Services. Two years later, she said, she became manager of the Mat-Su Job Center [part of the Alaska Job Center Network] in Wasilla, a job she held for eight years. She said she was then promoted to regional manager of the Anchorage/Mat-Su Economic Region. She added that her responsibilities included oversight over all job centers in the region as well as all workforce development programs and services provided.

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COMMISSIONER LEDBETTER began her PowerPoint presentation [hard copy included in the committee packet]. She stated that DLWD's mission is "to provide safe and legal working conditions and to advance opportunities for employment of Alaskans." She said she wanted the department "to connect Alaskans with job opportunities in this economy and also to be strategic in identifying workforce development needs of each region." Commissioner Ledbetter said she wants the department to "build up" regional workforces so that individuals will not be forced to leave their region to find work. "Part of our challenge," she said, is to inform young Alaskans about in-state opportunities, especially opportunities in the regions in which they reside. She said it will be vital to work with the public and private sector, as well as educational partners, in order to direct the department's limited resources toward training that "actually leads to employment." She said she believes in her ability to champion the governor's message that "Alaska is open for business." She said she expects the leadership of the department to embody that message.

COMMISSIONER LEDBETTER said she interprets "Alaska is open for business" to mean that the department will direct everything it does "to ensure all workers and employers are being served appropriately and effectively." She said the department's key priorities include developing "an Alaskan workforce for Alaskan jobs." She stressed the importance of "[growing] our own" and ensuring Alaskan workers get "first priority of jobs available and created in Alaska." She said another key priority is to monitor and coordinate career and technical education. She said

any career and technical education plan that does not include DLWD is "a failed plan." She said it is another key priority to protect Alaskan workers through consultation and enforcement, as well as income replacement for injured, disabled, and unemployed workers.

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COMMISSIONER LEDBETTER addressed slide 3, titled "Department Organizational Chart." She pointed out the tripartite structure of the department below the commissioner's office with each section focused on one of the department's key priorities: Protect Workers, Workforce Development, and Income Replacement.

COMMISSIONER LEDBETTER addressed slide 4, titled "Research and Analysis." She extolled the department's Research and Analysis section and the way it presents data nonpolitically. She said this data informs workforce development and is very useful.

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COMMISSIONER LEDBETTER introduced the Alaska Relations Agency's core goal "to promote harmonious and cooperative relations between government and its employees." She said the agency resolves disputes between organized labor and public employers.

COMMISSIONER LEDBETTER addressed slide 5, titled "Alaska Workforce Investment Board." She said she is very excited about the board, which "provides policy oversight of state and federally funded job training and vocational education programs." She added that the board provides an annual report to the legislature on the performance of the state's training programs. She said this allows the department to learn from the past and coordinate efforts moving forward to develop a workforce plan that works for both private and public industries.

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REPRESENTATIVE LEDOUX asked how many people each year participate in job training and vocational education through DLWD.

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PATSY WESTCOTT, Director, Division of Employment and Training Services, Department of Labor and Workforce Development, said

the department has those numbers and she can get them to the committee at a later time.

COMMISSIONER LEDBETTER added that her case load was "very high" when she worked as a career development specialist.

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COMMISSIONER LEDBETTER addressed slide 6, titled "Alaska Vocational Technical Center (AVTEC)." She explained that AVTEC provides "market-driven vocational and technical training to prepare Alaska residents for jobs." She said that, in fiscal year 2018, AVTEC had 197 long-term program enrollees and 1,069 short-term program enrollees. She pointed out that AVTEC has a maritime training center that is currently working with the University of Alaska on "a domestic center of maritime excellence delegation." She listed other training opportunities offered by AVTEC. She said, as of fiscal year 2018, AVTEC's completion rate was 92 percent.

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REPRESENTATIVE STUTES asked what the difference is between a long-term and short-term program.

PALOMA HARBOUR, Director, Division of Administrative Services, Department of Labor and Workforce Development, defined a long-term program as lasting longer than six weeks. She said a majority of AVTEC's programs are nine months in length.

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CO-CHAIR WOOL asked about how AVTEC keeps in touch with program graduates to verify their employment status. He asked what the long-term employment rate is for graduates.

COMMISSIONER LEDBETTER answered that she would have to get back to the committee with accurate numbers.

