

SB 188

SENATE FINANCE COMMITTEE REPORT

DATE: 4/5/91

FURTHER:

DATE TURNED INTO OFFICE: 4/29/91

The Finance Committee considered SENATE BILL NO. 188

"An Act relating to employment contributions and to extending the pilot project for state training and employment programs; and providing for an effective date."

and recommended:

- [] replace with _____ CS
[] or adopt _____ CS
[] attached amendment(s)
[] _____ letter of intent adopted
[] same title
[] new title
[] technical title change (HB only)

[x] do pass

[] do not pass

[] no recommendation

[] individual recommendations

[] further referral to _____

ATTACHES NEW FISCAL NOTE(S):

- [] fiscal note(s) Dept/Date:
[] zero fiscal note(s)

APPROVES PREVIOUS:

- [x] fiscal note(s) #1 DOLabor 2/14/91
#4 DCRA (SET) 2/20/91
#5 DCRA 2/20/91
[x] zero fiscal note(s) #2 DOA 2/15/91 (Pers)
#3 DOA-Labor Relations 2/20/91

[] appropriation-no fiscal note

SIGNING DO-PASS:

Handwritten signatures of committee members.

OTHER RECOMMENDATIONS:

Handwritten notes and signatures: 'No Rec', 'No Rec', 'No Rec'.

1. [Signature] do pass

2. [Signature] do pass

FISCAL NOTE

No. 1

STATE OF ALASKA
1992 LEGISLATIVE SESSION

BILL NO

Bill Version: SB 188

(S) Publish Date: 3/11/91

Revision Date: _____
 Title: "An Act relating to employment contributions and to extending the .. project .."
 Sponsor: Rules Committee
 Requestor: Governor

Department Affected: Labor
 BRU: Employment Security
 Component: State Training & Employment Program

COMPONENT SERIAL NO. 1184

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	22.6					
TRAVEL						
CONTRACTUAL	1,817.4					
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	1,840.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE	3,330.7					
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FUNDING: (Thousands of Dollars)

GENERAL FUND	1,840.0					
FEDERAL FUNDS						
OTHER						
TOTAL	1,840.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary)

(see attached for analysis)

Prepared by: Judy G. Knight, Director

Phone: 465-2712

Division: Employment Security Division

Date: 2/14/91

Approved by Commissioner: Nancy Bear Usery

Agency: Department of Labor

Date: 2/14/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

**Fiscal Note Analysis
for**

"An Act relating to employment contributions...and extending the pilot project..."

This bill extends the state training and employment program for an additional year. The program is funded by a contribution of one-tenth of one percent of covered worker wages collected by the Department of Labor. This is done at no cost to the worker by giving a credit of this amount from the employee contribution currently provided for in AS 23.20.290. The revenue is deposited in the general fund in the employment assistance and training program account.

Revenue calculations for FY 92 (the additional year) are as follows:

	<u>FY 92 Revenues</u>
Estimated taxable wages	\$3,506,000.0
Multiply by one-tenth of 1% to arrive at estimated revenues	\$3,506.0
Adjust for 95% collection rate	<u>(175.3)</u>
<u>Estimated total revenues available</u>	\$3,330.7

Of the total money collected \$22.6 will be retained by the Department of Labor to separately account for the funds. Of the remaining, \$300.0 will be spent on an anticipated appropriation for the Business Incentive Program operated by the Department of Community & Regional Affairs, and \$1,817.4 will be transferred to the Department of Community & Regional Affairs for employment assistance and training grants and to fund priority project analysis and program evaluation from the Department of Labor.

Assumptions:

1. Program would continue for one additional year (FY 92).

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Bill Version: SB 188

(S) Publish Date: 3/11/91

Revision Date: _____ Department Affecter: PERSONNEL

Title: State Training & Employment Program

Component: _____

Sponsor: Walter J. Hickel

Requestor: _____ COMPONENT SERIAL NO.

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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
---------	---	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

This bill will have no fiscal impact on the Division of Personnel.

Prepared By: David K. F. Otto *DKFO* Phone: 465-4430

Division: Personnel Date: 2/15/91

Approved by Commissioner: Millett Keller

Agency: Administration *Millett Keller* Date: 2/26/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FISCAL NOTE

No. 3

II Version: SB188

(S) Publish Date: 2/11/91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: _____

Title: State Training and Employment Program.

