

HOUSE FINANCE COMMITTEE
March 1, 2024
1:35 p.m.

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CALL TO ORDER

Co-Chair Johnson called the House Finance Committee meeting to order at 1:35 p.m.

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair
Representative Neal Foster, Co-Chair
Representative DeLena Johnson, Co-Chair
Representative Julie Coulombe
Representative Mike Cronk
Representative Alyse Galvin
Representative Sara Hannan
Representative Andy Josephson
Representative Dan Ortiz
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Cathy Munoz, Commissioner-Designee, Department of Labor and Workforce Development; Dan DeBartolo, Administrative Service Director, Department of Labor and Workforce Development; Julie Sande, Commissioner, Department of Commerce, Community and Economic Development; Hannah Lager, Administrative Services Director, Department of Commerce, Community and Economic Development; Micaela Fowler, Deputy Commissioner, Department of Commerce, Community and Economic Development.

PRESENT VIA TELECONFERENCE

Duane Mayes, Director, Division of Vocational Rehabilitation, Department of Labor and Workforce Development; Cathy LeCompte, Director, Alaska Vocational

Technical Center, Department of Labor and Workforce Development.

SUMMARY

HB 268 APPROP: OPERATING BUDGET; CAP; SUPP; AM

HB 268 was HEARD and HELD in committee for further consideration.

HB 270 APPROP: MENTAL HEALTH BUDGET

HB 270 was HEARD and HELD in committee for further consideration.

OVERVIEW: FY 25 BUDGET BY THE DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

OVERVIEW: FY 25 BUDGET BY THE DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

Co-Chair Johnson reviewed the meeting agenda.

#hb268

#hb270

HOUSE BILL NO. 268

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; making capital appropriations; making supplemental appropriations; making reappropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

HOUSE BILL NO. 270

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

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^OVERVIEW: FY 25 BUDGET BY THE DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

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CATHY MUNOZ, COMMISSIONER-DESIGNEE, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, provided opening remarks on slide 2 of a PowerPoint presentation "FY2025 Department Budget Overview," dated March 1, 2024:

The Department of Labor and Workforce Development assists Alaskans with training and employment, promotes safe working conditions, and facilitates income replacement for those injured on the job or for those temporarily out of work. We deliver services through seven divisions including 14 job centers in locations in southern Southeast to the Arctic. Workforce development is a key component of our mission. In the past year the Alaska Workforce Investment Board facilitated the distribution of state and federal training resources to regional Technical Vocational Education Program (TVEP) recipients, 35 State Training and Employment Program (STEP) grantees, and 8 construction academies in partnership with Alaska's regional training network.

Since assuming the duties of commissioner, I have challenged the department's leadership to come up with innovative ways to reach Alaskans to fill current labor market vacancies, to expand training opportunities, and to improve client business processes. Highlights of the past year include increased individual training support through our 14 job centers by expanding the eligibility for some of our federal training programming that comes through the job centers as well as the distribution of multiyear funding that was put into the FY 23 budget by the legislature and the governor. We also revived the Office of Citizenship Assistance to assist legal immigrants and refugees with training and employment. Those services have been offered through the commissioner's office and we're hoping to expand. With the FY 25 budget we have a request to put three positions in Anchorage that will have outreach around the state to assist new citizens.

We also implemented the first in the nation, the Alaska Occupational Safety and Health Diversionary Program to allow financial penalty waivers on first time citations for small businesses. We're implementing a career guide project with the Department of Education, which will place career guides at three of our job centers in Ketchikan, Bethel, and Fairbanks. The guides will work closely with schools in those districts around career awareness, FAFSA completion, pre-apprenticeship, and other opportunities connected to industry. We're also partnering with the Alaska Safety Alliance on a cross-industry workforce plan, which is projected to be completed by the end of March and will be presented to the Alaska Workforce Investment Board and then to the legislature and to the governor. Finally, we hosted an industry led convening around workforce development last October and the information that we gained through that convening was feeding into the update of the cross-industry workforce plan.

Commissioner Designee Munoz thanked the committee for the opportunity to present to the committee. She introduced a colleague who would review the Department of Labor and Workforce Development (DLWD) budget.

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DAN DEBARTOLO, ADMINISTRATIVE SERVICE DIRECTOR, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, moved to slide 3 and reviewed the department's organization and core services. The department was healthy from a programmatic delivery standpoint, but it was grappling with vacancies and more frequent turnover of positions. Fortunately, the department prided itself on a highly collaborative culture, which helped to manage the issue and work on strategies to improve recruitment and retention. The department had 680 permanent full-time positions, 43 permanent part-time, and 21 temporary positions. The slide showed the core service portions of DLWD's mission with protecting workers accounting for 15 percent of the budget, income replacement accounting for 21 percent, leadership and support accounting for 11 percent, and workforce development accounting for 52 percent.

Mr. DeBartolo noted there were numerous DLWD staff available online to answer questions throughout the presentation.

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Mr. DeBartolo turned to slide 4 titled "FY2025 Operating Budget Comparison." The department's proposed FY 25 budget was \$164,900,000. He detailed that just under \$18 million was interagency authority (IA) shown under the "other" fund category reflected in yellow in the bar chart on the slide. He highlighted that IA was duplicative authorization, which allowed the department to spend funds from other sources. The larger changes for FY 25 involved IA, which was reflected in a 22 percent increase in other funds. He reminded the committee that DLWD had the third lowest allocation of unrestricted general funds (UGF), which meant the department had lower flexibility with its UGF allocations as they were tied to state spending requirements, federal programs, designated program receipts, and grant matching.

Mr. DeBartolo addressed reductions in designated general funds (DGF) and UGF on the slide. He explained that the DGF was tied to the decrement in available funds for the TVEP program, which was set to sunset on June 30, 2024. He explained that if the program was reauthorized there would be a fiscal note to reestablish the funding for FY 25 and beyond. The UGF reduction was not a cut to the department but reflected an expiration of multiyear funds granted to the department for FY 23 and FY 24 at a total of \$7 million. The department had granted the funds through numerous mechanisms throughout the department and intended to have the funds fully expended by the end of FY 24. He noted that proposed changes from FY 24 were summarized on slides 11 and 12.

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Mr. DeBartolo moved to slide 5 titled "Commissioner and Administrative Services." The commissioner's office and the Administrative Services Division (ASD) covered leadership, budget and finance, human resources, and facility and procurement functions. Additionally, DWLD housed the Alaska Labor Relations Agency (ALRA), the Alaska Workforce Investment Board (AWIB), and the Resources Analysis Section

responsible for producing the monthly Trends publication (available on the department's website).

Mr. DeBartolo shared that AWIB hosted an industry led convening on workforce development in Anchorage in the current year. In 2023, ALRA resolved seven unfair labor practice cases. He noted that the three-person office put substantial time into each of the cases. Additionally, the department successfully applied for and received a state apprenticeship expansion formula grant for building stronger relationships between secondary schools, employers, and apprenticeship opportunities.

Mr. DeBartolo pointed to the last bullet point on the slide "Technology Services." The department was requesting \$608,000 in IA in FY 25 to stand up a technology services component under the ASD. He explained that all of the department information technology (IT) staff were located inside the ASD; however, some of the positions were scattered in the early days of the [Department of Administration] Office of Information Technology's initiatives. The department was receiving four of the five help desk positions it had surrendered. Department leadership agreed it was best to put all of the department's IT services back under one component, making it easier to manage from a financial management and personnel standpoint. He noted the information was summarized on slide 10.