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COMMISSIONER LEDBETTER addressed slide 8, titled "Employment and Training Services." She introduced the mission of the Division of Employment and Training Services and spoke to its efforts to develop workforces for in-demand industries and occupations. She said the division promotes activities and develops partnerships that strengthen training, recruitment, and

retention of workers in rural Alaska. It serves "priority populations" such as young people, veterans, Alaska Natives, and transitioning servicemembers. She said the division partners with private and public organizations to provide outreach services to youth, address barriers to employment, assist with high school completion, and provide career awareness and mentorship. She added that the division promotes economic stability to unemployed Alaskans through unemployment insurance that allows them to purchase food and fuel while they seek employment.

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REPRESENTATIVE FIELDS recalled that Alaska has one of the nation's lowest levels of unemployment insurance in terms of the amount of money that unemployed workers receive. He asked if Commissioner Ledbetter knew where Alaska ranks compared to other states.

COMMISSIONER LEDBETTER said she did not know offhand but would follow up later with the committee.

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COMMISSIONER LEDBETTER addressed slide 9, titled "Labor Standards and Safety." She explained that the Division of Labor Standards and Safety provides enforcement, training, and monitoring of laws governing occupational safety and health, wages and hours, child labor, and electrical and mechanical codes. She said the division supports the Alaska Safety Advisory Council, which is responsible for the governor's annual safety conference. She said the division has taken a consultative approach to employer outreach in order to ensure employees do not "fall into safety issues."

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REPRESENTATIVE FIELDS asked for confirmation that the number of division staff dedicated to monitoring wages and hours has remained the same since the early 1990s. He noted that this would represent a "huge decline" in the number of staff per capita as the state's population has risen in that time.

COMMISSIONER LEDBETTER said she did not know the answer but that the department would research it.

CO-CHAIR WOOL reminded members of the committee that Commissioner Ledbetter would return to speak before the committee in a week.

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COMMISSIONER LEDBETTER addressed slide 10, titled "Vocational Rehabilitation." She said the Division of Vocational Rehabilitation (DVR) assists Alaskans with disabilities to secure and maintain employment. She said the division provides economic stability to Alaskans with disabilities through Social Security disability determinations. She pointed out that, in 2018, the average wage of individuals "exiting" DVR was \$15.25 per hour, which is \$5.41 per hour more than the Alaska hourly minimum wage. She added that the nature of individuals' disabilities is more complex today than it was years ago, meaning DVR has had to adopt a more complex approach to assisting these individuals. She said, despite these challenges, there are "several success stories" of individuals persevering despite disabilities.

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REPRESENTATIVE LEDOUX, referencing slide 10, addressed DVR's goal of providing "economic stability to Alaskans with disabilities through Social Security disability determinations." She asked whether the federal government would provide this service if the State of Alaska did not.

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MS. HARBOUR answered "yes" and described the process through which the Social Security Administration would assign the task to out-of-state adjudicators. She said that a disability adjudicator in another state "wouldn't know the issues facing those people ... because Alaska is so unique." She explained that Alaskans who require support would be better served by in-state adjudicators.

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COMMISSIONER LEDBETTER addressed slide 11, titled "Workers' Compensation." She said the Division of Workers' Compensation helps Alaskans with employment-related injuries and illnesses return to work. She said there are several commissions and funds that make up the division. She highlighted the Workers' Compensation Appeals Commission, which she said closed 84

percent of its cases within twelve months, however "a significant percentage" of the commission's decisions are now "pending before the Supreme Court." She asserted that the division's Medical Services Review Committee is focused on revising the medical fee schedule to lower workers' compensation medical costs in Alaska.

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REPRESENTATIVE HANNAN asked if any of the Division of Worker's Compensation's funds listed on slide 11 have been redirected in the governor's proposed fiscal year 2020 budget from designated fund status to "the new super-piled fund that has swept in, in some agencies." She mentioned the Fisherman's Fund in particular.

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MS. HARBOUR answered that none of the Division of Worker's Compensation's funds have been changed to unrestricted general funds in the governor's proposed budget. She added that the funds had been presented in some of the department's budget presentations as "general funds added together." Each fund, she clarified, is kept in individual, designated fund accounts.

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REPRESENTATIVE FIELDS commented on the positive trend of reduced on-the-job injuries. He asked Commissioner Ledbetter how the department seeks to continue this trend as well as how it plans to address medical costs in order to make workers' compensation more affordable for employers without taking away benefits from workers.

COMMISSIONER LEDBETTER deferred to Grey Mitchell, Director of the Division of Workers' Compensation.