Sponsor: _____

Requestor: Governor

Department Affected: Administration

BRU: Labor Relations

Component: Labor Relations

COMPONENT SERIAL NO.

0	0	5	8
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL	0	0	0	0	0	0
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REVENUE	0	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

This draft proposes to extend for one year a pilot grant program for employment assistance and training providers. The program is housed in and administered solely by the Department of Labor. It has no direct fiscal or policy impacts on the Department of Administration.

Prepared by: Bruce Cummings
Division: Labor Relations

Phone: 465-4404
Date: 2/19/91

Approved by Commissioner: Millett Keller
Agency: Administration

Date: 2/20/91

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FISCAL NOTE

No. 4

Bill Version: SB 188

(S) Publish Date: 3/11/91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: 2/12/91 Department Affected: Community & Regional Affairs
 Title: "An Act relating to employment contributions (STEP)..." BRU: Employment/Training/Rural Development
 Component: State Employment and Training
 Sponsor: Governor
 Requestor: _____ COMPONENT SERIAL NO.

1	0	1	2
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	52.9					
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	1064.5					
MISCELLANEOUS						
TOTAL OPERATING	1117.4					

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	1117.4					
TOTAL	1117.4					

POSITIONS:

FULL-TIME	1.0					
PART-TIME						
TEMPORARY						

Estimate of current year impact: _____

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Remond Henderson, Director Phone: 465-4708
 Division: Administrative Services Date: 2/20/91
 Approved by Commissioner: Edgar Blatchford
 Agency: Community and Regional Affairs Date: _____

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

Position Title Internal Auditor II		No. of Positions 1	Range / Step 17 A	Barg. Unit GGU
Time Status Full time	Staff Months 12	Location Anchorage		Election District
TYPE OF EXPENDITURE		Amount	Justification	
Salary	37.7		This position is indispensable to the administration of the employment and training programs. Taken as a total, over 11 million dollars for training and employment are granted annually by the JTPO. An increasing burden is placed on the unit each year by the federal government for program integrity and accountability. This position is the primary position charged with compliance monitoring, audit tracking and resolution, and liaison with the U.S. Department of Labor for their compliance monitoring of the state.	
Benefits	15.2			
Premium Pay				
Other				
Total Personal Services	52.9	52.9		
Travel				
Contractual				
Commodities				
Equipment				
Other				
Total Cost		52.9		
FUNDING SOURCE FOR TOTAL COST				
Federal Receipts	1002			
G.F. Match	1003			
General Fund	1004			
IA Receipts	1007	52.9		
CIP Receipts	1061			
Other				