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Mr. DeBartolo addressed the second to last bullet point on slide 6 "Office of Citizenship Assistance." The Office of Citizenship Assistance (OCA) was housed under the Office of the Commissioner and was responsible for assisting legal immigrants and refugee families with training and employment. The office was originally codified in statute in 2004 to provide employment information and support as well as referrals to public and private resources to people who legally reside in Alaska but were not U.S. citizens. Since that time, OCA had received limited funding and had been unutilized for over a decade. Approval of the funding request would result in a new three-person component located in the department's midtown job center in Anchorage to serve Alaskans statewide. The \$437,000 UGF request would cover wages, supplies, publication materials, and outreach.

Co-Chair Johnson asked about some of the immigration to Alaska. She stated her understanding Alaska had a number of Ukrainian immigrants particularly in the Mat-Su Valley. She asked if the department for a general idea of the number of immigrants coming to Alaska in the past several years. She wondered about any predictions for immigration to the state in the future.

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Commissioner-Designee Munoz replied that the past year the state had welcomed approximately 700 Ukrainians through a sponsorship program. She relayed that just recently there had been a federal announcement that asylees could get a two-year extension to their legal time period.

Co-Chair Johnson asked how many immigrants the state may have in coming years designated by a federal action.

Commissioner-Designee Munoz did not have the exact number but it was a goal of the governor to welcome Ukrainian citizens. She stated that many of the families coming to Alaska brought skills. The OCA would assist individuals in translating transcripts, helping them get settled, and helping them with employment training. She would follow up with the information.

Co-Chair Johnson did not believe the immigration number stopped with 700 people the past year. She thought she heard there were more individuals likely coming. She stated that many of the individuals were relocating to the Mat-Su Valley because they were relocating to places that already had a community of individuals from their home country. She thought there was great opportunity, but she was concerned about strain on the state's services such as schools. She wondered if there was some responsibility the federal government may have or grants that needed to be pursued to ensure people had the services they needed.

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Commissioner-Designee Munoz agreed it would be helpful for the federal government to commit support to help individuals get resettled and to be successful. She reiterated her earlier statement that the individuals were coming via sponsors and generally had a place to stay, were eager to get to work, and many had technical and medical

skills. The department wanted to be ready and assistive as individuals transitioned to Alaska.

Co-Chair Johnson suggested that if most of the resettlement was happening in Mat-Su perhaps it would be a good location for the office. She would like to see numbers showing where individuals were being resettled to.

Commissioner-Designee Munoz would follow up with information on where Ukrainians were settling. She knew a lot of families were in the Delta region and other parts of the state as well.

Representative Ortiz asked what contributing factors caused the OCA to be underutilized in the past. He referenced the request for three positions to be located in Anchorage and asked if it was the best location for increased utilization.

Commissioner-Designee Munoz responded that the department's vision was to ensure a strong outreach component so that individuals would be getting out to Southeast Alaska, Delta, and Fairbanks. She relayed that DLWD was flexible in looking at where the positions would be placed. The current plan was to place the positions at the midtown job center in Anchorage because it was the population center and most of the individuals [immigrants and asylees] were coming through Anchorage.

Representative Ortiz asked why the office had previously been underutilized.

Commissioner-Designee Munoz replied that OCA had been established in 2005. She explained that an individual in Juneau, Rafael Castanos, had championed the effort and believed strongly that a state office was needed to help people resettle successfully in Alaska. The office had been established in statute under the Office of the Commissioner. She elaborated that the office got going for about six months and fizzled out due to a lack of interest in maintaining the work. She explained that there was now a great need as there were many Ukrainians coming to Alaska. She elaborated that as long as Alaska had been a state it had welcomed people from around the world including many Filipinos. She highlighted there were many Filipino teachers in Alaska on J-1 visas. She relayed that DLWD saw

the office as an opportunity to help individuals integrate and be successful.

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Representative Coulombe observed that the three new positions would be funded with UGF. She saw that the department identified three vacant positions from other allocations for reclassification. She asked if the department was funding the new positions with vacant positions but asking for general funds.

Commissioner-Designee Munoz replied that the positions had been vacant for a long period of time that DLWD identified in the budget for reclassification.

Mr. DeBartolo added that the department had been going through the exercise each year and recently the legislature (the House in particular) showed an interest in positions that had been vacant for a long period of time. When the department knew it needed new positions it identified existing positions that could be reclassified. The three specific positions had been vacant for 24 months or greater, two were 100 percent federally funded, and one was largely UGF funded. He explained that the three positions would be reclassified if the legislature was supportive, but it would need general funds to pay for the salaries.

Representative Galvin referred to OCA and understood there had been a focus on Ukrainian individuals. She remarked that she had been hearing about a lot of needs for language access to get into the workforce. She stated there had been numerous individuals coming from Afghanistan, many African countries, Polynesian countries, and the Philippines. She highlighted that due to the skills of incoming individuals there was an almost immediate opportunity in healthcare, childcare, and various trades. She noted that Anchorage was often the first hub for individuals and there seemed to be a nucleus of individuals who would greatly appreciate having the opportunity to get immediate access to jobs. She supported the item in the budget. She referenced individuals' associated language and the high need in Anchorage. She mentioned peer leader navigators working within the healthcare field in the refugee community traveling around Alaska.

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Representative Hannan asked if there had been any analysis of how many people the department could support to gainful employment in a year.

Commissioner-Designee Munoz answered that every year the department did a 10-year forecast targeting predicted jobs in each sector of the economy. She asked if it was the information Representative Hannan was referring to.

Representative Hannan referenced the number of 700 Ukrainians [coming to Alaska in the past year] mentioned by Commissioner-Designee Munoz. She surmised that some of the individuals were kids and not in the workforce. She considered that if the state was moving 1,000 people through the OCA and supporting them to achieve gainful employment in Alaska at an average of \$437 per head it was a good investment. The department had not heard any sector in the past two years had too many workers. She stated it was difficult to speculate different skills, industry, and demands; however, if 1,000 people were moved into gainful employment it would be a chief investment into the state's economy that was well worth it. She was excited to see the outcome and highlighted the goal of DLWD to support people into gainful employment. She noted there was a broad diversity of needs people may have including basic language, transcription, and licensure issues. She supported the increment.

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Mr. DeBartolo turned to slide 6 titled "Workers' Compensation." The mission of the Workers' Compensation Division was to ensure the efficient, fair, and predictable delivery of indemnity, medical, and vocational rehabilitation benefits intended to enable workers to return to work at a reasonable cost to employers. The division was funded almost entirely with collected DGF. The division was challenged by the impact of the division's success on revenue collections. He explained that workers' compensation operations were supported by revenue that was generated by assessing a 2.5 percent fee against the premiums paid by employers for workers' compensation insurance. He elaborated that as DLWD worked to increase worker safety, the premiums decline due to a decline in risk. Consequently, program revenue also declined. He pointed out that the division's special investigations unit

finalized a record 182 investigations with uninsured employers the previous year. He detailed that 118 of the cases were settled without litigation, and three were resolved with a decision and order.