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GREY MITCHELL, Director, Division of Workers' Compensation, Department of Labor and Workforce Development, said the division is having conversations and weighing various ideas. He said he has no specific answer to Representative Fields' question. He noted that healthcare costs in Alaska are among the highest in the country. He said his division is also looking forward to working closely with the Division of Labor Standards and Safety, which seeks to avoid workplace accidents. He said one of the

plans in the works is to combine the Division of Workers' Compensation with the Division of Labor Standards and Safety, which he said would hopefully "produce some efficiencies" and allow for "a better approach."

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REPRESENTATIVE HANNAN asked Mr. Mitchell to speak to Commissioner Ledbetter's comment about pending workers' compensation cases before the Supreme Court.

MR. MITCHELL said there are "probably a few reasons for that." He noted that decisions from the Workers' Compensation Appeals Commission are appealed to the Supreme Court at "a fairly high rate," nearly 50 percent. He said a backlog has amassed and cited the length of time it takes for issues "to reach the Supreme Court level." He said there can be "a lag" between the Appeals Commission's decision and when "enough legal energy is developed" to pursue a case to the Supreme Court. He explained that many issues coming to the Supreme Court now are "the result of legislative changes that happened back in 2005."

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REPRESENTATIVE HANNAN said it was her understanding that a recent change to worker's compensation law allowed sole proprietors and subcontractors to not carry worker's compensation. She said "the appeals board" is finding contractors responsible for subcontractors not carrying worker's compensation despite the change to the law. She asked Mr. Mitchell to confirm this and asked what to expect in the future.

MR. MITCHELL suggested that Representative Hannan was alluding to House Bill 79 [passed in the Thirtieth Alaska State Legislature], which established a new definition for "independent contractor." He said many businesses had previously misclassified employers as independent contractors to avoid workers' compensation, unemployment insurance taxes, "and other requirements that go along with labor." He said the intention of the legislation was to limit the misclassification of workers as independent contractors. He explained that the new definition only went into effect in October 2018 so it will take "a couple years" before the effects can be measured. He said there has been an increased focus from insurers to ensure employers are correctly classifying employees. He said this is affecting construction contractors due to their reliance on subcontracts. Sometimes, he said, subcontractor and second-tier

subcontractor arrangements are informal and involve inadequate record keeping, which can lead to difficulties with insurers. He said contractor groups are realizing they need to improve the system with which they document their relationships with subcontractors.

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REPRESENTATIVE FIELDS summarized what he felt were positive aspects of House Bill 79. He asked Mr. Mitchell to describe the public policy and worker safety implications of employers misclassifying their employees.

MR. MITCHELL answered that employee misclassification creates an unfair competitive advantage for businesses willing to flout the rules. He added that it also creates significant risks for workers who may become injured through employment. These workers, he said, do not have access to the same protective coverage as correctly classified employees. He said many healthcare policies do not cover accidents that happen on the job.

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MS. HARBOUR addressed slide 12, titled "FY2020 Governor Amended Budget: \$148,287.1." She expounded on DLWD's proposed budget. She mentioned that around half the budget - \$75.9 million - is federal funds.

MS. HARBOUR reported three key highlights for the department in the governor's amended budget. She said the first is reduced travel resulting in general fund reduction of \$146,700. She said the second was the cessation of an agreement with the Alaska Mental Health Trust Authority that had supported a statewide re-entry coordinator position. She said the department determined it could continue that work by utilizing federal funds and existing Job Center staff. She said the third highlight was increased funding to the Technical and Vocational Education Program (TVEP) and to AVTEC, though the AVTEC increase is offset by an equal reduction in undesignated general fund monies.

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REPRESENTATIVE FIELDS expressed concern for the elimination of the statewide re-entry coordinator position eliminated in the governor's proposed budget. He asked that the department return

to the committee with assurance it can provide adequate support for those re-entering society after incarceration.

COMMISSIONER LEDBETTER assured Representative Fields that the new approach will improve the level of service offered by the department.

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REPRESENTATIVE HANNAN asked for clarification on the increased funding for TVEP and AVTEC.

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MS. HARBOUR explained that the amount in the fund changes every year and varies based on increases or decreases in jobs and wages. She said the department utilizes a projection to determine distribution. She said the department had projected larger wage reductions in past years than were experienced. She said this meant a higher fund balance to be dispersed.

REPRESENTATIVE HANNAN expressed concern for the reduction in undesignated general funds for AVTEC. She said she does not want to create a scenario where AVTEC funding in two years will not be enough to meet the needs of the state.