2073

**Request For
New Position**

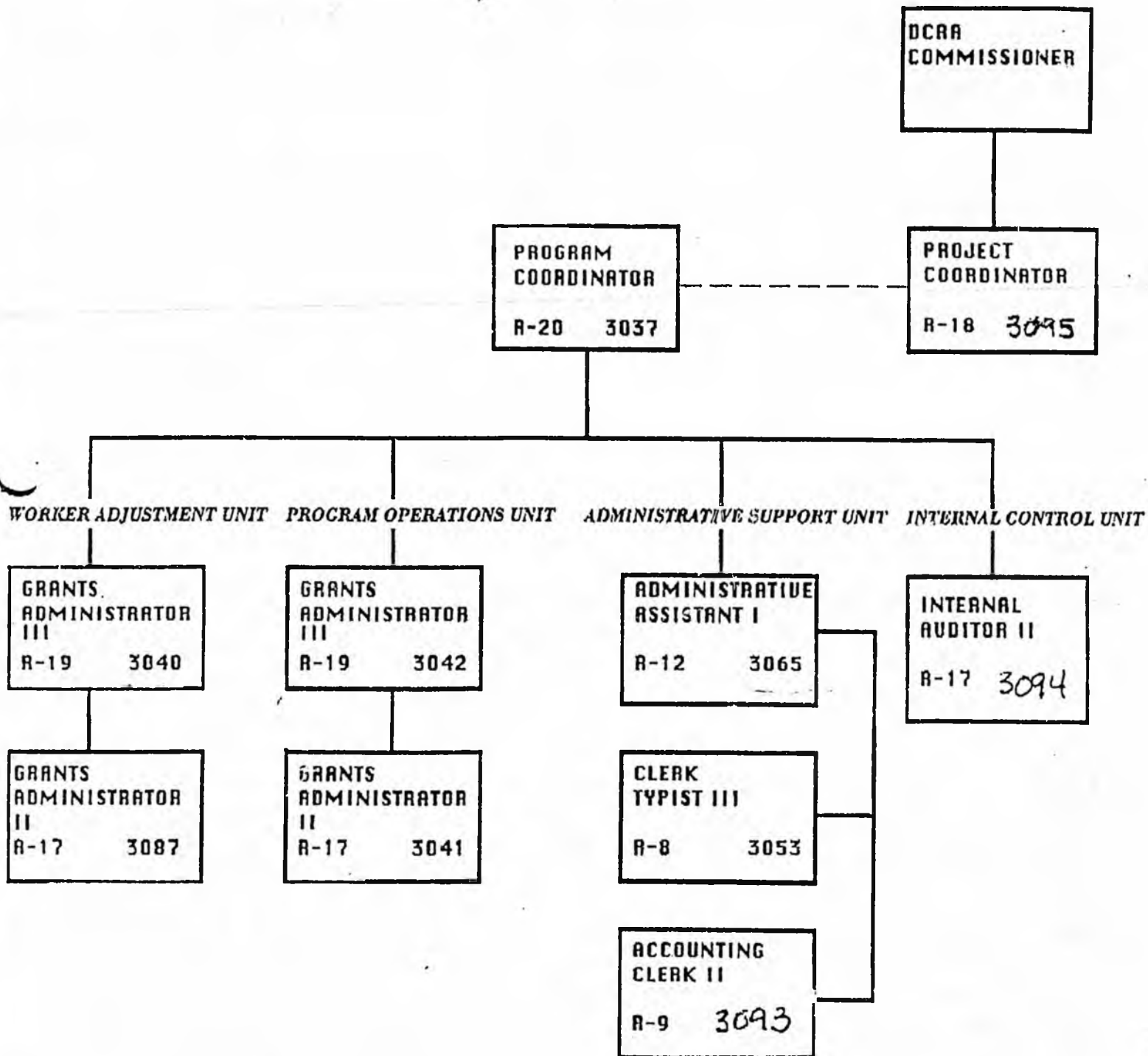
AGENCY Community and Regional Affairs
 BRU Employment/Training/Rural Development
 COMPONENT State Employment and Training

FY _____

Page _____ of _____
 Revised Date: _____

JOB TRAINING PARTNERSHIP OFFICE

ORGANIZATIONAL STRUCTURE



3/90

3093

FISCAL NOTE

No. 5

Bill Version: SB 188

(S) Publish Date: 3/11/91

STATE OF ALASKA
1991 LEGISLATIVE SESSION

Revision Date: 2/12/91 Department Affected: Community & Regional Affairs
 Title: "An Act relating to employment contributions (STEP)..." BRU: Employment/Training/Rural Development
 Sponsor: Governor Component: Statewide Service Delivery
 Requestor: _____ COMPONENT SERIAL NO.

1	1	7	8
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Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97
PERSONAL SERVICES	54.6					
TRAVEL	17.4					
CONTRACTUAL	15.0					
SUPPLIES	0.5					
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS	612.5					
MISCELLANEOUS						
TOTAL OPERATING	700.0					

CAPITAL						
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REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER	700.0					
TOTAL	700.0					

POSITIONS:

FULL-TIME	1.0					
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

Prepared By: Remond Henderson, Director *Remond Henderson* Phone: 465-4708
 Division: Administrative Services Date: 2/20/91

Approved by Commissioner: Edgar Blatchford
 Agency: Community and Regional Affairs Date: _____

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

Position Title GRANTS ADMINISTRATOR II		No. of Positions 1	Range / Step 17 B	Barg. Unit GG
Time Status Full Time	Staff Months 12	Location Juneau		Election District
TYPE OF EXPENDITURE		Amount		
Salary		39.1		
Benefits		15.5		
Premium Pay				
Other				
Total Personal Services		54.6		
Travel		17.4		
Contractual		15.0		
Commodities		.5		
Equipment				
Other				
Total Cost		87.5		
FUNDING SOURCE FOR TOTAL COST				
Federal Receipts	1002			
G.F. Match	1003			
General Fund	1004			
I-A Receipts	1007	87.5		
CIP Receipts	1061			
Other				

Justification

This position is the only dedicated professional position within this component to support the STEP program.