Mr. DeBartolo relayed that there were two proposed changes associated with workers' compensation. First, there was a \$518,000 FY 24 supplemental request for the Workers' Compensation Benefit Guarantee Fund. He noted that a summary was located on slide 12, line 2. The fund collected fines associated with uninsured employers and utilized the funds to guarantee workers' compensation benefits for injured workers. Through FY 21, the funds were historically restored through the reverse sweep process; however, it was no longer the case beginning in FY 22. Since then, there had been several larger and more impactful claims against the fund and new revenues had not been adequate to keep pace. He noted that the failure to timely pay claims carried a 25 percent penalty to the state with associated interest.

Co-Chair Foster asked when the supplemental budget needed to be passed. He asked for verification that the state was already in the fine period.

Mr. DeBartolo responded that he did not believe the fine period had commenced. He explained that the department was anticipating payment claims in the current fiscal year based on what was in pipeline. The department was currently collecting revenue. He explained that if the department was anticipating additional funds it could get by. Once the department was unable to pay fines in cash, it could face fines within 30 days.

Co-Chair Foster noted the supplemental would likely not be complete until the end of session with the regular budget. He thought it sounded like that timeframe was acceptable.

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Mr. DeBartolo reviewed the second change associated with workers' compensation. The request was for \$118,000 in authority in the Workers' Safety Compensation Administration Account in the FY 25 budget. The increment was related to a salary study for workers' compensation hearing officers. The study was completed several months back and the Division of Personnel had approved the

increase to pay the individuals, most of whom had legal degrees.

Mr. DeBartolo addressed the Division of Labor Standards and Safety on slide 7. The division's mission was to create safe and legal working conditions. Primary functions included wage and hour investigations; mechanical inspections of items such as elevators, boilers, and electrical work; and occupational safety and health (OSH) consultation and enforcement. The division relied primarily on collected DGF revenue for operations with some federal funds and UGF match making up most of the remaining budget. He highlighted that wage and hour provided more than 4,679 volunteering appliance briefings to employers and collected \$153,000 in wages going to Alaskan workers. Additionally, mechanical inspections conducted 6,748 boiler, elevator, electrical, and plumbing inspection, reviewed and approved 7,174 third-party inspections, identified 1,075 code violations, and conducted 827 on-site construction project visits to ensure contractor licensing and certificate of fitness compliance. He relayed that all of the work resulted in 72 enforcement actions. Additionally, OSH conducted 323 occupational safety and health consultation visits and 338 enforcement inspections. He pointed out that OSH provided training to 7,940 workers and customers on occupational safety and health standards. There were no proposed changes to their budget for FY 25.

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Mr. DeBartolo discussed the Division of Employment and Training Services (DETS) on slide 8. The division worked with business industry to build a trained and prepared workforce by providing labor exchange, employment training services, and unemployment insurance to Alaskans and Alaskan businesses. He relayed that DETS was the largest in the department with the majority of funding for operations coming from the federal government. The majority of the work fell into two categories: 1) workforce service and development and 2) unemployment insurance. Since the pandemic, the division had focused its efforts on meeting or exceeding acceptable levels of performance in critical areas such as first pay timeliness and eligibility determination quality. Many had commented in the past on how the work had declined during the pandemic, but it was due to the share volume of the emergency programs the

department had to put in place and the massive spike in applications received by the division.

Mr. DeBartolo highlighted that the DETS job centers had a banner year for training. Through December 2023 the department provided \$5.1 million in training funds to individuals seeking financial assistance. By comparison, in December 2022, the department had provided \$2.7 million in training funds. The difference reflected an increase of 87 percent year-over-year. The department recently signed an agreement with the U.S. Department of Defense (DOD) to become a SkillBridge partner. The DOD program was an opportunity for service members to gain invaluable civilian work experience through industry training, apprenticeship, or work experience during their last 180 days of service.

Representative Galvin asked about training services. She was especially interested in vacancies in the education field. She spoke about the deficit of teachers due to departure from the job for other work and retirement. The individuals included teachers, aides, and others. She asked if there were any innovative or historical ways to grow the workforce.

Commissioner-Designee Munoz replied that one innovative project the department was working on was through the apprenticeship program. The program was working with Bristol Bay and the Yukon-Kuskokwim Delta. The areas were interested in using apprenticeship partnered with DLWD as a means to train young people in the communities. The department provided support for technical instruction. Under the specific scenario, the school district was the partner. She believed it would be a great tool that could be used throughout the state.

Representative Galvin asked about the goal related to the number of teachers. She asked if the department would consider working with more partners throughout the state.

Commissioner-Designee Munoz replied that the department wanted to partner with other districts on the opportunity. She did not have the number but would follow up.

Mr. DeBartolo continued to discuss slide 8 related to DETS. There were two proposed changes for DETS in the FY 25 budget (both summarized on slide 11). First, the department was requesting \$2.4 million in interagency authority to

receive funds from the Department of Transportation and Public Facilities (DOT). He explained that DOT received federal funds for workforce training as part of the Infrastructure Investment and Jobs Act (IIJA). He elaborated that DOT would partner with DLWD's workforce services component to grant funds to individuals through the Alaska Job Center Network. The funding would cover costs directly associated with training and supportive services while in training. The partnership also allowed DOT to take advantage of DLWD's well established distribution network and directed federal training dollars to Alaskans for high demand infrastructure jobs.

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Mr. DeBartolo addressed the second budget request pertaining to DETS on slide 8. The \$480,000 UGF request was the department's only capital budget request for FY 25 and would allow for a full analysis of the unemployment insurance (UI) mainframe. The current mainframe was over 30 years old and used a program language called COBOL, which was significantly outdated and there were a limited number of programmers with expertise in the language. He explained that the department wanted to do an analysis prior to asking for significant funds for replacement of the entire UI mainframe. The analysis would take inventory of approximately 1,000 applications, document the requirements, and receive an informed recommendation on the path forward. The initial funds would be to craft a recommendation.

Representative Tomaszewski stated that the request sounded familiar, but he did not recall hearing about it in the finance subcommittee. He asked if it had been a request the previous year.

Mr. DeBartolo answered that the department did not request the funds the previous year.

Representative Stapp believed Representative Tomaszewski was thinking about the Department of Health (DOH) that had run off COBOL for EIS [Extend Internet System]. He stated that DOH had started AIRES with an initial fiscal note of \$700,000. He stressed that the program had used \$70 million in federal and state funding and still did not work. He implored DLWD to pick a software system that was tested and worked.

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Commissioner-Designee Munoz responded that the purpose of the request was to ensure the department picked the right program and infrastructure in order to avoid going down the wrong path.

Representative Stapp asked the department to ensure the system worked before the state paid for it.

Commissioner-Designee Munoz agreed to make sure the system worked before the state paid for it.

Mr. DeBartolo discussed the Division of Vocational Rehabilitation (DVR) on slide 9. He relayed that each year the division helped hundreds of Alaskans with disabilities prepare for, obtain, and keep good jobs. He elaborated that if Alaskans with disabilities wanted to work or keep working and they had a physical, intellectual, or mental condition that made it difficult, they may be eligible for the department's vocational rehabilitation program. Additionally, the Mature Alaskans Seeking Skills Training program (MASST) enabled Alaskans over 55 years old to receive assistance seeking jobs or gain employment skills. He highlighted that DVR was primarily funded by federal dollars with the majority of state UGF representing matching funds. He detailed that in FY 23, 1,951 individuals with disabilities received services, 1,782 individuals received information and referral services, and 292 individuals had exited the program as employed. The average hourly wage for DVR clients was \$18.66 for those who exited the program in FY 23. Additionally, the Disability Determination Services Section achieved 97.9 percent performance accuracy, which was best in the nation for the second consecutive year. He noted the national average was 94 percent.