MS. HARBOUR assured Representative Hannan that she has been conservative in her projections. She expressed confidence in the department's approach.

[4:00:02 PM](#)

COMMISSIONER LEDBETTER addressed slide 13, titled "Vision for the Department." She reiterated goals for the department and re-emphasized efforts to ensure "Alaska is open for business," to ensure Alaskans are prepared for jobs in their communities, and to ensure the most efficient and effective delivery of services. She said the department wants to engage with existing industries and attract new ones to Alaska. She said the department wants to connect young Alaskans early to in-state job opportunities. She praised DLWD as a wonderful department to work for. She praised the department's employees. She said her overall vision for the department is to build an internal workforce that will have the public's trust and to deliver services in a fashion that meets the needs of every Alaskan. She restated the importance of engaging public and private

partners to accomplish these goals. She expressed hope that a locally-grown workforce will drive the economy.

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REPRESENTATIVE HANNAN said Governor Michael J. Dunleavy recently repealed an administrative order pertaining to apprenticeship programs. She asked about the department's commitment to training young Alaskans to work in the trades.

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MS. HARBOUR said the department had found previous apprenticeship reporting requirements too burdensome for contractors, employers, and department staff. She expressed confidence that the department could effectively work toward employing apprentices without the burdensome process.

COMMISSIONER LEDBETTER said the department's goal is to ensure opportunities for individuals who want to work. She said she wants that process to be efficient and not cumbersome to employers. She restated the goal of connecting young workers and apprentices with well-paying jobs.

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REPRESENTATIVE FIELDS stated for the record that his private sector job is with [Laborers International Union of North America (LiUNA)]. He offered a historical summary of the apprenticeship requirements repealed by Governor Dunleavy. He said the repeal raises concerns because past administrations had shown strong support for apprenticeships. He said Governor Bill Walker's administration had established electronic certified payroll for wage and hour work with contractors to facilitate efficient recordkeeping. He said he takes issue with the notion that collection of records is extremely burdensome.

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CO-CHAIR WOOL noted that many jobs in the state are filled by out-of-state workers and observed that this is part of a trend. Citing the state's high unemployment rate, he asked Commissioner Ledbetter what her short-term goals were for increasing the number of Alaskans filling those jobs.

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COMMISSIONER LEDBETTER described it as "difficult" to see the high unemployment rate given current job openings. She said the department's focus was to increase awareness of those jobs for younger workers. She cited the importance of parents and elders in assisting young people in getting their first jobs.

CO-CHAIR WOOL responded that he is an employer and good labor is hard to find. He said he was hoping for more information about department efforts to reach high schoolers and young adults. He asked if young people know to seek work through the department.

COMMISSIONER LEDBETTER expressed that "we have ... a problem" because of an antiquated understanding of how individuals seek employment. She said the department and its job centers need to be more proactive in reaching out to job seekers rather than waiting for job seekers to make the first move.

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REPRESENTATIVE STUTES asked if the department has reached out to the seafood industry. She expressed that the industry has found it difficult to fill job vacancies and has even had to bring in workers from outside the United States. She opined that there is an opportunity to train Alaskans to do those jobs.

COMMISSIONER LEDBETTER deferred to Deputy Commissioner Nelson San Juan.

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NELSON SAN JUAN, Deputy Commissioner, Department of Labor and Workforce Development, said he has been working closely with employers statewide and had met that morning with seafood industry representatives to continue the effort to get Alaskans trained and hired. He said there is a plan to create an employer's forum to alleviate the shortage of workers in the seafood industry.

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REPRESENTATIVE FIELDS asked if Commissioner Ledbetter is committed to maintaining "Alaska hire requirements for the zone of underemployment consistent with statute."

COMMISSIONER LEDBETTER said she would get back to the committee with a specific answer. She said she is committed to every Alaskan who desires employment. She restated the importance of

developing a workforce with qualified applicants for available positions.

REPRESENTATIVE FIELDS specified that the "Alaska hire requirements" to which he was referring are "90 percent Alaska-hire for state-funded projects." He requested the committee receive an answer in writing. He shared his understanding that every administration except one has "sustained those requirements" since they were enacted in the late 1980s.

COMMISSIONER LEDBETTER affirmed that it is a statutory requirement.

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CO-CHAIR WOOL thanked Commissioner Ledbetter and her staff for speaking before the committee.

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#### **ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:15 p.m.