This position oversees the development of the SDAS plan of service, manages the development of grant solicitations, contract or subgrant negotiations and writing, monitoring, oversight and reporting requirements. This position also supervises Regional office sub-allocations and oversees their performance in implementing subgrants.

This position develops policies and procedures for program operations and assists in the participant enrollment system (MIS) and supports budget and accounting functions relative to this program.

2082

**Request For
New Position**

AGENCY COMMUNITY & REGIONAL AFFAIRS

BRU EMPLOYMENT TRAINING/RURAL DEVELOPMENT

COMPONENT STATEWIDE SERVICE DELIVERY

FY 92

Page 1 of 1

Revised Date: _____

SENATE BILL NO. 188

IN THE LEGISLATURE OF THE STATE OF ALASKA

SEVENTEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 3/11/91
Referred: CRA and Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to employment contributions and to extending the pilot project for state
2 training and employment programs; and providing for an effective date."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 * Section 1. Section 2, ch. 95, SLA 1989, is amended to read:

5 Sec. 2. STATE TRAINING AND EMPLOYMENT PROGRAM. There is created a
6 [TWO-YEAR] pilot project program to finance and award grants to employment assistance and
7 training entities. Employment assistance and training entities shall give appropriate state agencies
8 full access to accounting records concerning grants received to assure compliance with program
9 standards.

10 * Sec. 2. Section 4(a), ch. 95, SLA 1989, is amended to read:

11 (a) In the manner provided in AS 23.20, the department shall collect from each employee
12 an amount equal to one-tenth of one percent of the wages, as set out in AS 23.20.175, on which
13 the employee is required to make contributions under AS 23.20.290(d). This subsection applies
14 to amounts due and collected from July 1, 1989, through June 30, 1992 [1991], on wages for

1 employment performed from July 1, 1989, through June 30, 1992 [1991]. The department shall
2 remit to the Department of Revenue, in accordance with AS 37.10.050, money collected under
3 this subsection.

4 * Sec. 3. Section 15, ch. 95, SLA 1989, is amended to read:

5 Sec. 15. Section 13 of this Act takes effect July 1, 1992 [1991].

6 * Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

OFFICE OF THE COMMISSIONER

April 3, 1991

POSITION PAPER

RE: Senate Bill 188

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Program Effects of the Bill

The bill authorizes the extension for a period of one year of the pilot project for state funded training and employment programs. This additional time period will permit continuation of training and employment services to eligible participants throughout the state. The extension will also allow for sufficient time to evaluate the effectiveness of the program.

Comments

The Department of Community and Regional Affairs supports this bill. Through a unique arrangement with the Alaska Department of Labor this department has offered training opportunities to Alaskans utilizing the Service Delivery Areas set up under the federal Job Training Partnership Act. The program is operated in all parts of the state. This arrangement has proven to be an effective service delivery strategy. Since the project became fully operational earlier this fiscal year statistical and anecdotal evidence indicates that the program is very successful. Through the end of February over 456 Alaskans have been enrolled in training programs. We expect nearly 1200 to be trained this year alone. Over 60% of those in the program were unemployed when they enrolled. Approximately 30% have active Unemployment Insurance claims, about 18% have exhausted their UI benefits and over half have no active claim. This indicates service is being provided to those groups the project is intended to serve. Of those completing the training program 73% have gained unsubsidized employment.

There is a great unmet need for training opportunities in Alaska. Typically those served under this program are not employed and have not completed high school. This program offers job specific training that in most cases leads directly to employment. Available evidence indicates that the program should be reauthorized for another year.