Mr. DeBartolo addressed the department's one FY 25 funding request for DVR (summarized as item 4 on slide 11). He explained that the administration component within DVR was funded through a federal indirect rate based on the number of filled positions at a point in time. Due to a high vacancy rate in client services and disability determination sections, it was 24 percent and 37 percent, respectively. Consequently, DVR had been unable to collect \$211,000 in federal indirect revenue in the past year and

the division had an estimated need of a one-time increment of \$97,000 in general funds for FY 25 to continue funding its filled administrative positions. The department was requesting a one-time increment with the anticipation of an improved vacancy rate. The entire Disability Determination Services Section was under a job classification review by the DOA Division of Personnel, which DLWD believed would result in some positions being classed appropriately. He noted it should make filling the positions much easier.

Representative Coulombe stated her understanding that the department could have gotten more federal funding but there were not enough people [staff] to get the funding.

Mr. DeBartolo agreed. He explained that the federal formula required the positions to be filled. From the federal government's perspective if the positions were not filled it meant the commensurate admin could go away. He elaborated that there were only a handful of admin staff in a division like DVR. There was still work to be done and the department was trying to avoid laying people off.

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Representative Coulombe asked why it was not all paid for with federal funding. She asked if there were parts of the positions that could not be paid with federal funds.

Mr. DeBartolo answered that federal funding received for client services and the other services within DVR required a state match. He noted that the majority of the UGF shown on slide 9 was matching funding.

Representative Coulombe asked for the total matching funds required.

Mr. DeBartolo asked if Representative Coulombe was asking for the percentage or dollar amount.

Representative Coulombe replied she was interested in the dollar amount.

DUANE MAYES, DIRECTOR, DIVISION OF VOCATIONAL REHABILITATION, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT (via teleconference), answered that the federal award was about 79 percent [of the DVR funding] and

matching state funds were about 21 percent. He could follow up with more information.

Mr. DeBartolo discussed the Alaska Vocational Technical Center (AVTEC) budget on slide 10. The center was located in Seward and was the only 24/7 facility within DLWD. The center's mission was to deliver flexible, accessible, and affordable workforce training that is responsive to the dynamic needs of business and industry and served Alaska's diverse communities. The center was funded through a combination of tuition and fees, UGF, DGF, and TVEP. The center's training was offered as a workplace simulation model where students spent all day in training with most of their time spent applying and practicing skills in shop as if on the job. There were 90 and 180-day terms where students received 600 to 1,200 hours of direct hands-on training at half the cost and one-third the time of traditional postsecondary institutions. Over 90 percent of the students who came to AVTEC completed training and over 90 percent of those students were employed within 18 months. Only 6.7 percent of AVTEC students used student loans with an average debt load of about \$6,132 per student.

Mr. DeBartolo pointed out AVTEC highlights for FY 23. He relayed that over 100 high school students participated in the introduction to nautical skills class. He elaborated that a partnership with Trident Seafoods offered customized training for their facilities and maintenance employees. Additionally, AVTEC completed a process to establish a federally registered apprenticeship in information technology, which was the first and only one in the state. Capacity had been increased at AVTEC's welding facility because it was one of the center's most high-demand programs. He informed the committee that AVTEC had no budget proposals for FY 25.

Co-Chair Foster considered that the TVEP program was set to sunset and asked how much of AVTEC's budget came from TVEP.

Commissioner-Designee Munoz replied that it was about 17 percent of the allocation or \$2.7 million to AVTEC.

Co-Chair Foster asked for verification that it was 17 percent of the TVEP allocation. He asked if the number was included in the \$5.3 million in UGF funding or in the [\$3.7 million in] DGF funding [shown on slide 10].

Mr. DeBartolo replied that it was included.

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Mr. DeBartolo noted that slides 11 and 12 were reference slides for the proposed operating and capital budget changes he had discussed throughout the presentation. He addressed one remaining item shown on slide 12 that he had not yet discussed. Funding for the department's STEP program was competitively granted through the Alaska Workforce Investment Board. The calculations for available revenue were redone multiple times per year. The slide included a request for additional authority in the FY 24 supplemental to distribute additional funds to grantees to use for training. The slide also showed a request to increase the total available allocation for FY 25. He noted that the applications for FY 25 would be coming in soon.

Co-Chair Foster looked at the ~\$1.6 million increment for STEP in FY 25. He asked how much the total STEP grants were in FY 23.

Commissioner-Designee Munoz answered that the total was approximately \$7 million per year. She explained that \$6 million went to the competitive grant process and about \$1 million went to the job centers for individual training and support.

Representative Coulombe thanked the department for the AVTEC tour the past summer. She described AVTEC as an amazing facility. She asked about the department's funding increases to facilities maintenance. She noted that every department that maintained a facility was looking for some increase. She remarked that the governor's request was about \$15 million for AVTEC. She asked for the number of students in AVTEC and the capacity.

Commissioner-Designee Munoz answered that the number was much greater than the number of students on site because AVTEC did outreach training to employers to design employer specific trainings. She thought the number was close to 1,000. She deferred the question to the AVTEC director for more detail.

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CATHY LECOMPTE, DIRECTOR, ALASKA VOCATIONAL TEHCNICAL CENTER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT (via teleconference), answered that between the Alaska Maritime Training Center and the nine accredited programs, AVTEC served over 1,200 students annually.

Representative Coulombe asked how many of the students were physically on the AVTEC campus or staying in Seward.

Ms. LeCompte replied that the students all stayed in Seward in the AVTEC dormitories, ate in the cafeterias, and lived on campus. Training for the maritime center ranged from one day to 12 weeks. The accredited programs ranged from four to eight months.

Co-Chair Foster thanked the department for the presentation.

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RECONVENED

^OVERVIEW: FY 25 BUDGET BY THE DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT

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JULIE SANDE, COMMISSIONER, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, was honored to be present to represent the Department of Commerce, Community and Economic Development. She described the department as the "little engine that could" and explained that DCCED was small but had many things under its purview. She introduced colleagues at the table. She provided a PowerPoint presentation titled "Department Overview: FY2025 Budget," dated March 1, 2024 (copy on file). She reviewed the department's mission on slide 2 to promote a healthy economy, strong communities, and to protect consumers through the department's seven core divisions and eight corporate agencies. She turned to the department structure on slide 3. The grey boxes reflected the core divisions including Administrative Services, the Alaska Broadband Office, Banking and Securities, Community and Regional Affairs, Corporations, Businesses and Professional Licensing, Investments, and Insurance. She noted that the

department had taken on the Broadband Office two years back. The teal boxes reflected the corporate agencies under the department including the Alaska Energy Authority (AEA), Alaska Industrial Development and Export Authority (AIDEA), Alaska Gasline Development Corporation (AGDC), Alaska Oil and Gas Conservation Commission (AOGCC), Alaska Seafood Marketing Institute (ASMI), Alcohol and Marijuana Control Office (AMCO), the Regulatory Commission of Alaska (RCA), and the Alaska Railroad Corporation. She noted the Alaska Railroad Corporation fell outside the Executive Budget Act.