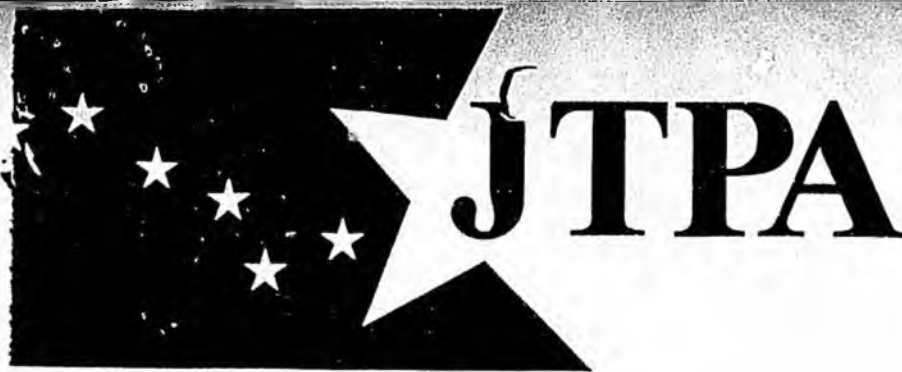
Edgar Blatchford

Edgar Blatchford, Commissioner

STEVE COWPER, GOVERNOR

P.O. BOX B
JUNEAU, ALASKA 99811-2100
PHONE: (907) 465-4700

949 E. 34TH AVENUE, SUITE 400
ANCHORAGE, ALASKA 99508-4302
PHONE: (907) 563-1073



ALASKA JOB TRAINING COUNCIL

WALTER MCKEL, GOVERNOR

REPLY TO: State of Alaska
Department of Community
and Regional Affairs
Rural Development Division
949 East 36th Avenue, Suite 400
Anchorage, Alaska 99508-4361
Phone: (907) 563-1073
Fax: (907) 563-1734

February 25, 1991

Honorable Members of the 17th Alaska State Legislature:

A statutory requirement of the Business Incentive Training Program (AS 44.47.750) is that the Alaska Job Training Council report annually to the Legislature on matters related to the program. Attached is the first annual report.

The Job Training Council is unanimous in its support for the legislation. It has the potential of improving the state's economic competitiveness through worker training. This strategy is prevalent among our foreign competitors, and can offer a sound lesson for institutional change at home.

However, while the intent of the statute is correct, we respectfully submit that certain language in the statute ought to be changed in order to accomplish its goals. The mechanics proposed by the law are simply too cumbersome to effectively operate the program. After much thought and examination of other state funded programs, we wish to report on those elements of a model business incentive program.

The Job Training Council will continue to be at your service should you wish to enact some or all of the recommendations.

Respectfully Yours,

Sarah Scanlan, Chair
Vice President, NANA Development Corp.

STATE OF ALASKA

DEPT. OF COMMUNITY & REGIONAL AFFAIRS

Rural Development Division

WALTER J. HICKEL, GOVERNOR

949 E. 36TH AVE., #400
ANCHORAGE, ALASKA 99508-4361
(907) 563-1073
TELEFAX: (907) 563-1734

February 28, 1991

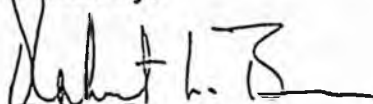
Dear Legislator:

I am pleased to express my support for the first annual report on the Business Incentive Training Program, A.S. 44.47, presented to the First Session of the 17th Alaska State Legislature.

The Business Incentive Program attempts to establish a partnership between the state, private sector employers, and training agencies, to raise the work based skills of Alaskans, particularly in the use of new technologies. Successfully implemented, it has the capacity to emulate a strategy much more prevalent among our foreign competitors: upgrading employee skills as a means to improved business competitiveness.

The following pages will allow you the opportunity to learn about the statute, its means of implementation, and possible ways to exact results consistent with the statute's purpose.

Sincerely,



Robert L. Brean
Director

SB188

1990 REPORT TO THE LEGISLATURE
On The
BUSINESS INCENTIVE TRAINING PROGRAM

AS 44.47.750

Prepared by
James Gurke, Coordinator
ALASKA JOB TRAINING COUNCIL
Sarah Scanlan, Chair

State of Alaska
Walter J. Hickel, Governor

Department of Community & Regional Affairs
Edgar Blatchford, Commissioner



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FINDINGS

The National Governors' Association and National Commission for Employment Policy have recently examined state funded industry-specific training programs, drawing the following conclusions:

- o That businesses in other states offering such assistance are uniformly in agreement that training proved to be valuable and that the state's participation was instrumental.
- o That in most cases a business does not know how to use training as a strategic agent in its business plan, necessitating assistance prior to obtaining the actual training grant.
- o That training projects are most effective when they are clearly tied to specific employer needs and performance objectives developed in the application process.
- o That states reduce the risk of substituting public for private funds in industry-specific training when grants pay for classroom training or some form of customized training, and are most substantial when paying for on the job training wages. Furthermore, training grants for industry-specific training should require a private sector match.

In order to translate these recommendation into action at the state level, the council proposes the following changes to the Business Incentive Training Program.

1. That the Job Training Council be provided the latitude to recommend to the Department of Community and Regional Affairs which agency or agencies be considered for administration of the business incentive program.
2. That Private Industry Councils and regional economic development agencies be used as a means of recruiting businesses interested in worker training.
3. That the business incentive program be targeted toward smaller businesses, and that the business match the grant with a 100 percent cash or in-kind contribution.
4. That the program be concentrated on upgrading skills of existing employees, therefore, eliminating the need for on-the-job wage subsidies as a training cost.
5. That eligibility criteria for employees in training be simplified to being a current contributor to the Unemployment Insurance Trust under AS 23.20.

POLICY RATIONALE FOR STATE FUNDED TRAINING

Alaska is only one of four states to use the unemployment insurance trust rather than general tax revenue in underwriting worker training and retraining -- the others being California, Delaware and Rhode Island. However, at least a quarter of the states have comparable programs supported by their respective general funds. In virtually every case the purpose of the statutes are the same:

(California) To encourage investment in the productivity and competitiveness of California's workers through training.

(Maryland) To improve competitiveness and productivity of the workforce; upgrade employee skills for new technologies; and assist in promotion of employment stability.

(New York) To assist individual businesses and industries in improving competitiveness by providing skill training; to provide job skills to dislocated workers; to upgrade skills of existing employees to enable modernization of operations, particularly among small businesses.

Historically, government sponsored programs have targeted the idea of industry attraction. For instance, providing a package of tax incentives and worker training to attract a firm or discourage its leaving. However, this goal has a zero sum result -- as states within a region establish similar incentives the playing field is leveled and programs compete against each other in a bidding war.

Adoption of new strategies are based upon alternative premises.

(1) That state financing of training in transferable skills will, in itself, help create an environment which will interest new business.

(2) That government participation in industry specific training helps mitigate a concern of small businesses, known as the "free rider dilemma." Companies fear that by providing training at their own cost, they then risk losing employees through relatively high turnover rates. A consequence is that few lower level workers ever receive advanced skills training.

(3) That government financing of high skills training will improve competitiveness of businesses, thus reduce turnover and help retain business and employment within the state.

(4) Finally, that demographic indicators show that many workers lack functional skills because they were unsuccessful in school or simply have not kept up with technological advances. These workers are most likely to be claimants of unemployment insurance or public assistance in the absence of any job specific training.

Fairbanks Project: The Fairbanks Private Industry Council expended \$26,356 in FY 90. It awarded a single grant for computer training through the University of Alaska Small Business Development Center. The project allowed the Center to establish a computerized entrepreneurial training program that has subsequently been used by trainees under both the Job Training Partnership Act and the State Training and Employment Program.

In conclusion, in FY 90, \$300,000 was authorized for BIP; but only \$75,408 expended. An explanation for this anomaly is the fact that BIP proposes to establish new institutional partnerships between the state, business, and training agencies. Little prior experience with such implementation models existed at the time of BIP's authorization.

For example, in 1983, Illinois established the Prairie State 2000 Authority, but it took almost three years to fully implement the program. It is now in its fifth year of operation and is often cited as one of the most successful models for work based education. The lessons learned were apparently worth the time and should be an example for Alaska.

The following recommendations are based upon what we have learned from the research and the experience of other states.

Administration is centrally located in their Department of Economic and Employment Development. Payments for training occur through a voucher system to pay for training at a recognized training agency; or through grants to a business consortium or individual business who arrange their own training method and curriculum.

The recommendation is that a recruitment method, similar to Maryland's program, be emulated in the Alaska Business Incentive Program.

3. That the business incentive program be targeted toward smaller businesses and that the business must match the grant with a 100 percent cash or in-kind match.

Targeting and Substitution Issues. To adequately support a public policy initiative like BIP or STEP, the state must be prepared to justify the program against two criteria. First, a method of targeting resources should be considered given the small amount of available assistance. Second, a method should exist to ensure that state general funds are not substituting for otherwise available private training monies.

A common approach used by other states in determining business need is the use of pre-application assistance. Business receiving a training grant should be able to cite the positive effects training is expected to have on the business. Specifically, it should be able to develop a training plan which identifies specific skills to be obtained by employees; whether these skills are likely to be important components of its overall business strategy; and the means of measuring the acquisition of the skills acquired in training.

Targeting is further assured through limitations that can easily be built into the statute.