HANNAH LAGER, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, reviewed the FY 25 governor budget on slide 4. She pointed to the bar chart in the upper right portion of the slide and highlighted that DCCED had been home to a number of different special appropriations over the years. She remarked that sometimes when looking back at prior year actuals or activity there were some items in the budget that meant the comparisons were not apples to apples. The department received \$185 million in federal authority, which was primarily passed through to local communities. Additionally, the department received seafood processors grants it issued over that past year that caused a one-time bump in the department's budget. She pointed to the yellow portion of a pie chart in the upper left of the slide reflecting designated general funds (DGF). The bulk of the department's budget was funded from receipts collections and licensing fees collected from the industries regulated by the department. She elaborated that people had to pay to be licensed and the department used the funds to pay for the operations. She pointed to the small blue segment reflecting undesignated general funds (UGF). She noted that DCCED was the smallest consumer of UGF in the state.

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Ms. Lager provided a historical budget lookback from FY 17 to FY 25 on slide 5. She highlighted that the department's UGF spending was down from where it had been in FY 17 and more dramatically down from where it had been 10 to 15 years back. She briefly pointed to a swoop chart titled "FY2025 Operating UGF by Department" on slide 6 showing that DCCED was the smallest consumer of UGF in the state. She turned to slide 7 "Fund Sources and Divisions by Department." She believed when focusing just on the UGF it missed some of the complexity in the department. The

department was small and efficient, but it was also home to the highest number of funding sources of any state agency as well as the highest number of divisions. The department housed 15 agencies in addition to other special appropriations; the department was small, but complicated.

Ms. Lager highlighted that the department only spent just over \$10 million and it had collected and deposited over \$100 million in FY 23. She relayed that the department generated revenue, the bulk of which was insurance premium taxes in addition to some other small slices that were deposited into the general fund each year.

Ms. Lager began reviewing budget changes for DCCED's core divisions on slide 10 starting with the commissioner's office. The department received a \$50,000 federal award for FY 24. The slide showed a request of \$50,000 in state matching funds for the FY 24 supplemental and \$50,000 for the FY 25 budget. The department was also requesting two positions at a salary range 8 and 10 to create educational opportunities for students to work at the department and learn how to get into state government. The goal was also to create a pipeline to bring people into DCCED.

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Ms. Lager turned to slide 11 and reviewed budget changes for the Division of Administrative Services. The department was adding one accountant position in FY 25. She explained that DCCED had taken on a number of new programs over the past several years including AOGCC in FY 19, multiple streams of federal and non-federal COVID-19 funding, and broadband funding. The position would help manage the funds.

Ms. Lager moved to slide 12 and discussed the Alaska Broadband Office budget. The purpose of the office was to ensure there was broadband access for all Alaskans. The office was currently undertaking planning activities. She elaborated that the office was making certain the state had good maps showing served, unserved, and underserved areas. The office was working with partners to plan for incoming funding, setting up grant programs, and receiving feedback on the process to ensure it was not missing any pieces and that the planned projects were responsive to community needs. In FY 25, large federal capital budget dollars exceeding \$1 billion would flow into the department for

grants to the Broadband Equity Access Deployment (BEAD) program and the Digital Equity Program. The projects would go into implementation and the department anticipated the first deployments to be complete as soon as FY 28.

Representative Galvin observed the large amount of work done by the department. She asked if the anticipated completion in FY 28 was because the funds were not yet coming in or because it took that long for the particular project in terms of scope.

Ms. Lager anticipated the first grants going out in fall of 2024. She stated it took some time and the projects would primarily be capital projects to extend broadband infrastructure out. The projects would need to correspond with construction seasons and parts and supplies ordered.

[2:42:31 PM](#)

Ms. Lager turned to slide 13 and continued to discuss the broadband office. She remarked that there were many different pots of federal funding for broadband coming into Alaska. She highlighted the yellow box shown at the top of the slide reflecting funding coming through DCCED. The Broadband Equity Access Deployment included slightly over \$1 billion in federal funding coming to DCCED. The Digital Equity Program could bring up to \$15 million. Additionally, the department had received a small Economic Development Administration statewide planning grant a couple of years back that was funding some planning activities that federal funds did not cover. The department also had Coronavirus Capital Projects funds, which were previously appropriated to the Office of Management and Budget (OMB) and were passing through DCCED for grant administration. She noted there were federal funds coming in for many other entities. The link at the bottom of the slide included additional information for other federal funding available for broadband.

[2:43:35 PM](#)

Ms. Lager advanced to slide 14 and continued to discuss the broadband office FY 25 budget. The funds were primarily from capital improvement project receipts because the broadband appropriations were capital in nature and the department was running operating activity from the capital projects. The first two items were technical and reflected

a continuation of prior-year funding. The department was also adding a project coordinator and contractual support. She stressed the funding amounts were substantial and there were numerous milestones and projects. The position would help the department track and report on the funding appropriately. The budget included funding for broadband mapping and program support under a reimbursable services agreement (RSA) to the Division of Community and Regional Affairs (DCRA). She explained that the broadband office was small and only housed five positions without a lot of capacity to learn mapping. The mapping staff under DCRA would take on the responsibility. She looked at the last two items on the slide for permit coordination in other departments and right-of-way permit coordinators. She explained that both were working with other permitting agencies to fund likely up to six positions in other agencies. She detailed that some would go to the Department of Transportation and Public Facilities (DOT) and some would go to the Department of Natural Resources (DNR). She stated that depending on the projects moving forward it may look like DCCED needed permitting support from the Department of Fish and Game (DFG) or the Department of Environmental Conservation (DEC). The idea was to plan ahead to support planning activities.

Representative Coulombe referenced federal funding sources Ms. Lager had discussed on slide 13. She asked how much the department had received for broadband in FY 24.

Ms. Lager answered that funds received through FY 24 related to the initial BEAD planning grant. She explained that the federal grant provided the state with \$5 million over a multiyear period and the department was on year two of the funding to support planning activities. The bulk of the BEAD funding would come in FY 25.

Representative Coulombe asked if she was referring to FY 25.

Ms. Lager replied affirmatively.

[2:46:11 PM](#)

Ms. Lager discussed the Division of Banking and Securities budget on slide 15. She noted there were no significant budget changes in the division for FY 25. The division was important to the department and provided an essential

service to the state's economy ensuring there were safe, functioning banks, and helping to protect consumers from financial harm. Over the past year the division had been working on a large prosecution Tycoon Trading Co. that impacted over 140 Alaskans who experienced \$26 million in losses. The actions taken through the division were impactful for individuals in addition to the work it did to support the framework of the economy. The division also regulated some of the more unique financial tools including mobile payment apps (e.g., Venmo and PayPal) and cryptocurrency.

Representative Tomaszewski asked how the department knew the number of people buying cryptocurrency. He remarked that it was on a secure ledger.

Ms. Lager responded that she did not have the exact answer of how it was done. The Division of Banking and Securities worked closely with national organizations tracking cryptocurrency on a larger level. She would follow up with more detail.

Co-Chair Foster thought it was likely a very conservative number. For example, Coinbase did a lot of its required tax stuff. He did not know that Alaska had access to the IRS documentation.

Commissioner Anderson responded that Director Robert Schmidt would follow up with a thorough response to the committee.

[2:48:15 PM](#)

Representative Hannan looked at slide 15 and asked what the one state-chartered credit union was.

Ms. Lager believed it was Credit Union One, but she would follow up to confirm.

Ms. Lager addressed the DCRA budget on slide 16. The division focused on maintaining strong communities and healthy economies. She stated it was necessary to have functioning communities for the economy to work. The slide listed a number of different programs under the division. She highlighted a QR code which directed users to the community database, which included digital data on communities such as local leadership, population, and more.