- o One, by concentrating the majority of the money on small business under the theory that they are least likely to afford job specific skills training on their own. Small business is also responsible for the most significant number of new job openings. Maryland, for instance, concentrates 60 percent of its funding on businesses with less than 100 employees; New York, 50 percent.
- o Second, that funding be limited by either a percentage of available funds or a dollar amount. Illinois limits its grants to \$50,000, Maryland to 5% of the funds available in the appropriation. Both states' appropriations are similar in size to Alaska. Illinois' experience over the past four years is that grants average \$17,000 per business.

OJT payments are treated differently by the various state programs. California permits them, but only upon condition that time sheets are signed by the employee and trainer indicating the number of hours in training versus simply doing one's job. Illinois provides for OJT by not subsidizing wages of the trainee, but rather the employee who serves as trainer. Maryland and Kentucky do not permit OJT simply because the substitution issue weakens the argument for use of public funds.

The argument for training existing employees is fundamental to the business incentive program. By limiting training to existing employees, the government is responding to a private sector need as a partner. The uncertainties of matching trained workers to employer expectations is removed from the equation. Instead, the employer takes the initiative to train its existing workforce, including new hires. For example, when Federal Express entered the Alaska market there was a local desire to assist them in training new employees. The argument of most state programs is, "Fine...hire the new workforce, then enter into a partnership with the state to provide the skills training you require."

The recommendation is that only existing employees qualify and that training be oriented toward classroom or customized training and away from on-the-job wage subsidies.

5. That eligibility criteria for employees in training be simplified to being a current contributor to the Unemployment Insurance Trust under AS 23.20.

The Legislative intent of the statute and the eligibility criteria for employers and employees are currently at odds. The statute requires that trainees be unemployed, at risk of being unemployed, or marginally employed seasonal workers. Eligible employers, on the other hand, even include sole proprietor businesses who do not contribute to the Unemployment Insurance Trust under AS 23.20.

The strict employee eligibility in the statute makes the program clumsy to operate and has the potential of precluding private sector interest. Employers are restricted by whom they may hire, and to upgrade the skills of existing employees the employer must guarantee that the employee is about to lose his or her job.

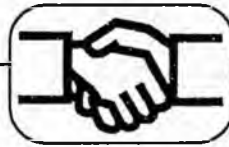
Because the funding source for the program is the Unemployment Insurance Trust, employers should be limited to those who are covered under AS 23.20.

The recommendation is that employee and employer eligibility be consistent with the purpose of the program. Both entities ought to be currently covered under AS 23.20 to be eligible for assistance under the program.

REFERENCES

The following sources of information were used for this report.

1. A special meeting of an Alaska Job Training Council Ad Hoc Committee for BIP, August 17, 1990.
2. A BIP workshop conducted under the auspices of a joint meeting between the Job Training Council and Private Industry Councils, November 10, 1990, facilitated by Steve Duscha, former Director of the California Employment Training Panel, and Peter Creticos, author of several research studies on state funded training programs.
3. Attendance by the Chair and council staff at an National Governors' Association workshop highlighting the Maryland "Partnership for Workforce Quality" legislation.
4. Examination of other state legislation and reports documenting outcomes of similar state funded workplace-based retraining programs, including:
 - Bluegrass State Skills Corporation, 1989 Annual Report, State of Kentucky.
 - "Evaluating State-Financed, Workplace-Based Retraining Programs," Research Report 89-08, Peter Creticos and Robert Sheets, National Commission for Employment Policy and National Governor's Association.
 - "Partnership for Workforce Quality: Maryland's Response to Skills Upgrading," Audrey S. Their, Maryland Department of Economic and Employment Development, NGA Center for Policy Research.
 - "State-Financed, Workplace-Based Retraining Programs," Research Report 89-01, Peter Creticos and Robert Sheets, National Commission for Employment Policy and National Governor's Association.