[2:49:25 PM](#)

Ms. Lager moved to slide 17 and continued to discuss DCRA. The division ran a \$1.2 billion grant portfolio annually. The FY 24 supplemental included \$3 million for grants to food banks and food pantries across Alaska. The base operating budget included a \$400,000 grant to Alaska Legal Services (the same amount from the general fund as the previous year) and a \$296,000 grant to Alaska Legal Services Corporation from the Civil Legal Services Fund based on a formula for prior year civil collections by the Alaska Court System. She highlighted a \$185,000 general fund increment for the Alaska Marine Safety Education Association. She noted the increment was a slight reduction from FY 24. She elaborated that DCCED was switching the grant over to be based on the amount of prior year collections. The funding source would be general funds in FY 25 and the following year the department would have prior year collections to appropriate and the source would switch back to boat receipts. The department wanted to make the amount predictable for grantees; it had varied over the years and the grantee had to wait until near the end of the year when the department knew how much it received to finalize the grant.

Ms. Lager continued to review the DCRA budget on slide 17. She highlighted a grant to Life Alaska Donor Services funded by the Anatomical Gift Awareness Fund in the same amount as FY 24. The last increment was [\$185,000] general funds for the Kuskokwim Ice Road at the same amount as in FY 24.

[2:51:05 PM](#)

Co-Chair Foster asked about the \$3 million supplemental increment for the food banks. He asked if the food had already been purchased and distributed and the department was backfilling for funds that were used elsewhere.

Ms. Lager answered that it was a new grant program for the current fiscal year. She agreed it would be a tight timeline. The grant would go to organizations to fund their opportunities. The department was still working on grant program requirements. She thought it was a fair point made by Co-Chair Foster that there would not be a lot of time

for entities to purchase new food, and funding may need to be retroactive for those agencies.

Representative Stapp stated that the previous year the food bank funding had been through DFG and included something like four RSAs where the funds ended up in the Department of Health (DOH) commissioner's office prior to distribution. He asked if the FY 24 supplemental funds going through DCCED would include three RSAs where agencies took funding off the top prior to going to food banks. Alternatively, he asked if the funding would go to DCCED for direct distribution to food banks.

Ms. Lager answered that the funds would come to DCCED for direct distribution to food banks. The grants section was a small team with ten grant administrators and one grants administration manager. She stressed that the grants section was very good at the job and there was no administrative fee.

Representative Stapp thanked the department. He asked why the FY 25 food bank money was in the DOH budget and not under DCCED. He did not expect an answer.

Representative Coulombe asked where the grants were going specifically.

Ms. Lager answered that the department was designing the grant program to be as far reaching as possible for food banks and food pantries. The grants may include small organizations that had not traditionally received grants such as a small pantry in a church. The department wanted to ensure funds were available to organizations providing food to their communities.

Representative Coulombe asked for verification that the grant would be going from DCCED in the form of money, not food.

Ms. Lager agreed.

Ms. Lager finished with slide 17. She highlighted a QR code on the slide that directed users to the grants dashboard showing grants and their financial status by community, organization, and year.

[2:54:03 PM](#)

Ms. Lager turned to slide 18 and continued to review changes in the DCRA budget. She briefly mentioned changes she had previously discussed pertaining to Civil Legal Services and the Alaska Marine Safety Education Association. The department was adding two program coordinators to work with federal disaster recovery grants. The division was responsible for administering disaster recovery grants for the state including the Community Development Block Grant disaster recoveries. The department had received two of the large awards both exceeding \$30 million for earthquake relief and Typhoon Merbok activities. The department was adding the program coordinators recognizing it needed the appropriate staff to ensure funds were going out timely. The slide included a new research analyst position for broadband support to be paid for by the broadband office. The blue portion of the table at the bottom of the slide pertained to fund capitalizations that related to DCRA. The first increment indicated moving funding out of the general fund to capitalize the Civil Legal Services Fund. The last line showed the capitalization of the Community Assistance Fund with \$30 million as a combination of Power Cost Equalization (PCE) endowment funds and general funds.

Co-Chair Foster asked if it brought the Community Assistance Fund back up to the standard \$90 million or if the balance would be \$60 million.

Ms. Lager answered that the capitalization would occur in FY 25, meaning it would impact the FY 26 distribution because of the way the statutory calculation worked. She did not know what the precise fund balance would be, but it would allow for a \$20 million distribution in FY 25 and a distribution of approximately \$23 million in FY 26.

Co-Chair Foster asked the department to follow up with what the fund balance would be. He explained that the standard would be \$90 million to get the full amount out [to communities].

Representative Stapp recalled that under statute one-third of the fund was distributed, which would mean \$30 million. He surmised it [the fund] would not be capitalized.

Co-Chair Foster calculated that one-third of \$60 million was \$20 million. He asked the department to double check.

Ms. Lager agreed to follow up with the information.

2:56:31 PM

Ms. Lager moved to slide 19 and finished reviewing changes in the DCRA budget. The slide showed the supplemental funds for food pantries and an FY 25 increment for natural hazard planning assistance. The department heard from the Alaska Native Tribal Health Consortium (ANTHC) that it received a federal award it would like to partner on with DCCED. The award would pass through DCCED to fund one position over a three-year term to help communities document, assess, and build awareness of natural hazards. There were a number of different federal grants communities could qualify for that required the information as part of the application packet.

Co-Chair Foster returned to the topic of the Community Assistance Fund. He believed that when the fund was short funded, the rural communities had the highest funding priority. He asked how the formula worked. Specifically, if the fund was at \$60 million, he wondered which communities may not get part of the community assistance. He assumed it would be Anchorage and Fairbanks first. He requested follow up information.

Ms. Lager replied that the department would follow up with the information. She noted that the Community Assistance Fund calculation was based on two general categories. There was a base payment that went to communities in addition to a per capita payment. She stated that \$20 million was roughly the mark where smaller communities began to be impacted a bit more.

Ms. Lager turned to slide 20 titled "Serve Alaska." Serve Alaska was located under DCRA and the budget FY 25 included one change to increase its federal receipt authority for extended federal grants. The entity received a number of different federal grants to promote volunteerism in the state that ran on alternative fiscal years - some were calendar years - and were multiyear awards. The department had been unable to fully encumber the awards or make some of the payments and issue some of the grants because it did not have the budget authority in the past.

Ms. Lager moved to the budget for CBPL on slide 21. She noted it was one of the department's larger divisions by position number and program volume.

Representative Coulombe asked about Serve Alaska on slide 20. She thought it sounded like it was a federal program, but the budget included \$236,000 UGF. She noted the program was tasked with promoting volunteerism. She asked what that meant and how the money was spent.

Ms. Lager answered that it was a federal program with a small amount of matching funds. The Serve Alaska program promoted volunteerism in a variety of ways including managing the AmeriCorps program for the state by bringing in volunteers and passing the federal funding through to pay for the volunteers in order for organizations to get volunteers for free. The program also had the Serve Alaska Commission, which was a 30 or so person commission aimed at guiding activity and focus on different types of volunteerism and volunteer promotion that would be most impactful for the state.

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Representative Coulombe asked if the program paid volunteers to come to Alaska. She asked for verification that volunteers worked for free.

Ms. Lager answered that there was federal funding that provided stipends to volunteers, which made it affordable for individuals. She elaborated that AmeriCorps volunteers were placed in a wide variety of programs. She highlighted work in youth robotic programs and in the Department of Law done by volunteers.

Representative Coulombe asked if AmeriCorps accounted for the bulk of the funding. She asked if there were other organizations giving stipends to volunteers.

Ms. Lager answered that the majority of the funding for the program came from the federal Center for National and Community Services. She believed the bulk was the AmeriCorps program. She would follow up with a list of all of the grantees.

[3:01:08 PM](#)

Ms. Lager continued with the CBPL budget on slide 21. The division housed 45 programs. She believed the division touched almost every Alaskan; it included business licensing, professional licenses, midwives, morticians, etcetera. She highlighted that the number of professional licensees had increased every year. The number had increased by 64 percent in ten years, which was pretty remarkable growth.

Representative Galvin received a lot of questions and suggestions about the area in her office. For example, the length of time individuals had been waiting for some licenses more than others. She had recently met with someone from the department who helped to explain the situation, but she was interested in having the information on the record. She stated there had been substantial buzz in the Capitol Building pertaining to licensing and concerns about the wait times.

Commissioner Sande replied it was a priority of the governor's when she took the position three years back. She had learned that legislators were unified in their frustration over licensing times and that they were all hearing about it from their constituents. It had been her job to look at what was broken and to work with the team on determining the easiest fixes first. She shared that she was lucky to have support from the governor and legislature and she believed every one of the legislators meant it when they asked how they could help. She hoped that the decreased number of outraged phone calls legislators received was an indicator of the progress made by the department. She relayed that one of the first things she had done was ask the individuals on the team how they would solve the problems. Staff had provided input on ways to reduce the duplication of efforts, increase efficiency, and improve antiquated systems.

Commissioner Sande relayed the governor had offered an administrative order to help with some of the issues immediately. There were also longer fixes. She believed some of the improvements witnessed were remarkable, particularly with nursing, considering the level of vacancies on the department's team in the past. She stated that it had been a perfect storm post-COVID. One of the first things the department did was take a look at the volume and there had been a 62.4 percent increase in the number of licenses issued over ten years. She estimated

that during that time, the number of staff had only increased by about 7 percent. Additionally, there had been numerous vacancies post-COVID. She characterized the situation as a "death spiral" that had occurred within the division. Additionally, frustrated business owners needing employees and individuals trying to get to work had been calling DCCED. She stated it had been heartbreaking for the DCCED team who put their hearts into the work they were doing, but as people were leaving it was getting more and more difficult to retain. She was proud of the work done by CBPL Director Sylvan Robb. She highlighted that the wait for a nursing license had reduced from 13 to 5 weeks, which was an incredible improvement. The department still believed five weeks was too long and it was working to get the number down further. The department had been advocating for the nurse licensure compact because without adding additional staff the department could move personnel focused on licensing nurses over to other professions such as contractors. The department had taken a look at the easy fixes it could make and it had communicated with legislators and the governor on other things that may be needed.

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Representative Galvin believed that a 7 percent increase sounded like a low price to pay. She stated that if the department needed more money to reduce the five-week wait it would be money well spent. She thanked the department for its efforts and for the improvements. She communicated that legislators were available to help.

Representative Josephson was surprised not to see larger general fund request due to the governor's executive orders to move things in-house. He asked for an explanation.

Ms. Lager answered that there were statements of costs the department could provide that were related to the executive orders. She explained that they were a bit different mechanism and not quite a piece of legislation and did not have a traditional fiscal note. The statement of cost was not currently included in the budget. She stated the impact was fairly small and she would follow up with the information.

Representative Josephson asked for the cost estimate.

Ms. Lager estimated it was less than \$150,000 for the division. She noted the amount was fairly small and pertained mostly to technical items.

Representative Hannan asked if the three executive orders related to licensure boards came at the request of the department after its analysis about how to address licensure delays.

Commissioner Sande asked Representative Hannan to rephrase the question.

Representative Hannan clarified her question.

Commissioner Sande answered, "It is complex, but absolutely." She shared that when she started the job, she thought it was as simple as understanding the problem, identifying a solution, and walking away; however, some pieces of the delays were not directly tied to things she could necessarily touch in the department. She explained that in some cases where boards and commissions worked directly with licensing, delays could occur because the board had an insufficient number of members, or it was not meeting regularly, or it failed to meet quorum. Under that circumstance she was unable to go to a staff member to solve the problem. She explained that the disconnect had been new information for her. Her understanding of the executive orders was the goal to gain efficiencies and reduce wait times wherever possible.

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Representative Hannan remarked that three professional licensing boards were proposed to be eliminated by executive orders. She had heard from constituencies and had had conversations with DCCED staff. She stated her understanding that one of the boards had been unable to make quorum sporadically (the Board of Barbers and Hairdressers), but the other two consistently met and made quorum. She was pushing back on the commissioner's statement that the boards were unable to meet. She wanted to know why those communities, boards, and professional license groups were not involved in any of the discussion on how to problem solve and why the executive orders had been a surprise to them. She felt that Commissioner Sande had been open in communicating with legislators in meetings. One of the largest concerns she had heard from

the groups impacted by the executive orders was that they had learned about the executive orders the day they were announced. She heard the commissioner saying that when she took the mission on there was a disconnect where some of the people involved were not allowed to participate in how to problem solve a problem the commissioner thought was obvious and legislators had expressed uniformity around.

Commissioner Sande appreciated the comments and that Representative Hannan was pushing back. She shared that she had not been directly involved in the executive order process; she had been involved in the conversations and she understood the intent behind them. She believed there was valid concern when individuals who were directly part of a process did not have an opportunity to weigh in in advance and the department had heard some of the frustration. She underscored that the department was appreciative of every board member willing to serve on behalf of Alaskans. She personally served on 16 boards and actively on 8 of them. She relayed that she sat next to board members up to several times a week and she was regularly impressed and inspired by the efforts board members were taking on behalf of Alaskans. She thought it was unfortunate if the executive order process did not have enough opportunities for individuals to weigh in and she did not believe it was reflective of how the department felt about the service of the board members.

Representative Hannan stated that prior to Commissioner Sande's tenure with the department there had been an executive order to divide the former Department of Health and Social Services in two. She explained there had been substantial pushback that had delayed the split in favor of engagement with constituencies involved prior to moving forward. She noted the pushback had delayed the split by almost two years. She had heard reasons to do it, but there was strong concern by people serving on functional boards who felt left out of the process. She stated it had become a political football. She considered that perhaps she did not have enough information from the department's side of the analysis on why the executive orders should go forward, but it was because the impacted people were not engaged in the analysis. She believed it was a shame. She reasoned that if it was so logical to make the change and it would be cheaper and more efficient, licensees would not be opposed. She elaborated that everyone with professional

licensure wanted the money they spend to be cost effective in a timely and predictable way.

Representative Ortiz congratulated the department on bringing down the nurse licensure timeframe. He noted he also heard about delays in other areas in the healthcare field such as physical therapy. He asked about gains that had been made in areas outside the nursing field. He noted that 62.4 percent increase in professional licenses over the last 10 years reflected rapid growth. He asked if the department was capable of handling the increase if it continued at that level.

Commissioner Sande addressed Representative Ortiz's question about whether the department could keep up with the work if it continued to grow. She was concerned about the issue as well. She relayed that when the department talked about the executive orders it had first gone to the team to see if the proposal appeared to make sense and how much work it would create. She shared that the department was proud of the work done by Director Robb and the prior CBPL director. The last thing the department wanted to do was hinder gains that had been made and she did not want to lose employees to another department. She was protective of her team, and she would vocalize it if something did not seem like a good fit for the department. She had been assured by her team that much of the work was being done by the staff and the shift seemed doable. She remarked that the department would not know the result until the change took place.