State Training and Employment Program (STEP)

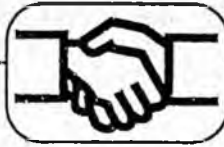
A State Employment and Training Program (STEP) was enacted by the Alaska State legislature in 1989. The goals of the program are: to foster new jobs through the availability of a skilled work force; to increase training opportunities for workers affected by technological changes and fluctuations in the state economy; and to reduce future claims against unemployment benefits. A small portion of the earnings of the Unemployment Insurance Trust Fund are dedicated for the STEP program, which was designed to supplement rather than supplant the JTPA program. Eligibility for the program is geared towards those who have paid into the unemployment insurance system. Each year, the Commissioner of the State Department of Labor provides a list of targeted services or projects. For PY89, the Commissioner targeted the Over-the-Horizon Backscatter Radar project and Construction Trades Upgrad-

ing/Retraining for projects. The Alaska Statewide SDA awarded two Backscatter Radar project grants, AHTNA Heritage Foundation and the Alaska Apprenticeship and Training Coordinator's Association. Both contracts seek to prepare the local labor force for the skilled jobs that will become available as the Backscatter project begins. Four contracts were awarded under the Construction Trades Upgrade project. Two grants were awarded to the Alaska Laborer's Training Trust Fund for Asbestos Abatement training in the Nome and Juneau areas. Both communities anticipated the start-up of large asbestos removal projects. Two grants were awarded to the Fairbanks Area Painters and Decorators to provide Hazardous Painting Certification and an Industrial Painting/Corrosion Control training to rural residents in the interior. Seventy-six clients were served in PY89's STEP program.

The Nome Asbestos Abatement project promoted local hire by training Nome area residents in asbestos removal. Those who completed the program were hired to work at the Nome Beltz High School. The contractor, Asbestos General, was very impressed by how well trained and hard working the STEP trained workers were.



Pete Larsen (right), of the Nome Laborers Union Local 942 shows asbestos removal trainees Robert Curran, Jr. (left) and Dan Olanna (middle) how to use a glove bag. Glove bags are used for small scale asbestos jobs or when removing asbestos from pipes.



Business Incentive Program (BIP)

The Business Incentive Program (BIP) was passed by the Alaska State Legislature in 1989 and was designed to promote and encourage the creation of new jobs in private industry.

The Alaska Statewide Service Delivery Area funded the University of Alaska Southeast, Institute of Mining Training (IMT) to provide advanced mining training to participants eligible under the Business Incentive Program. Five participants were trained in the development of a new mine site through "hands-on" experience. The trainees put much of their classroom knowledge to use by drilling, blasting, mucking and using the necessary equipment to prepare an actual mine site. The mine is now ready to be used as a permanent underground classroom for future IMT students.



"The local mining industry is very involved in this training project, but from the start has avoided becoming the actual training agency. Through this project trainees got actual mining experience, the Institute of Mining Technology (IMT) developed an underground mine site in which to provide training, and the industry will get more thoroughly trained employees. The underground facility could not have been developed in time without the assistance of the Business Incentive Program and the trainees."

*Robert Greig
Director/Curriculum
Institute of Mining Technology*

"I would not have my job at Echo Bay [Mining and Exploration] without the "hands-on" experience I got through the Business Incentive Program (BIP). There aren't many people around with these skills, so I really had an edge."

*James Anderson
BIP Participant*



WALTER J. HICKEL
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 11, 1991

The Honorable Richard I. Eliason
President of the Senate
P.O. Box V
Juneau, AK 99811

Dear President Eliason:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill to extend, for a one-year period, the pilot project for state training and employment programs, and associated employment contributions. The pilot project was established in 1989 (ch. 95, SLA 1989) and is due to expire on July 1, 1991. Due to delays in the start-up of the program, additional time is needed to evaluate the effectiveness of the program.

Several other states have passed legislation that has resulted in successful employment training programs. There is broad-based support for the bill in Alaska from labor and industry. I urge your early and favorable consideration of this bill.

Sincerely,

A handwritten signature in black ink that reads "Walter J. Hickel".

Walter J. Hickel
Governor

**DOCUMENTS WHICH HAVE NOT BEEN FILMED BUT ARE
AVAILABLE IN THE ORIGINAL FILE INCLUDE:**

CORRESPONDENCE AND STATEMENTS OF SUPPORT FROM:

1. OLDER PERSONS ACTION GROUP, INC., 4/4/91
2. MILA, INC., 4/4/91
3. GENERAL TEAMSTERS LOCAL 959, STATE OF ALASKA
4/3/91
4. STATE JOB TRAINING COUNCIL, 4/3/91
5. ALASKA STATEWIDE PRIVATE INDUSTRY COUNCIL,
4/2/91
6. PRIVATE INDUSTRY COUNCIL (ANCHORAGE/MAT-SU
CONSORTIUM), 3/29/91