Commissioner Sande stated there was at least one bill offered during the current session where they talked about an additional professional being licensed. She clarified that she was not for or against having more professions licensed and it was possible to argue both sides. She stated that it was always possible to argue for the sake of safety that something needed to be licensed. She appreciated it, but it was necessary to calculate how much work it would add and whether the department could continue to sustain or pay for it. She deferred to a colleague to answer Representative Ortiz's first question.

[3:18:51 PM](#)

MICAELA FOWLER, DEPUTY COMMISSIONER, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, answered that

licensing times across the board had decreased post pandemic largely due to more successful hiring in recent months. She noted that Ms. Lager would provide the committee with information on DCCED's current vacancy rate at the end of the presentation. The department had also been identifying regulation changes it could enact to improve its ability to license more efficiently. She shared that a three-month extension had been implemented for all programs when a license was up for renewal once the renewal application had been received. She explained that one of the things that was causing substantial frustration during the pandemic was licensees were turning in their renewals one or two days before their license expired and the license was not reviewed for renewal for a month or so. The situation resulted in individuals being unlicensed for a period of time.

Ms. Fowler explained that the regulation enabling licenses to automatically renew for three months when an application was received allowed staff to work on new licenses coming in instead of putting them all on hold to focus on renewals. The staff were able to work on renewals as time allowed, which had helped the department bring wait times down for new licensees to receive licenses. There were occasionally issues with quorum and some professions required a board to approve a license, while others did not. The department was also anticipating that the 12 new positions in the department's FY 24 budget would speed up all of its licensing times. The department was very appreciative of the governor and legislature for supporting the positions. She noted that it took time to create and fill positions.

Co-Chair Foster noted there were only eight minutes remaining in the meeting. He asked committee members to hold any questions until the end of the meeting.

Ms. Lager reviewed CBPL budget changes on slide 22. The large item on the slide was maintaining licensing operations. She highlighted a theme throughout the department's budget to align authority with its current year projections for the division. There was an increase in a variety of costs including inflationary increases and core services increases, which DCCED had managed through the high periods of vacancies during the pandemic; however, the department needed to have the authority to pay its bills. She briefly moved to the Division of Insurance on

slide 23. She lauded Director Lori Wing-Heier for her work and noted the division had done some remarkable innovative work. She added that the division was one of the department's primary revenue generators.

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Ms. Lager reviewed budget changes for the Division of Insurance on slide 24. The only real increase in the division's budget was to protect Alaskan businesses from loss of insurance coverage. She explained there had been some pressure from environmental, social, and corporate governance groups to limit insurance availability to key sectors of the economy. She highlighted the importance of protecting insurance coverage in order for key businesses to continue operating.

Ms. Lager turned to slide 25 pertaining to the Division of Investments. The division had 11 loan programs and provided an important service to Alaskans. She noted there were no changes in its budget.

[3:23:44 PM](#)

Ms. Lager moved to AOGCC on slide 27. She noted there were a few small budget changes truing up needs for future including overdue vehicle replacements on the North Slope. She turned to slide 28 pertaining to AMCO showing one change in the governor's amended budget to extend a non-permanent position. The department was proud its licensing system went live for alcohol for the January 1 switchover for the Title IV rewrite. The department was also preparing for the marijuana renewal as well as doing data conversions; therefore, the position would be extended to provide support for the project.

Ms. Lager addressed the AGDC budget on slide 29. The item shown in grey was a technical item. She explained that the past year there was a one-time appropriation for general funds into the ADGC operating budget, which worked but was more complicated than it needed to be. Therefore, the department was asking to put the money into the AGDC fund to make it easier to manage on the department's end. She turned to the Alaska Energy Authority (AEA) budget on slide 30. Most of the budget items on the slide were related to the Infrastructure Investment and Jobs Act (IIJA). The agency had a number of different capital appropriations it

needed staff to support. She highlighted a \$200,000 increment for the AEA data library on slide 31. She explained that AEA recognized that the state had funded substantial research into projects in Alaska - some of the projects had gone forward and others had not. The agency was working on digitizing the records to make them available to the public so that as people were exploring new and different energy ideas in Alaska, it would be possible to learn from the work that had already been done.

Ms. Lager addressed the AIDEA budget on slide 32. She stated that all of the positions for AEA lived in the AIDEA component and the two agencies had an agreement to support the staff for both. The changes to the AIDEA budget were related to AEA capital appropriation changes. She moved to the ASMI and RCA budgets on slide 33. She noted there were no significant budget changes for either agency.

Ms. Lager addressed the department's vacancy history in a chart on slide 34. The blue portion of the chart at the top reflected vacant positions and the yellow portions reflected filled positions. She explained that drops in the blue line reflected changes in the total position count overall. She highlighted large staff and funding reductions in 2015 and 2016. She noted that prior to the reductions the department had a vacancy rate of approximately 12 percent, which rose slightly and dropped to about 11 percent in 2018. She remarked that the number was artificially low. She detailed that when the department was faced with tough budget reductions it had reshuffled staff, moved people's job duties around, and prioritized keeping people in jobs and reducing vacant positions rather than laying people off, which had artificially reduced the vacancy factor. She believed there were only three layoffs during that time period.

Ms. Lager pointed out that at the start of the pandemic in March of 2020, DCCED had a vacancy rate of just under 15 percent. She highlighted that the number climbed to 20 percent by December 2021. She added that the vacancy rate for CBPL was over 30 percent at the time. She remarked that it had been incredibly tough for the team and department. The department had made good progress and as of June 2023 the vacancy rate was down to 14.62 percent, which was back to pre-pandemic levels. In FY 24, the department received a number of new positions: 12 in CBPL, 5 related to pharmacy, and a number of positions for AEA. The department was very

grateful for the new positions, but it resulted in an unintended impact on the vacancy rate, which looked like it jumped by 4 percent. In reality, it would just take some time to set up new positions. The vacancy rate was down to 17.6 percent by January 2024. She noted that when excluding the new positions, the number was down to 13.7 percent. She added that the vacancy rate for CBPL was down to 12.6 percent (excluding the new positions). The department was proud of its progress and staff were currently out at job fairs trying to get people into the jobs.

Co-Chair Foster thanked the presenters for their presentation.

Representative Cronk noted that he had a question about RCA. He stated the committee would need someone present to answer many questions.

Ms. Lager replied that DCCED was happy to coordinate getting someone down to Juneau from RCA.

[3:29:54 PM](#)

Representative Josephson referenced AOGCC and observed there was no position on the issue of carbon sequestration, which would be almost entirely in AOGCC's wheelhouse. He asked if it was because there was no bill yet.

Ms. Lager answered that AOGCC received two positions in FY 24 in a fiscal note that was similar to the current pending legislation. She believed the commission anticipated using the same positions to perform the work; however, any updates would be provided to the fiscal note associated with the pending legislation.

Representative Coulombe requested follow up on whatever measures the departments had to show the wait times for licenses. She was interested in the number in the queue and how many licenses had been issued.

Ms. Lager agreed to provide the information.

HB 268 was HEARD and HELD in committee for further consideration.

HB 270 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the schedule for the following meeting.

ADJOURNMENT

3:31:16 PM

The meeting was adjourned at 3:31 p.m.